

Alberta

## Automobile Insurance Rate Board – 2014 Annual Report

For the Year Ended December 31, 2014

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**Automobile Insurance Rate Board – 2014 Annual Report**  
For the Year Ended December 31, 2014



## LETTER OF TRANSMITTAL AND ACCOUNTABILITY STATEMENT

The Honourable Robin Campbell  
President of Treasury Board and Minister of Finance  
323 Legislature Building  
Edmonton, Alberta T5K 2B6

Honourable Minister:

The 2014 Annual Report of the Automobile Insurance Rate Board (AIRB) was prepared under the Board's direction in accordance with section 601(1) of the Insurance Act. The information presented reflects the actual activities, results and performance of the AIRB for the year ended December 31, 2014. All significant decisions, events and identified risks as of December 31, 2014 have been considered in preparing this Annual Report.

As Chair, I am accountable for the contents of this report. Where this report contains estimates and interpretive information it represents the best judgment of management.

Overall the AIRB is pleased with our performance in 2014 and we pledge our continued support to your office in pursuing the successful administration of the legislation as it relates to the Board.

On behalf of the Board and staff of the AIRB, I am pleased to submit the 10<sup>th</sup> Annual Report of the Automobile Insurance Rate Board, for the year ended December 31, 2014.

Sincerely,

**[Original signed by Allan Cleiren]**

Allan Cleiren  
Chair  
Automobile Insurance Rate Board



(AIRB)

# AUTOMOBILE INSURANCE RATE BOARD

## Automobile Insurance Rate Board

#2440 Canadian Western Bank Place  
10303 Jasper Avenue  
Edmonton, AB T5J 3N6

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For an electronic copy of this report,  
please visit: [www.airb.alberta.ca/  
annual-reports](http://www.airb.alberta.ca/annual-reports)



## VISION

An efficient and effective automobile insurance market with fair and predictable rates.

## MISSION

As an independent body, the AIRB will regulate rating programs of Alberta automobile insurers to ensure premiums are fair and predictable. The Board will also ensure consumers have access to information to facilitate informed choices.

## VALUES

- **Respect**

We foster an environment where consumers, industry, government and Board/staff members are valued and heard.

- **Accountability**

We are accountable for our actions and for contributing to the efficacy of the auto insurance system.

- **Integrity**

We behave ethically and are open, honest and fair in our dealings.

- **Excellence**

We use innovation and continuous improvement to achieve excellence.

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## CHAIR'S MESSAGE



Allan Cleiren, Chair

Alberta continues to provide a stable market for automobile insurance. One of the barometers of this stable market is the Consumer Representative's annual survey indicating that consumers continue to be satisfied with the automobile insurance products offered in Alberta. With the recent announcement that Usage Based Insurance ("UBI") may be permitted in Alberta by June 2015, we expect that 2015 will see opportunity for insurers to introduce voluntary UBI programs, which will offer consumers the possibility of lower premiums through discounts for good driver behaviour.

On July 1, 2014, the Enhancing Consumer Protection in Auto Insurance Act came into force giving the Board responsibility for regulation of both basic and additional coverage. Previously the Board only regulated basic coverage. The Board has been a proponent of this change as we believe it will reduce uncertainty in the market and provide a more efficient and effective regulation which, in turn, should foster greater competition for consumers over the longer term. In preparation of the effective date of the new Act the Board worked diligently with AIRB management to establish new policies, procedures and guidelines for the purpose of carrying out its new regulatory responsibilities under this Act. Changes included the removal of the Annual Industry-wide Adjustment process in place of a "File and Approve" process where each insurance company will be dealt with on its own merits.

As required by the Act and to ensure Board renewal and strong governance two Board members terms expired in 2014; Mr. Alfred Savage, the Board's former Chair and Merle Taylor the Board's former Consumer Representative both with over 9 years' experience on the Board, completed their third and final term. Both were the last two remaining members of the original Board that was formed in 2004 and were instrumental in the success of the AIRB. Their public service is very much appreciated. With the departure of these two members we welcomed Mr. Norbert Van Wyk, as Vice Chair, and Ms. Maureen Higgins to the Board on September 4, 2014.

The AIRB's success depends on its people. I am very appreciative of the expertise that our Board members provide and to our management and staff for their ongoing dedication and support. I would also like to thank the Honourable Robin Campbell, President of Treasury Board and Minister of Finance, Ray Gilmour, Deputy Minister; and Mark Prefontaine, Assistant Deputy Minister and his department for their continued support of the AIRB.

I look forward to 2015, as we remain committed to our vision of an efficient and effective automobile insurance market with fair and predictable rates.

Sincerely,

**[Original signed by Allan Cleiren]**

Allan Cleiren

Chair

Automobile Insurance Rate Board

# REPORT FROM THE EXECUTIVE DIRECTOR

Alberta's competitive environment for automobile insurance continued to provide opportunity for new products and services for consumers in 2014. The trend toward on-line quoting is an example of how companies are striving to improve service to consumers. Rates maintained their stability and affordability, and consumers for the most part continued to believe that rates in Alberta are fair and reasonable.

One of the contributors to this stability has been the ongoing introduction of private passenger vehicle safety features which are believed to have contributed to the historically low frequency rates for bodily injury claims. While frequency has been declining, pressure on premiums has been building from what we believe is adverse development resulting from issues such as a higher proportion of claims exceeding the definition of minor injury, increasing incidence of chronic pain, temporomandibular joint disorder (TMJ) (as a result of the Sparrowhawk decision), psychological injuries and a higher percentage of claims being litigated. The deterioration in basic coverage has caused the profit level to drop to -3% for 2013.

In 2014 the Board completed a review of rating territories and submitted a recommendation to the Superintendent of Insurance for review and implementation. Territory is a relevant rating factor that is incorporated into all rating algorithms. Currently, most insurers are limited to four rating territories (Calgary, Edmonton & district, Northern region and remainder of Alberta) for basic coverage but have the option to create their own territorial map for physical damage coverage, that is, collision and comprehensive coverage. The existing rating territories were created in the 1970s and have long since ceased to reflect Alberta demographics. The AIRB's recommendation if approved will modernize rating territories in Alberta.

## **New Automobile Insurance Premiums Regulation**

On July 1, 2014 changes to the Insurance Act along with a new Premiums Regulation came into force giving the Board authority for the regulation of both basic (third party liability and accident benefits) and additional (all perils, collision, comprehensive, specified perils, underinsured motorist endorsement and other endorsements) coverage in Alberta. The Board had been working with Government and stakeholders towards this end and supported this change.

## **Annual Review**

The Board is required under Section 9 of the new Premiums Regulation to conduct an annual review of automobile insurance trends and premiums relating to basic and additional coverage for private passenger vehicles. This annual review considers industry experience related to claims costs, administrative expenses, profitability and any other matters the Board considers appropriate. The Board is then required to publish a report of its findings by September 30 of each year. The report includes the consulting actuary's report, consumer representative's report and a schedule of industry benchmarks.



Del Dyck, Executive Director

In early 2014, the Board requested its actuary, Oliver Wyman, to complete an analysis of industry experience for the period ended December 31, 2013. Oliver Wyman's draft report was posted to the AIRB's website on July 3, 2014 for review by stakeholders. Stakeholders were provided opportunity to respond to this report at either an open meeting held on August 19, 2014 in Edmonton, by written submission or through the AIRB's Consumer Representative. At the open meeting the Board heard from its consulting actuary Oliver Wyman, the Consumer Representative and three stakeholders. The Board also received three written submissions. The Board considered the information received at this open meeting and the written submissions and requested Oliver Wyman to update its draft report as a result of any new information that was provided. The Board then published its final report on September 26, 2014 which includes as part of the Ratemaking Components Schedule, industry benchmarks to be used by the Board in its review of private passenger rate filings effective October 1, 2014.

### Consumer Information

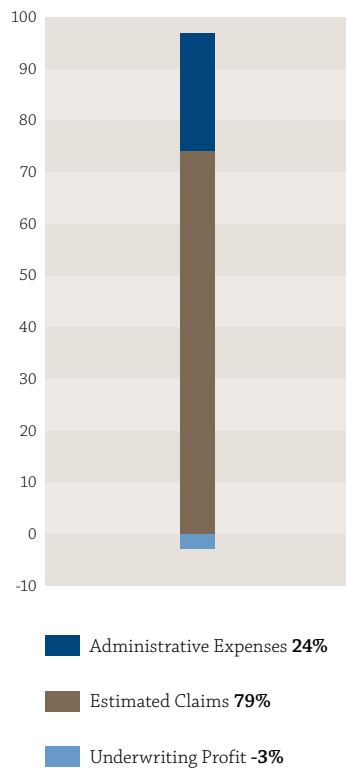
A feature of private delivery systems such as we have in Alberta is that drivers have choice and flexibility over their coverage and the price they pay for insurance. The AIRB's website features a comprehensive interactive rate comparison tool that allows drivers to compare insurance rates by company for a sample number of driving profiles and geographical locations. While this tool does not provide pricing for a specific driver, its purpose is to demonstrate the wide range of premiums that is available for the same coverage and that shopping for rates may result in a lower premiums. Consumers should be mindful that insurance providers compete not only on price but service and, therefore, price may not be the only determining factor in the selection of a provider. In addition to this tool, there is a wide range of consumer information on our website such as factors that affect your premiums, ways to lower your premiums, insurance providers, comparing rates, and the grid calculator. More information can be found at [www.airb.alberta.ca](http://www.airb.alberta.ca).

