

Bulletin to PPV Insurers

Grid Rating Program Premium

Effective May 1, 2024

Bulletin 02-2024

January 29, 2024

Purpose

The Automobile Insurance Rate Board (AIRB) is issuing this Bulletin to private passenger vehicle insurers operating in Alberta to advise the AIRB has concluded its 2024 review of Grid Rating Program (Grid) base premiums based on data to December 31, 2022, and the expectations around the implementation of the new Grid base premiums effective May 1, 2024.

Background

Authority & Timing

The [Grid Guidance](#) indicates the AIRB may adjust the Grid base premiums based on the Annual Review completed under Section 9 of the Automobile Insurance Premiums Regulation (Regulation) no later than October 1 each year. Additionally, on or before October 31 each year, the AIRB must publish a table determining the base premium for a driver by the territory in which they reside and the coverage they choose.

Although the AIRB's normal practice is to adjust the Grid base premium is effective the following January 1 in accordance with the Regulation, the President of Treasury Board and Minister of Finance issued Ministerial Order 11/2023 on January 25, 2023, prohibiting approval of any change resulting in a rate increase of more than 0.00% for any individual policyholder until December 31, 2023. Therefore, Ministerial Order 11/2023 did not permit the AIRB to approve a change to the Grid premium during the period January 25 to December 31, 2023.

In November 2023, Ministerial Order 38/2023 was issued announcing Good Driver rate protection. Section 3(c) of this Ministerial Order indicates the Good Driver rate cap does not apply to the Grid base premium for basic automobile insurance coverage established by the AIRB. This exclusion from the Good Driver rate cap enables the AIRB to increase the Grid premium greater than the rate of inflation in 2024, and advises Grid rated "Good Drivers" they may see a rate change greater than 3.7%.

Annual Grid Review Considerations

The AIRB reviews the Grid's vehicle composition, claims performance and rate indication annually in determining if an adjustment to the base premium is required. The AIRB recognizes the importance and impact of its decisions on Alberta drivers and the insurance industry.

The Grid is not static, drivers move up or down Grid steps each year based on their driving experience, and depending on the market changes may be Grid rated one year and not the next. As a result, we review the combined impact of movement and base rate change on the premium a driver will see. In addition, the Grid rate should only be the lowest for a small percentage of Alberta drivers. In this competitive market drivers should shop for the best price, and with direct compensation property damage (DCPD) set at market rates, Grid rated drivers can find lower premiums by seeking quotes prior to renewal.

We consider several factors when deciding on an adjustment to Grid base premiums. In addition to stakeholder

comments and analysis from our consulting actuary, Oliver, Wyman Limited, other factors considered include:

- ⚙ Premium stability;
- ⚙ Subsidization by the competitive market, if any;
- ⚙ Risk sharing pool size and profitability;
- ⚙ Impact on Grid population;
- ⚙ Impact of the premium change in conjunction to movement on the Grid;
- ⚙ Current Alberta market environment; and
- ⚙ Good Driver rate cap impact.

Grid & the Good Driver Rate Cap

In accordance with Section 8(1) of the Regulation, insurers are required to charge the lesser of the premium determined in accordance with a rating program approved under the Regulation or the Grid premium computed by the AIRB.

The AIRB considers the implementation of the Good Driver rate cap as part of the insurer's approved rating program and therefore expects insurers to apply the Good Driver rate cap to the policyholder premium prior to comparing the premium to the Grid premium to determine the lesser of the two. In the case where the Grid premium is lower than the insurer's premium for a driver meeting the definition of Good Driver, the driver will be subject to the Grid premium, and may receive an increase greater than 3.7%.

To illustrate this, Driver A's premium is calculated by the insurer, and the Good Driver rate cap is applied. Their premium is then compared to the premium for the applicable Grid step, and they are charged the lower of the two, which may result in a rate increase lower than 3.7%.

If Driver A was Grid rated in the previous policy term, and after the insurer has compared the rate capped at 3.7% to the current Grid premium for their Grid step at renewal, and the driver remains Grid rated they may see an increase greater than 3.7% as they will pay the Grid premium.

All drivers meeting the definition of Good Driver, and not subject to the exceptions noted in Ministerial Order 38/2023, will have premiums for collision, comprehensive and DCPD capped at 3.7%, regardless of whether the driver is Grid rated in accordance with the Ministerial Order.

Base Rate Premium Adjustment

The AIRB's decision on the Grid base premium adjustment is detailed in [AIRB Order No. 01-2024](#). All insurers must implement the updated base premiums effective May 1, 2024, and ensure compliance with the expectations under the Good Driver rate cap. The [Grid Guidance](#) has also been updated to reflect the changes to both the base premiums and relativities for Grid steps -14 and -15.

Action Required

Insurers must send an acknowledgment to the AIRB by April 1, 2024, verifying they have made provisions to comply with Order 01-2024. View the Order on our [website](#).

Should you have any questions relating to this Notice, please contact our office at (780) 427-5428 or by email: airb@gov.ab.ca.

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