

# BUSINESS PLAN

APRIL 1, 2020 TO MARCH 31, 2023

**Automobile Insurance Rate Board**  
2020 - 2023 Business Plan



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

## LETTER OF TRANSMITTAL AND ACCOUNTABILITY STATEMENT

The Honourable Travis Toews  
President of Treasury Board and Minister of Finance  
208 Legislature Building  
10800 - 97 Avenue  
Edmonton, Alberta T5K 2B6

Honourable Minister:

I am pleased to provide the Automobile Insurance Rate Board's (AIRB) 2020-2023 business plan. The AIRB is an independent agency, established by the President of Treasury Board and Minister of Finance to regulate automobile insurance rating programs in Alberta.

This business plan, for the three years commencing April 1, 2020, was prepared under my direction and is built on our updated vision, mission and values. All of the AIRB's policy decisions as of March 31, 2020, with material economic or fiscal implications of which I am aware have been considered in preparing this plan.

The AIRB's priorities outlined in this business plan were developed in the context of the Government's business and fiscal plans, the AIRB's Mandate and Roles Document and the operating environment known at time of approval. The AIRB is accountable for the preparation and achievement of the strategies and objectives laid out in this business plan.

Sincerely,

**[Original signed by Charlene Butler]**

**Charlene Butler**, MBA, B.Sc, BComm  
Board Chair



# BOARD GOVERNANCE

## Mandate

The AIRB is a regulatory agency established by the President of Treasury Board and Minister of Finance in accordance with section 599 of the Insurance Act. The AIRB is responsible for

- reviewing and approving of automobile insurance rating programs for basic and additional coverage;
- conducting an annual review of automobile insurance trends and rates relating to basic and additional coverage, which includes stakeholder feedback and an open meeting;
- receiving comments from the automobile insurance industry, the Consumer Representative and the public;
- publishing all filing decisions; and
- providing public education and information related to automobile insurance on an ongoing basis.

## VISION

Automobile insurance is accessible, equitable and sustainable for all Albertans.

## MISSION

The AIRB independently regulates automobile insurance rating programs and educates consumers to ensure Albertans have access to a robust automobile insurance marketplace.

## VALUES

Accountability

Integrity

Excellence

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# STRATEGIC DIRECTION

The AIRB implemented a new vision, mission, values and strategic goals, in 2019, which focused our direction for the future.

These guiding principles continue to influence the AIRB in this three year business plan, reaffirming our commitment to:

- Optimizing our process for the review of rating programs;
- Being recognized as a leader in our sector;

- Enhancing our stakeholder engagement; and
- Continuing the development and engagement of our team to ensure we are proactive to the new and emerging trends.

Our goals and priorities give consideration to the fiscal restraint the AIRB is operating under.

This business plan only includes key priorities. Our plans for supporting initiatives to achieve our goals are detailed in our internal annual operational plan.

# OPERATING ENVIRONMENT

The AIRB envisions an insurance market, where consumers have equitable premiums and are equipped with the knowledge they need to make informed decisions about automobile insurance. The AIRB monitors industry trends and developments to inform its Board Members and the Government of Alberta. The AIRB evaluates accessibility, affordability, and service quality by monitoring relevant indicators which are influenced by competition, consumer knowledge, and industry trends.

## Competitive Marketplace

The size of the market is a measure of accessibility. Alberta has a competitive private market for automobile insurance that provides coverage for over 3.4 million vehicles (both private passenger and commercial) and with 69 insurance companies offering coverage to Albertans.

Based on 2018 direct written premiums<sup>1</sup>, the top ten insurance company groups in Alberta represented 93% of the private passenger vehicles (PPV) market share, with 46 individual insurance companies writing PPV insurance.

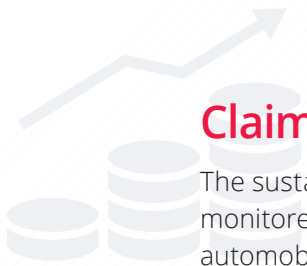
A competitive market allows insurance companies to compete on price and service. Consumers have the ability to choose between different insurance companies, and no single insurance company dictates how the market operates.

## Affordability

Albertans are required to carry mandatory coverages for automobile insurance, and they have the option to purchase additional coverages like collision and comprehensive. Given affordability is subjective from person to person, the AIRB benchmarks the percentage of after tax income Albertans spend on the average insurance premiums, in 2018, it was 3.0% no change from 2017. We focus on ensuring rating programs are equitable for all policyholders while monitoring the impact recent rate increases will have on the affordability of automobile insurance for Albertans.

<sup>1</sup> Based on MSA Research data.





## Claim Trends

The sustainability of the industry is closely monitored. The three specific areas where automobile insurance claim trends impact sustainability for insurance companies are bodily injury claim costs (third party liability), increasing vehicle repair cost due in part to automated features (collision); and theft (comprehensive) – Alberta has more theft claims than any other Canadian province. The graph highlights the loss ratio (claims cost compared to premiums) by coverage.