### Consumer Representative

The Consumer Representative, Ms. Merle Taylor, contracted a consulting and research firm to conduct her annual telephone and on-line survey of consumers' perceptions of automobile insurance in Alberta. Ms. Taylor conducted focus groups in Edmonton and Calgary as well as follow up interviews with a number of participants located elsewhere in the province and met with insurance brokers to discuss their experience in the market. As part of her process, she also reviewed data from other provinces, traffic safety trends and other indications. Consumers also contacted her by e-mail and letter with their specific concerns. The results of her findings included the following;

- 57% of consumers surveyed agreed that premiums are 'fair and reasonable', up from 55% in the prior year.
- Many drivers with no at-fault claims still feel that they pay too much and that the difference in premium between good drivers and poor drivers is not large enough.
- 35% of consumers polled obtained a competitive quote for insurance and of these, 86% stayed with their existing insurer, compared to 88% in the prior year.
- There has been no increase in calls to the Superintendent of Insurance.

**Distribution of Premium Dollar for 2013 Private Passenger Vehicles**



NOTE: All Coverage Combined  
Source: GISA statistical data and IBC Automobile Expense Survey



These findings were presented to the AIRB at its public meeting in August. Ms Taylor’s report including her observations may be viewed in more detail on the AIRB website.

As noted earlier in the Chair’s message, Ms Taylor’s 3<sup>rd</sup> term expired in September 2014 after serving in this capacity for 9 years. In her place the Minister appointed Mr. Chris Daniel as the new Consumer Representative effective September 4, 2014. Mr. Daniel is in his 4<sup>th</sup> year serving on the Board.

## Rates

The average premium for all coverage increased 2.4% from \$1,087 in 2012 to \$1,113 in 2013. The average premium for basic coverage of \$579 on private passenger vehicles as shown in **Appendix III** remains below the 2009 rate of \$606. The average premium for additional coverage has increased annually from \$489 in 2009 to \$534 in 2013.

## Company Applications and Notices – January 1, 2014 to June 30, 2014

As required under the prior *Automobile Insurance Premiums Regulation* which was replaced on July 1, 2014, the Board reviewed and ruled on applications under Sections 6, 10 and 19.

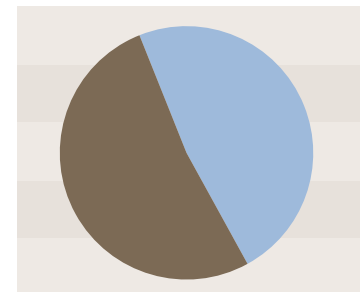
- Section 6 allowed insurers to apply to the Superintendent of Insurance for a review of their private passenger rating program for basic coverage, which would be directed to the Board for review. Nine section 6 applications were received in 2014 compared to no applications in 2013.
- Section 10 required new insurers entering Alberta to obtain prior approval of the Board for their private passenger rating programs for basic coverage. There were no Section 10 applications received in 2014.
- Section 19 was a transitional provision from the former Insurance Act that required insurers to obtain prior approval to establish new or revise existing rating programs as they related to third party liability and accident benefits coverage for other than private passenger vehicles. There were a total of 12 applications under Section 19 in 2014 compared to 10 applications in 2013.

As required under the prior *Automobile Insurance Premiums Regulation* which was replaced on July 1, 2014, the Board received written notice for Sections 5 and 9.

- Section 5 required written notice to the Board if the insurer adjusted rating variables for basic coverage on private passenger vehicles. The overall adjustment was to be revenue neutral with no relativity increasing by more than 10% and the increase for any one policyholder not exceeding 10%. The Board received 8 Section 5 notices in 2014 compared to 19 notices in 2013.
- Section 9 required written notice to the Board of changes to insurer’s rating programs for additional coverage. The Board received 29 Section 9 notices in 2014 compared to 47 notices in 2013.

This chart shows the average written premium for 2013 as reported by GISA statistical data broken out by basic and additional coverage.

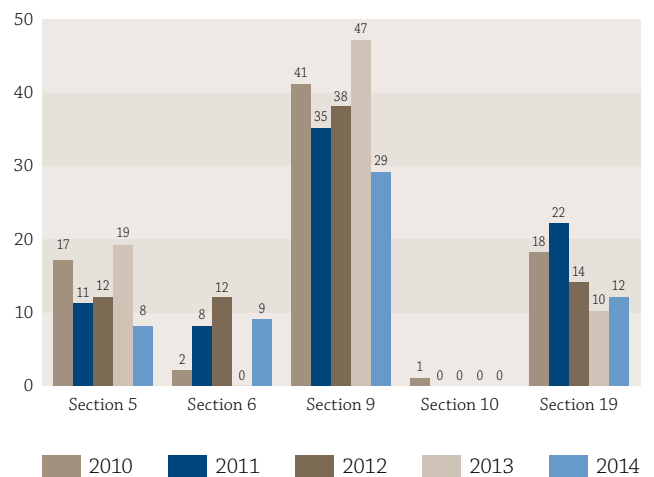
### 2013 Average Private Passenger Premium



Basic Coverage \$579  
Additional Coverage \$534

Source: GISA statistical data

### Applications & Notices Activity



See **Appendix II** for more information on company applications and notices.

## Company Filings – July 1, 2014 to December 31, 2014

As required under the new *Automobile Insurance Premiums Regulation* Sections 2 through 7, all insurer rating programs and any changes to rating programs must be filed in accordance with the Board’s policies and guidelines and approved by the AIRB prior to implementation.

- Private passenger filings included 3 simplified and 2 full filings
- Commercial filings included 2 simplified filings
- Other than private passenger filings, included 7 simplified filings

See **Appendix II** for more information on company filings.

## Market

Based on information submitted to the Superintendent of Insurance, 70 automobile insurance companies were active in Alberta in 2013, a decrease of one insurer over 2012. The **2013 Market Share of Total Automobile Insurance Premium** chart identifies the distribution of written premium by corporate group in Alberta for 2013 (corporations may operate more than one insurer). Four insurer groups represented 55% of all written premium, down from 56% in 2012. In 2013, the automobile insurance industry collected \$3.7 billion in written premium from which they expect to pay \$2.7 billion in claims. The overall private passenger loss ratio in Alberta for 2013 was 79%, down from 80% in 2012.

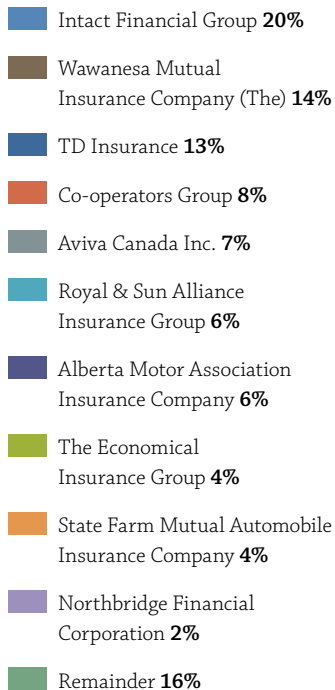
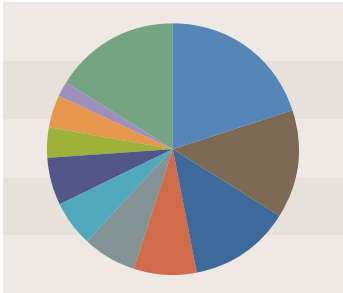
It is a useful exercise to review market conditions for recent years for the insight that it may provide for the immediate future. A series of graphs along with comments have been provided in **Appendix I**. In summary, frequency of bodily injury claims continued its descent after leveling off in 2010. Frequencies related to property damage, accident benefits, collision and comprehensive claims have remained relatively flat. Severity increased for property damage, collision and comprehensive claims in 2013.

## Fiscal

The AIRB’s operations are fully funded through an annual assessment to automobile insurers based on their share of direct written premium. The annual assessment for 2014 was \$1,304,798 (2013 \$1,152,976). The Board’s operations totalled \$1.2 million for the fiscal year ended March 31, 2014, a 7.8% increase over the prior year. Further financial information is available under **Statement of Operations and Surplus** (page 8).

