

Frequently Asked Questions

Last Updated December 7, 2023

Note: The Questions and Answers are being updated as information is available.

Ministerial Order 38/2023

1. Why is the Rate Pause being replaced with a Cap on “Good Drivers”?

The government is evaluating options to address the cost pressures leading to rising insurance premiums. They want to ensure any future long-term reforms are effective and sustainable and have commissioned an external consultant conduct a study of long-term reform options, the final report is expected by the first quarter 2024.

In the meantime, to address affordability challenges Albertans are facing they are implementing short-term reforms to assist Alberta drivers now. The short-term reforms include a cap on “Good Drivers”.

2. How long is the rate cap on “Good Drivers” effective?

The Ministerial Order is effective January 1, 2024, and will remain in force until rescinded.

3. Will the amount of the rate cap change annually?

Yes, the rate cap is indexed for inflation and is tied to Alberta’s Consumer Price Index, as calculated in September for the preceding calendar year. The rate is 3.7% for policies renewing in 2024.

4. What is the definition of a “Good Driver”?

The Ministerial Order defines a “Good Driver” as a driver who, irrespective of their number of years of driving experience, on the inception date of the renewal of their auto insurance policy, does **not** have:

- i. any at-fault claims in the previous six years,
- ii. any criminal code convictions in the previous four years,
- iii. any major convictions in the previous three years, and
- iv. more than one minor conviction in the previous three years.

5. Are there exceptions to the Ministerial Order, where a “Good Driver” may see an increase over 3.7% in 2024?

The rate cap for “Good Drivers” does not apply to:

1. an insured whose risk profile has materially changed by:
 - a) moving from one rating territory established by their insurer to another, where the new rating territory poses a higher overall risk rating for all coverages combined,
 - b) adding or substituting a vehicle on the insured’s policy,
 - c) the insured having significantly modified their existing insured vehicle in a manner that materially increases the risk of the original vehicle that was insured;or

- d) adding a new driver to their insurance policy who has a worse driving record or a higher overall risk rating than the policyholder,
- 2. new business; or
- 3. the Grid base premium for basic automobile insurance coverage established by the Automobile Insurance Rate Board (bodily injury, property damage tort, and accident benefits).

6. Will a Photo Radar Ticket Impact a Driver's Premium?

Photo radar tickets do not count against the criteria set for a Good Driver.

7. One of the exclusions to the cap on Good Drivers is if the Policyholder moves from one rating territory to one which poses higher overall risk, what does this mean?

Insurers consider the risk of a policyholder making a claim in establishing rating territories. When a policyholder moves from a rural rating territory to an urban one for example, move from Entwistle to Edmonton, the risk of making a claim increases due to differences in traffic density, crime, and potential weather impacts. Insurers will need to demonstrate a policyholder has moved to a territory posing a higher overall risk when excluding them from the Good Driver rate cap.

Each insurer determines their own rating territories so if the policyholder is moving, they should consider shopping the market to confirm the best premium available.

8. How is the Rate Cap different than the Rate Pause?

The rate pause prohibited the AIRB from approving a change to a rating program resulting in an increase to any policyholder. The rate cap allows the AIRB to approve changes to an insurer's rating program, however insurers must ensure no policyholder meeting the definition of "Good Driver" sees an increase greater than the Alberta Consumer Price Index as reported each September.

The rate cap only applies to renewal policies, a policyholder shopping the market will not see premiums capped at 3.7%.

9. Does the Rate Cap apply to New Business?

No, it applies only to renewal business. New customers are not subject to the cap for "Good Drivers".

10. What are the benefits of shopping the market if the rate cap doesn't apply to new business?

All insurers set their prices differently and have different appetites for the type of driver they want to attract. A customer renewing their premium with a 3.7% rate increase may still find a lower premium by shopping the market, even though new business is not capped.

An insurer who receives approval to increase new business by 10% may still have rates lower than their competitor's renewal premium.

11. When will the AIRB have a policy in place regarding returning excess insurance premiums?

The AIRB will establish a policy regarding when and how return of premiums might occur and will share the policy when developed. All questions related to returning excess premiums will be considered when a policy is developed.

12. How will the AIRB have oversight to ensure insurers are not overcharging policyholders?

When insurers file for a rating program change, the AIRB will require the insurer to disclose how many vehicles are receiving rate over the threshold set in the Ministerial Order.

13. How will the cap on Good Drivers be enforced?

All insurers are required to comply with the Insurance Act, regulations, Ministerial Orders, Superintendent and AIRB bulletins, notices, and orders. Insurers who are not in compliance with the Ministerial Order may be subject to enforcement action by the Superintendent of Insurance.

