


Alberta

Automobile Insurance Rate Board – 2015 Annual Report

For the Year Ended December 31, 2015

2015





Automobile Insurance Rate Board – 2015 Annual Report
For the Year Ended December 31, 2015



LETTER OF TRANSMITTAL AND ACCOUNTABILITY STATEMENT

The Honourable Joe Ceci
President of Treasury Board and Minister of Finance
323 Legislature Building
10800 - 97 Avenue
Edmonton, Alberta T5K 2B6

Honourable Minister:

The 2015 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, 2015. All significant decisions, events and identified risks as of December 31, 2015 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 2015 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 11th Annual Report of the Automobile Insurance Rate Board, for the year ended December 31, 2015.

Sincerely,

[Original signed by Allan Cleiren]

Allan Cleiren
Chair
Automobile Insurance Rate Board



(AIRB)

AUTOMOBILE INSURANCE RATE BOARD

Automobile Insurance Rate Board

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please visit: [www.airb.alberta.ca/
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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

I am pleased to submit the Alberta Automobile Insurance Rate Board's 2015 Annual Report.

This year was the first full year that the Board operated under the Enhancing Consumer Protection in *Auto Insurance Act*, which came into force on July 1, 2014. This new legislation gave the Board responsibility for regulating both basic and additional coverage, where previously the Board only regulated basic coverage and monitored additional coverage. The Board has reviewed over 100 filings this past year and believes the changes to the Automobile regulations have been well received by the insurance industry and are working well in protecting consumers.

While Alberta's private passenger automobile insurance market maintained its relative stability through 2015, the Board has been monitoring Bodily Injury ("BI") claims with the expectation that if left unchecked may bring upward pressure to rates. In 2015, BI claims continued to rise at a faster rate than any other sub-coverage due to a higher proportion of claims being made for chronic pain, temporomandibular joint disorder and psychological injuries and being categorized as outside the definition of minor injury. The Board heard from numerous companies concerned with their recent BI claims experience and that a higher portion of claims were being made with legal counsel representation resulting in an increase in litigation costs.

Although there is no evidence of insurance fraud being on the rise in Alberta, in 2015, the Board met with the Canadian National Insurance Crime Services (CANATICS) Corporation to learn more about their role in the use of state of the art analytical tools to identify potentially suspicious claims in the insurance industry with the goal of advising insurers of these claims in order that companies may take action. Fraud has been an ongoing cause of increased claims in the Ontario market and with the Ontario government working to mitigate these claims; fraudsters possibly could look to Alberta for an area to commit their crimes.

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 Joe Ceci, 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 2016, 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]

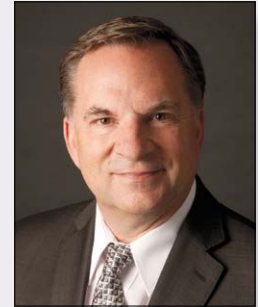
Allan Cleiren
Chair
Automobile Insurance Rate Board

REPORT FROM THE EXECUTIVE DIRECTOR

Alberta's consumers continue to enjoy a competitive automobile insurance rate environment. Over the past 10 years, private passenger automobile insurance rates have increased 12.9%, lower than Alberta's consumer price index. This competitive environment continues to allow for new auto insurance products to be introduced in Alberta such as, Usage Based Insurance (UBI). As of April 1, 2016, insurers in Alberta may begin to offer Usage Based Insurance discount programs to consumers. While UBI is widely used in Europe and the United States, its real beginnings in Canada started in Quebec in 2012 with a Canadian Insurance company called Industrial Alliance.

UBI utilizes a telematics device to collect data related to driver behaviour. The device records data on factors that reflect risk. In Alberta the approved factors are acceleration, turning, speed, braking, time of day, distance driven and frequency of use. These factors have been proven to be highly predictive of risk. Collection of this data will allow insurers to monitor a driver's behaviour in an effort to provide greater accuracy in pricing the automobile insurance product. In Alberta as in most other jurisdictions, it will be a discount only program. The intent of UBI programs is to reduce claim costs by providing incentive to modify driving behaviour. In 2012 the AIRB organized a UBI symposium in Edmonton with presenters from the United States and Canada. The AIRB is supportive of UBI and believes that with appropriate driver feedback it can improve driver behaviour and therefore result in lower premiums.

In addition to UBI, the Board has been working on a review of rating territories in Alberta. 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 has forwarded a recommendation to the Superintendent of Insurance that if approved will modernize rating territories in Alberta.



Del Dyck, Executive Director

Annual Review

The Board is required under Section 9 of the 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 no later than September 30th of each year. The report includes the Consulting Actuary’s report, Consumer Representative’s report and the Board approved Industry Benchmarks Schedule.

In early 2015, the Board requested its actuary, Oliver Wyman, to complete an analysis of industry experience for the period ended December 31, 2014. Oliver Wyman’s draft report was posted to the AIRB’s website on June 29, 2015 for review by stakeholders. Stakeholders were provided opportunity to respond to this report at an open meeting held on August 18, 2015 in Edmonton, by in person 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 four stakeholders. The Board also received four written submissions. The Board considered the information received at the open meeting along with the written submissions and requested Oliver Wyman to update its draft report as a result of any new information that had been provided. The Board then published its final report on September 29, 2015, which included the Board approved Industry Benchmarks Schedule to be used by the Board in its review of private passenger rate filings effective October 1, 2015.

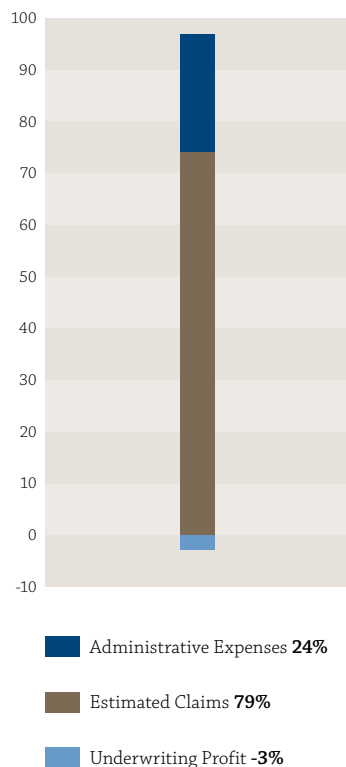
In addition to the annual review, the Board conducts a semi-annual review between January and March which results in an updated Industry Benchmarks Schedule to be used for the period April 1st to September 30th.

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 are available for the same coverage and that shopping for rates may result in a lower premium. 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.

Distribution of Premium Dollar for 2014 Private Passenger Vehicles



NOTE: All Coverage Combined
Source: GISA statistical data and GISA Automotive Insurance Financial Information Survey

Consumer Representative

The Consumer Representative, Mr. Chris Daniel, contracted a consulting and research firm to conduct his annual telephone and on-line survey of consumers' perceptions of automobile insurance in Alberta. Mr. Daniel 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. In 2015 he added a "Seniors" dimension and conducted a special discussion with this group. As part of this process, he also reviewed data from other provinces, traffic safety trends and other data.

Consumers also contacted him by e-mail and letter with their specific concerns. The results of his findings included the following:

- 59% of consumers surveyed agreed that premiums are 'fair and reasonable', up from 57% 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.
- 27% of consumers polled obtained a competitive quote for insurance and of these, 89% stayed with their existing insurer, compared to 86% in the prior year.

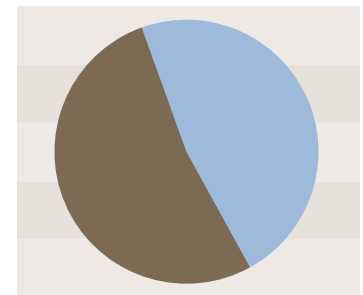
These findings were presented to the AIRB at its open meeting in August. Mr Daniel's report including his observations may be viewed in more detail on the AIRB website.