This chart identifies the distribution of written premium by corporate group in Alberta for 2013 (corporations may operate more than one insurer).

### 2013 Market Share of Total Automobile Insurance Premium



Source: Superintendent of Insurance 2013 Annual Business Report



## Looking Ahead to 2015

The AIRB will:

- Continue to monitor emerging issues such as Usage-based Insurance and Autonomous Vehicles and their implications on rating programs.
- Continue to fine tune the implementation of the new Premiums Regulation that came into force on July 1, 2014.
- Continue its leadership role in the Canadian Automobile Insurance Regulators Association (CARR) by serving on Boards and committees and through participation in its training and networking opportunities.

The Board will also continue its efforts to remain current on industry issues through meetings with stakeholders, individual insurers, the Insurance Bureau of Canada (IBC), the Canadian Association of Direct Relationship Insurers (CADRI), the Insurance Brokers Association of Alberta (IBAA), and other interested stakeholders.

I would like to express my appreciation and thanks to our Chair and Board members for their leadership and diligence in carrying out our mandate and to our loyal and committed staff and consulting actuaries for their dedication to excellence. In addition, I would like to especially thank Ms. Susan Steeves who after 30 years with the AIRB, retired September 2014. In her place the AIRB was fortunate to be able to add Vivian Cao, a fellow actuary to our team.

As a team working with stakeholders the AIRB is able to provide effective regulation over auto insurance premiums that are fair to both consumers and industry.

Sincerely,

**[Original signed by Del Dyck]**

Del Dyck

Executive Director  
Automobile Insurance Rate Board

# STATEMENT OF OPERATIONS AND SURPLUS

For the period April 1, 2013 to March 31, 2014

	2012 - 13 Actual	2013 - 14 Actual	2013 - 14 Budget
<b>Revenue</b>			
Annual Industry Levy	\$1,364,912	\$1,443,237	\$1,450,000
– less accumulated surplus	\$358,978	\$290,261	\$305,203
Net Annual Industry Levy	\$1,005,934	\$1,152,976	\$1,144,797
Actuarial Services	\$10,012	\$36,238	\$75,000
Other	\$5,854	\$1,000	—
	<b>\$1,021,800</b>	<b>\$1,190,214</b>	<b>\$1,219,797</b>
<b>Expense</b>			
Operations	\$707,852	\$736,037	\$816,000
Actuarial and Contract Services	\$259,666	\$328,256	\$529,000
Board Honoraria and Expenses	\$122,999	\$110,979	\$180,000
	<b>\$1,090,517</b>	<b>\$1,175,272</b>	<b>\$1,525,000</b>
<b>Surplus/(Shortfall)</b>	<b>(\$68,717)</b>	<b>\$14,942</b>	<b>(\$305,203)</b>
Accumulated Surplus Beginning	\$358,978	\$290,261	\$305,203
Accumulated Surplus End	\$290,261	\$305,203	—

The AIRB's fiscal year reflects that of the Government, April 1 to March 31. As per Alberta Regulation 179/2005, Automobile Insurance Rate Board Fees Regulation, the Board is fully funded by industry in the following two ways:

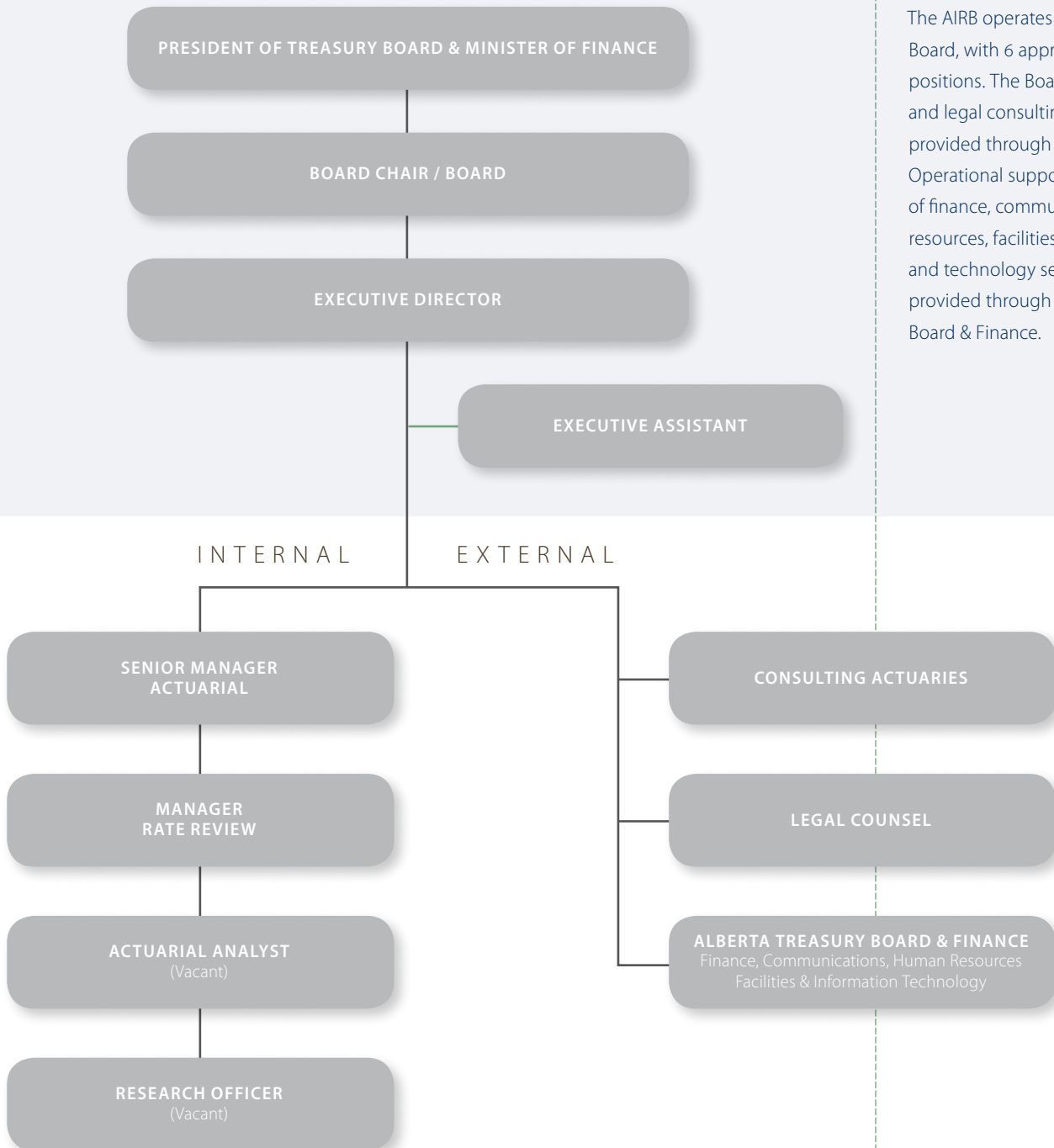
- An Annual Industry Levy which represents the Board's annual budget less an amount estimated for recovery of actuarial costs and prior years accumulated surplus or shortfall. This levy is shared by each insurer based on actual direct written premiums in the prior year.
- Actuarial Services which are recovered from individual insurers in relation to the analysis of their specific applications.

Board honoraria were remunerated in accordance with Schedule 1 of the Part-Time Committee Remuneration Orders in Council 103/2006 and 466/2007. Expenses were remunerated in accordance with Corporate Human Resources directive on subsistence and travel expenses.

# ORGANIZATION CHART

## Automobile Insurance Rate Board 2014

The AIRB operates as an independent Board, with 6 approved staff support positions. The Board's actuarial and legal consulting services are provided through external contracts. Operational support in the form of finance, communications, human resources, facilities and information and technology services are provided through Alberta Treasury Board & Finance.



# CORPORATE GOVERNANCE

*Governance defines the roles, relationships, powers and accountability between the Government, the Board and Management.*

## Relationship to Government

The Minister of Finance and the Government of Alberta, through legislation (*Insurance Act*), established the Alberta Automobile Insurance Rate Board (AIRB or the Board) in October, 2004 as an independent regulator. In this capacity, the AIRB is responsible for regulating automobile insurance rating programs in Alberta. The Board, through its functions, statutory duties and responsibilities, serves all Albertans – the public, industry and Government. In addition, the Board must exercise and perform any other powers and duties assigned to it by the Minister or prescribed by regulations.

Board decisions regarding filings for changes in rates, rating programs and the base premium with respect to the Grid are made independent of Government and pursuant to the AIRB's enabling legislation.

As part of Government's "Tools for Accountability" the AIRB is required to submit this Annual Report along with its Business Plan to the Minister on an annual basis.