14. Change in Risk Profile Clarifications - Section #3 of the Ministerial Order says the Good Driver rate cap does not apply to an insured whose risk profile has changed. In the example, where a customer loses a multi-policy or occupational discount, is this customer excluded from the Good Driver rate cap?

The AIRB does not consider the use of discounts provided in the example as a measure of risk profile, rather these are considered marketing tools used by the insurer to attract customers.

The Ministerial Order applies to the rate approved for situations covered in the Ministerial Order, not whether a discount is removed for circumstances not encompassed within the safe driver definition. The rate calculated based on an approved rating program will be capped to 3.7% if the customer lost a discount due to their action i.e., moved property policy to a new insurer therefore losing the multipolicy discount. In this case, they may end up paying more than a 3.7% increase.

15. Does the Cap on Good Drivers only apply to the Approval of a Change to a Rating Program?

The Ministerial Order applies to any change to an insurer's rating program. If an insurer chose not to file to avoid capping increases for Good Drivers, the AIRB will use its new authority to require a rate filing to ensure the spirit of the Ministerial Order is followed for all insurers and all Albertans who meet the definition of Good Driver receive the rate relief.

16. Will Superintendent of Insurance Interpretation Bulletin 02-2023, on Underwriting Rules Pertaining to Section C Expire on December 31, 2023?

At this time, the AIRB is not aware of any plans for the Interpretation Bulletin to be renewed.

17. If a policyholder has an Accident Forgiveness Endorsement (SEF 39) on their insurance policy and they have an at fault accident, do they still qualify for the Good Driver Cap?

No, if the driver has had an at fault accident within the last 6 years, they do not meet the criteria for a Good Driver and their premium is not capped at 3.7%. However, if the driver had the endorsement on their policy the insurer cannot rate them for the at fault accident.

- 18. Does the cap on Good Drivers apply only to rate changes taken in 2024 and onwards, i.e., prior changes flowing through to renewal customers would not be capped?**
Yes, but once the insurer implements a rating program change and the Good Driver Rate Cap, drivers meeting the definition would be capped at 3.7%. Also refer to FAQ 77 and 79.
- 19. We have an approved rate increase flowing through into March 2024. Does the 3.7% limit apply at a customer level to rate increases previously approved?**
Not until the insurer implements changes to the rating program, and the Good Driver rate cap takes effect. Once the insurer implements a change to rating program all Good Drivers will be capped at 3.7%
- 20. Policy renewals have been issued into 2024. Do these renewals need to be re-issued with a 3.7% cap applied to good drivers?**
No.
- 21. Do rate changes for endorsements fall under the rate cap?**
Yes, the rate cap for Good Drivers applies to the total rate increase in any one calendar year for any individual policyholder, so changes to endorsements is included in the 3.7% rate cap for Good Drivers.
- 22. Does Ministerial Order 38/2023 apply only to Private Passenger Vehicles (and excludes Motorhomes, ATV, Snowmobiles, Motorcycles, etc.).**
Yes, section 2 of the Ministerial Order, clearly states it applies only to private passenger vehicles.
- 23. Regarding the definition of Good Driver, can you clarify the insurance and license experience requirement (i.e., if the driver is only licensed for 2 years, do they satisfy the at fault accident-free rule in 6 years since they technically do not have at-fault losses in the last 6 years?**
Yes, the Ministerial Order section 1 c defines a Good Driver and is clear it is it applies irrespective of the number of years driving experience. For example, if a driver has 1 year experience and no at fault claims, or convictions they meet the definition of Good Driver.
- 24. If an insurer changes their territory definitions to reflect current risk are those risks excluded from the Good Driver rate cap?**
No, the Ministerial Order states the insured must move from one rating territory to one which poses higher overall risk. If the policyholder does not move to a higher risk rating territory, they are not excluded from the Good Driver rate cap.
- 25. Does the Cap on Good Drivers mean the base rate change plus any relativity changes made to our rating program for this cohort of good drivers cannot exceed 3.7% (considering we do not have a capping mechanism in place)?**
All insurers are required to comply with the Ministerial Order and ensure all Good Drivers do not see an increase in premium greater than 3.7%.
- 26. Does the Good Driver rate cap apply at a vehicle level or a policyholder level? In the case where the policyholder has two or more vehicles, is the policy capped at 3.7% or each vehicle capped at 3.7%?**
The cap should be applied on the vehicle level, with each vehicle driven by a “Good Driver” capped at 3.7%.

27. Is the capping at a policy level, driver level, coverage level, or vehicle level?

Refer to FAQ #26.

28. When more than one driver is assigned to a vehicle, must all drivers assigned meet the definition of Good Driver to be capped? Or is it just the Principal Operator?