Rates

The average premium for all coverage increased 3.7% from \$1,113 in 2013 to \$1,154 in 2014. The average premium for basic coverage on private passenger vehicles as shown in Appendix III has increased from \$575 in 2010 to \$609 in 2014. The average premium for additional coverage has increased annually from \$506 in 2010 to \$545 in 2014.

This chart shows the average written premium for 2014 as reported by GISA statistical data broken out by basic and additional coverage.

2014 Average Private Passenger Premium



■ Basic Coverage \$609
 ■ Additional Coverage \$545

Source: GISA statistical data

Company Filings – January 1, 2015 to December 31, 2015

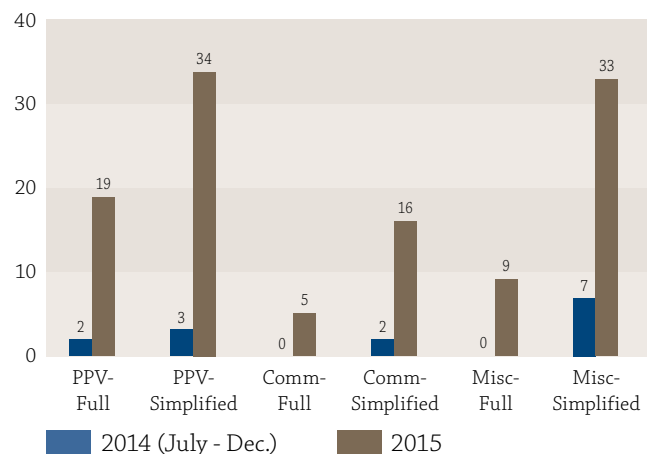
As required under the new *Automobile Insurance Premiums Regulation* Sections 2 through 7, all insurer rating programs and any changes to rating programs must be filed in accordance with the Board's policies and guidelines and approved by the AIRB prior to implementation.

In 2015 the AIRB reviewed 116 company filings as follows:

- Private Passenger filings included 34 simplified and 19 full filings
- Commercial filings included 16 simplified and 5 full filings
- Miscellaneous class filings included 33 simplified and 9 full filings

See Appendix II for more information on company filings.

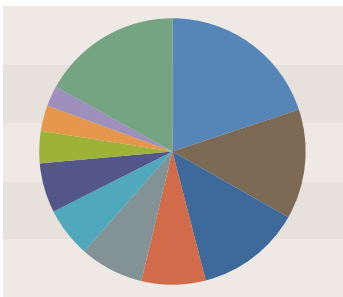
Filing Activity (Since July 1, 2014)



NOTE: Filings in progress are not included

This chart identifies the distribution of written premium for all vehicle classes by corporate group in Alberta for 2014 (corporations may operate more than one insurer).

2014 Market Share of Total Automobile Insurance Premium



- Intact Financial Group **20%**
- Wawanesa Mutual Insurance Company (The) **13%**
- TD Insurance **13%**
- Co-operators Group **8%**
- Aviva Canada Inc. **8%**
- Royal & Sun Alliance Insurance Group **6%**
- Alberta Motor Association Insurance Company **6%**
- The Economical Insurance Group **4%**
- State Farm Mutual Automobile Insurance Company **3%**
- Northbridge Financial Corporation **2%**
- Remainder **17%**

Source: Superintendent of Insurance 2014 Annual Business Report

Market

Based on information submitted to the Superintendent of Insurance, 70 automobile insurance companies were active in Alberta in 2014, same as 2013. The 2014 Market Share of Total Automobile Insurance Premium chart identifies the distribution of written premium by corporate group in Alberta for 2014 (corporations may operate more than one insurer). Four insurer groups represented 54% of all written premium, a slight decrease from 55% in 2013. In 2014, the automobile insurance industry collected \$3.9 billion in written premium from which they expect to pay \$2.9 billion in claims. The overall private passenger loss ratio in Alberta for 2014 was 79%, an increase of 1% over 2013.

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 remained flat in 2014. Frequencies related to property damage, accident benefits, and collision claims have also remained relatively flat. Severity however increased for all coverages in 2014.

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 the 2015 calendar year was \$1,252,739 (2014 \$1,304,797). The Board’s operations totaled \$1.3 million for the fiscal year ended March 31, 2015, a 13.4% increase over the prior year. Further financial information is available under Statement of Operations and Surplus (page 8).

Looking Ahead to 2016

The AIRB will:

- Continue to monitor emerging issues such as Usage-based Insurance, Autonomous Vehicles and Real-time Ride Sharing and their implications on rating programs.
- Continue to fine tune the implementation of the Enhancing Consumer Protection in *Auto Insurance Act*.
- Continue our 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.

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, 2014 to March 31, 2015

	2013 - 14 Actual	2014 - 15 Actual	2014 - 15 Budget
Revenue			
Annual Industry Levy	\$1,443,237	\$1,610,000	\$1,610,000
– less accumulated surplus	290,261	305,203	305,203
Net Annual Industry Levy	1,152,976	1,304,797	1,304,797
Actuarial Services	36,238	—	—
Other	1,000	—	—
	1,190,214	1,304,797	1,304,797
Expense			
Operations	736,037	826,718	847,000
Actuarial and Contract Services	328,256	415,798	563,000
Board Honoraria and Expenses	110,979	90,223	200,000
	1,175,272	1,332,739	1,610,000
Surplus/(Shortfall)	14,942	(27,942)	(305,203)
Accumulated Surplus Beginning	290,261	305,203	305,203
Accumulated Surplus End	305,203	277,261	—