## Board Governance

The Board approves the corporate vision, mission, values and goals that guide the AIRB. The Board sets goals for performance as part of the business planning process and these goals are the basis upon which accountability and performance is evaluated.

The AIRB's membership consists of 7 members appointed by the Lieutenant Governor in Council, a consumer representative appointed by the Minister, and the Superintendent of Insurance who is a non-voting member of the Board. In total the Board consists of 9 members with a broad range of expertise and experience. A Board member's term of office may not exceed 3 years; however, a Board member may be reappointed for up to 2 additional terms.

The *Insurance Act* provides for a chair and a vice-chair as appointed by the Lieutenant Governor in Council. The Board holds regular monthly meetings to deal with administrative issues of the Board, review and rule on insurer filings for changes in rates, rating programs and otherwise exercise its mandate. In addition, it holds an open meeting to carry out its Annual Review process to develop industry benchmarks for its review of insurer filings and the adjustment of premium level for the Grid.

The Board's governance processes and guidelines outlining how the Board will carry out its duties are in keeping with *Alberta's Public Agencies Governance Act*.



## Code of Conduct

The Code of Conduct (Code) for the Automobile Insurance Rate Board (AIRB) applies to all members and employees. The Code reflects a commitment to the agency's values and provides a framework to guide ethical conduct. Members and employees are expected to behave in a way that supports this Code. To demonstrate commitment to transparency and accountability this Code can be viewed on our website.

## Charter of Expectations

The following guiding principles provide an understanding of the roles, expectations and responsibilities of each Board member.

- Assume with other Board members the stewardship role of supervising the management and business affairs of the AIRB.
- Act in the highest ethical manner and with integrity in all personal, business and professional dealings.
- Become knowledgeable about the AIRB's business, the environment in which it operates and the emerging trends and issues in the automobile insurance industry
- Commit enough time and sufficient attention to the work of the AIRB as may be required from time to time.
- Act in a way that contributes to the effective operation of the Board.

## Skills Matrix

The following sets out the skills and experience that is required within the group to effectively carry out the Board's mandate.

Specialty Skills (one or more individuals bring these skills to the Board)

- Governance
- Insurance industry expertise
- Financial expertise
- Legal expertise
- Actuarial expertise
- Consumer relations

All candidates for Board member shall be respected in his/her field, have a proven track record of achievement in their field, and shall most likely have had previous direct experience with boards and governance. The board shall be diverse in its membership representing the community it serves.

## BOARD MEMBERS

Board members are drawn to represent various geographical regions of the province and for a range of expertise they bring to the organization.

The Board held 9 regular meetings in 2014 to deal with insurer filings and administrative issues of the Board. In addition, there was an open meeting related to the Annual Review and other special meetings to deal with business planning and Board training.

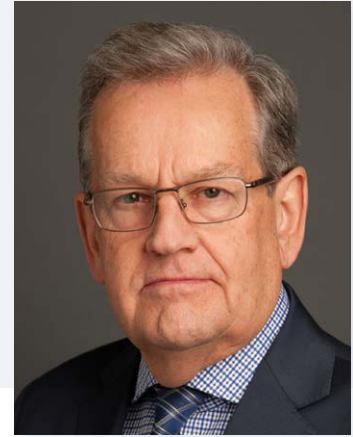
### *Chair*



*Allan Cleiren*

**Senior Executive, CFO  
Edmonton**

### *Vice Chair*



*Norbert Van Wyk*

**Retired City Manager  
St. Albert**



*Tracy Edwards*

**Retired, Senior Executive  
Vermilion**



*Maureen Higgins*

**Senior Executive  
Calgary**





*Charlene Butler*

**Management Consultant  
Edmonton**



*James Cuming*

**Lawyer, Private Practice  
Calgary**

*Consumer  
Representative*



*Jim Murta*

**Retired Actuary  
Insurance Industry  
Calgary**



*Mark Prefontaine*

**Superintendent of Insurance  
Edmonton  
Non-voting Member**



*Chris Daniel*

**Retired Senior Executive  
Insurance Industry  
Calmar**

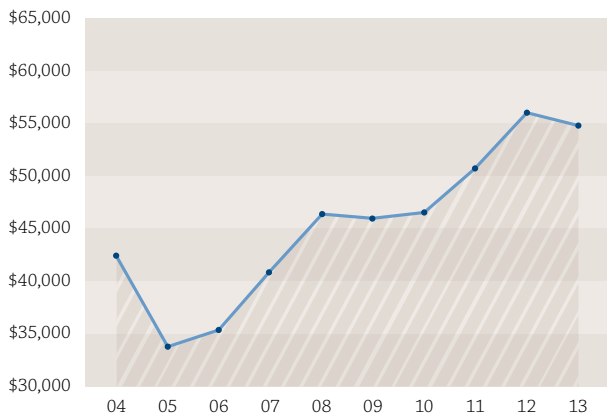
# APPENDIX I MARKET

In 2013, the automobile insurance industry collected \$3.7 billion in written premium from which it expects to pay \$2.7 billion in claims. A major portion, \$2.8 billion of that premium is attributable to private passenger vehicles that will incur an estimated \$2.2 billion in claims.

A review of market conditions in recent years provides a foundation to formulate expectations for the immediate future. A series of graphs complement the review. The most recent complete data available is for 2013. All dollar amounts for claims and premiums are expressed in nominal dollars (unadjusted for inflation).

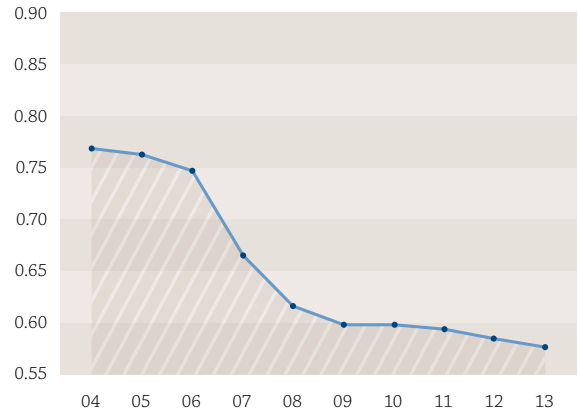
Third party liability coverage that responds to damages for which the insured is legally liable has two components, bodily injury and property damage. Figure 1 shows average claim costs for bodily injury for the ten year period, 2004 to 2013. Bodily injury claims can take five or more years to mature and, therefore, the figures for more recent years are best estimates. After an almost steady upward spiral dating back to the mid-1980s, the average cost of bodily injury claims peaked in 2003 at over \$47,000. There was a drop to \$42,000 for 2004 and then to \$34,000 for 2005, but average claim cost resurged to \$56,000 by 2012. The cap on non-economic damages for minor injuries came into effect for the fourth quarter of 2004, having some impact on average claims for that year and then a greater impact in 2005, the first full year of operation. There were upticks for 2007 and 2008 but some abatement in 2009 and 2010 before again escalating for 2011 and 2012. Figure 2 addresses how many claims occurred for each 100 vehicles insured. After a long, steady climb, frequency of bodily injury claims started its decline in 1999. There was a noticeable reduction in frequency in 2004 and then again for 2007 and 2008 then leveled off with a slight decrease for 2012 and 2013.

**Figure 1 – Bodily Injury Severity**



NOTE: Bodily Injury Severity based on Severity/100 Vehicles  
Source: GISA Statistical Exhibit

