

Alberta

Automobile Insurance Rate Board – 2017 Annual Report

For the Year Ended December 31, 2017





Automobile Insurance Rate Board – 2017 Annual Report
For the Year Ended December 31, 2017



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 2017 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, 2017. All significant decisions, events and identified risks as of December 31, 2017 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 2017 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 13th Annual Report of the Automobile Insurance Rate Board, for the year ended December 31, 2017.

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

Phone: 780.427.5428

Fax: 780.638.4254

Email: airb@gov.ab.ca

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**

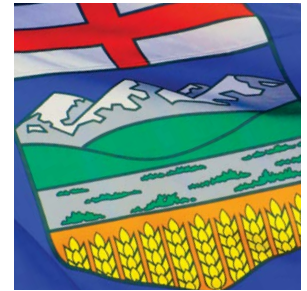
We behave ethically and are open, honest and fair in our dealings.

- **Excellence**

We use innovation and continuous improvement to achieve excellence.

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CHAIR'S MESSAGE



Allan Cleiren, Chair

I am pleased to submit the Alberta Automobile Insurance Rate Board's 2017 Annual Report.

This past year the Board reviewed 135 filings and while Alberta's private passenger automobile insurance market continued its relative stability, increasing claims costs are beginning to place upward pressure on rates. The AIRB has been concerned with the ongoing pressure on private passenger auto insurance rates which since 2011 have been on the rise and more recently 2016 and 2017 are beginning to increase more rapidly. The main drivers behind this rate pressure have been:

- the higher percentage of claims being settled outside of the minor injury cap (MIR).
- catastrophic events and
- a significant increase in auto thefts

The result of the above has seen rates increase by as much as 10 to 15% prior to the Board's August decision to limit increases to 10% and the December 4th, 2017 Ministerial Order #25/2017 limiting annual increases to 5% until November 30, 2018.

In 2017, Alberta ranked number one in auto thefts per capita in Canada. An Insurance Bureau of Canada report indicates that these numbers have almost doubled since 2014. Catastrophic losses have increased from an annual average of \$32 million (2003-2009) to \$157 million (2010-2016) mainly a result of recent severe weather events such as hail, windstorms and flooding events most notably in southern Alberta. In addition, companies experienced significant losses due to the Fort McMurray fire. These losses along with the upward pressure of repair costs, which is often due to more expensive materials and higher labor costs, resulted in increases in additional coverages.

With just over a year since the introduction of Usage Based Insurance (UBI) in Alberta, 5 companies have introduced a UBI program for their customers. UBI uses telematics devices to transmit driving data, such as kilometers travelled, speed, hard braking and other variables, to insurers who then use rating programs to provide discounts to good drivers.

As the AIRB looks ahead to 2018, it is clear the next challenge for insurers and regulators will be the introduction of autonomous vehicles. Car manufacturers and technology companies are developing vehicles that have an increasing ability to drive themselves. How autonomous vehicles will impact the auto insurance market is not yet known but the focus may move from providing consumer coverage caused by human error to a focus on insuring car manufacturers for liability from technical failure. The AIRB is monitoring this new technology with the goal of determining the effects of this change and how it will impact regulation of insurance rating programs.

We would like to take this opportunity to thank Maureen Higgins who recently retired from the Board, for her service (2014-2017) to the AIRB and Alberta in general. The Board is currently in the process of recruiting new Board members to fill a number of vacancies.

The AIRB's success depends on its people. I am very appreciative of the expertise of our Board members, 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, Lorna Rosen, Deputy Minister; and Nilam Jetha, Assistant Deputy Minister and her department for their continued support of the AIRB.

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

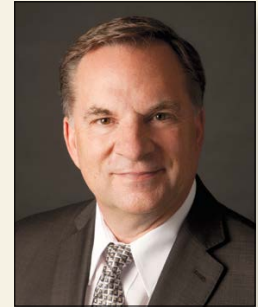
REPORT FROM THE EXECUTIVE DIRECTOR

Since Alberta's automobile insurance reforms in 2004, Alberta drivers have enjoyed relatively stable and competitive rates. In fact, from 2004 to 2011, premiums for private passenger vehicles in Alberta remained flat. From 2011 to 2016, premiums began to rise by an average of 2.4% per year; marginally above Alberta's consumer price index. The reasons for the increase in the case of basic coverage was the result of 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 Disorder (TMJ)/Temporomandibular Joint Disorder (TMD), psychological injury, new heads of damage being claimed, a higher percentage of claims being litigated, low investment return, and a longer period of treatment which is believed to be related to the economic climate. With respect to additional coverage, increases have mainly been as a result of recent severe weather events such as hail storms and flooding events most notably in southern Alberta, the Fort McMurray fire, along with upward pressure on repair costs due to more expensive materials and higher labor costs. The recent jump in vehicle theft has also contributed to this increase.

While there are many benefits of a competitive industry, one of the challenges in Alberta has been that even with the pressures noted above, companies up until 2017 for the most part had not been increasing rates by their indications (the required amount to payout increasing claims costs). This changed in 2017 with companies filing for significant increases to catch up to their indicated premiums. The impact on Alberta drivers has been on average a 5.8% increase in premiums in 2017 and it is expected that this magnitude of increase will continue into 2018.

CARR Association

The AIRB is a member of the Canadian Auto Rate Regulators Association (CARR). Each year one of the member jurisdictions hosts a 3-day conference. In 2018, Alberta will host the annual CARR conference in Calgary. Our focus for this event will be on autonomous vehicles, ride sharing and the impact on auto insurance regulation. We are planning to host a full day summit with knowledgeable experts, from as far away as the United Kingdom, joining us to share their views. Our plan is to open this one day summit to key decision makers from across Canada.



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 30 of each year. The Board’s “Annual Review Report” includes the Consulting Actuary’s report, Consumer Representative’s report and the Board approved Industry Benchmarks Schedule. This report can be found at www.airb.alberta.ca.

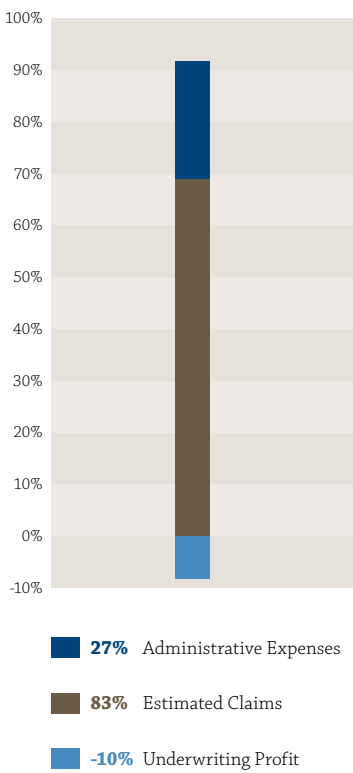
In early 2017, the Board requested its actuary, Oliver Wyman, to complete an analysis of industry experience for the period ended December 31, 2016. Oliver Wyman’s preliminary report was posted to the AIRB’s website on June 26, 2017 for review by stakeholders. Stakeholders were provided opportunity to respond to this report at an open meeting held on August 15, 2017 in Edmonton, in person, 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 four stakeholders. The Board also received five written submissions. The Board considered the information received at the open meeting along with the written submissions and requested Oliver Wyman to update its preliminary report as a result of new information that had been provided. The Board then published its final report on September 29, 2017, which included the Board approved Industry Benchmarks Schedule which was used by the Board in its review of private passenger rate filings effective October 1, 2017.