The current practice for most insurers is to rate the vehicle based on the highest risk driver, therefore if one driver does not meet the requirements of Good Driver the premium for this vehicle would not be capped at 3.7%

29. Are Occasional Operators evaluated on their own merit against the Occasional Driver rating (Class 05/06)? In other words, if the underage driver is a Good Driver, but the Principal Operator (PO) is not, shall the cap only be applied to the Class 05/06 premium, and not the PO's premium?

If one driver rated on the vehicle does not meet the definition of Good Driver, then the vehicle is not capped at 3.7%

30. Usage Based Insurance is an optional offering whereby customers consent and agree to have their premiums vary based on their driving behaviors. Their introductory or earned discounts may reduce with poor driving behavior. Does Ministerial order preclude insurers from increasing their premium more than 3.7% due to poor driving behavior?

No.

31. A driver who is conviction-free and at renewal is found to have a conviction should pay higher rates – does the Ministerial Order preclude insurers from increasing the premium based on previous approvals given conviction-free rating supports safer driving?

If the driver does not meet the definition of Good Driver at renewal, they would not be capped at 3.7%.

Also refer to FAQ 78.

32. Section 3 of the Ministerial Order does reflect other changes a customer may make which result in an increase in premium, for example, change in commute/annual km, increase or addition of coverage, would the driver be capped at 3.7% in these circumstances?

If the policyholder makes a change to their coverage increasing their risk mid-term or at renewal, the change would not be capped at 3.7%.

33. Customers who purchase Standard Endorsement Form (SEF) 18 (Replacement Cost Endorsement) pay higher rates every year because the gap between replacement and Actual Cash Value increases. If there is no exception in the Ministerial Order for this endorsement can an insurer remove this coverage from the policy?

No, insurers are expected to follow their underwriting guidelines as in place today.

34. Does the Good Driver cap apply to fleet rated vehicles.

The Good Driver Cap applies only to individually rated private passenger vehicles.

- 35. Can the 3.7% increase to base rates be filed through a file and use or will you require a full filing?**
The filing can be submitted under the AIRB's File and Use Filing guidelines, provided filing meets the criteria outlined in our Filing Guidelines. If in doubt, we recommend contacting the AIRB prior to submitting a filing.
- 36. If a policyholder is market rated and following a change the grid rate becomes the lower premium, does the 3.7% cap apply or does the grid cap apply?**
There is no change from the existing requirements for the insurer to charge the lower of the Grid or their premium, if at renewal the Grid rate is the lower premium the insurer will charge the Grid rate.
- 37. The application of the GRID is described in the Q&A. We would need further clarification on how the 3.7% maximum applies to optional coverages for "good drivers" who are on the GRID?**
The rate cap on Good Drivers would apply to DCPD and any additional coverages a Grid rated driver has on their policy.
- 38. Does the AIRB have discretion to apply the rate cap on an insurer-by-insurer basis, considering each insurers' circumstances and rate deficiency?**
No, the AIRB is required to comply with the Ministerial Order.
- 39. Considering significant residual capping is expected to accumulate, is the AIRB expected to continue to base rate decisions on uncapped indications?**
Yes, as not all insurers have capping in place.
- 40. Can we have a confirmation the 3.7% maximum for Good Drivers can be handled through capping?**
Insurers who have systems capability to utilize rate capping should contact the AIRB to discuss how it would be implemented to ensure compliance with the Ministerial Order.
- 41. The filing guidelines highlight "There is clear communication to consumers about premium changes". What is the expectation following the introduction of the cap for Good Drivers?**
The AIRB has issued [Bulletin 9-2023](#) to insurers detailing out expectations for drivers who are not subject to the 3.7% cap at renewal in early 2024, or who do not meet the definition of Good Driver.
- 42. When can we expect the update for the 2025 rate cap considering insurers will need to implement the new cap in their systems?**
The 2025 Good Driver rate cap is not expected to be calculated until late October 2024, as it requires the Consumer Price Index data for September 2024 to be published.
- 43. The Superintendent recently introduced the possibility for insurers to take adverse contractual actions when a customer has committed fraud or has misrepresented their situation. Would the "Good driver" cap apply for these customers?**
If a good driver misrepresents their risk, then the insurer can terminate or not issue the policy. If insurer is a renewing an insured who meets the definition of a good driver and the insured misrepresents, then the insurer can take Adverse Contractual Action (ACA). Once an ACA is taken, the policyholder would no longer be a renewing customer, and not subject to the Good Driver rate cap.