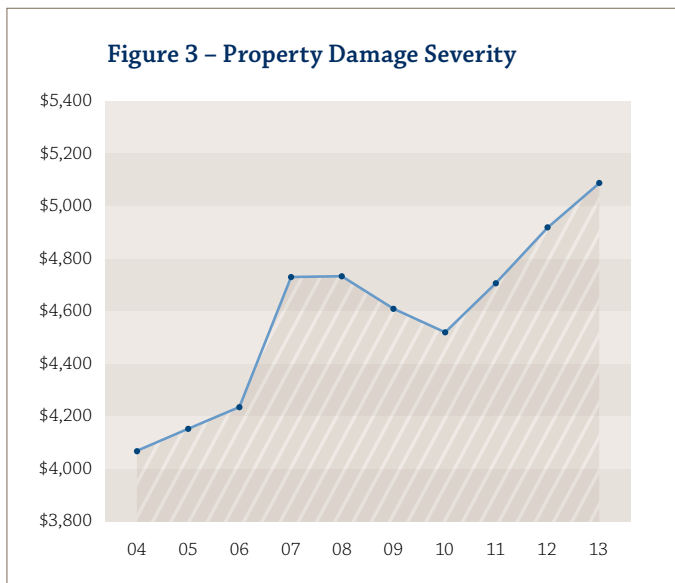
**Figure 2 – Bodily Injury Frequency**



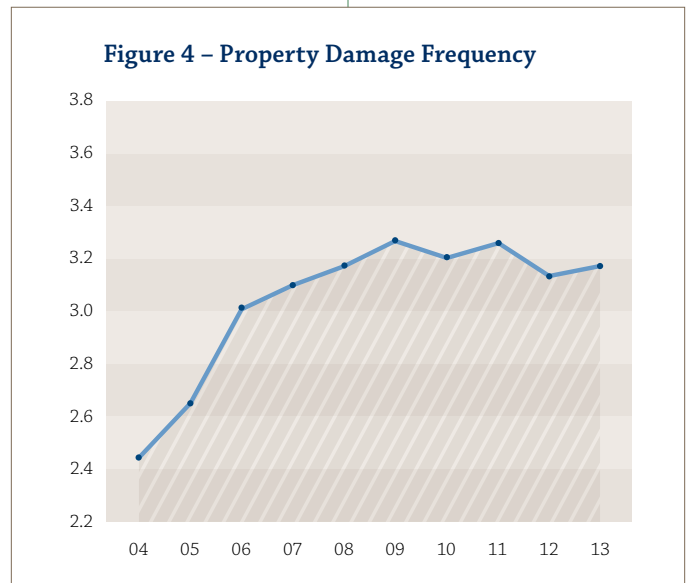
NOTE: Bodily Injury Frequency based on Frequency/100 Vehicles  
Source: GISA Statistical Exhibit

Bodily injury claims made up 77% of third party liability claim costs in 2004 compared to 66% in 2014. The Minor Injury Regulation adjusted the cap to \$4,777 as of January 1, 2014.

Figure 3 shows that property damage average claim costs have fluctuated, though they show an overall upward trend. The average claim increased from \$4,100 to \$5,100 over the ten year period shown. Figure 4 shows an upward trend in claim frequency through 2009 then levels off through 2013.



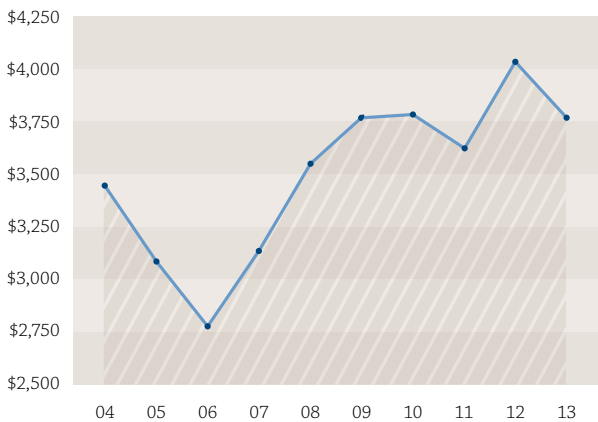
NOTE: Property Damage Severity based on Severity/100 Vehicles  
Source: GISA Statistical Exhibit



NOTE: Property Damage Frequency based on Frequency/100 Vehicles  
Source: GISA Statistical Exhibit

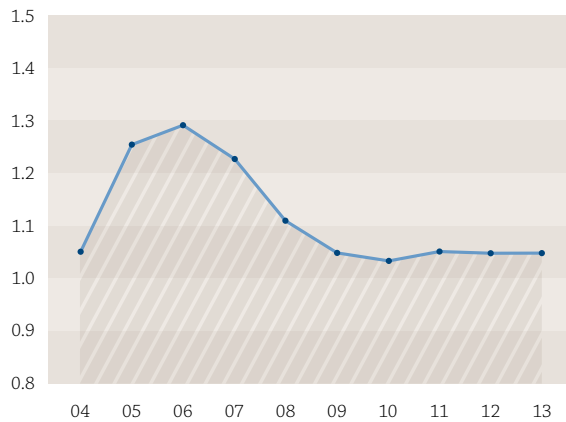
Accident benefits are the other coverage that relates to bodily injury; it responds to the insured's injuries regardless of fault. Figure 5 shows the average cost of claims decreasing from 2004 to 2006, peaking at \$4,000 in 2012. The 2013 average cost of claims dropped back to 2009/2010 level. Figure 6 relates to the frequency of claims per 100 vehicles insured; there was an increase from 2004 through 2006 followed by decreases until 2010, then leveled off through 2013.

**Figure 5 – Accident Benefits Severity**



NOTE: Accident Benefits Severity based on Severity/100 Vehicles  
Source: GISA Statistical Exhibit

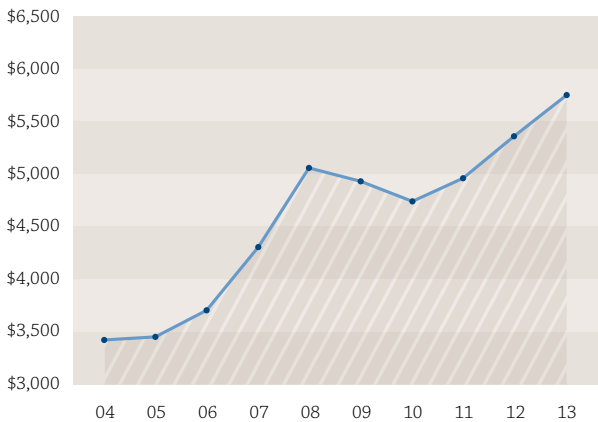
**Figure 6 – Accident Benefits Frequency**



NOTE: Accident Benefits Frequency based on Frequency/100 Vehicles  
Source: GISA Statistical Exhibit

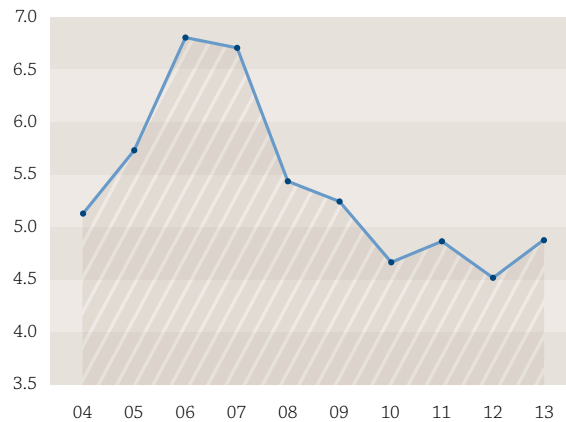
The remaining coverage is optional coverage for damage to the insured vehicle. Figure 7 shows the average claim cost for collision (impact with another object) increasing steadily from 2004 to \$5,000 by 2008 and then spiking to \$5,700 in 2013. Figure 8 relates to the frequency of collision claims for each 100 insured vehicles. There is some fluctuation over the years shown; there was a steady increase through 2006 with a reversal in 2007 through 2010 with minor variances afterwards. The fluctuation is at least partially attributable to the variation between easy and hard winter driving conditions.

**Figure 7 – Collision Severity**



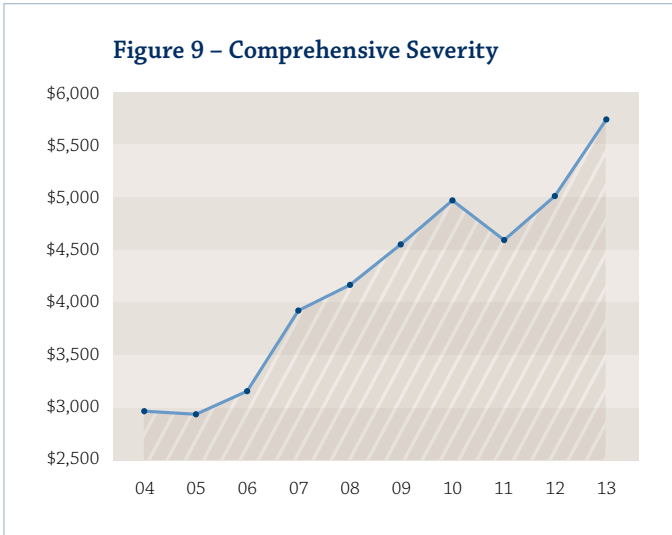
NOTE: Collision Severity based on Severity/100 Vehicles  
Source: GISA Statistical Exhibit

**Figure 8 – Collision Frequency**

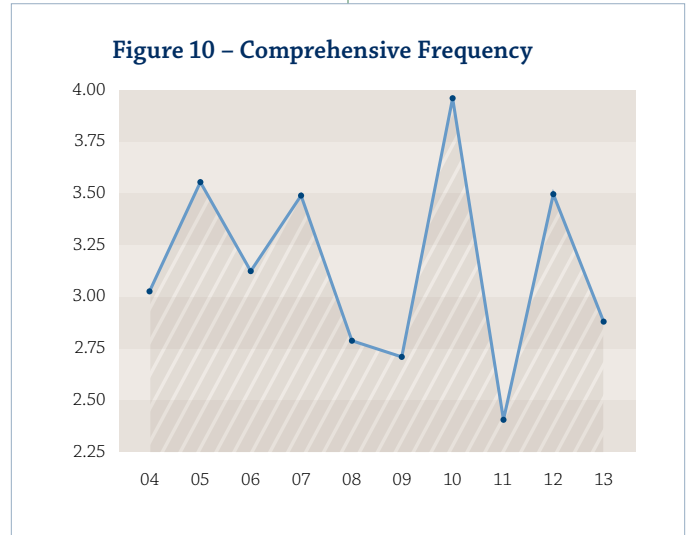


NOTE: Collision Frequency based on Frequency/100 Vehicles  
Source: GISA Statistical Exhibit

The average claim cost for comprehensive (e.g., theft, vandalism, hail) claims has continuously moved upward to \$5,700 as shown in Figure 9. Figure 10 shows a fluctuating frequency of claims in recent years. Frequency is impacted by weather related catastrophes.