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

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 provides 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 ways to lower your premiums, factors that affect your premiums, comparing rates, a Grid calculator and a list of insurance providers. More information can be found at www.airb.alberta.ca.

Distribution of Premium Dollar for 2016 Private Passenger Vehicles



NOTE: All coverage combined for Alberta experience only

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 the annual telephone and online survey of consumers' perceptions of automobile insurance in Alberta. Mr. Daniel conducted general focus groups in Edmonton and Calgary, and specific focus groups for Youth and Seniors as well as follow up interviews with a number of participants located elsewhere in the province. He also contacted insurance brokers and direct writers to discuss their experience in the market. As part of this process, he also reviewed information from other provinces, traffic safety trends and other data.

Consumers also contacted him by email and letters with their specific concerns. The results of his findings included the following:

- an increasing number of drivers (54%) feel their premiums are not reasonable, compared to 40% in 2016;
- 35% of consumers polled obtained a competitive quote for insurance (32% in 2016) and of these, 89% stayed with their existing insurer;
- good drivers with an accident free history would like to see more discounts;
- there should be more severe penalties and effective education for distracted driving; and
- concerns about the safety of driving while under the influence of cannabis.

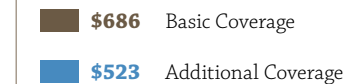
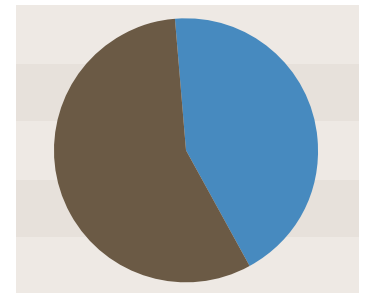
These findings were presented to the AIRB at its open meeting in August. Mr. Daniel's report including his observations may be viewed in more detail on the AIRB website www.airb.alberta.ca.

Rates

The average premium for all coverage increased 2.5% from \$1,179 in 2015 to \$1,209 in 2016. The average premium for basic coverage on private passenger vehicles as shown in Appendix III increased from \$644 in 2015 to \$686 in 2016. The average premium for additional coverage decreased from \$535 in 2015 to \$523 in 2016.

This chart shows the average written premium for 2016 as reported by GISA statistical data broken out by basic and additional coverage.

2016 Average Private Passenger Premium



Source: GISA statistical data for Alberta only

Company Filings – Jan. 1, 2017 to Dec. 31, 2017

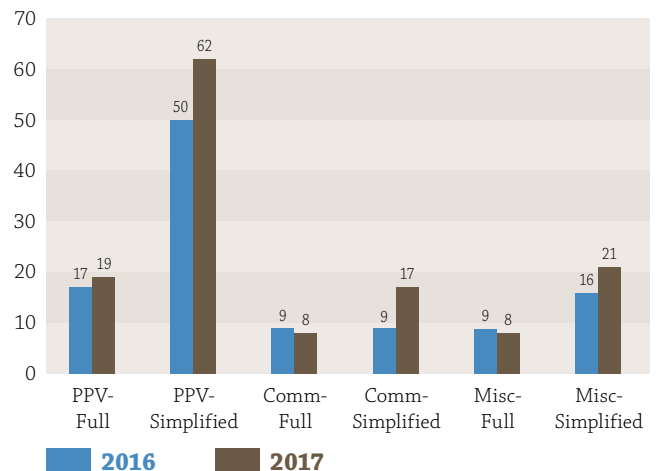
As required under the new *Automobile Insurance Premiums Regulation* Sections 2 through 7, all insurer rating programs and any changes to rating programs must be filed in accordance with the Board's policies and guidelines and approved by the AIRB prior to implementation.

In 2017 the AIRB reviewed 135 company filings as follows:

- Private Passenger filings included 19 full and 62 simplified filings
- Commercial filings included 8 full and 17 simplified filings
- Miscellaneous class filings included 8 full and 21 simplified filings

See Appendix II for more information on company filings.

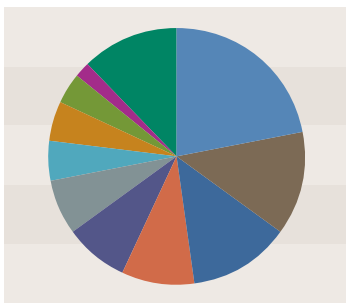
Filing Activity (filings in process are not included)



NOTE: For Alberta filings only

This chart identifies the distribution of written premium for all vehicle classes by corporate group in Alberta for 2015 (corporations may operate more than one insurer).

2016 Alberta Market Share of Total Automobile Insurance Premium



- 22%** Intact Financial Group
- 13%** The Wawanesa Mutual Insurance Company
- 13%** TD Insurance
- 9%** Aviva Canada Inc.
- 8%** The Co-operators Group Ltd.
- 7%** Desjardins General Insurance Group
- 5%** Royal & Sun Alliance Insurance Group
- 5%** Alberta Motor Association Insurance Company
- 4%** The Economical Insurance Group
- 2%** Northbridge Financial Corporation
- 12%** Remainder

Source: Superintendent of Insurance 2015 Annual Business Report

Market

Based on information submitted to the Superintendent of Insurance, 68 automobile insurance companies were active in Alberta in 2016, down from 69 in 2015. The 2016 Market Share of Total Automobile Insurance Premium chart identifies the distribution of written premium by corporate group in Alberta for 2016 (corporations may operate more than one insurer). Four insurer groups represented 57% of all written premium, up from 55% in 2015. In 2016, the automobile insurance industry (all lines combined) collected \$4.2 billion in written premium from which they expect to pay \$3.2 billion in claims. The overall private passenger loss ratio in Alberta for 2016 was 82%, an increase of 1% over 2015. The Board’s target loss ratio is 70%.

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, the frequency of claims for each coverage decreased in 2016, with the exception of comprehensive. With respect to severity, basic coverage increased while additional coverage decreased. The increase in severity outpaced the decrease in frequency resulting in upward pressure on both basic and additional coverage.

Fiscal

The AIRB’s operations are fully funded through an annual industry levy to automobile insurers based on their share of direct written premium. The annual industry levy for the 2017 calendar year was \$1,156,915 (2016 \$1,092,952). The Board’s operations totaled \$1.2 million for the fiscal year ended March 31, 2017, a 5% increase over the prior year. Further financial information is available under Statement of Operations and Surplus (**page 8**).