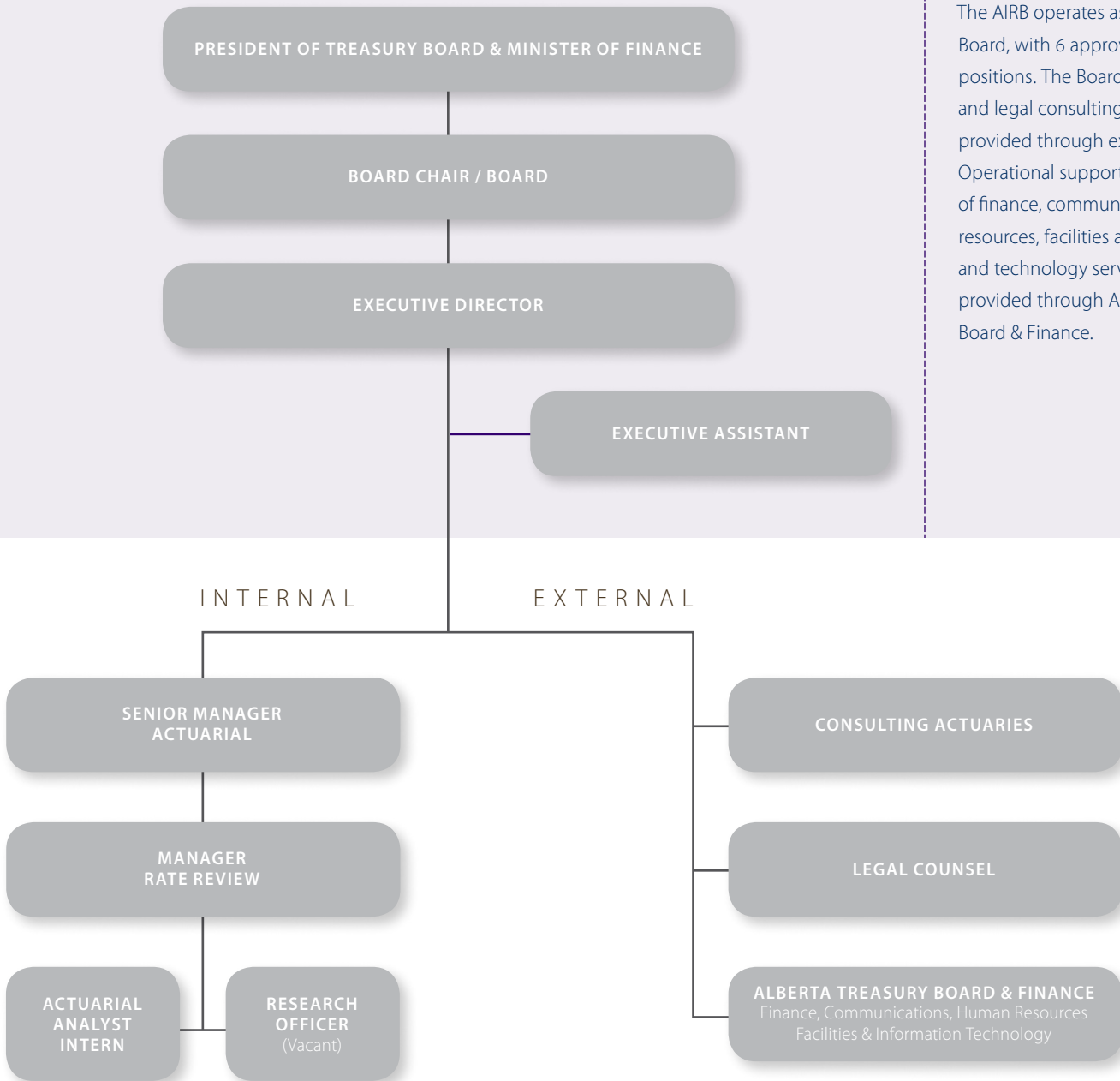
The AIRB's fiscal year reflects that of the Government, April 1 to March 31. As per Alberta Regulation 179/2005, Automobile Insurance Rate Board Fees Regulation, the Board is fully funded by industry in the following two ways:

- 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 of the prior year.
- Actuarial Services which were 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 2015



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 and 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 regulation.

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 Board'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. The Board holds mid-month teleconference meetings to review and rule on simplified filings. In addition, it holds an open meeting to carry out its Annual Review process to develop guidelines for its review of insurer filings and the adjustment of the base 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 governing 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
- Risk Management

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 10 regular meetings in 2015 to review and rule on insurer filings for changes in rates and rating programs and to deal with other administrative issues of the Board.

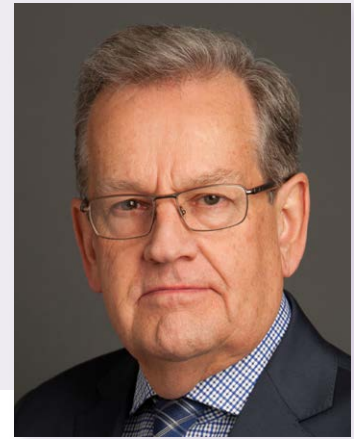
Chair



Allan Cleiren

**Senior Executive
Edmonton**

Vice Chair



Norbert Van Wyk

**Retired City Manager
St. Albert**

Consumer Representative



Chris Daniel

**Retired Senior Executive
Insurance Industry
Calmar**



Tracy Edwards

**Retired, Senior Executive
Vermilion**



Charlene Butler

**Management Consultant
Edmonton**



James Cuming

**Lawyer, Private Practice
Calgary**



Maureen Higgins

**Senior Executive
Calgary**



Mark Prefontaine

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

The Board held 7 mid-month teleconference meetings to review and rule on simplified filings. In addition, on August 18th the Board held its open Annual Review meeting to hear from stakeholders.



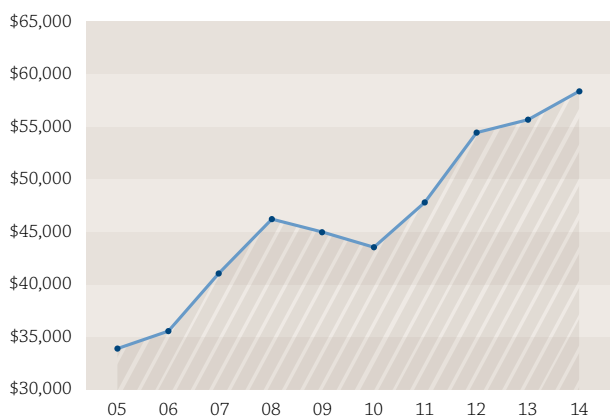
APPENDIX I MARKET

In 2014, the automobile insurance industry collected \$3.9 billion in written premium from which it expects to pay \$2.9 billion in claims. A major portion, \$3.0 billion of that premium is attributable to private passenger vehicles that will incur an estimated \$2.3 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 2014. All dollar amounts for claims and premiums are expressed in nominal dollars (unadjusted for inflation).

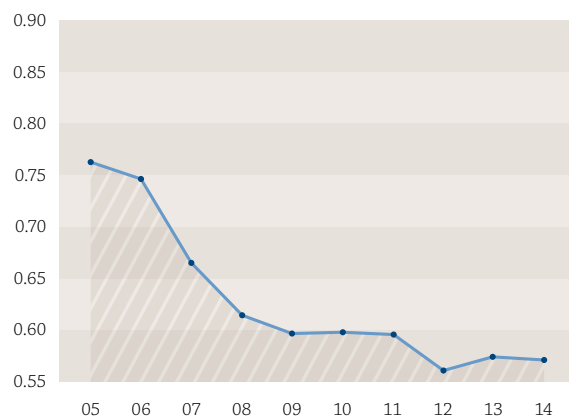
Third party liability coverage that responds to damages for which the insured is legally liable has two components; bodily injury and property damage. **Figure 1** shows average claim costs (severity) for bodily injury for the ten year period, 2005 to 2014. Bodily injury claims can take five or more years to mature and, therefore, the figures for more recent years are best estimates. After an almost steady upward trend dating back to the mid-1980s, the average severity of bodily injury claims dropped significantly after the reform in 2004 to \$34,000 in 2005. 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. It then climbed up again except during the recession between 2008 to 2010. After the recession, it escalated to \$58,000 in 2014. **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 is a noticeable reduction in frequency in 2007 and 2008, it then levels off with a dip in 2012. The downward frequency reverted in 2013, but it is still lower than the 2011 level, and it is expected to remain level.