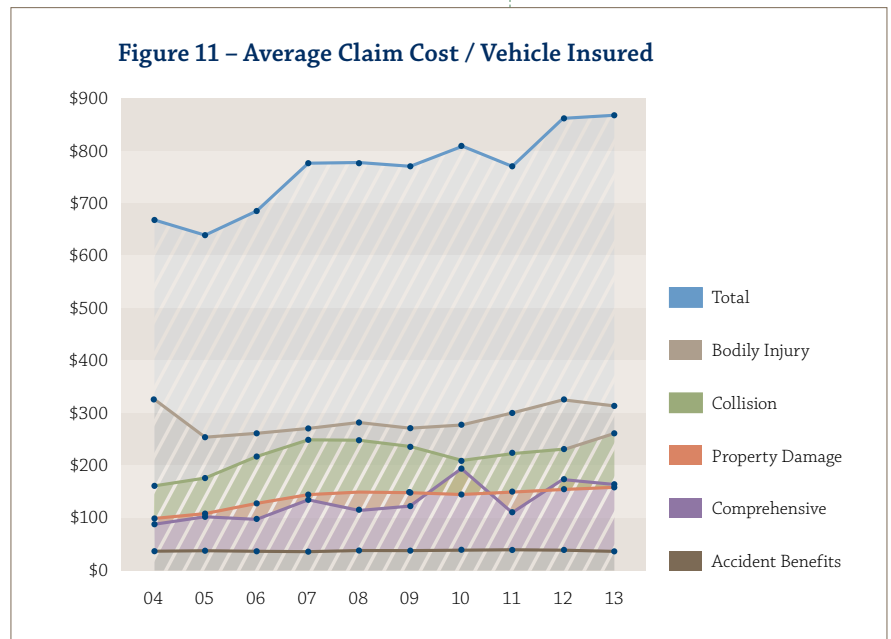


NOTE: Comprehensive Claim Severity based on Severity/100 Vehicles  
Source: GISA Statistical Exhibit



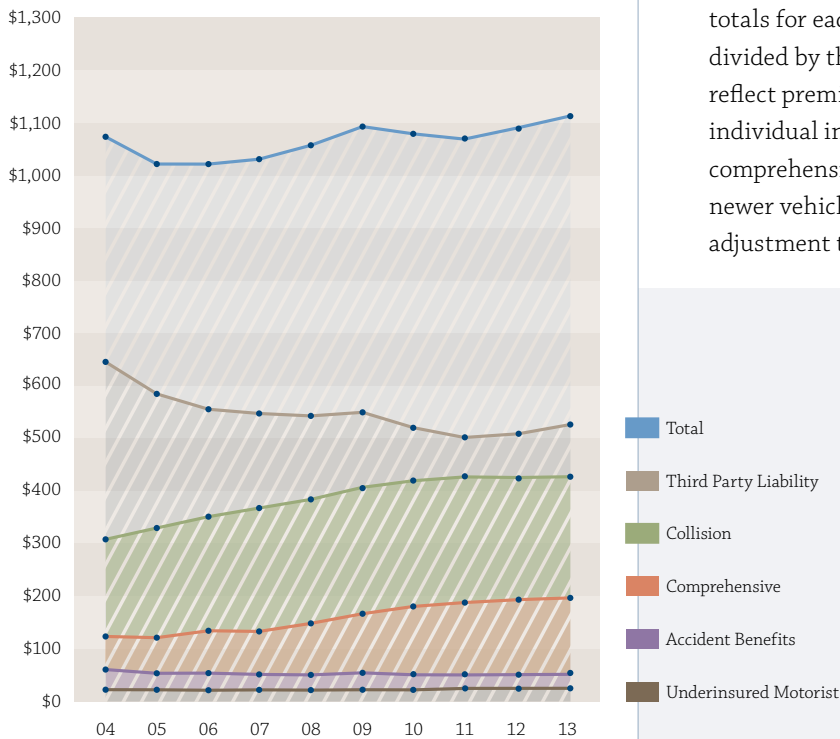
NOTE: Comprehensive Claim Frequency based on Frequency/100 Vehicles  
Source: GISA Statistical Exhibit

The next graph, Figure 11, shows the average claim cost per vehicle insured, which is the estimated total claims for each coverage and all coverage combined divided by the number of vehicles insured for basic coverage. Average claim cost per vehicle insured reflects the combined effects of severity and frequency of claims.



Source: GISA Statistical Exhibit

Figure 12 – Average Written Premiums



Source: GISA Statistical Exhibit

Finally, Figure 12 shows the average premiums by coverage and in total. The average premiums are the totals for each coverage and all coverage combined divided by the number of vehicles insured; they do not reflect premiums for any particular driver profile or any individual insurer. Average premiums for collision and comprehensive coverage will increase year over year as newer vehicles replace older vehicles, without any other adjustment to premiums.

The increases in average premiums are a result of recent Industry-wide adjustments, caused by adverse development resulting from issues such as a higher proportion of claims exceeding the definition of minor injury with increasing incidence of chronic pain, temporomandibular joint disorder (TMJ) (as a result of the Sparrowhawk decision), psychological injury and a higher percentage of claims being litigated.

Premiums increased for basic coverage and additional coverage in 2013 for an overall change of +2.4% compared to 2012 (Appendix III). The 5% increases permitted

by the 2012 and 2013 Industry-wide Adjustment decisions will impact basic coverage premiums for 2013 and 2014. The frequency of weather related catastrophes is adversely affecting experience for comprehensive coverage.

On November 27, 2013, the *Enhancing Consumer Protection in Auto Insurance Act* was passed. With this *Act* and the supporting *Automobile Insurance Premiums Regulation*, the Board’s mandate was expanded to include the regulation of additional coverage; the Industry-wide Adjustment process was discontinued and replaced by a “File-and-Approve” model where insurers must file on an individual company basis for revisions to their rating programs. With these changes, a redistribution of premiums between basic and additional coverage occurred in 2014 and is expected to continue into 2015.

## APPENDIX II SUMMARY OF APPLICATIONS, NOTICES AND FILINGS

A more complete description of Applications, Notices and Filings is posted quarterly on the AIRB website at [www.airb.alberta.ca/decisions](http://www.airb.alberta.ca/decisions).

**Applications, Notices & Filings Decisions (January 1, 2014 to June 30, 2014).**

**Applications under Section 6** of the *Automobile Insurance Premiums Regulation* to revise rating programs for private passenger vehicles with respect to basic coverage (third party liability and accident benefits).

Company	Decision Date*	Average Change
The Personal Insurance Company	31 - Jan - 2014	0.0%
Certas Direct Insurance Company	31 - Jan - 2014	0.0%
Alberta Motor Association Insurance Company	31 - Jan - 2014	0.0%
Security National Insurance Company	28 - Feb - 2014	7.8%
Primum Insurance Company	28 - Feb - 2014	7.1%
TD Home and Auto Insurance Company	28 - Feb - 2014	7.7%
State Farm Mutual Automobile Insurance Company	28 - Feb - 2014	12.8%
RBC General Insurance Company	23 - May - 2014	0.0%
Unifund Assurance Company	19 - Aug - 2014	14.3%

**Applications under Section 10** of the *Automobile Insurance Premiums Regulation* to establish rating programs for private passenger vehicles with respect to basic coverage (third party liability and accident benefits). There were no Section 10 applications made by industry in 2014.

## Legend

**C** – Commercial

**CM** – Commercial Miscellaneous refers to interurban vehicles, public transportation vehicles, garage risks

**PPM** – Private Passenger Miscellaneous refers to mopeds, motorcycles, all terrain vehicles, snow vehicles, motor homes.