44. A “good driver” could have 0 or 1 minor conviction in the last three years. Therefore a “good driver” who has 0 minor traffic convictions for the previous term and then one in the current term, will still meet the definition of a “good driver” at renewal. However, applying the insurer’s relativities for minor convictions as below for third-party liability coverages the policyholder would experience an increase in premium greater than 3.7%. This is assuming 0% base rate changes and no changes in other rating factors. In this scenario there is a 0% rate change. Other premium increases could also occur due to the aging of a vehicle/driver or changes to rate groups etc.

In the example above, the driver would be capped at 3.7%, as they meet the definition of Good Driver.

45. Can we implement new segmentation to our rating program under the Ministerial Order?

Insurers are required to be in compliance with the Ministerial Order, and should contact the AIRB to discuss segmentation and how it would be implemented under the rate cap.

46. If the insured did not have collision coverage and upon renewal want to add it to their policy, is the collision coverage also subject to the 3.7% cap?

Refer to FAQ #32.

47. If an insured wants to increase their liability limit from \$1 million to \$2 million, is this subject to the 3.7% cap? Same if the insured wants to reduce their deductible?

Refer to FAQ #32.

48. Does this apply to renewals with effective dates January 1 forward? Or does this apply to filings with effective dates after January 1?

Refer to FAQ #18 - 20.

49. The Ministerial Order states the AIRB may not approve any rate changes to an insurer’s rating program for PPV resulting in a rate increase of more than the Alberta Consumer Price Index (as of each September) for any individual policyholder meeting the definition of a “good driver”. As such, does the Ministerial Order only apply to newly approved rates effective January 1, 2024?

Refer to FAQ #18 - 20.

50. The FAQ to the Ministerial Order states effective January 1, 2024, good drivers are to be capped at 3.7% (unless they meet very specific criteria). It states the Ministerial Order applies to any change to an insurer’s rating program, not only to the Approval of a Change to a Rating Program? Would this therefore include any rate flowing through an insurer’s portfolio already?

Refer to FAQ #18 & 19.

51. These are tight timelines (renewals effective January 1, 2024), depending on what is in-scope, how do we manage the fact renewals will soon be processed for January 1, 2024, leaving very small opportunity to make systems changes. Is there any guidance on expectations to meet these timelines?

Refer to FAQ #20.

52. The FAQ of the Ministerial Order states it applies only to renewal business. New business customers are not subject to the cap for “Good Drivers”. Do mid-term transactions on existing renewal business also have to be capped at 3.7% for good drivers?

Refer to FAQ #32.

53. The Ministerial Order defines material changes to the risk profile as being exempt from the cap. Would this apply similarly if the changes are made effective at the renewal date or mid-term in the policy period?

Refer to FAQ #32.

54. Since there are very limited changes qualifying as “material” per the Ministerial Order (4 specific cases in particular), does this mean all other changes made to a risk profile would be subject to the cap? Would it matter if the changes are made effective at the renewal effective date or mid-term in the following examples:

a) change in use – e.g., no commute to commuting, increased commute distance, increased in annual km, adding business use, etc.?

Refer to FAQ #32.

b) change in drivers – e.g., adding an occasional driver?

Refer to FAQ #32.

c) change in coverage – e.g., increase from \$1,000,000 to \$2,000,000 liability, adding collision, comprehensive or all perils, adding endorsements, changing deductibles, etc.?

Refer to FAQ #32.

d) change in eligibility for discounts - e.g., multi-line, multi-vehicle?

Refer to FAQ #14.

55. Does the cap apply to all coverages (Total premium) or just the basic mandatory coverages?

It applies to all coverages.

56. The Government has advised the AIRB will carefully monitor rate increases in 2024 to ensure they are reasonable and justified, what does reasonable and justified mean?

– Reasonable will be determined on an insurer-by-insurer basis, however given affordability challenges, reasonable will consider the rate impact to policyholders under the Ministerial Order as well as flow through implications once the Ministerial Order is removed.

– Justified will be determined through actuarial review and analysis.

57. Do CLEAR rate group changes have to be subject to the cap for Good Drivers?

Yes.

58. Does the Ministerial Order expect the cap for Good Drivers to apply on a policy-basis or on a vehicle basis?

Refer to FAQ #26.

59. Until we are ready to file a rate change and other changes, do we need a filing to change our current capping if we make no other changes?

Refer to FAQ #19.

60. Do you expect most insurers to mainly report exceptions to the inflation cap (3.7% in 2024) in the Excel sheet under at fault claim, convictions, and Grid?