Looking Ahead to 2018

The AIRB will:

- Focus our efforts on gaining an understanding of autonomous vehicles and real-time ride sharing and their implications on how the AIRB regulates rating programs in this new environment.
- Continue to monitor bodily injury claims severity and the increasing payments and reserves that have taken place since 2012, which is increasing pressure on private passenger premiums.
- Continue our leadership role in the Canadian Automobile Insurance Rate 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 we aim to provide effective regulation of auto insurance premiums that is 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, 2016 to March 31, 2017

	2015 - 16 Actual	2016 - 17 Actual	2016 - 17 Budget
Revenue			
Annual Industry Levy	\$1,530,000	\$1,500,000	\$1,500,000
– less accumulated surplus	277,261	407,048	320,085
Net Annual Industry Levy	1,252,739	1,092,952	1,179,915
Other	3,245	3,802	—
	1,255,984	1,096,754	1,179,915
Expense			
Operations	749,162	759,870	829,000
Actuarial and Contract Services	287,971	362,068	471,000
Board Honoraria and Expenses	89,064	61,779	200,000
	1,126,197	1,183,717	1,500,000
Surplus/(Shortfall)			
Accumulated Surplus Beginning	277,261	407,048	320,085
Accumulated Surplus End	407,048	320,085	—

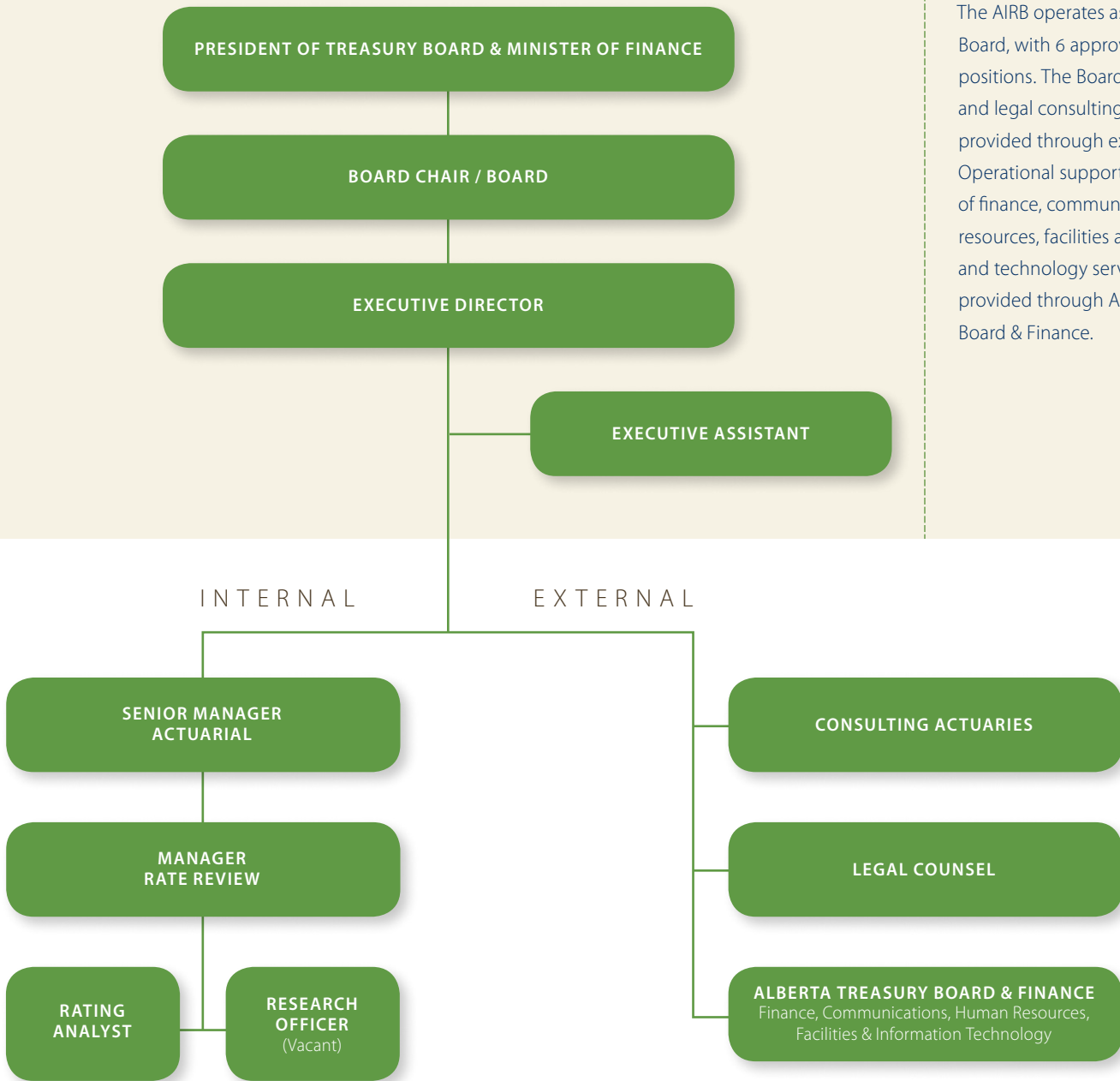
The AIRB's fiscal year reflects that of the Government, April 1 to March 31.

As per Alberta Regulation 179/2005, Automobile Insurance Rate Board Fees Regulation, the Board is fully funded by 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 premiums written in the prior year.

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 2017



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 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. 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 an Industry Benchmarks Schedule 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
- Information Technology

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 and 3 special meetings in 2017 to review and rule on insurer filings for changes in rates and rating programs and to deal with other administrative issues of the Board.

The Board held 11 mid-month teleconference meetings to review and rule on simplified filings. In addition, on August 15th the Board held its open Annual Review meeting to hear from stakeholders.

Chair



Allan Cleiren

**Senior Executive
Edmonton**

Vice Chair



Charlene Butler

**Management Consultant
Edmonton**



James Cuming

**Lawyer, Private Practice
Calgary**



Consumer Representative



Chris Daniel

**Retired Senior Executive
Insurance Industry
Calmar**

Superintendent of Insurance



Nilam Jetha

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

All candidates for Board member shall be respected in his/her field, have a proven track record of achievement, 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.

The AIRB is currently recruiting to fill a number of Board positions.

The Board has identified the competencies to be filled based on its skills matrix and through a comprehensive request for proposal process selected Conroy Ross Partners to lead the search process. The competition was advertised widely. At the time of printing of this report applicants had been screened for applicable competencies and a list of suitable candidates submitted to the Minister for consideration.

The Minister will recommend to the Lieutenant Governor in Council suitable replacements to the Board.



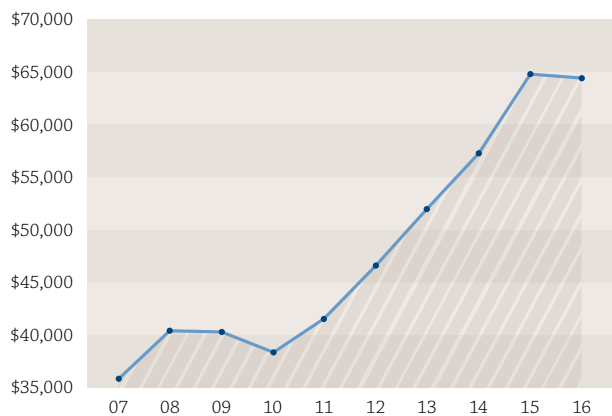
APPENDIX I MARKET

In 2016, the automobile insurance industry collected \$4.2 billion in written premium from which it expects to pay \$3.2 billion in claims. A major portion, \$3.3 billion of that premium is attributable to private passenger vehicles that is expected to incur an estimated \$2.6 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 2016. All dollar amounts for claims and premiums are expressed in nominal dollars (unadjusted for inflation).