\***Decision Date** is date of Board decision, not effective date of rating program. Average Change is for third party liability and accident benefits combined; does not reflect impact on individual policies.

**Applications under Section 19** of the *Automobile Insurance Premiums Regulation* to establish new or revise existing rating programs for other than private passenger vehicles with respect to third party liability and accident benefits coverage.

Company	Class	Decision Date*	Average Change
Aviva Insurance Company of Canada	PPM	31 - Jan - 2014	- 7.9%
Traders General Insurance Company	PPM	31 - Jan - 2014	- 6.6%
Facility Association	CM	31 - Jan - 2014	9.2%
Intact Insurance Company/ Novex Insurance Company	PPM	31 - Jan - 2014	- 1.3%
The Portage la Prairie Mutual Insurance Company	PPM	28 - Feb - 2014	- 18.4%
Federated Insurance Company of Canada	CM	28 - Feb - 2014	0.0%
The Wawanesa Mutual Insurance Company	C	28 - Mar - 2014	50.0%
Guarantee Company of North America	C, CM	25 - Apr - 2014	0.0%
Echelon General Insurance Company	PPM	25 - Apr - 2014	0.0%
Echelon General Insurance Company	PPM	25 - Apr - 2014	0.0%
Royal & Sun Alliance Insurance Company of Canada	C	27 - Jun - 2014	0.0%
Facility Association	C	17 - Oct - 2014	0.0%



**Notices under Section 5** of the *Automobile Insurance Premiums Regulation* to revise rating programs for private passenger vehicles with respect to basic coverage (third party liability and accident benefits). Revisions under Section 5 are typically revenue neutral or occasionally generate a decrease in average premium level.

Company	Review Date	Average Change
Facility Association	9 - Jan - 2014	0.4%
Trafalgar Insurance Company of Canada	16 - Jan - 2014	0.0%
Portage la Prairie Mutual Insurance Company	27 - Feb - 2014	0.0%
The Personal Insurance Company	20 - Mar - 2014	-2.1%
Certas Direct Insurance Company	20 - Mar - 2014	-1.1%
Pembridge Insurance Company	2 - Jun - 2014	0.0%
Royal & Sun Alliance Insurance Company of Canada	9 - Jun - 2014	0.0%
Peace Hills General Insurance Company	8 - Jul - 2014	0.0%

**Notices under Section 9** of the *Automobile Insurance Premiums Regulation* to revise rating programs for private passenger vehicles with respect to additional coverage (all perils, collision, comprehensive, specified perils, underinsured motorist endorsement and other endorsements).

Company	Review Date	Average Change
Allstate Insurance Company of Canada	7 - Jan - 2014	0.0%
Facility Association	9 - Jan - 2014	1.7%
Avivia Insurance Company of Canada	13 - Jan - 2014	0.0%
Traders General Insurance Company	13 - Jan - 2014	0.0%
Allstate Insurance Company of Canada	16 - Jan - 2014	0.0%
Trafalgar Insurance Company of Canada	16 - Jan - 2014	8.9%
Alberta Motor Association Insurance Company	31 - Jan - 2014	0.6%
The Personal Insurance Company	5 - Feb - 2014	0.0%
Certas Direct Insurance Company	5 - Feb - 2014	0.0%
Portage la Prairie Mutual Insurance Company	27 - Feb - 2014	-1.9%
Security National Insurance Company	28 - Feb - 2014	-1.1%
Primum Insurance Company	28 - Feb - 2014	-2.1%
TD Home and Auto Insurance Company	28 - Feb - 2014	-1.7%
Alberta Motor Association Insurance Company	10 - Mar - 2014	2.1%
The Personal Insurance Company	20 - Mar - 2014	0.0%
Certas Direct Insurance Company	20 - Mar - 2014	0.0%
Intact Insurance Company	17 - Apr - 2014	-2.0%

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Novex Insurance Company	17 - Apr - 2014	-1.6%
Security National Insurance Company	28 - Apr - 2014	0.0%
Primum Insurance Company	28 - Apr - 2014	0.0%
TD Home and Auto Insurance Company	28 - Apr - 2014	0.0%
RBC General Insurance Company/RBC Insurance Company of Canada	23 - May - 2014	0.0%
Allstate Insurance Company of Canada	30 - May - 2014	0.0%
Pembridge Insurance Company	2 - Jun - 2014	0.0%
Royal & Sun Alliance Insurance Company of Canada	9 - Jun - 2014	5.2%
Pembridge Insurance Company	3 - Jul - 2014	-4.4%
Peace Hills General Insurance Company	8 - Jul - 2014	-3.0%
Allstate Insurance Company of Canada	10 - Jul - 2014	3.5%
Unifund Assurance Company	19 - Aug - 2014	0.1%

**Filing Decisions** – July 1, 2014 to December 31, 2014

Company	Type	Decision Date*	Average Change
<b>Private Passenger</b>			
Esurance Insurance Company of Canada	S	17 - Oct - 2014	0.0%
The Co-operators General Insurance Company	S	19 - Nov - 2014	-1.0%
CUMIS General Insurance Company	S	19 - Nov - 2014	-10.8%
The Personal Insurance Company	F	29 - Nov - 2014	6.2%
Certas Direct Insurance Company	F	29 - Nov - 2014	15.7%
<b>Commercial</b>			
Facility Association	S	17 - Oct - 2014	0.0%
Royal & Sun Alliance Insurance Company of Canada	S	19 - Nov - 2014	0.0%
<b>Miscellaneous</b>			
Alberta Motor Association Insurance Company	S - AT	12 - Sep - 2014	0.0%
Alberta Motor Association Insurance Company	S - SN	12 - Sep - 2014	-0.1%
Alberta Motor Association Insurance Company	S - MC	12 - Sep - 2014	-0.3%
Intact Insurance Company	S - G	17 - Oct - 2014	0.0%
Echelon Insurance Company	S - SN	19 - Nov - 2014	0.0%
Aviva Insurance Company of Canada	S - SN	19 - Nov - 2014	8.0%
Aviva Insurance Company of Canada	S - AT	19 - Nov - 2014	9.9%

*Legend*

**F** – Full Filing

**S** – Simplified Filing

**AT** – All Terrain Vehicles

**G** – Garage Vehicles

**MC** – Motorcycles

**SN** – Snow Vehicles

\***Decision Date** is date of Board decision, not effective date of rating program. Premium change is for all coverage combined; does not reflect impact on individual policies.

# APPENDIX III STATISTICS

## Automobile Insurance Fact Page

	2009	2010	2011	2012	2013	2014
Active Insurance Companies <sup>3</sup>	74	77	75	71	70	—
<b>Private Passenger Market Share for Largest Insurer Groups<sup>3</sup></b>						
Intact Financial Group	18.6%	18.7%	19.4%	20.7%	20.1%	—
TD Meloche Monnex	15.2%	15.8%	15.7%	16.2%	16.5%	—
Wawanesa	13.6%	14.0%	13.9%	13.8%	13.5%	—
The Co-operators	8.4%	8.0%	8.0%	7.9%	7.8%	—
<b>Total</b>	<b>55.8%</b>	<b>56.5%</b>	<b>57.0%</b>	<b>58.7%</b>	<b>57.9%</b>	—
<b>Written Premium<sup>4</sup></b>						
Total Premium (ooos)	\$3,200,103	\$3,260,596	\$3,333,884	\$3,515,556	\$3,720,306	—
Private Passenger (ooos)	\$2,427,468	\$2,464,668	\$2,511,765	\$2,655,272	\$2,822,977	—
<b>Average Written Premiums for Private Passenger Vehicles<sup>4</sup></b>						
Basic Coverage	\$606	\$575	\$551	\$562	\$579	—
Additional Coverage	\$489	\$506	\$519	\$525	\$534	—
<b>Total</b>	<b>\$1,095</b>	<b>\$1,081</b>	<b>\$1,070</b>	<b>\$1,087</b>	<b>\$1,113</b>	—
% change from prior year	—	-1.3%	-1.0%	1.6%	2.4%	—
<b>Written Private Passenger Vehicles<sup>4</sup></b>						
Non Grid	92.7%	92.9%	92.7%	92.6%	93.5%	—
Grid	7.3%	7.1%	7.3%	7.4%	6.5%	—
# Vehicles Insured	2,217,402	2,279,635	2,348,178	2,443,699	2,537,199	—
% change from prior year	—	2.8%	3.0%	4.1%	3.8%	—
<b>Estimated Total Claims<sup>4</sup></b>						
All Automobile (ooos)	\$2,099,801	\$2,238,464	\$2,252,660	\$2,569,057	\$2,712,343	—
Private Passenger (ooos)	\$1,691,366	\$1,820,802	\$1,778,245	\$2,071,179	\$2,159,785	—
Private Passenger Loss Ratio	71.0%	74.0%	72.0%	80.0%	79.0%	—
% change from prior year	—	4.2%	-2.7%	11.1%	-1.3%	—
<b>Minor Injury Cap</b> (effective October 1, 2004) <sup>3</sup>	\$4,504	\$4,518	\$4,559	\$4,641	\$4,725	\$4,777
<b>Other</b>						
Health Cost Recovery (Millions) <sup>5</sup>	\$90	\$90	\$95	\$100	\$105	—
Board Adjustments to Basic Coverage <sup>6</sup>	-5%	-5%	0%	+5%	+5%	—
Industry Levy	\$958,765	\$921,029	\$1,140,877	\$1,005,934	\$1,152,976	\$1,304,798