Range of Rate Change	Dislocation Uncapped as Filed in CARS	At fault Claim in previous 6 years	Criminal Code Conviction in previous 4 years	Major conviction in previous 3 years	More than 1 minor conviction in previous 3 years	Change in Territory with higher Risk Rating	Change in Vehicle	Change in Driver	Grid Rated
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Yes, changes in rating territory, vehicle, or driver most likely occur mid-term rather than at renewal, and if the insured has already been rated for the change mid-term, at renewal they will be capped at 3.7%. If the insured has not yet been rated, i.e., for change in territory mid-term, this will may be excluded and reported at renewal.

61. Are CLEAR updates excluded from the 3.7%?

No.

62. Can an insurer allocate all their residual rate need to non-Good Drivers, given they are limited to 3.7% for Good Drivers?

No, any rate increase for non-Good Drivers must be justified, and subsidization of Good Drivers is not justifiable.

63. The AIRB Filing Guideline on page 3 states a file and use filing is only permitted where the insurer is:

h) Meeting the consumer impact thresholds.

- a. Introducing dislocation to any policyholder no greater than the amount of the Alberta Consumer Price Index as of each September, unless for the exceptions as outlined in Ministerial Order 38/2023 prior to capping for PPV.
- b. Introducing less than +10.00% dislocation to any policyholder prior to capping over 12-month period for Motorcycles, and
- c. Introducing less than +15.00% for all other vehicle types.

The thresholds in a and b above do not apply when updating rate group tables or changes to endorsement premiums. This guidance appears to conflict with the information provided in the AIRB Frequently Asked Questions number 21 and 33, please clarify.

The Filing Guidelines have been updated to make clear applies to b and c, while the Ministerial Order is in force.

64. The Ministerial Order states: “It is the policy of the President of Treasury Board and Minister of Finance that the AIRB may not approve any change to an insurer's rating program for private passenger vehicles that results in a rate increase in any one calendar year of more than the Alberta Consumer Price Index (as calculated in September of the preceding calendar year) for any individual policyholder who meets the definition of a “good driver.”” Does this mean if the policyholder does not meet the definition of a “good driver”, no vehicle will be under the 3.7% cap, or is the phrase “individual policyholder” intended to mean “individual driver” or “individual insured”?

FAQ #26 advises the Ministerial Order should be applied on a per vehicle basis.

65. The Ministerial Order states: (d) "at-fault claim," "criminal code conviction," "major conviction," and "minor conviction" have the same meaning as set out in the AIRB Grid Guidance. In the Grid Guidance, an at-fault claim is limited to one that is covered under Third Party Liability. Does this mean an at-fault claim covered under collision would not invalidate the status of a “Good Driver”?

Section 1(1) (a) (ii) of the Grid Guidance covers most at fault accidents involving another driver, where the at fault party would claim through collision.

66. What happens when an insured increases coverage limits; is this increase subject to the 3.7% cap?

Refer to FAQ #32.

67. What happens when a vehicle has been insured with comprehensive only, and subsequently chooses to re-add coverage. Is this increase subject to the 3.7% cap?

In the case of a seasonal driver vehicle, like a classic car, the insurer is expected to charge a prorated renewal premium when the coverage is re-added mid-term, as is the current practice.

68. Would a non-standard Accident Waiver be considered in the same manner as the At Fault Accident Waiver Endorsement (AB-SEF 39)?

Refer to FAQ #17.

69. Would a rate change resulting from the policyholder's choice to change deductibles be subject to the 3.7% cap?

Refer to FAQ #32.

70. The Ministerial Order states this policy does not apply to:

(c) the Grid base premium for basic automobile insurance coverage established by the AIRB (bodily injury, property damage tort, and accident benefits).

Does this mean that vehicles that are capped by the Grid will also be subject to the 3.7% cap on optional physical damage coverages and optional endorsements?

Refer to FAQ #37.

71. Will the Ministerial Order be published?

Ministerial Order 38/2023 is expected to be published on the [Kings Printer](#).

72. Will the Good Driver rate cap be applicable for renewals which automatically roll to another insurance company at renewal? For example, a brokerage acquisition occurs where the acquiring brokerage does not have a contract with an insurance company the acquired brokerage has, and all the business automatically renews with a different insurance company. It's technically a renewal, but with a new insurance company.

It is new business for the insurance company, therefore not subject to the Good Driver rate cap.

73. Will brokers and agents receive information from insurer to communicate why a driver may see more than 3.7% at renewal even if they meet the definition of Good Driver?

Insurers are expected to provide brokers and agents with information, in addition to directly communicating with their policyholder. Refer to FAQ #41.

74. How many drivers will qualify as Good Drivers?

The Insurance Bureau of Canada has estimated 80% of drivers will meet the definition of Good Driver, however the AIRB cannot validate this estimate until insurers file and disclose how many vehicles are not capped at 3.7%.