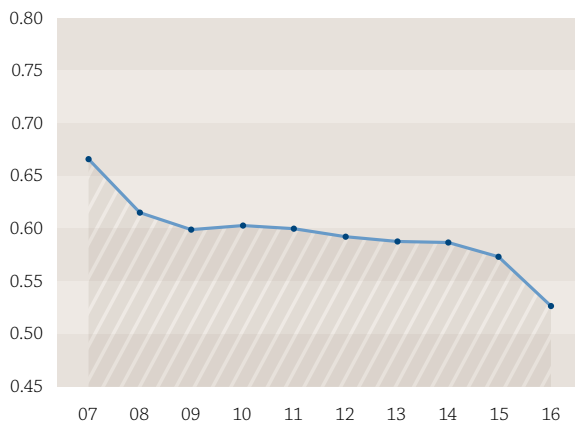
Third party liability coverage that responds to damages for which the insured is legally liable has two components, bodily injury and property damage. **Figure 1** shows average claim costs for bodily injury for the ten-year period, 2007 to 2016. Bodily injury claims can take five or more years to mature and, therefore, the figures for more recent years are best estimates. The average cost of bodily injury claims (severity) dropped significantly after the reform in 2004, with the introduction of the cap on non-economic damages for minor injuries. It then climbed up again except during the recession between 2008 to 2010. After the recession, it escalated to \$65,000 in 2015 and dropped slightly in 2016. **Figure 2** addresses how many claims occurred for each 100 vehicles insured. There is a noticeable reduction in frequency between 2007 and 2009 and then levels off between 2010 and 2011. The downward frequency then continues. The less than normal snowfall and the economic condition are believed to be the contributing factors for the dip in 2016.

Figure 1 – Bodily Injury Severity / 100 Vehicles



Source: GISA Statistical Exhibit for Alberta experience only

Figure 2 – Bodily Injury Frequency / 100 Vehicles

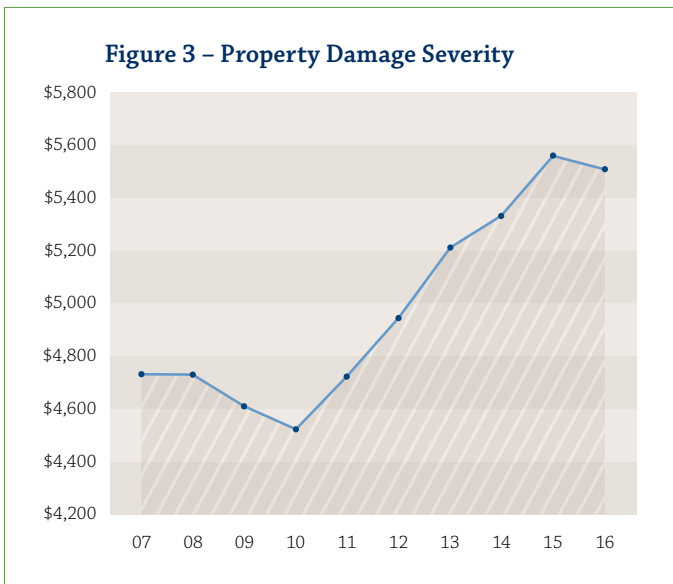


Source: GISA Statistical Exhibit for Alberta experience only

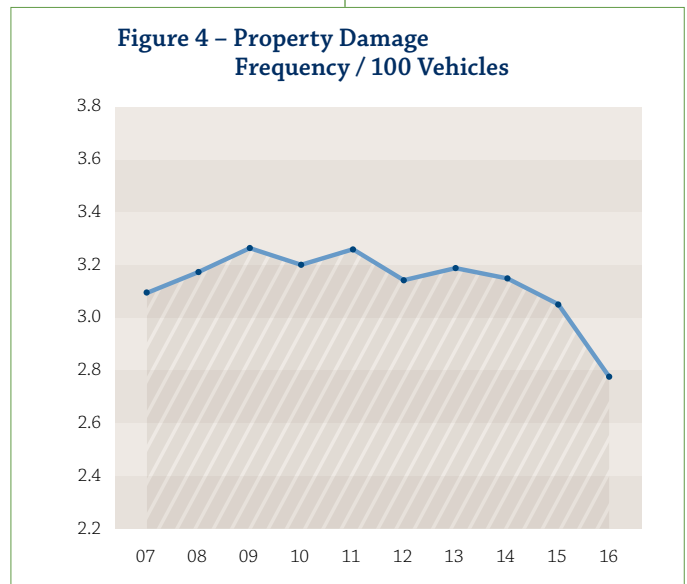


Bodily injury claims made up 62% of third party liability claim costs in 2007 compared to 69% in 2016. The Minor Injury Regulation adjusted the cap to \$5,020 as of January 1, 2017.

Figure 3 shows that property damage average claim costs have been steadily increasing since 2010 except for 2016. The average claim increased from \$4,500 to \$5,500 over the six-year period. Figure 4 shows an upward trend in claim frequency through 2009 then decreased with fluctuation through 2015, with a dip in 2016 similar to bodily injury.



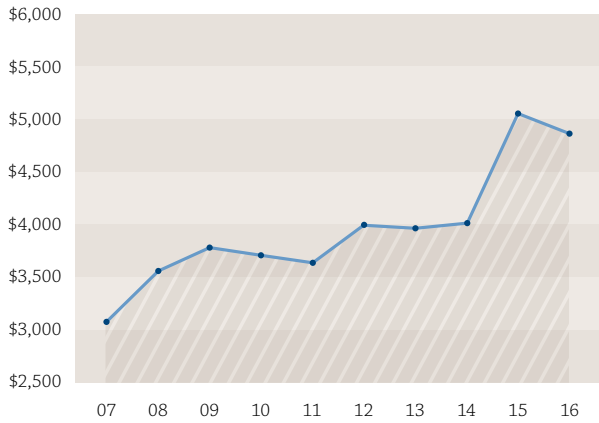
Source: GISA Statistical Exhibit for Alberta experience only



Source: GISA Statistical Exhibit for Alberta experience only

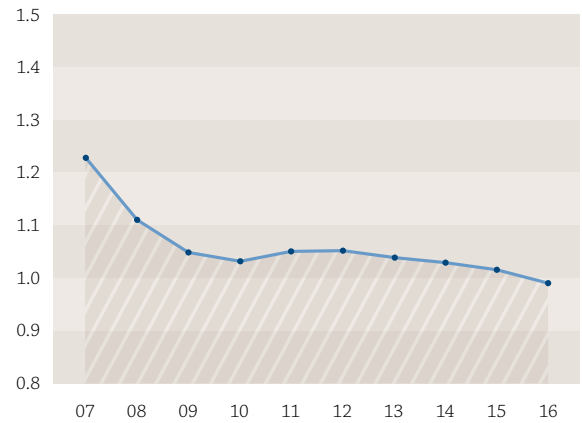
Accident benefits are the other coverage that relates to bodily injury; it responds to the insured's injuries regardless of fault. Figure 5 shows that the average cost of claims increased steadily from \$3,100 in 2007, to the peak at \$5,050 in 2015. The speed of increase slowed down between 2009 and 2014, but the average cost of claims in 2015 increased significantly. Figure 6 relates to the frequency of claims per 100 vehicles insured; there has been a steady decreasing trend until 2010. The frequency increased slightly in 2011, but then resumed the downward trend.

