

Bulletin to All PPV Insurers

Private Passenger Vehicle Benchmark Schedule Effective October 1, 2022

Bulletin 05-2022

September 30, 2022

Purpose

The Automobile Insurance Rate Board (AIRB) is issuing this Bulletin to advise all private passenger vehicle (PPV) insurers operating in Alberta the 2022 Annual Review of PPV experience has been completed on data to December 31, 2021. The AIRB has approved the PPV Industry Benchmarks Schedule (Schedule), effective October 1, 2022. The AIRB has posted the Schedule and the related actuarial report on the AIRB [website](#).

Background

On July 1, 2014, Section 9 of the Automobile Insurance Premiums Regulations came into effect, requiring the AIRB to conduct an Annual Review of industry experience based on data to December 31. In addition, AIRB Policy Po6 requires the AIRB to conduct a Semi-Annual Review based on data to June 30.

On June 24, 2022, the AIRB shared the draft report for the 2022 Annual Review with the industry and invited them to participate through written submissions or presentations at the Open Meeting.

The AIRB has posted the final 2022 Annual Review Report to the AIRB [website](#).

Action Required

Based on the Annual Review analysis of Alberta PPV loss experience ending December 31, 2021, the AIRB approved the PPV Industry Benchmarks Schedule to take effect on October 1, 2022.

The AIRB expects insurers to use their data in rate filings to the extent possible, reflecting their mix of business and unique circumstances. Insurers may use the AIRB Industry Benchmarks when they do not have sufficient data or are unable to support the reasonableness of their assumptions. The AIRB will use these industry benchmarks as the basis of our review of PPV filings submitted on or after October 1, 2022.

If you have any questions relating to this Bulletin, please contact the AIRB at (780) 427-5428 or by email at airb@gov.ab.ca.

Laurie Balfour, MBA, CPA, CMA
Executive Director

Attachment

1. 2022 Industry Benchmarks Schedule – Private Passenger Vehicle - effective October 1, 2022.

2022 Annual Review Industry Benchmarks Schedule – PPV

Effective Date: For all filings submitted on or after October 1, 2022

Loss Development Factors

Appendix #1 outlines the AIRB approved benchmark loss development factors.

Loss Trends

The AIRB approved benchmark trend rates:

Coverage	Selected Past/Future Trend Rates
Bodily Injury	+7.0%/+5.0% ¹
Property Damage	+1.5% ‡
Direct Compensation for Property Damage	+1.5% ‡
Accident Benefits	+1.0%/+12.0% ²
Collision	+2.5% ‡
Comprehensive	+4.0% ‡
All Perils	+2.5% ‡
Specified Perils	+3.0% ‡
Underinsured Motorist	+2.0%
‡ For the 2022 annual review, future trend rates should be modified to account for changes in economic conditions.	

¹ Future trend rate begins November 1, 2020.

² Future trend rate begins January 1, 2015.

Insurers should use their data to select loss trend rates, to the extent it is credible, and provide full support and details. If an insurer does not have credible data, they may use these benchmark loss trend rates without further support.

Other Benchmarks

Other Benchmark	Selected Benchmark
Health Cost Recovery	Current ³
Operating Expenses	27.10%
Unallocated Loss Adjustment Expenses (ULAE)	1.126
Profit Provision	7.00%

³ Refer to the most current percentage published on the President of Treasury Board and Minister of Finance's [website](#).

**AIRB Approved Age-to-Ultimate Development Factors
As of December 31, 2021
Alberta Private Passenger Automobile (Excluding Farmers)**

**As of 2021-2
Age-to-Ultimate Factors
Incurred Claim Amount¹**

	Bodily Injury	Property Damage	Accident Benefits	Collision	Comprehensive	Comprehensive Theft	All Perils	Specified Perils	Underinsured
180-Ult	1.000	0.997	1.002	0.988	1.047	1.024	1.004	1.021	1.000
174-Ult	1.000	0.996	1.001	0.983	1.067	1.040	1.007	1.022	1.000
168-Ult	1.000	0.997	1.001	0.978	1.056	1.039	1.008	0.983	1.000
162-Ult	1.000	1.002	1.001	0.991	1.072	1.045	0.990	1.023	1.000
156-Ult	1.000	0.999	1.001	0.978	1.070	1.068	1.022	1.018	1.005
150-Ult	1.000	0.999	1.002	0.973	1.075	1.054	1.010	1.005	1.015
144-Ult	1.000	1.000	1.002	0.970	1.073	1.068	0.990	1.036	1.012
138-Ult	1.000	0.976	1.002	0.971	0.937	1.048	1.000	0.970	1.007
132-Ult	1.000	0.990	1.003	0.972	1.069	1.070	1.012	1.031	1.001
126-Ult	1.000	1.014	1.004	0.969	1.049	1.047	1.002	1.031	1.000
120-Ult	1.000	1.004	1.007	0.965	1.061	1.066	0.998	1.029	0.995
114-Ult	1.004	1.004	1.007	0.964	0.977	1.048	0.992	1.010	0.987
108-Ult	1.004	1.008	1.010	0.958	1.036	1.054	1.006	1.011	0.986
102-Ult	1.006	1.007	1.010	0.956	1.062	1.067	0.998	1.002	0.996
96-Ult	1.006	1.000	1.012	0.954	1.062	1.054	0.997	1.017	0.986
90-Ult	1.007	1.007	1.012	0.965	1.043	1.055	0.972	0.951	0.989
84-Ult	1.010	1.001	1.010	0.961	1.050	1.039	0.992	0.997	0.991
78-Ult	1.008	1.002	1.010	0.960	1.024	1.049	0.992	1.011	0.999
72-Ult	1.016	0.997	1.010	0.961	1.027	1.039	0.973	1.011	0.990
66-Ult	1.026	0.997	1.009	0.959	1.012	1.030	1.006	0.999	1.008
60-Ult	1.043	0.998	1.014	0.954	1.042	1.030	0.962	1.015	1.011
54-Ult	1.065	0.998	1.017	0.958	1.051	1.025	0.955	1.007	1.049
48-Ult	1.097	0.995	1.022	0.929	1.024	1.023	0.944	1.008	1.063
42-Ult	1.148	0.988	1.024	0.922	1.007	1.024	0.985	1.010	1.109
36-Ult	1.232	0.988	1.031	0.917	1.008	0.994	0.961	0.959	1.224
30-Ult	1.359	0.975	1.036	0.913	1.030	0.977	0.992	1.002	1.446
24-Ult	1.562	0.943	1.007	0.908	0.882	0.960	0.954	1.000	1.889
18-Ult	1.812	0.902	1.067	0.824	0.965	0.938	0.884	1.001	2.222
12-Ult	2.134	0.952	1.113	0.711	0.918	0.813	0.901	0.991	2.974
6-Ult	2.926	1.211	1.160	0.592	0.924	0.871	0.763	0.910	8.016