75. If an insurer has existing rate capping in place will their internal rate capping apply for Good Drivers or is the expectation the insurer caps their cap to ensure a Good Driver does not receive a rate increase greater than 3.7%?

Good drivers would need to be capped at 3.7%.

76. Can you clarify how it works for rating programs offering discounts for conviction free, and where a conviction occurs?

If the driver gets a criminal code, major or second minor conviction between last renewal and the current renewal, meaning they do not meet the definition of Good Driver the driver would not be capped at 3.7%. The renewal will be priced based on the insurer's approved rating algorithm.

If the driver gets a new minor conviction, but still meets the definition of Good Driver, they are capped at 3.7%.

77. FAQ 18 implies rate changes going forward need to comply with "good driver" requirement when filing new rates, please clarify.

FAQ 18 asks if rate previously approved needs to be capped or if the cap only applies to rate changes taken in 2024 and onwards. The Ministerial Order says the AIRB may not approve any change to an insurer' rating program for private passenger vehicles that results in a rate increase in one calendar year of more than Alberta CPI (3.7% for 2024). Therefore, the Ministerial Order capping Good Drivers does not apply until the insurer files, receives approval, and subsequently implements a change to their rating program after January 1, 2024.

78. FAQ 31 suggests existing rating program which removes the reward for being conviction free when a conviction is found is not permitted. Conviction-free by its definition is only for conviction free drivers.

FAQ 31 say if the driver does not meet the definition of Good Driver, then they would not be capped at 3.7%, it does not say you cannot remove the conviction free discount, as the insurer will charge the premium calculated in their approved rating program for drivers who do not meet the definition of Good Driver.

79. Most companies, in my experience give a preferred rate under pre-existing rating programs (either through a lower relativity or a discount) for conviction free driving and if a conviction is found, the reward/discount/lower relativity is removed. This implies we cannot increase rates when the risk degrades with one conviction. This has been in place for years at most carriers so contradicts the answer to FAQ#18 which is go-forward.

The Ministerial Order prohibits the AIRB from approving a change to a rating program which would result in a driver meeting the definition set by Government of a Good Driver from receiving more than 3.7% increase. The cap on Good Drivers must be implemented, irrespective of what an individual insurer's rating program contains prior to January 1.

80. FAQ #14 implies rate cap does not apply when risk profile changes. The Ministerial Order applies to the rate approved not whether a discount is applied, please clarify.

Refer to FAQ 14, the response has been revised to increase clarity.

81. Can Occasional Drivers who are Principal Drivers on another vehicle be considered in the applicability of the rate capping?

A driver should be rated once where they are the driver on more than one vehicle. Therefore, in the case where there are two vehicles and two drivers one who is a Good Driver and one who is not, only the principal driver should be rated for each vehicle, resulting in one vehicle being protected by the Good Driver cap and one not protected.

82. Q19 states the cap on Good Drivers applies only to rate changes taken in 2024 and onwards (i.e., prior changes flowing through to renewal customers would not be capped). Q21 states endorsement premium is to be included in the 3.7% rate cap for good drivers. Customers who purchase SEF 43 pay higher rates every year, based on previously approved rates (in consideration that their overall risk level is increasing as renewal). How are insurers expected to apply the 3.7% cap for good drivers on customers with SEF 43?

If the insurer files, receives approval, and subsequently implements a change to their rating program after January 1, 2024, regardless of the premium calculated by their rating program for a driver meeting the definition of safe driver it will be capped at 3.7% in accordance with the Ministerial Order.

83. How often can an insurer file to change their rating program under Ministerial Order 38/2023?

The Ministerial Order does not restrict the number of times an insurer can file but restricts the amount of increase any Good Driver can see over a calendar year. The AIRB considers the implication of overlapping changes to rating programs and will not approve any change resulting in a Good Driver seeing more than 3.7% in a 12-month period. Therefore, if an insurer files, receives approval, and subsequently implements a change to their rating program effective February 1, 2024, they would not be approved for any further increase, subject to the CPI threshold in place for 2025, until at least February 1, 2025.

84. How long can an insurer go without filing a change to a rating program given the cap for Good Drivers does not apply until a new rating program is approved and implemented?

Refer to FAQ #15. If an insurer has not filed with the AIRB by mid-February 2024, the AIRB will follow-up.

85. Most insurers will consider a single vehicle accident paid under collision as an at-fault accident. The Grid Guidance definition does not include this type of accident. Does this mean a driver can have multiple single vehicle collisions (hitting trees, signs, ditches) and be considered a “Good Driver”?