Figure 1 – Bodily Injury Severity / 100 Vehicles



Source: GISA Statistical Exhibit

Figure 2 – Bodily Injury Frequency / 100 Vehicles

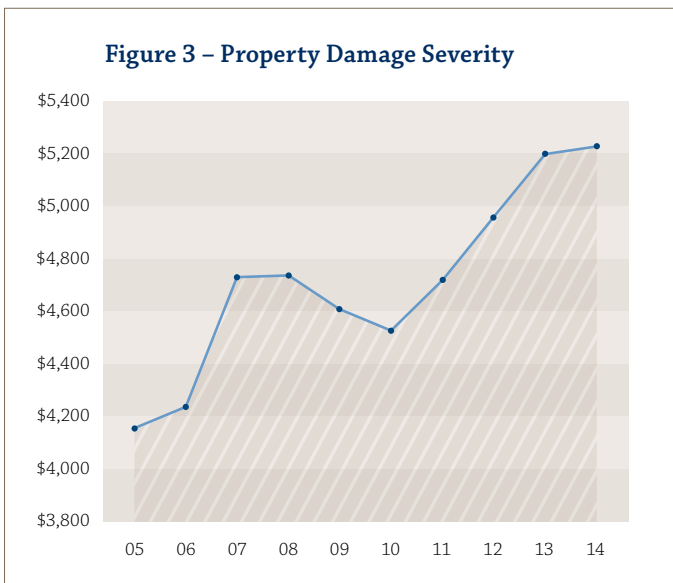


Source: GISA Statistical Exhibit

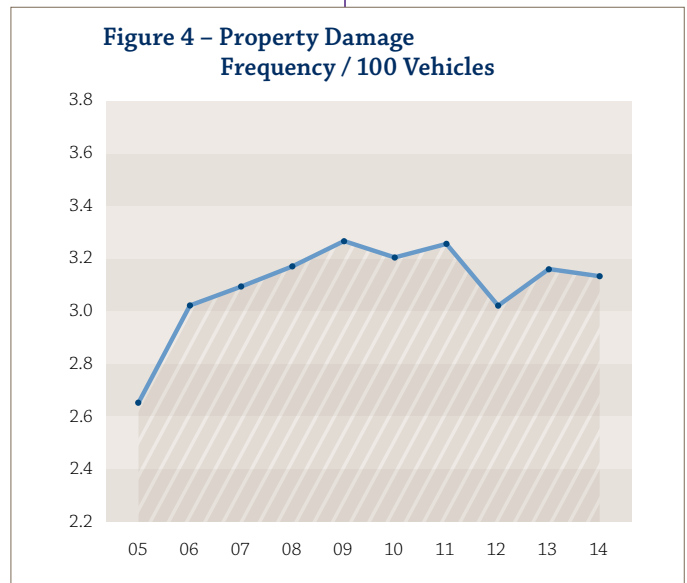


Bodily injury claims made up 70% of third party liability claim costs in 2005 compared to 67% in 2014. The Minor Injury Regulation adjusted the cap to \$4,892 as of January 1, 2015.

Figure 3 shows that property damage average claim costs have fluctuated, though they are showing an overall upward trend. The average claim increased from \$4,150 to \$5,200 over the ten year period shown. Figure 4 shows an upward trend in claim frequency through 2009 then levels off through 2014, with a dip in 2012.



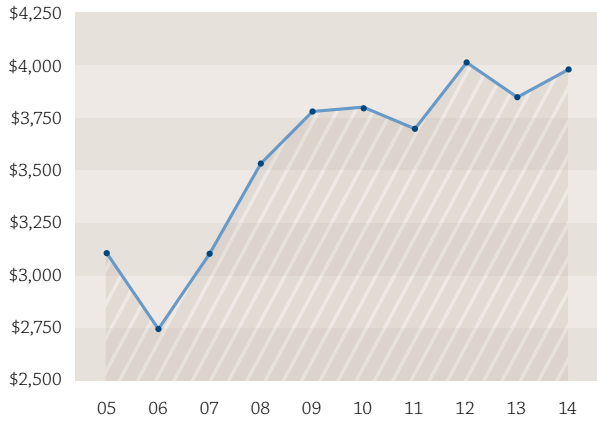
Source: GISA Statistical Exhibit



Source: GISA Statistical Exhibit

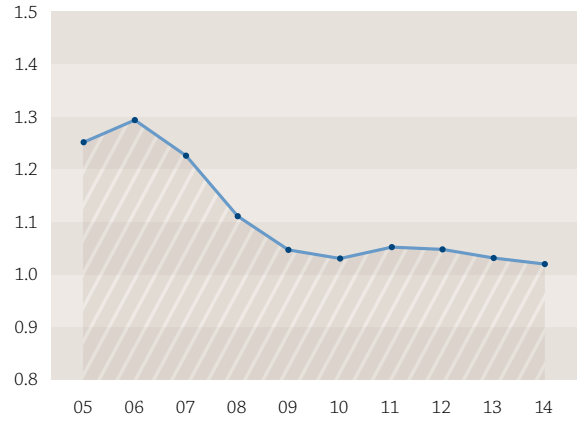
Accident benefits are the other coverage that relates to bodily injury; it responds to the insured's injuries regardless of fault. Figure 5 shows that the average cost of claims increased steadily from \$2,800 in 2006, to a peak of \$4,000 in 2014, with some fluctuations in 2011 and 2012. The speed of increase has slowed down since 2009. Figure 6 relates to the frequency of claims per 100 vehicles insured; there was a steady decreasing trend until 2010. The frequency increased slightly in 2011, but then resumed the downward trend, and it was below the 2010 level in 2014.

Figure 5 – Accident Benefits Severity



Source: GISA Statistical Exhibit

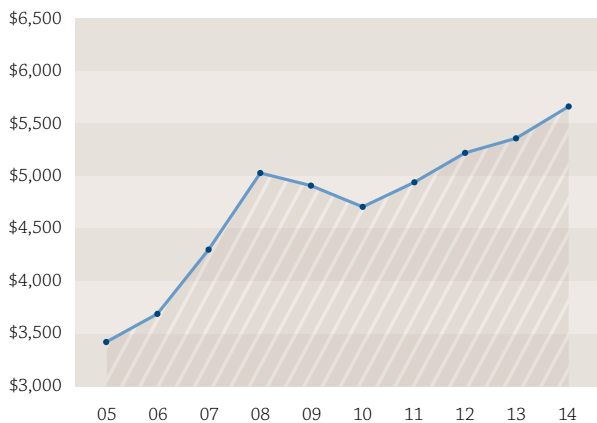
Figure 6 – Accident Benefits Frequency / 100 Vehicles



Source: GISA Statistical Exhibit

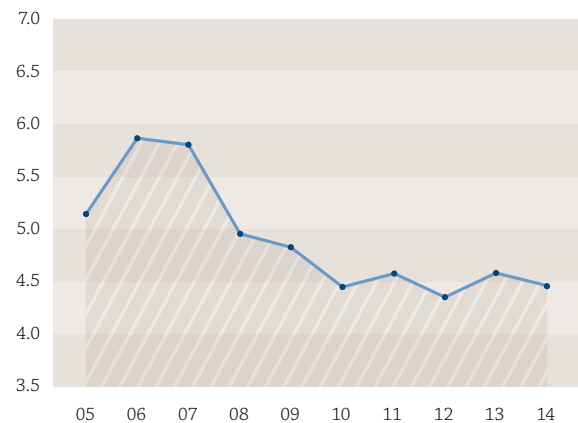
Figure 7 shows the average claim cost for collision (impact with another object) increasing steadily from \$3,500 in 2005 to \$5,000 in 2008 and then increasing to \$5,700 in 2014. Figure 8 relates to the frequency of collision claims for each 100 insured vehicles. There was a steady decrease from 2006 through 2010, at which time the downward trend levelled off. Fluctuations can be partially attributable to the variation between easy and hard winter driving conditions.