Figure 5 – Accident Benefits Severity



Source: GISA Statistical Exhibit for Alberta experience only

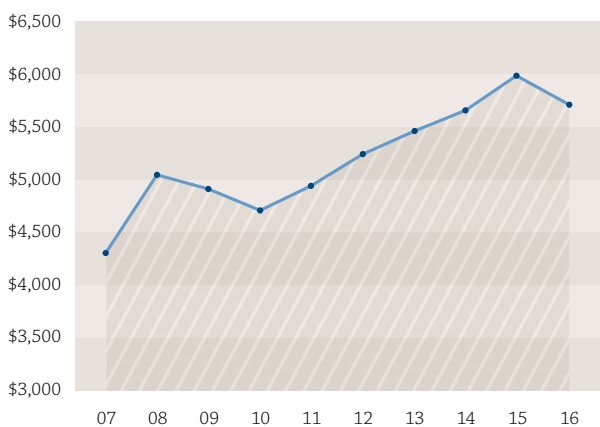
Figure 6 – Accident Benefits Frequency / 100 Vehicles



Source: GISA Statistical Exhibit for Alberta experience only

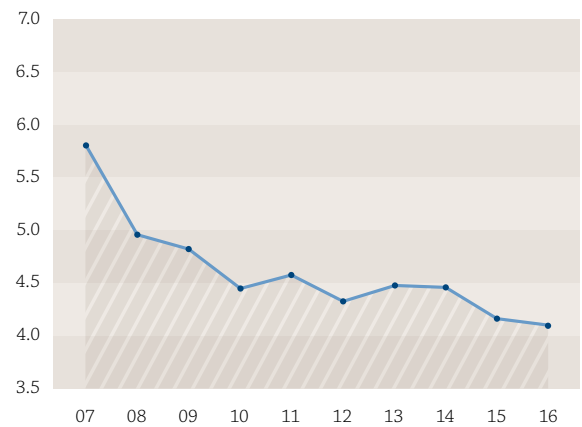
The remaining coverage is additional coverage for damage to the insured vehicle. **Figure 7** shows the average claim cost for collision (impact with another object) increasing steadily from \$4,300 in 2007 to \$5,000 in 2008 and then spiking to \$6,000 in 2015. The increase is closely related to the increasing repair cost and labour rate. **Figure 8** relates to the frequency of collision claims for each 100 insured vehicles. There was a steady decrease in 2007 through 2010, and then the downward trend levelled off with only minor fluctuations. The fluctuation is partially attributable to the variation between easy and hard winter driving conditions, which partially explains the dip in 2015.

Figure 7 – Collision Severity



Source: GISA Statistical Exhibit for Alberta experience only

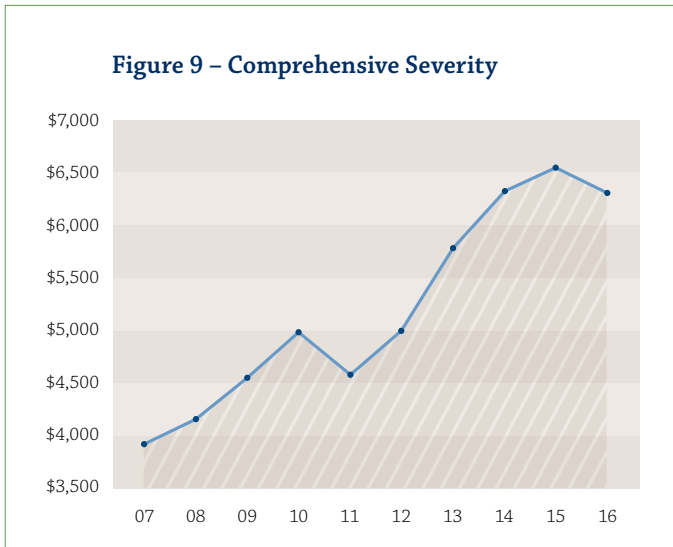
Figure 8 – Collision Frequency / 100 Vehicles



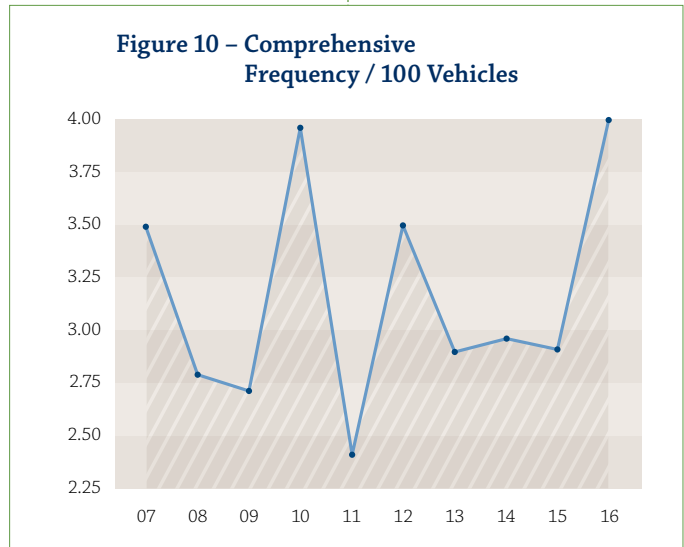
Source: GISA Statistical Exhibit for Alberta experience only



The average claim cost for comprehensive (e.g., theft, vandalism, hail) claims has continuously moved upward to \$6,500 as shown in Figure 9. Figure 10 shows a fluctuating frequency of claims in recent years. The attributing factor to the upward severity trend is the same as collision coverage. Frequency fluctuations are a result of the economy and catastrophic events.