Yes, the Ministerial Order uses the Grid Guidance definition of At Fault Accident. Section 1(1) (a) (ii) of the Grid Guidance covers most at fault accidents involving another driver, where the at fault party would claim through collision, however, does not include single vehicle collisions.

86. Will the existence of a ‘conviction waiver’ endorsement result in a conviction not being used in the count and eligibility of the “Good Driver” definition? (Similar to an accident waiver)

Refer to FAQ #17.

87. Will the AIRB provide a “higher risk rating territory” (FAQ #24) definition? Comparing two territories, one may have a higher territory differential for one coverage but a lower territory differential for another coverage. How is it determined which territory has the higher risk rating?

The intent was to capture drivers moving from a rural territory to an urban one, not for drivers moving across the city. Insurers will need to be able to defend the territory was in fact higher risk if the Superintendent reviews complaints of overcharging premium.

88. FAQ #32 it states the cap would not apply if changes were made to increase coverage, what about if the insured opts to decrease their coverage (but combined with an increase in base rates would lead to more than 3.7%). Would this risk profile have to be capped at 3.7%?

Yes

89. Is a rate change planned for the Grid in 2024?

Yes, the Ministerial Order does not prohibit the AIRB from making an adjustment to Grid rates. Anticipate a decision on the Grid premium adjustment will be made in January 2024 and effective May 1, 2024.

90. If a client has had one minor conviction and as a result loses the conviction-free discount, do we have to cap as of January 1, 2024?

Yes, the definition of Good Driver requires the insured to have more than 1 minor conviction to not be a Good Driver as defined by the Government.

91. Currently, there are a few rating factors which may cause the premium to increase on renewal, even if the insurer does not change rates, such as class or age. My understanding is the Ministerial Order only applies going forward, as such can we leave these rating factors as is and only make changes which will be capped with our next filing?

If the policy falls under the definition of Good Driver, it must be capped at 3.7% regardless of aging or other factors which change given the passage of time and are not related to a change in rating program.

92. Do we need to change our capping methodology to be compliant with the Ministerial Order (i.e., to ensure risk profile changes are capped)?

It is up to each insurer to determine how they will ensure each policyholder who meets definition of Good Driver will have the vehicle's premium capped at 3.7%, effective on the implementation date of their approved changes in 2024.

93. If we will use rate capping to ensure compliance with the Ministerial Order, so we need to file to change our capping?

Yes, any change to rate capping should be included in your first filing approved after January 1, 2024.

94. We were looking for some clarification on impact of this rate cap on grid rated policyholders. FAQ# 37 states: "The rate cap on Good Drivers would apply to DCPD and any additional coverages a Grid rated driver has on their policy." FAQ# 5 further mentions "The Grid base premium for basic automobile insurance coverage established by the AIRB (bodily injury, property damage tort, and accident benefits)" is exempt from the rate cap. Given the capping exists on a vehicle basis, please clarify the implication of this guidance on how capping is to be processed for a grid rated policyholder.

A Grid rated driver with basic coverage only will pay the Grid rates. A Grid rated driver with collision and / or comprehensive who meets the definition of Good Driver will pay Grid rates for bodily injury, property damage tort and accident benefits and have their collision and comprehensive premiums capped at no more than 3.7%. The AIRB is not advising insurers how to ensure the capping complies.

95. Will rate change proposals be subject to an overall 3.7% for all risks, or is it only specific to the good driver portion of the book?

Drivers who do not meet the definition of Good Driver, new business and the other exceptions noted in the Ministerial Order are not capped at 3.7%.

96. Do we have to implement the rate cap effective January 1, 2024?

Based on the Ministerial Order, the rate cap on Good Drivers is effective once the first filing approved by the AIRB after January 1, 2024, is implemented. Insurers are expected to file a change to their rating program to be in compliance with the Ministerial Order as soon as possible.

97. Follow up to FAQ #43- For example, if an insurer finds out the customer provided incorrect licensing information and thus resulting in years of experience changing from say 15 years to 5 years – can insurer rerate this insured (as in correcting this information) and not be subject to a cap? Or are the only allowed actions to take the Adverse Contractual Action and cancel the policy, or continue to write this risk but at 3.7% cap?

Yes.

98. The Ministerial Order states the policy does not apply to a risk profile that has changed due to: “iv. adding a new driver to their insurance policy who has a worse driving record or a higher overall risk rating than the policyholder.” What attributes are considered as an overall risk rating? For example, would years of insurance experience, years licensed, gender and/or marital status be considered?

Insurers should consider the criteria for Good Driver to determine if one driver is higher risk. under the Ministerial Order. Insurers will need to be able to defend their approach if the Superintendent reviews complaints of overcharging premium.