Figure 7 – Collision Severity



Source: GISA Statistical Exhibit

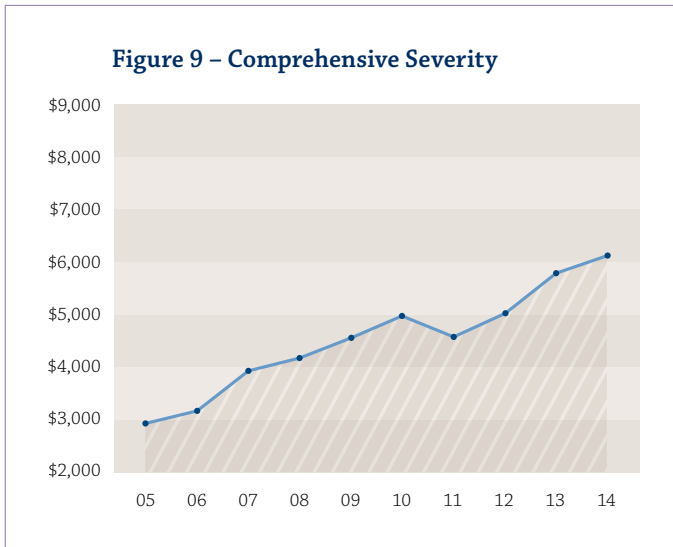
Figure 8 – Collision Frequency / 100 Vehicles



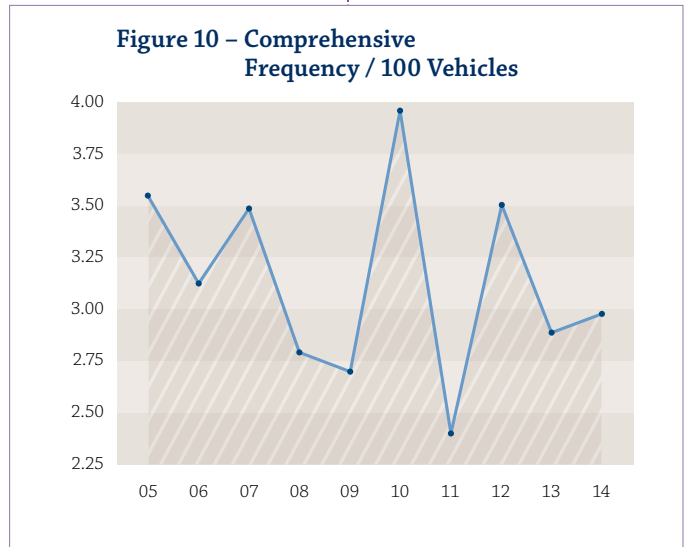
Source: GISA Statistical Exhibit



The average claim cost for comprehensive (e.g., theft, vandalism, hail) claims has continuously moved upward to \$6,100 as shown in Figure 9. The upward trend is partially due to increasing repair costs and labour rates. Figure 10 shows a fluctuating frequency of claims in recent years. Frequency is impacted by weather related events.

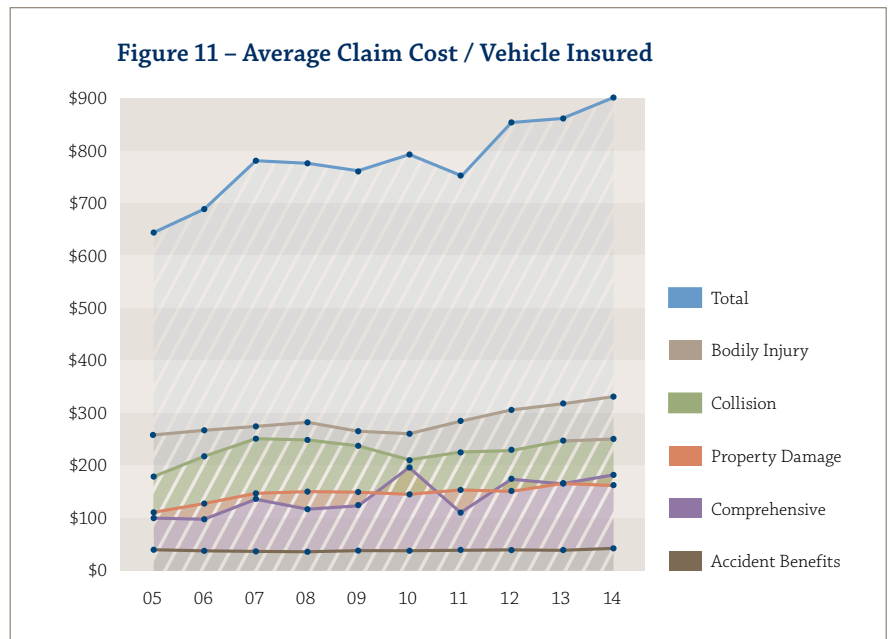


Source: GISA Statistical Exhibit



Source: GISA Statistical Exhibit

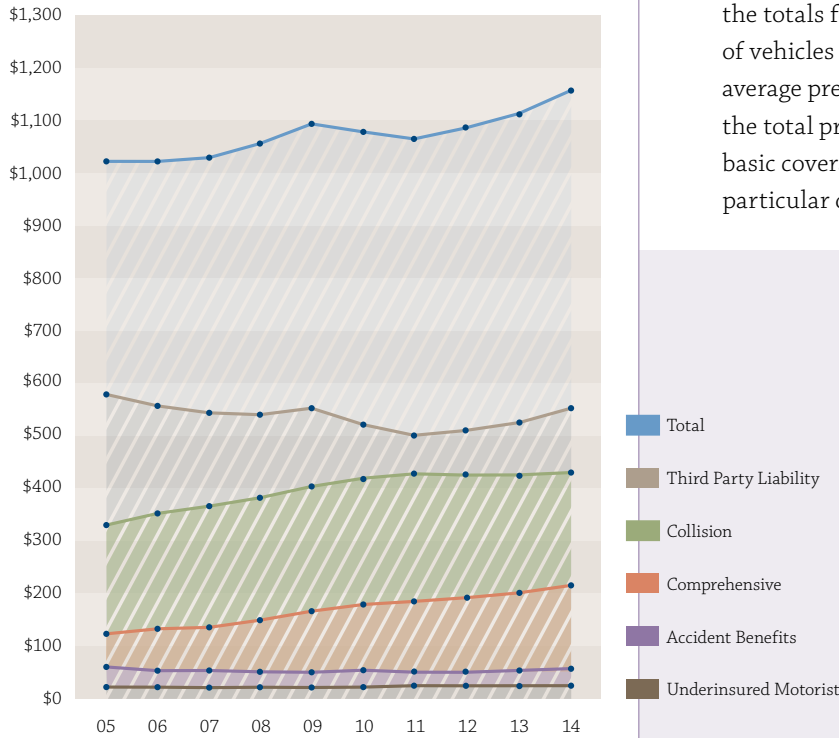
The next graph, Figure 11, shows the average claim cost per vehicle insured, which reflects the combined effects of severity and frequency of claims. The claim cost for each coverage is estimated by total claims divided by the number of vehicles insured for that coverage; and the total claim cost is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



Source: GISA Statistical Exhibit



Figure 12 – Average Written Premiums



Finally, **Figure 12** shows average premiums by coverage and in total. The average premiums by coverage are the totals for each coverage divided by the number of vehicles insured for the particular coverage; the average premiums in total are calculated by dividing the total premiums by the number of vehicles insured basic coverage. They do not reflect premiums for any particular driver profile or any individual insurer.

The increases in average premiums are a result of recent Industry-wide adjustments till 2013. The 5% increases permitted by the 2012 and 2013 industry-wide adjustment decisions and individual insurer filed increases were 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), psychological injury and a higher percentage of claims being litigated. The average premiums for basic and additional coverage combined increased

Source: GISA Statistical Exhibit

by +3.7% in 2014 compared to 2013 (see **Appendix III**). 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 Premiums Regulation which came into effect on July 1, 2014, 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. The impact on average premiums due to individual filings will be reflected in the 2015 data, since the effective dates of the majority of these filings are in 2015. Based on industry experience in 2014, upward pressure on third party liability cost is expected.

APPENDIX II SUMMARY OF FILINGS

A more complete description of Filings is posted quarterly on the AIRB website at www.airb.alberta.ca/decisions.