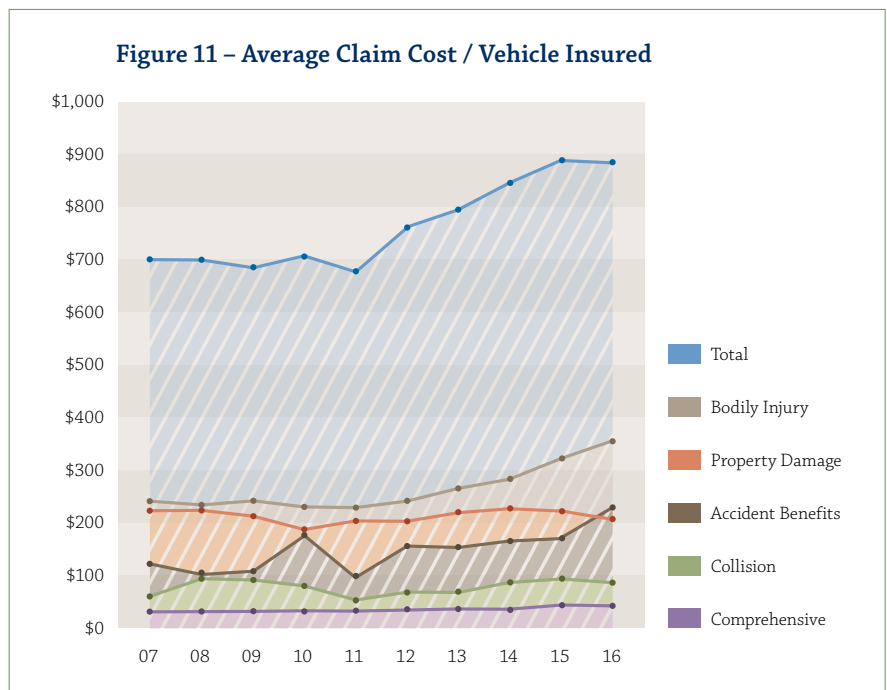


Source: GISA Statistical Exhibit for Alberta experience only



Source: GISA Statistical Exhibit for Alberta experience only

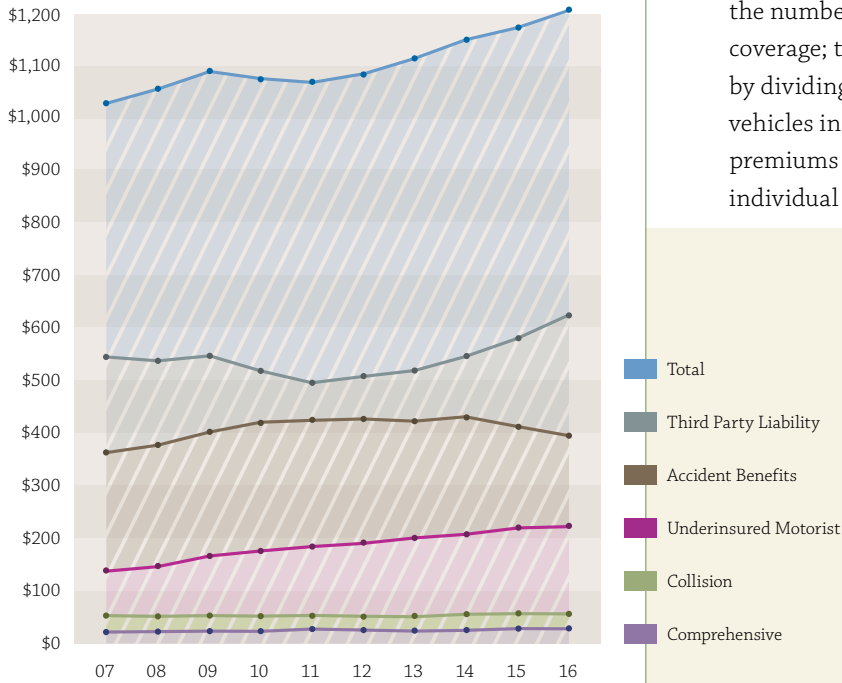
The next graph, Figure 11, shows the average claim cost per vehicle insured, which reflects the combined effects of severity and frequency of claims. The claim cost for each coverage is estimated by total claims divided by the number of vehicles insured for that coverage; and the total claim cost is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



Source: GISA Statistical Exhibit for Alberta experience only



Figure 12 – Average Written Premiums



Finally, **Figure 12** shows the 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 for basic coverage. They do not reflect premiums for any particular driver profile or any individual insurer.

Average premiums for the combined coverage have been increasing since 2011. The two coverages that have experienced significant increases in rates are third party liability and comprehensive. The increases for third party liability were caused by adverse development resulting from issues such as a higher percentage of claims being litigated, and a higher proportion of claims exceeding the definition of minor injury. These claims are typically with increasing incidence of chronic pain, temporomandibular joint disorder (TMJ) (as a result of the Sparrowhawk decision), and psychological injury.

Source: GISA Statistical Exhibit for Alberta experience only

Further pressure on third party liability is expected based on industry experience in 2016. The frequency of weather related catastrophes and the current economic environment are adversely affecting experience for comprehensive coverage. Average premiums for basic and additional coverage combined increased by +2.5% in 2016 compared to 2015 (see **Appendix III**).

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, 2017 to December 31, 2017

Company	Type	Decision Date*	Average Change
Private Passenger			
Chubb Insurance Company of Canada	S	1-18-2017	0.0%
Intact Insurance Company	S	1-18-2017	0.0%
Novex Insurance Company	S	1-18-2017	0.0%
Intact Insurance Company	S	1-27-2017	0.0%
Novex Insurance Company	S	1-27-2017	0.0%
Sovereign General Insurance Company	S	1-27-2017	0.3%
The Portage la Prairie Mutual Insurance Company	F	2-24-2017	15.1%
Intact Insurance Company	F	2-24-2017	7.4%
Novex Insurance Company	F	2-24-2017	6.4%
Allstate Insurance Company of Canada	S	3-15-2017	1.8%
Security National Insurance Company	S	3-15-2017	0.0%
TD Home and Auto Insurance Company	S	3-15-2017	0.0%
Primum Insurance Company	S	3-15-2017	0.0%
Aviva General Insurance Company	F	3-31-2017	0.0%
Aviva Insurance Company of Canada	S	3-31-2017	-0.3%
Traders General Insurance Company	S	3-31-2017	-0.3%
Royal & Sun Alliance Insurance Company of Canada	S	3-31-2017	0.0%
Belair Insurance Company Inc.	F	4-12-2017	8.5%
Unifund Assurance Company	S	4-12-2017	-0.1%
Certas Home and Auto Insurance Company	F	4-28-2017	7.4%
Alberta Motor Association Insurance Company	F	4-28-2017	14.8%
XL Insurance Company Limited	S	4-28-2017	0.0%
Northbridge General Insurance Corporation	S	5-10-2017	1.7%
Northbridge Personal Insurance Corporation	S	5-10-2017	0.8%
Federated Insurance Company of Canada	S	5-10-2017	0.6%
Tokio Marine & Nichido Fire Insurance Co. Ltd.	S	5-10-2017	-3.2%
Zenith Insurance Company	S	5-10-2017	-0.4%

Legend

FILING TYPE

F – Full Filing

S – Simplified Filing

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

APPENDIX II SUMMARY OF FILINGS



Company	Type	Decision Date*	Average Change
Alberta Motor Association Insurance Company	S	5-10-2017	-0.1%
Intact Insurance Company	S	5-10-2017	0.1%
Novex Insurance Company	S	5-10-2017	0.1%
The Dominion of Canada General Insurance Company	F	5-26-2017	7.6%
Belair Insurance Company Inc.	S	5-26-2017	0.0%
SGL Canada Insurance Services Limited	S	5-26-2017	2.2%
Intact Insurance Company	S	5-26-2017	0.0%
Novex Insurance Company	S	5-26-2017	0.0%
Zurich Insurance Company Ltd	S	6-14-2017	-1.6%
Aviva Insurance Company of Canada	S	6-14-2017	0.0%
Traders General Insurance Company	S	6-14-2017	0.0%
Sonnet Insurance Company	S	6-14-2017	0.0%
Belair Insurance Company Inc.	S	6-14-2017	0.0%
Co-operators General Insurance Company	F	6-23-2017	9.7%
Aviva Insurance Company of Canada	S	6-23-2017	6.0%
Traders General Insurance Company	S	6-23-2017	6.0%
Intact Insurance Company	S	7-19-2017	-0.1%
Novex Insurance Company	S	7-19-2017	-0.1%
Belair Insurance Company Inc.	S	7-19-2017	0.0%
Security National Insurance Company	S	7-19-2017	0.0%
Primum Insurance Company	S	7-19-2017	0.0%
TD Home and Auto Insurance Company	S	7-19-2017	0.0%
Economical Mutual Insurance Company	F	8-14-2017	10.0%
Waterloo Insurance Company	F	8-14-2017	10.0%
Unifund Assurance Company	S	8-14-2017	5.5%
Security National Insurance Company	S	8-14-2017	2.7%
Primum Insurance Company	S	8-14-2017	2.8%
TD Home and Auto Insurance Company	S	8-14-2017	3.0%
Certas Home and Auto Insurance Company	S	8-14-2017	0.0%
Certas Direct Insurance Company	S	8-14-2017	0.0%
The Personal Insurance Company	S	8-14-2017	0.0%
Intact Insurance Company	S	9-13-2017	-2.1%
Novex Insurance Company	S	9-13-2017	-3.9%
Chubb Insurance Company of Canada	S	9-13-2017	0.0%
Co-operators General Insurance Company	S	10-11-2017	0.3%
Facility Association	F	10-27-2017	4.7%
Aviva General Insurance Company	S	11-8-2017	0.0%
Pembridge Insurance Company	S	11-27-2017	6.0%