¹ The loss development factors presented in Appendix A of Oliver Wyman's 2022 Annual Report differ from those presented in this bulletin. The factors presented herein may be applied directly to the full industry experience (without data exclusions made by Oliver Wyman) to estimate ultimate amounts that reconcile to the frequency, severity, and loss cost estimates selected by Oliver Wyman. The factors presented in Oliver Wyman's report are based on data that excluded one major insurer with erroneous data for physical damage coverages.

As of 2021-2
Age-to-Ultimate Factors
Incurred Claim Count²

	Bodily Injury	Property Damage	Accident Benefits	Collision	Comprehensive	Comprehensive Theft	All Perils	Specified Perils	Underinsured
180-Ult	1.000	0.969	1.000	0.994	1.056	1.011	1.011	1.017	1.000
174-Ult	1.000	0.948	1.000	0.935	1.059	0.997	1.006	1.017	1.000
168-Ult	1.000	0.964	1.000	0.966	1.051	1.010	1.004	0.973	1.000
162-Ult	1.000	0.954	1.000	1.005	1.061	1.039	1.001	0.999	1.000
156-Ult	1.000	0.959	1.000	0.994	1.056	1.051	1.010	1.011	1.000
150-Ult	1.000	0.946	1.000	0.999	1.065	1.031	1.008	1.005	0.996
144-Ult	1.000	0.961	1.000	0.996	1.050	1.034	1.005	1.036	0.989
138-Ult	1.000	0.772	1.000	0.984	0.918	1.026	1.005	0.962	0.983
132-Ult	1.000	0.959	1.000	0.976	1.065	1.063	1.015	1.031	0.974
126-Ult	1.000	0.984	1.000	0.982	1.045	1.043	1.010	1.031	0.941
120-Ult	1.000	0.980	1.000	0.971	1.044	1.038	1.003	1.029	0.933
114-Ult	1.000	0.980	1.000	0.963	0.951	1.036	1.004	1.010	0.891
108-Ult	1.000	0.984	1.000	0.953	1.042	1.056	1.014	0.997	0.854
102-Ult	1.000	0.988	1.000	0.955	1.049	1.068	1.011	1.015	0.830
96-Ult	0.999	0.983	1.000	0.931	1.030	1.055	1.006	1.002	0.801
90-Ult	0.999	0.987	1.000	0.939	1.032	1.050	0.987	0.971	0.775
84-Ult	0.999	0.981	1.000	0.934	1.016	1.043	0.999	1.003	0.729
78-Ult	0.998	0.982	1.000	0.932	1.013	1.054	1.002	1.004	0.681
72-Ult	0.997	0.986	1.000	0.931	0.986	1.048	1.002	0.989	0.627
66-Ult	0.996	0.985	1.000	0.924	0.998	1.047	1.010	1.009	0.594
60-Ult	0.995	0.985	1.000	0.926	0.988	1.044	0.991	1.014	0.557
54-Ult	0.993	0.983	1.000	0.927	1.031	1.052	0.997	1.004	0.527
48-Ult	0.991	0.976	1.000	0.915	0.960	1.040	0.981	0.996	0.499
42-Ult	0.988	0.974	1.000	0.917	0.982	1.044	0.986	1.009	0.474
36-Ult	0.993	0.977	1.000	0.924	0.940	1.021	0.941	0.982	0.483
30-Ult	0.996	0.958	1.000	0.939	1.003	1.011	0.963	1.000	0.543
24-Ult	1.034	0.933	1.000	0.934	0.916	1.019	0.978	1.000	0.771
18-Ult	1.075	0.919	1.000	0.901	0.981	1.013	0.941	1.010	0.892
12-Ult	1.083	0.953	0.996	0.864	0.954	0.988	0.958	1.010	1.089
6-Ult	1.246	1.088	0.974	0.687	0.989	1.021	0.845	1.032	1.499

² The loss development factors presented in Appendix A of Oliver Wyman's 2022 Annual Report differ from those presented in this bulletin. The factors presented herein may be applied directly to the full industry experience (without data exclusions made by Oliver Wyman) to estimate ultimate amounts that reconcile to the frequency, severity, and loss cost estimates selected by Oliver Wyman. The factors presented in Oliver Wyman's report are based on data that excluded one major insurer with erroneous data for physical damage coverages.