<sup>3</sup> Source: Superintendent of Insurance (most recent available data for 2013)

<sup>4</sup> Source: GISA Statistical Exhibits (most recent available data for 2013)

<sup>5</sup> Amount assessed to industry under *Hospitals Act* for costs of automobile accident related injuries

<sup>6</sup> IWA process is discontinued since 2014

## Board Applications

	2010	2011	2012	2013	2014
<b>Section 6 – Private Passenger Rating Program Review</b>					
Approved	2	7	10	0	7
Modified	0	1	2	0	2
Declined	0	0	0	0	0
<b>Total</b>	<b>2</b>	<b>8</b>	<b>12</b>	<b>0</b>	<b>9</b>
<b>Section 10 – Private Passenger Rating Program New Entrant</b>					
Approved	1	0	0	0	0
Modified	0	0	0	0	0
Declined	0	0	0	0	0
<b>Total</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Section 19 – Other Than Private Passenger Rating Program Review/New Entrant</b>					
Approved	16	21	13	9	8
Modified	2	0	1	1	4
Declined	0	1	0	0	0
<b>Total</b>	<b>18</b>	<b>22</b>	<b>14</b>	<b>10</b>	<b>12</b>

## Board Notices

	2010	2011	2012	2013	2014
<b>Section 5 – Basic Coverage</b>	17	11	12	19	8
<b>Section 9 – Additional Coverage</b>	41	35	38	47	29

# APPENDIX IV ACTIVE INSURERS

## List of Active Automobile Insurers and Direct Written Automobile Premium for 2013

Name of Company	2013 (thousands)	Name of Company	2013 (thousands)
ACE INA Insurance	12,274	Mennonite Mutual Insurance Co (Alberta) Ltd.	19
AIG Insurance Company of Canada	9,316	Millennium Insurance Corporation	19,873
Alberta Motor Association Insurance Company	221,148	Motors Insurance Corporation	1,918
Alberta Municipal Insurance Exchange	931	Nipponkoa Insurance Company, Limited	14
Allianz Global Risk US Insurance Company	161	<b>Northbridge Financial Corporation</b>	
<b>Allstate Canada</b>		Federated Insurance Company of Canada	21,313
Allstate Insurance Company of Canada	66,666	Northbridge Commercial Insurance Corporation	36,205
Pembridge Insurance Company	8,822	Northbridge General Insurance Corporation	27,089
American Road Insurance Company	1,849	Northbridge Personal Insurance Corporation	575
<b>Aviva Canada Inc.</b>		Tokio Marine & Nichido Fire Insurance Co. Ltd.	397
Aviva Insurance Company of Canada	217,457	Zenith Insurance Company	532
Elite Insurance Company	19,722	Old Republic Insurance Company of Canada	7,810
Traders General Insurance Company	34,634	Optimum West Insurance Company	3,086
Canadian Direct Insurance Incorporated	51,383	Peace Hills General Insurance Company	64,142
Canadian Farm Insurance Corporation	4,173	Portage La Prairie Mutual Insurance Company (The)	22,774
Canadian Northern Shield Insurance Company	1	Protective Insurance Company	204
<b>Chubb Canada</b>		<b>RBC Insurance</b>	
Chubb Insurance Company of Canada	8,159	RBC General Insurance Company	41,103
Federal Insurance Company	11	RBC Insurance Company of Canada	10,020
Continental Casualty Company	10,034	<b>Royal &amp; Sun Alliance Insurance Group</b>	
<b>The Co-operators Group Ltd</b>		Royal & Sun Alliance Insurance Company of Canada	72,446
Co-operators General Insurance Company	260,740	Unifund Assurance Company	159,475
Coseco Insurance Company	13,903	Sentry Insurance A Mutual Company	107
Sovereign General Insurance Company (The)	18,277	SGI CANADA Insurance Services Ltd.	39,467
Cumis General Insurance Company	2,884	<b>TD Insurance</b>	
<b>Desjardins General Insurance Group</b>		Primum Insurance Company	131,272
Certas Direct Insurance Company	12,823	Security National Insurance Company	338,759
Personal Insurance Company (The)	51,838	TD Home and Auto Insurance Company	19,335
Echelon General Insurance Company	2,560	<b>The Economical Insurance Group</b>	
Electric Insurance Company	239	Economical Mutual Insurance Company	135,613
Everest Insurance Company of Canada	5	Federation Insurance Company of Canada	197
Fortress Insurance Company	921	Missisquoi Insurance Company (The)	2
Guarantee Company of North America (The)	1,167	Waterloo Insurance Company	8,836
Hartford Fire Insurance Company	115	<b>The Travelers Companies</b>	
<b>Intact Financial Group</b>		Dominion of Canada General Insurance Company (The)	77,150
Intact Insurance Company	674,511	St. Paul Fire and Marine Insurance Company	13,142
Novex Insurance Company of Canada	68,420	Travelers Insurance Company of Canada	2,489
Trafalgar Insurance Company of Canada	16,248	State Farm Mutual Automobile Insurance Company	126,716
Jevco Insurance Company	4,122	Sumitomo Marine and Fire Insurance Company Ltd. (The)	540
Liberty Mutual Insurance Company	11,391	Wawanesa Mutual Insurance Company (The)	510,397
Lloyd's Underwriters	4,941	Zurich Insurance Company Ltd.	44,657

Source: Superintendent of Insurance 2013 Annual Report

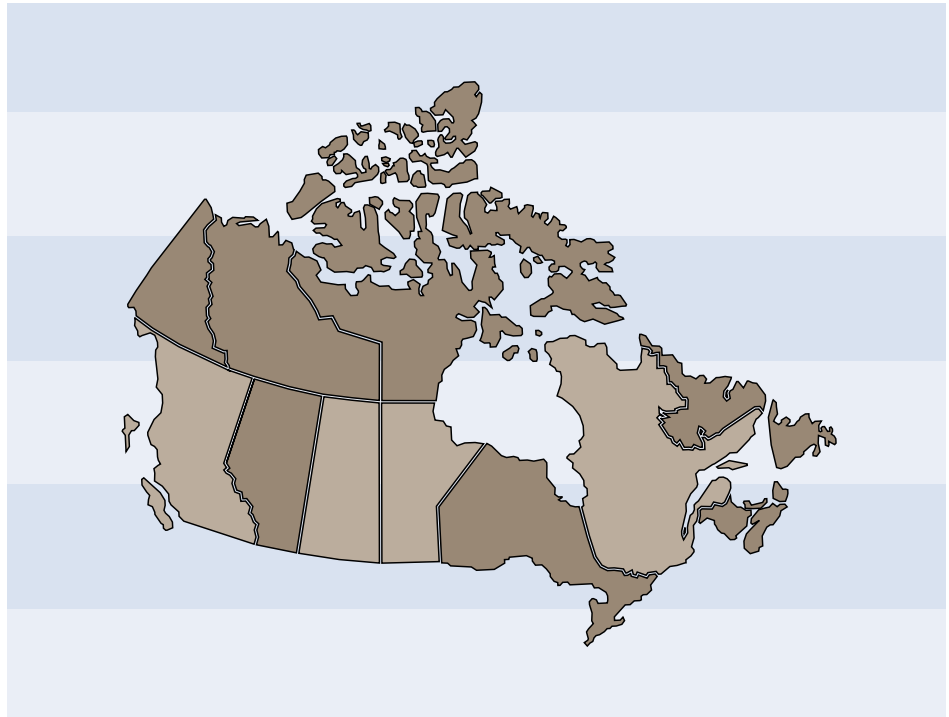




**NOTES:**

- Province of Quebec and British Columbia have mixed systems.
- Province of Quebec has public delivery system for bodily injury coverage and private delivery system for other coverage.
- British Columbia has public delivery system for third party liability and accident benefits coverage. Consumers can choose between public and private delivery systems for optional coverage.

**Automobile Insurance Delivery Systems at a Glance**



- Private Delivery System
- Public Delivery System







Scanning this QR Code from your smart device will bring you to our website, where you'll see up-to-date information about the AIRB, view annual reports and more.



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