APPENDIX II SUMMARY OF FILINGS

Company	Type	Decision Date*	Average Change
Intact Insurance Company	S	11-27-2017	1.0%
Novex Insurance Company	S	11-27-2017	0.9%
Royal & Sun Alliance Insurance Company of Canada	S	11-27-2017	6.0%
Economical Mutual Insurance Company	S	11-27-2017	2.9%
Waterloo Insurance Company	S	11-27-2017	2.9%
Canadian Farm Insurance Corporation	S	11-27-2017	2.1%
SGL Canada Insurance Services Limited	F	12-5-2017	5.0%
Peace Hills General Insurance Company	F	12-5-2017	5.0%
Allstate Insurance Company of Canada	F	12-5-2017	5.0%
Personal Insurance Company	F	12-5-2017	5.0%
Certas Direct Insurance Company	F	12-5-2017	5.0%
Certas Home and Auto Insurance Company	F	12-5-2017	5.0%
Belair Insurance Company Inc.	F	12-5-2017	1.5%
S&Y Insurance Company	S	12-13-2017	0.0%
Certas Home and Auto Insurance Company	S	12-13-2017	2.4%
Allstate Insurance Company of Canada	S	12-13-2017	0.0%

Commercial

Intact Insurance Company	S	1-18-2017	1.8%
Intact Insurance Company	S	1-18-2017	1.1%
Co-operators General Insurance Company	S	1-18-2017	2.5%
Chubb Insurance Company of Canada	F	1-27-2017	-13.9%
Federal Insurance Company	F	1-27-2017	0.0%
Mitsui Sumitomo Insurance Ltd	F	1-27-2017	0.0%
Chubb Insurance Company of Canada	F	1-27-2017	0.0%
Echelon General Insurance Company	F	2-24-2017	0.0%
Intact Insurance Company	F	3-31-2017	10.3%
Aviva insurance Company of Canada	S	3-31-2017	0.1%
Aviva insurance Company of Canada	S	3-31-2017	-0.9%
The Sovereign General Insurance Company	S	4-12-2017	1.1%
The Sovereign General Insurance Company	S	4-12-2017	3.8%
XL Specialty Insurance Company	S	4-12-2017	0.0%
Certas Home and Auto Insurance Company	F	5-26-2017	10.0%
Intact Insurance Company	S	5-26-2017	0.0%
Alberta Motor Association Insurance Company	S	5-26-2017	0.0%
Intact Insurance Company	S	8-14-2017	0.0%
Royal & Sun Alliance Insurance Company of Canada	S	8-30-2017	0.0%

APPENDIX II SUMMARY OF FILINGS



Company	Type	Decision Date*	Average Change
Royal & Sun Alliance Insurance Company of Canada	S	8-30-2017	-10.0%
Certas Home and Auto Insurance Company	S	10-11-2017	0.4%
Facility Association	F	10-27-2017	9.8%
Alberta Motor Association Insurance Company	S	10-27-2017	0.8%
The Guarantee Company of North America	S	10-27-2017	-2.0%
Intact Insurance Company	S	12-13-2017	0.0%
Miscellaneous			
Chubb Insurance Company of Canada	S-CO	1-18-2017	0.0%
Allstate Insurance Company of Canada	S-MC	1-18-2017	0.0%
Allstate Insurance Company of Canada	S-SN	1-18-2017	0.0%
Allstate Insurance Company of Canada	S-MH	1-18-2017	0.0%
Allstate Insurance Company of Canada	S-AT	1-18-2017	0.0%
Allstate Insurance Company of Canada	S-TR	1-18-2017	0.0%
Aviva General Insurance Company	F-MH	1-27-2017	-34.8%
Aviva General Insurance Company	F-MC	1-27-2017	-6.3%
Aviva General Insurance Company	F-TR	2-24-2017	-0.2%
Aviva General Insurance Company	F-SN	2-24-2017	-0.2%
Aviva General Insurance Company	F-AT	2-24-2017	0.2%
Aviva Insurance Company of Canada	S-MC	3-15-2017	-17.2%
Traders General Insurance Company	S-MC	3-15-2017	-12.6%
XL Specialty Insurance Company	S-MC	4-12-2017	0.0%
XL Specialty Insurance Company	S-MH	4-12-2017	0.0%
XL Specialty Insurance Company	S-TR	4-12-2017	0.0%
XL Specialty Insurance Company	S-MC	4-12-2017	0.0%
XL Specialty Insurance Company	S-SN	4-12-2017	0.0%
XL Specialty Insurance Company	S-TX	4-12-2017	0.0%
XL Specialty Insurance Company	S-OT	4-12-2017	0.0%
Intact Insurance Company	S-AT	7-19-2017	-0.5%
Intact Insurance Company	S-SN	7-19-2017	0.0%
Novex Insurance Company	S-AT	7-19-2017	-0.5%
Novex Insurance Company	S-SN	7-19-2017	0.0%
Co-operators General Insurance Company	F-MC	8-14-2017	-5.0%
COSECO Insurance Company	S-MC	8-14-2017	-23.7%
CUMIS General Insurance Company	S-MC	8-14-2017	-29.3%
Facility Association	F-AT	10-27-2017	14.5%
Facility Association	F-TX	10-27-2017	5.9%

Legend

VEHICLE TYPE

AT – All Terrain Vehicles

CO – Collector Vehicles

MC – Motorcycles

MH – Motorhomes

OF – Off Road Vehicles

OT – Other Than Taxis
and Limousines

SN – Snow Vehicles

TR – Trailers

TX – Taxis and Limousines

APPENDIX III STATISTICS

Automobile Insurance Fact Page

	2012	2013	2014	2015	2016	2017
Active Insurance Companies ¹	71	70	70	69	68 ⁵	—
Market Share of Private Passenger Written Premium for the Four Largest Insurer Groups²						
Intact Financial Group	20.7%	20.1%	21.4%	21.8%	22.4%	—
TD Insurance	16.2%	16.5%	16.3%	16.3%	15.9%	—
Wawanesa	13.8%	13.5%	13.1%	12.8%	12.7%	—
Desjardins	7.5%	7.0%	7.7%	8.1%	8.5%	—
Total	58.2%	57.1%	58.5%	59.0%	59.5%	—
Written Premium²						
Total Premium (000s)	\$3,514,802	\$3,725,972	\$4,003,587	\$4,118,487	\$4,162,943	—
Private Passenger (000s)	\$2,655,008	\$2,825,793	\$3,041,588	\$3,169,898	\$3,255,577	—
Average Written Premiums for Private Passenger Vehicles²						
Basic Coverage	\$562	\$579	\$609	\$644	\$686	—
Additional Coverage	\$525	\$534	\$544	\$535	\$523	—
Total	\$1,087	\$1,113	\$1,153	\$1,179	\$1,209	—
% change from prior year	—	2.4%	3.6%	2.3%	2.5%	—
Written Private Passenger Vehicles²						
Non Grid	92.6%	93.4%	93.3%	94.2%	94.6%	—
Grid	7.4%	6.6%	6.7%	5.8%	5.4%	—
# Vehicles Insured	2,443,325	2,539,617	2,539,001	2,688,370	2,674,261	—
% change from prior year	—	3.9%	0.0%	5.9%	-0.5%	—
Estimated Total Claims²						
All Automobile (000s)	\$2,535,107	\$2,756,050	\$2,974,336	\$3,112,017	\$3,222,212	—
Private Passenger (000s)	\$2,023,238	\$2,156,805	\$2,357,662	\$2,491,948	\$2,632,301	—
Private Passenger Loss Ratio	78.0%	79.0%	80.0%	81.0%	82.0%	—
% change from prior year	—	1.3%	1.3%	1.3%	1.2%	—
Minor Injury Cap (effective October 1, 2004) ¹	\$4,641	\$4,725	\$4,777	\$4,892	\$4,956	\$5,020
Other						
Health Cost Recovery (Millions) ³	\$95	\$100	\$105	\$120	\$135	\$155
Board Adjustments to Basic Coverage ⁴	5%	5%	n/a	n/a	n/a	—
Board Adjustments to Grid	5%	5%	0%	7%	7%	10%
Industry Levy	\$1,005,932	\$1,152,973	\$1,304,798	\$1,252,739	\$1,092,951	\$1,156,916

