



# Automobile Insurance Rate Board

BUSINESS PLAN 2016-19

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## **ACCOUNTABILITY STATEMENT**

This business plan for the three years commencing April 1, 2016 was prepared under my direction. All of the Board's policy decisions as of March 31, 2016, with material economic or fiscal implications of which I am aware have been considered in preparing this plan.

The Board's priorities outlined in the business plan were developed in the context of the government's business and fiscal plans. I am committed to achieving the planned results laid out in this business plan.

Allan Cleiren, *Chair*  
May 27, 2016

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## GOVERNANCE

The Minister of Finance and the Government of Alberta, through legislation (*Insurance Act*), established the Alberta Automobile Insurance Rate Board (AIRB or the Board) as an independent regulator. In this capacity, the AIRB is responsible for regulating automobile insurance rating programs for both basic and additional coverage in Alberta. The Board, through its functions and statutory duties and responsibilities, serves all Albertans – members of the general public, industry and Government.

## 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 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  |

## LINK TO THE GOVERNMENT OF ALBERTA STRATEGIC BUSINESS PLAN

### Treasury Board and Finance Business Plan 2016-19 Goals

Outcome Two: Policy and regulatory oversight for the financial, insurance and pensions sectors that is effective, fair and in the interests of Albertans.

Key Strategies: 2.2 Lead and implement changes to keep the policy and regulation of Alberta's pension, insurance and financial institutions sectors strong and modern, and to ensure risks are managed effectively.

## AIRB GOALS

The AIRB mandate has two core business functions: regulation of automobile insurance rating programs and providing information to enable consumers to make informed choices.

### Core Business One: Regulation of Automobile Insurance Rating Programs

Goal 1: Encourage an efficient and effective market that allows for fair and predictable rates

Goal 2: Maintain a strong working relationship with Stakeholders

### Core Business Two: Provision of Automobile Insurance Information

Goal 3: Ensure consumers are heard and have access to sound information

# BUSINESSES, GOALS, STRATEGIES & PERFORMANCE MEASURES

## Core Business One: Regulation of Automobile Insurance Rating Programs

GOAL ONE **1** Encourage an efficient and effective market that allows for fair and predictable rates

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**What it means** Premium stability with fair and predictable pricing is an integral objective of the automobile insurance system for consumers, insurance providers and Government. In fulfilling its mandate, the Board aims to encourage competitive insurance premiums in part by supporting rating programs that demonstrate innovation that improves the matching of premium to risk. Fostering an environment that is open to new concepts that benefit consumers while maintaining fair and equitable rating models.

**Strategies**

- 1.1 Ensure procedures are consistent with legislation regulations are efficient
- 1.2 Submit recommendations where regulations are inconsistent with this goal
- 1.3 Monitor industry profit and risk sharing pools as indicators of market dynamics

| Performance Measures  | Last Actual<br>2015/16 | Target<br>2016/17      | Target<br>2017/18      | Target<br>2018/19      |
|---|------------------------|------------------------|------------------------|------------------------|
| <ul style="list-style-type: none"> <li>• Percentage of simplified filing decisions issued in 30 days or less from the date deemed complete (where filings are complete with no further external actuarial analysis required)</li> </ul> | 95%                    | 95%                    | 95%                    | 95%                    |
| <ul style="list-style-type: none"> <li>• Percentage of full filing decisions issued in 60 days or less from the date deemed complete (where filings are complete with no further external actuarial analysis required)</li> </ul>       | 100%                   | 95%                    | 95%                    | 95%                    |
| <ul style="list-style-type: none"> <li>• Monitor Grid, Grid RSP &amp; RSP on a quarterly basis</li> </ul>   | Apr, Jul,<br>Oct & Jan | Apr, Jul,<br>Oct & Jan | Apr, Jul,<br>Oct & Jan | Apr, Jul,<br>Oct & Jan |
| <ul style="list-style-type: none"> <li>• Monitor Industry Profits</li> </ul>  | Jun & Feb              | Jun & Feb              | Jun & Feb              | Jun & Feb              |

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# Core Business One: Regulation of Automobile Insurance Rating Programs

GOAL TWO

## 2

### Maintain a strong working relationship with stakeholders

**What it means**

This goal aims to ensure that the AIRB maintains a good understanding of the insurance industry and issues that may be emerging. It also aims to provide opportunities for insurance providers, other industry professionals and stakeholders to provide input to the AIRB’s Annual and Semi-annual Industry Benchmarks which are used in the review of filings and to have access to the most recent and comprehensive information on Board decisions, activities and orders.

The Board maintains transparency and accountability to the Minister of Finance and President of Treasury Board by:

- conducting an annual review of automobile insurance trends and premiums relating to basic and additional coverage for private passenger vehicles,
- submitting to the Minister on an annual basis its three year business plan,
- submitting to the Minister its annual report on the operations of the Board, and
- reporting all insurer filing decisions on the AIRB website.

AIRB is a member of the Canadian Automobile Insurance Rate Regulators Association (CARR) through which it interacts with rate regulatory bodies in other jurisdictions.