Full and Simplified Filing Decisions – January 1, 2015 to December 31, 2015

Company	Type	Decision Date*	Average Change
Private Passenger			
Allstate Insurance Company of Canada	S	30-Jan-2015	0.0%
Wawanesa Mutual Insurance Company (The)	F	27-Feb-2015	0.3%
Intact Insurance Company	F	27-Feb-2015	3.4%
Novex Insurance Company	F	27-Feb-2015	3.3%
Chubb Insurance Company of Canada	F	27-Feb-2015	0.0%
Chubb Insurance Company of Canada	S	27-Feb-2015	0.0%
Alberta Motor Association Insurance Company	F	11-Mar-2015	3.3%
Portage La Prairie Mutual Insurance Company	F	24-Mar-2015	1.5%
Allstate Insurance Company of Canada	F	24-Mar-2015	6.4%
Intact Insurance Company	S	27-Mar-2015	0.0%
Novex Insurance Company	S	27-Mar-2015	0.0%
Personal Insurance Company (The)	S	8-Apr-2015	0.0%
Certas Direct Insurance Company	S	8-Apr-2015	0.0%
Aviva Insurance Company of Canada	S	8-Apr-2015	0.0%
Traders General Insurance Company	S	8-Apr-2015	0.0%
Security National Insurance Company	F	24-Apr-2015	7.0%
Primum Insurance Company	F	24-Apr-2015	7.6%
TD Home and Auto Insurance Company	F	24-Apr-2015	5.9%
Dominion of Canada General Insurance Company (The)	F	24-Apr-2015	4.2%
Wawanesa Mutual Insurance Company (The)	S	24-Apr-2015	-1.0%
Certas Home and Auto Insurance Company	S	24-Apr-2015	0.0%
Esurance Insurance Company of Canada	S	22-May-2015	4.6%
RBC General Insurance Company	S	22-May-2015	-0.9%
Certas Home and Auto Insurance Company	S	22-May-2015	0.0%

Legend

F – Full Filing

S – Simplified Filing

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



Company	Type	Decision Date*	Average Change
Trafalgar Insurance Company of Canada	F	10-Jun-2015	9.9%
Pembridge Insurance Company	F	26-Jun-2015	10.5%
Unifund Assurance Company	S	26-Jun-2015	1.1%
Intact Insurance Company	S	26-Jun-2015	-0.4%
Novex Insurance Company	S	26-Jun-2015	-0.2%
Millennium Insurance Corporation	F	22-Jul-2015	0.0%
Facility Association	S	22-Jul-2015	-0.1%
Wawanesa Mutual Insurance Company (The)	S	22-Jul-2015	0.0%
Security National Insurance Company	S	22-Jul-2015	0.4%
Primum Insurance Company	S	22-Jul-2015	0.2%
TD Home and Auto Insurance Company	S	22-Jul-2015	-0.5%
Esurance Insurance Company of Canada	S	17-Aug-2015	-2.2%
Royal & Sun Alliance Insurance Company of Canada	S	17-Aug-2015	0.0%
Chubb Insurance Company of Canada	S	17-Aug-2015	0.0%
Intact Insurance Company	S	2-Sep-2015	0.0%
Novex Insurance Company	S	2-Sep-2015	0.0%
Belair Insurance Company Inc.	S	2-Sep-2015	0.0%
Belair Insurance Company Inc.	S	2-Sep-2015	-5.4%
Belair Insurance Company Inc.	S	18-Sep-2015	0.0%
Aviva Insurance Company of Canada	F	23-Oct-2015	3.4%
Traders General Insurance Company	F	23-Oct-2015	-0.1%
Economical Mutual Insurance Company	F	23-Oct-2015	5.0%
Waterloo Insurance Company	F	23-Oct-2015	6.0%
Co-operators General Insurance Company	S	12-Nov-2015	0.0%
SGL Canada Insurance Service Ltd.	F	27-Nov-2015	1.7%
Alberta Motor Association Insurance Company	S	27-Nov-2015	2.0%
Allstate Insurance Company of Canada	S	27-Nov-2015	0.0%
Unifund Assurance Company	S	27-Nov-2015	-0.7%
Belair Insurance Company Inc.	S	18-Dec-2015	0.0%

APPENDIX II SUMMARY OF APPLICATIONS, NOTICES AND FILINGS

Company	Type	Decision Date*	Average Change
Commercial			
SGL Canada Insurance Services Ltd.	F	30-Jan-2015	7.3%
Aviva Insurance Company of Canada	F	30-Jan-2015	1.5%
Aviva Insurance Company of Canada	S	30-Jan-2015	-0.6%
Echelon General Insurance Company	S	27-Feb-2015	-8.2%
Intact Insurance Company	S	27-Feb-2015	0.0%
Intact Insurance Company	S	11-Mar-2015	0.0%
Portage La Prairie Mutual Insurance Company (The)	S	8-Apr-2015	5.6%
Northbridge Commercial Insurance Corporation	S	8-Apr-2015	-30.6%
Tokio Marine & Nichido Fire Insurance Co. Ltd.	S	8-Apr-2015	0.0%
Certas Home and Auto Insurance Company	S	24-Apr-2015	0.0%
SGL Canada Insurance Services Ltd.	S	10-Jun-2015	1.2%
Royal & Sun Alliance Insurance Company of Canada	S	10-Jun-2015	0.1%
Zurich Insurance Company Ltd.	S	26-Jun-2015	0.4%
Dominion of Canada General Insurance Company (The)	S	22-Jul-2015	5.1%
Northbridge Commercial Insurance Corporation	S	23-Oct-2015	-5.4%
Aviva Insurance Company of Canada	S	23-Oct-2015	0.0%
Aviva Insurance Company of Canada	S	23-Oct-2015	-5.2%
Aviva Insurance Company of Canada	S	23-Oct-2015	0.0%
Intact Insurance Company	F	23-Oct-2015	9.0%
Alberta Motor Association Insurance Company	F	27-Nov-2015	3.4%
Economical Mutual Insurance Company	F	27-Nov-2015	16.1%