99. Is it possible for policyholders with small premium amounts to see an increase greater than 3.7% purely due to rounding?

No, the Ministerial order is clear no rate increase greater than 3.7%.

100. If a policyholder changes vehicles from a more expensive vehicle to a lower priced one, are they still exempt from the Good Driver rate cap?

Yes.

101. Confirm if a ‘Good Driver’ becomes grid rated on a proposed filing while not currently grid rated on current filing i.e., they will be Grid rated on renewal under a new proposed rating structure, FAQ #94 would still hold true and they will not be subject to the good driver rate cap on bodily injury, property damage tort and accident benefits?

At renewal the insurer is required to charge the lower of the insurer’s premium and the Grid premium. If the Grid premium is lower, the vehicle would be Grid rated and not capped at the rate of inflation for bodily injury, property damage tort and accident benefits. The remaining coverages would be capped at 3.7% (in 2024) if on the policy and the driver meets the definition of Good Driver.

102. If a new driver is a substituted driver and they maintain a Good Driver status, should they be capped at the new driver premium?

If the first premium change since the substitution occurs at first renewal, then no, the policy would be exempt from the Good Driver cap. If at the second renewal the driver maintains Good Driver status, then they would be capped at Alberta CPI.

103. Are we applying the Good Driver rate cap to the total premium before or after the comparison between grid rate and internal rate?

Since the Grid premium is an exception to the rate cap for Good Drivers, we anticipate insurers will first check if the vehicle is Grid rated, and if not Grid rated the vehicle is subject to the 3.7% rate cap.

104. Regarding Q81 in the FAQ the AIRB posted, says a vehicle has a primary driver classified as “good driver” and an occasional driver classified as “other driver”. Then, this vehicle will not be capped by the Good Driver rate cap. What if, 2 months after the renewal date, the occasional driver leaves the policy, where the vehicle now has only one driver, which is the “good” primary driver. Are we going to cap his/her premium for rest of the policy term, or the premium stay the same until the next renewal?

The premium would stay the same until the next renewal.

105. According to FAQ #5 and FAQ #101, even though the grid premium is not capped, the additional coverages still need to be capped by the Good Driver rate cap. In this case, are we only comparing the additional coverages to last year’s additional coverages and cap them at 3.7%, or are we still comparing the total premium while keeping the Grid constant (so the client will not see an overall change greater than 3.7%)?

If the risk is grid-rated and classified as a Good Driver, the insurer will be comparing the additional coverages to last year’s additional coverages and cap them at 3.7% and charging the appropriate Grid premium for the basic coverages.

106. If the 3.7% rate cap is removed because of a in change vehicles mid-term and the premium is substantially higher as a result, will insurers be required to offer a pro-rata cancellation due to the unaffordability of the policy from that point forward, or will short-rate cancellations continue to be permitted?

There should be no change in practice because of the Ministerial Order.

107. Does an insurer have to re-define their conviction free endorsement to indicate the discount would apply to drivers with one minor conviction or less?

If an insurer is seeking clarification on wording for a standard or conditionally approved endorsement, they should contact the Superintendent of Insurance.

108. In the case of a single driver policy with two vehicles if the driver does not qualify as a Good Driver does this mean neither vehicle should be subject to the cap?

Yes.

109. For a policyholder who was previously Grid rated, and who is no longer Grid rated upon renewal which prior premium should be used as the basis for capping, the Grid premium or the company’s normal premium?

For example:

Normal premium for Third Party Liability (TPL) and Accident Benefits (AB) coverages in the prior term = \$1020.

Grid premium for TPL and AB coverages in the prior term = \$1000.

Normal premium for TPL and AB coverages for the renewal term = \$1080.

Grid premium for TPL and AB coverages for the renewal term = \$1100.

Should the capped premium be (a) or (b) below?

(a) Capped renewal premium based on prior term normal premium = $\$1020 \times 1.037$
= \$1057

(b) Capped renewal premium based on prior term Grid premium = \$1000*1.037= \$1037

(a) would result in an increase experienced by the policyholder of \$1000 -> \$1057 (5.7% increase), but it seems odd to base the premium on (b).

The Ministerial Order intends to cap premium in an one renewal for Good Drivers, so regardless whether or not their prior year premium was Grid Capped, if the vehicle is not Grid capped at renewal, and the driver meets the definition of Good Driver, the premium charged last year is the starting point for capping their current year premium – to no more than 3.7%.

110. If a policyholder is in an accident, the driver is 100% not at fault, and the car is written off. Is the driver still excluded from the Good Driver rate cap because they are substituting a vehicle on the policy?

Yes.