**Strategies**

- 2.1 Consult with automobile insurance providers and other stakeholders to provide input to the AIRB’s Annual and Semi-annual Industry Benchmarks which are used in the review of filings.
- 2.2 Provide regular opportunities for automobile insurance providers and other stakeholders to meet with the Board.
- 2.3 Post all Board decisions on rate filings on the AIRB’s website.
- 2.4 Advise the Minister on automobile insurance issues and activities of the Board
- 2.5 Develop an Annual Report and Business Plan for submission to Minister
- 2.6 Hold an Open Meeting to receive input from stakeholders
- 2.7 Liaise regularly with the Superintendent of Insurance
- 2.8 Provide assistance and support to the General Insurance Statistical Agency (GISA)
- 2.9 Provide assistance and support to CARR

| Performance Measure  | Last Actual<br>2015/16 | Target<br>2016/17 | Target<br>2017/18 | Target<br>2018/19 |
|--|------------------------|-------------------|-------------------|-------------------|
| • Board decisions posted on a quarterly basis. Decisions implemented in any quarter posted within 15 business days of the end of that quarter. | 100%                   | 100%              | 100%              | 100%              |
| • Annual Report  | February               | February          | February          | February          |
| • Business Plan  | May                    | May               | May               | May               |

## Core Business Two: Provision of Automobile Insurance Information

GOAL THREE

# 3

### Ensure consumers of Private Passenger auto insurance are heard and have access to sound information

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#### What it means

This goal aims to ensure that consumers are given opportunity to be heard. The ways in which consumers may voice their concerns are:

- Email through the AIRB's website
- Telephone contact directly to the AIRB office
- Annual Open Meeting
- Through the independent Consumer Representative.
  - Annual survey of Albertans
  - Annual focus groups
  - Seniors focus group
  - Youth focus group

The AIRB is further committed to increasing consumer awareness and understanding of their rights and responsibilities regarding the purchase of the automobile insurance product.

#### Strategies

- 3.1 Ongoing enhancements to the AIRB's website
- 3.2 Monitor website's success in attracting visitors
- 3.3 Conduct annual consumer survey, focus groups and interviews
- 3.4 Support the Consumer Representative in consultations and collection of data

| <b>Performance Measures</b>                  | <b>Last Actual<br/>2015/16</b> | <b>Target<br/>2016/17</b> | <b>Target<br/>2017/18</b> | <b>Target<br/>2018/19</b> |
|--|--------------------------------|---------------------------|---------------------------|---------------------------|
| • Website Statistics - Number of page views  | 1,582,998                      | 1,500,000                 | 1,600,000                 | 1,700,000                 |
| • Website Statistics - Time spent on site    | 2.07                           | 2:15                      | 2:25                      | 2:35                      |
| • Website Statistics – Page views per person | 2.46                           | 3.0                       | 3.10                      | 3.20                      |

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## STATEMENT OF OPERATIONS AND SURPLUS

For the period April 1 to March 31

|                                 | <b>2015/16<br/>Actual</b> | <b>2015/16<br/>Budget</b> | <b>2016/17<br/>Estimate</b> | <b>2017/18<br/>Target</b> | <b>2018/19<br/>Target</b> |
|---------------------------------|---------------------------|---------------------------|-----------------------------|---------------------------|---------------------------|
| <b>Revenue:</b>                 |                           |                           |                             |                           |                           |
| Annual Industry Levy            | \$1,530,000               | \$1,530,000               | \$1,500,000                 | \$1,500,000               | \$1,500,000               |
| - less accumulated surplus      | 277,261                   |                           | -                           | -                         | -                         |
|                                 | <hr/>                     | <hr/>                     | <hr/>                       | <hr/>                     | <hr/>                     |
| Net Annual Industry Levy        | 1,252,739                 | 1,530,000                 | 1,500,000                   | 1,500,000                 | 1,500,000                 |
| Actuarial Services              | -                         | -                         | -                           | -                         | -                         |
| Other                           | 3,245                     | -                         | -                           | -                         | -                         |
|                                 | <hr/>                     | <hr/>                     | <hr/>                       | <hr/>                     | <hr/>                     |
|                                 | 1,255,984                 | 1,530,000                 | 1,500,000                   | 1,500,000                 | 1,500,000                 |
| <b>Expenses:</b>                |                           |                           |                             |                           |                           |
| Operations                      | 749,162                   | 847,000                   | 829,000                     | 829,000                   | 829,000                   |
| Actuarial and Contract Services | 287,971                   | 483,000                   | 471,000                     | 471,000                   | 471,000                   |
| Board Honoraria and Expenses    | 89,064                    | 200,000                   | 200,000                     | 200,000                   | 200,000                   |
|                                 | <hr/>                     | <hr/>                     | <hr/>                       | <hr/>                     | <hr/>                     |
|                                 | 1,126,197                 | 1,530,000                 | 1,500,000                   | 1,500,000                 | 1,500,000                 |
| <b>Surplus/(Shortfall)</b>      | 129,787                   | -                         | -                           | -                         | -                         |
| Accumulated Surplus Beginning   | 277,261                   |                           |                             |                           |                           |
| Accumulated Surplus End         | 407,048                   |                           |                             |                           |                           |