APPENDIX II SUMMARY OF APPLICATIONS, NOTICES AND FILINGS

Company	Type	Decision Date*	Average Change
Miscellaneous			
Wawanesa Mutual Insurance Company (The Facility Association	S	30-Jan-2015	0.0%
Facility Association	F	31-Jan-2015	12.6%
Facility Association	F	27-Feb-2015	15.3%
Optimum West Insurance Company	S	27-Feb-2015	0.0%
Echelon General Insurance Company	S	27-Feb-2015	0.0%
Echelon General Insurance Company	S	27-Feb-2015	0.0%
Aviva Insurance Company of Canada	S	27-Feb-2015	-9.7%
Traders General Insurance Company	S	27-Feb-2015	-12.1%
Chubb Insurance Company of Canada	F	11-Mar-2015	0.0%
Certas Home and Auto Insurance Company	S	27-Mar-2015	0.0%
Certas Home and Auto Insurance Company	S	27-Mar-2015	0.0%
Certas Home and Auto Insurance Company	S	27-Mar-2015	0.0%
Certas Home and Auto Insurance Company	S	27-Mar-2015	9.4%
Certas Home and Auto Insurance Company	S	27-Mar-2015	0.0%
Portage La Prairie Mutual Insurance Company (The	S	8-Apr-2015	0.0%
Portage La Prairie Mutual Insurance Company (The	S	8-Apr-2015	1.1%
Portage La Prairie Mutual Insurance Company (The	S	8-Apr-2015	30.2%
Portage La Prairie Mutual Insurance Company (The	S	8-Apr-2015	0.2%
Alberta Motor Association Insurance Company Facility Association	F	24-Apr-2015	-5.8%
Facility Association	F	22-May-2015	17.9%
Certas Home and Auto Insurance Company	S	22-May-2015	0.0%
Alberta Motor Association Insurance Company	S	10-Jun-2015	0.0%
Alberta Motor Association Insurance Company	S	10-Jun-2015	0.0%
Alberta Motor Association Insurance Company	S	10-Jun-2015	0.0%
Facility Association	S	26-Jun-2015	0.0%
Allstate Insurance Company of Canada	S	17-Aug-2015	0.0%
Co-operators General Insurance Company	S	12-Nov-2015	0.0%
Co-operators General Insurance Company	S	12-Nov-2015	0.0%
Co-operators General Insurance Company	S	12-Nov-2015	0.0%
Co-operators General Insurance Company	S	12-Nov-2015	0.0%
Co-operators General Insurance Company	S	12-Nov-2015	0.0%
Co-operators General Insurance Company	S	12-Nov-2015	0.0%
Co-operators General Insurance Company	S	12-Nov-2015	0.0%
Co-operators General Insurance Company	S	12-Nov-2015	0.0%
Intact Insurance Company	S	27-Nov-2015	-6.1%
Novex Insurance Company of Canada	S	27-Nov-2015	-12.9%
Intact Insurance Company	S	27-Nov-2015	-10.3%
Novex Insurance Company of Canada	S	27-Nov-2015	-7.1%
Wawanesa Mutual Insurance Company (The	F	27-Nov-2015	-20.4%
Wawanesa Mutual Insurance Company (The	F	27-Nov-2015	0.2%
Wawanesa Mutual Insurance Company (The	F	27-Nov-2015	-26.7%
Wawanesa Mutual Insurance Company (The	F	27-Nov-2015	2.9%

APPENDIX III STATISTICS

Automobile Insurance Fact Page

	2010	2011	2012	2013	2014	2015
Active Insurance Companies ³	77	75	71	70	70	—
Private Passenger Market Share for Largest Insurer Groups³						
Intact Financial Group	18.7%	19.4%	20.7%	20.1%	21.4%	—
TD Meloche Monnex	15.8%	15.7%	16.2%	16.5%	16.3%	—
Wawanesa	14.0%	13.9%	13.8%	13.5%	13.1%	—
The Co-operators	8.0%	8.0%	7.9%	7.8%	7.7%	—
Total	56.5%	57.0%	58.7%	57.9%	58.5%	—
Written Premium⁴						
Total Premium (000s)	\$3,260,754	\$3,333,175	\$3,515,278	\$3,726,842	\$3,944,474	—
Private Passenger (000s)	\$2,464,603	\$2,511,675	\$2,655,145	\$2,826,180	\$2,991,435	—
Average Written Premiums for Private Passenger Vehicles⁴						
Basic Coverage	\$575	\$551	\$562	\$579	\$609	—
Additional Coverage	\$506	\$519	\$525	\$534	\$545	—
Total	\$1,081	\$1,070	\$1,087	\$1,113	\$1,154	—
% change from prior year	—	-1.0%	1.6%	2.4%	3.7%	—
Written Private Passenger Vehicles⁴						
Non Grid	92.9%	92.7%	92.6%	93.4%	93.5%	—
Grid	7.1%	7.3%	7.4%	6.6%	6.5%	—
# Vehicles Insured	2,279,576	2,348,131	2,443,536	2,539,991	2,591,506	—
% change from prior year	—	3.0%	4.1%	3.9%	2.0%	—
Estimated Total Claims⁴						
All Automobile (000s)	\$2,196,554	\$2,205,541	\$2,547,994	\$2,732,837	\$2,901,204	—
Private Passenger (000s)	\$1,780,414	\$1,739,054	\$2,046,060	\$2,149,100	\$2,291,623	—
Private Passenger Loss Ratio	73.0%	70.0%	79.0%	78.0%	79.0%	—
% change from prior year	—	-4.1%	12.9%	-1.3%	1.3%	—
Minor Injury Cap (effective October 1, 2004) ³	\$4,518	\$4,559	\$4,641	\$4,725	\$4,777	\$4,892
Other						
Health Cost Recovery (Millions) ⁵	\$90	\$95	\$100	\$105	\$105	—
Board Adjustments to Basic Coverage ⁶	-5%	0%	+5%	+5%	—	—
Industry Levy	\$921,029	\$1,140,877	\$1,005,932	\$1,152,973	\$1,304,797	\$1,252,739

³ Source: Superintendent of Insurance (most recent available data for 2014)

⁴ Source: GISA Statistical Exhibits (most recent available data for 2014)

⁵ Amount assessed to industry under *Hospitality Act* for costs of automobile accident related injuries

⁶ IWA process is discontinued since 2015

APPENDIX IV ALBERTA'S GRID RATING PROGRAM

Alberta's 2004 automobile insurance reforms, introduced legislation that resulted in the "All Comers Rule". This rule was introduced to protect consumers from insurers that refused customers that were believed to be undesirable business or bad risks. The reform included a Grid Rating program that was developed to set maximum premiums that insurance companies could charge for basic coverage for any driving record.

How the Grid Protects Consumers

The Grid applies only to private passenger vehicles. It does not extend to other categories of vehicles such as motorcycles, recreational vehicles etc. It only applies to basic coverage, not additional coverage (collision and comprehensive coverage).

As per legislation, the Government has established a Grid program which sets the maximum premium that a consumer may be charged. This Grid is reviewed on an annual basis and published by the AIRB for use by insurers and consumers. Insurance companies are required to compare a driver's premium under their current AIRB approved rating program to the driver's Grid premium and charge the lesser of the two premiums. The Grid premium is often the lower premium for inexperienced drivers and drivers that insurers deem less desirable, e.g., poor driving record or unproven driving record. Drivers are rated below the Grid when their experience and driving behavior improves to the point that insurers want to write the risk. The vast majority, approximately 93% of drivers, fall into this category and pay premiums that are lower than the Grid.

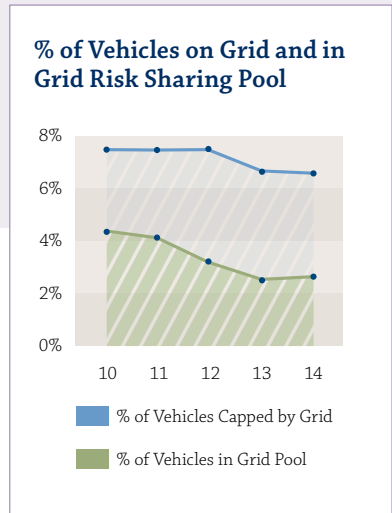
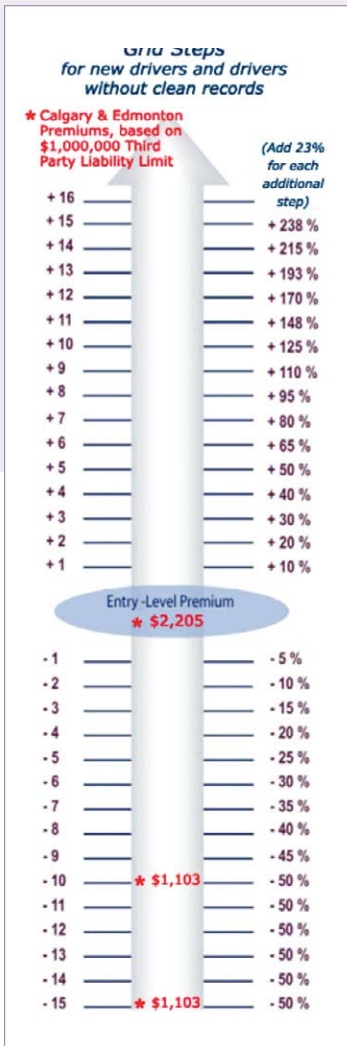
Drivers that are Grid rated will receive an initial Grid step. As drivers gain experience and drive without claims and convictions, their premiums decrease each year, to a maximum 50% reduction of Grid step 0 rates. On the other hand, each at-fault claim will move the driver 5 steps up the Grid and lead to an increase in Grid premium.