¹ Source: Superintendent of Insurance (most recent available data for 2016)

² Source: GISA Statistical Exhibits (most recent available data for 2016)

³ Amount assessed to industry under *Hospitals Act* for costs of automobile accident related injuries

⁴ IWA process discontinued in 2014

⁵ Due to consolidation of companies

APPENDIX IV ALBERTA'S GRID RATING PROGRAM

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 that include motorcycles, recreational vehicles such as snow vehicles and all-terrain vehicles, motor homes, commercial vehicles and public transportation vehicles. It only applies to basic coverage (third party liability, accident benefits), not additional coverage (all perils, collision, comprehensive and specified perils coverage).

As per legislation, the Government has established a Grid which sets the maximum premium 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 94% 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. If an at-fault claim occurs, the driver will move 5 steps up the Grid which will lead to an increase in their Grid premium.

How the Grid Pool Protects Insurers

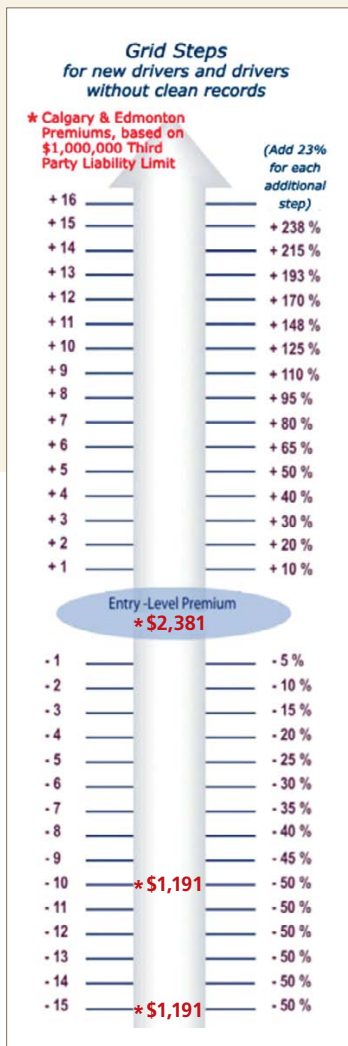
With the introduction of the "All Comers", the Government has provided protection to insurers by implementing the Grid Risk Sharing Pool (RSP).

The intent of this pool was to allow insurers to cede risks they normally would not have insured. 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.

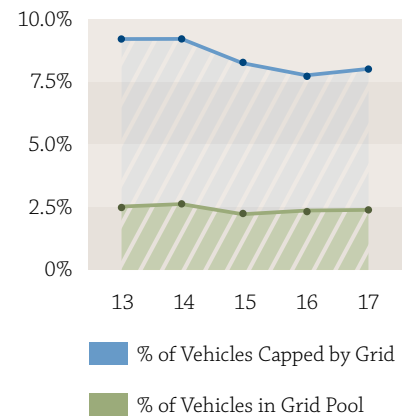
The percent of risks that were capped by the Grid in 2017 was 5.5%. The percent of risks that were capped by the Grid and sent to the risk sharing pool was 2.4%.

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 2.7 million at the end of 2017. 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.



% of Vehicles on Alberta Grid and in Alberta Grid Risk Sharing Pool



APPENDIX V ACTIVE INSURERS

List of Active Automobile Insurers and Their Direct Written Premium for 2016

Name of Company	2016 (thousands)	Name of Company	2016 (thousands)
AIG Insurance Company of Canada	10,784	Intact Financial Group	
Alberta Motor Association Insurance Company	200,397	Belair Insurance Company Inc.	71,978
Alberta Municipal Insurance Exchange	1,010	Intact Insurance Company	766,967
Allianz Global Risk US Insurance Company	87	Novex Insurance Company	78,927
Allstate Canada		Liberty Mutual Insurance Company	7,059
Allstate Insurance Company of Canada	89,585	Lloyd's Underwriters	9,486
Esurance Insurance Company	2,710	Mennonite Mutual Insurance Co. (Alberta) Ltd.	20
Pembridge Insurance Company	12,418	Millennium Insurance Corporation	19,655
American Road Insurance Company	2,523	Northbridge Financial Corporation	
Aviva Canada Inc.		Federated Insurance Company of Canada	22,176
Aviva Insurance Company of Canada	260,689	Northbridge Commercial Insurance Corporation	29,537
Aviva General Insurance Company	77,052	Northbridge General Insurance Corporation	48,761
Elite Insurance Company	17,839	Northbridge Personal Insurance Corporation	140
S&Y Insurance Company	—	Tokio Marine & Nichido Fire Insurance Co. Ltd	472
Traders General Insurance Company	46,960	Zenith Insurance Company	1,234
Canadian Farm Insurance Corporation	4,860	Old Republic Insurance Company of Canada	6,697
Chubb Canada		Optimum West Insurance Company	3,235
Chubb Insurance Company of Canada	18,849	Peace Hills General Insurance Company	75,874
Federal Insurance Company	16	Portage la Prairie Mutual Insurance Company (The)	19,176
Continental Casualty Company	11,007	Protective Insurance Company	349
Co-operators Group Ltd (The)		Royal & Sun Alliance Insurance Group	
Co-operators General Insurance Company	282,493	Canadian Northern Shield Insurance Company	1
Coseco Insurance Company	24,336	Royal & Sun Alliance Insurance Company of Canada	73,479
Cumis General Insurance Company	4,236	Unifund Assurance Company	157,578
Sovereign General Insurance Company (The)	16,938	Saskatchewan Mutual Insurance Company	—
Desjardins General Insurance Group		Sentry Insurance A Mutual Company	83
Certas Direct Insurance Company	22,155	SGL Canada Insurance Services Limited	66,552
Certas Home and Auto Insurance Company	166,275	TD Insurance	
Personal Insurance Company (The)	109,000	Primum Insurance Company	131,536
Echelon General Insurance Company	12,787	Security National Insurance Company	386,882
Electric Insurance Company	292	TD Home and Auto Insurance Company	14,849
Everest Insurance Company of Canada	3	Travelers Companies (The)	
Fortress Insurance Company	330	Dominion of Canada General Insurance Company (The)	77,704
Guarantee Company of North America (The)	5,208	St. Paul Fire and Marine Insurance Company	7,225
Hartford Fire Insurance Company	249	Travelers Insurance Company of Canada	5,829
Economical Insurance Group (The)		Sumitomo Marine and Fire Insurance Company Ltd (The)	520
Economical Mutual Insurance Company	138,091	Wawanesa Mutual Insurance Company (The)	544,734
Missisquoi Insurance Company (The)	5	XL Specialty Insurance Company	425
Sonnet Insurance Company	817	Zurich Insurance Company Limited	16,606
Waterloo Insurance Company	16,414		

Source: Superintendent of Insurance 2016 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.



Automobile Insurance Rate Board

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

Phone: 780.427.5428

Fax: 780.638.4254

Email: airb@gov.ab.ca

www.airb.alberta.ca