How the Grid Pool Protects Insurers

With the introduction of the "All Comers Rule", the Government also provided protection to insurers by implementing the Grid Risk Sharing Pool (RSP). The intent of this pool was to allow insurers to cede risks they normally would not have insured to the pool. The surplus or loss experience of the risk sharing pool is shared by all insurers in Alberta on an annual basis and allocated based on total written premiums. The percent of risks that were capped by the Grid in 2014 was 6.5%. The percent of risks that were capped by the Grid and sent to the risk sharing pool was 2.7%.

The chart compares the percentage of total private passenger vehicles that have been capped by the Grid premium and in the Grid Risk Sharing Pool over the past 5 years. The number of vehicles on the road has been increasing and was 2.6 million at the end of 2014. The number of policies capped by Grid and those placed in Grid RSP has been decreasing, which means more policyholders are receiving competitive rates.

The AIRB has developed a Grid calculator which allows consumers to determine their Grid premium and demonstrates how the Grid rating program operates. The Grid calculator can be found on the AIRB's website www.airb.alberta.ca.



APPENDIX V ACTIVE INSURERS

List of Active Automobile Insurers and Direct Written Automobile Premium for 2014

Name of Company	2014 (thousands)	Name of Company	2014 (thousands)
ACE INA Insurance	10,334	Northbridge Financial Corporation	
AIG Insurance Company of Canada	11,558	Federated Insurance Company of Canada	23,346
Alberta Motor Association Insurance Company	241,058	Northbridge Commercial Insurance Corporation	44,943
Alberta Municipal Insurance Exchange	992	Northbridge General Insurance Corporation	30,214
Allstate Canada		Northbridge Personal Insurance Corporation	53
Allstate Insurance Company of Canada	74,614	Tokio Marine & Nichido Fire Insurance Co. Ltd	394
Pembridge Insurance Company	10,383	Zenith Insurance Company	523
American Road Insurance Company	2,023	Old Republic Insurance Company of Canada	6,693
Aviva Canada Inc.		Optimum West Insurance Company	3,167
Aviva Insurance Company of Canada	252,683	Peace Hills General Insurance Company	70,439
Elite Insurance Company	18,139	Portage la Prairie Mutual Insurance Company (The)	21,392
Traders General Insurance Company	40,102	Protective Insurance Company	253
Canadian Direct Insurance Incorporated	52,276	RBC Insurance	
Canadian Farm Insurance Corporation	4,418	RBC General Insurance Company	54,433
Canadian Northern Shield Insurance Company	1	RBC Insurance Company of Canada	908
Chubb Canada		Royal & Sun Alliance Insurance Group	
Chubb Insurance Company of Canada	10,628	Royal & Sun Alliance Insurance Company of Canada	72,411
Federal Insurance Company	14	Unifund Assurance Company	169,978
Continental Casualty Company	11,579	Sentry Insurance A Mutual Company	99
The Co-operators Group Ltd		SGL Canada Insurance Services Ltd.	51,194
Co-operators General Insurance Company	275,216	TD Insurance	
Coseco Insurance Company	17,776	Primum Insurance Company	139,601
Sovereign General Insurance Company (The)	18,491	Security National Insurance Company	353,880
Cumis General Insurance Company	3,226	TD Home and Auto Insurance Company	18,117
Desjardins General Insurance Group		The Economical Insurance Group	
Certas Direct Insurance Company	16,551	Economical Mutual Insurance Company	145,000
Personal Insurance Company (The)	75,681	Federation Insurance Company of Canada	487
Echelon General Insurance Company	6,192	Missisquoi Insurance Company (The)	4
Electric Insurance Company	226	Waterloo Insurance Company	10,875
Everest Insurance Company of Canada	376	The Travelers Companies	
Fortress Insurance Company	603	Dominion of Canada General Insurance Company (The)	79,281
Guarantee Company of North America (The)	2,006	St. Paul Fire and Marine Insurance Company	13,221
Hartford Fire Insurance Company	189	Travelers Insurance Company of Canada	3,218
Intact Financial Group		Saskatchewan Mutual Insurance Company	1
Intact Insurance Company	709,238	State Farm Mutual Automobile Insurance Company	125,011
Novex Insurance Company of Canada	71,408	Sompo Japan Nipponkoa Insurance Inc	1
Trafalgar Insurance Company of Canada	16,994	Sumitomo Marine and Fire Insurance Company Ltd. (The)	528
Liberty Mutual Insurance Company	10,505	Wawanesa Mutual Insurance Company (The)	533,148
Lloyd's Underwriters	6,149	Westport Insurance Corporation	6
Mennonite Mutual Insurance Co (Alberta) Ltd.	20	Zurich Insurance Company Ltd.	41,301
Millennium Insurance Corporation	20,085		
Motors Insurance Corporation	2,156		

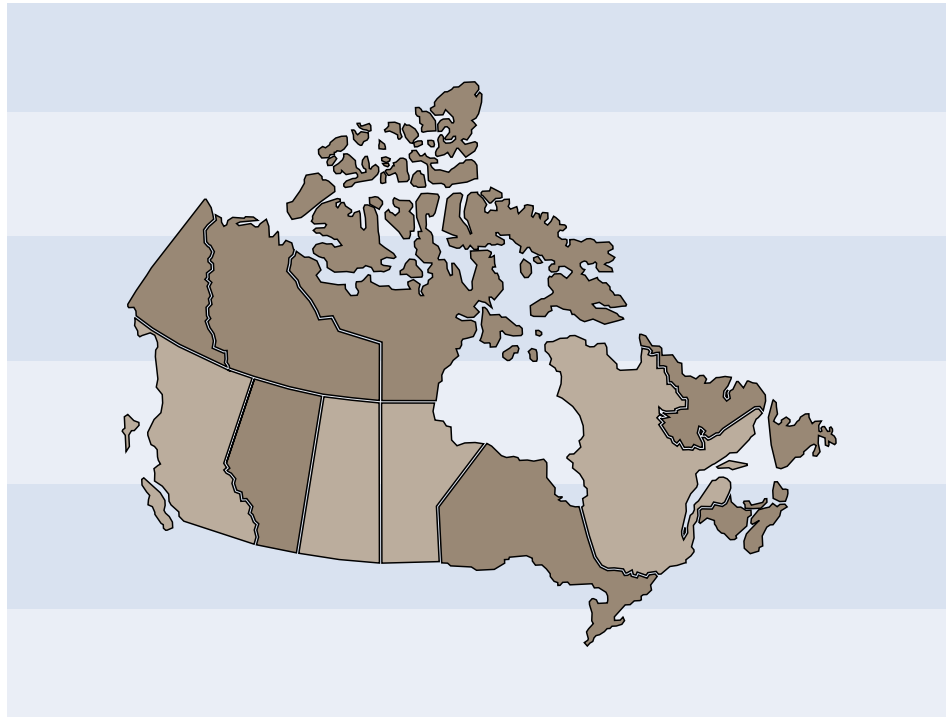
Source: Superintendent of Insurance 2014 Annual Report



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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