## Accessibility

The AIRB continues to monitor the industry to ensure coverage is accessible to Albertans. Alberta has a robust and competitive market but rising claims costs and rate limitations have placed pressure on insurance companies' profitability. In the past two years, while insurance companies were unable to obtain a rate change greater than 5% under the Ministerial Orders, the volume and frequency of insurance company filings continued to increase. Insurance companies focused on

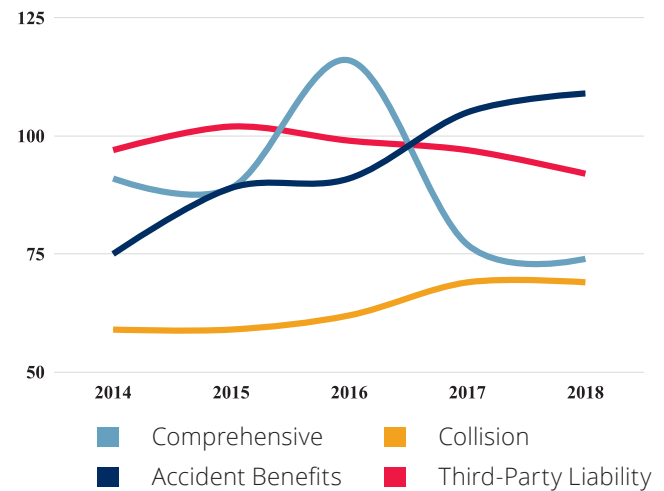
## Consumer Education

In the fall of 2019, over 95% of the market for private passenger vehicles received approval for rate changes and some consumers received premium increases greater than would otherwise normally be anticipated.

Recognizing this impact, the AIRB increased its attention on consumer education. The AIRB partnered with industry stakeholders on a social media campaign and published lists of the top ten reasons why insurance premiums are increasing and how to reduce your premiums, which are often not sufficiently explained or understood by consumers.

The results of the AIRB's 2020 Consumer Perception Survey showed over 90% of Albertans were aware insurance premiums were increasing, and 73% contacted their broker or agent for an explanation of the increase. Of those surveyed, 80% indicated they did not get a satisfactory response from their broker or agent.

## PRIVATE PASSENGER INDUSTRY LOSS RATIO

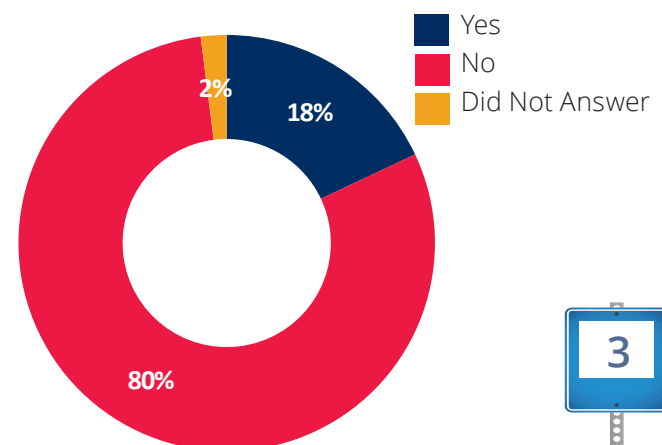


segmentation, making refinements to their rating programs adjusting pricing for individual risks, and resulting in significant premium increases for some policyholders.

The AIRB engages with insurance companies on their progress to reverse business decisions impacting accessibility. We will continue to work with stakeholders to find alternative solutions to ensure a sustainable marketplace.

We believe all Insurance companies and industry stakeholders can improve their communication to consumers on why the rates are increasing. The AIRB continues to work with stakeholders to increase consumers education on automobile insurance.

## DID YOUR BROKER OR AGENT PROVIDE YOU WITH A SATISFACTORY EXPLANATION AS TO WHY YOUR PREMIUM INCREASED?



# During 2018, Alberta's Automobile Insurance Market Covered More Than 2.75 Million Vehicles

## PREMIUMS COLLECTED

**\$3,500,000,000+**

In 2018, automobile insurance companies collected over \$3.5 billion in premiums.



## CLAIMS & EXPENSES PAID

**\$3,800,000,000+**

In 2018, automobile insurance companies paid over \$3.8 billion in claims and operating expenses.



## Vehicles by Class

### PRIVATE PASSENGER



73%

### COMMERCIAL



10%

### ALL TERRAIN



4%

### MOTORCYCLE



4%

### SNOWMOBILE



3%

### MISCELLANEOUS & OTHER



6%

## Industry Trends

**\$74,000+**

### BODILY INJURY CLAIMS

The average cost of a bodily injury claim was over \$74 thousand for insurance companies in 2018.

**34+**

### STOLEN VEHICLES PER DAY

In Alberta, an average of 34 vehicles are stolen each day.

## Industry Statistics

**287,000+**

### CLAIMS PER YEAR

Albertans made over 287 thousand claims in 2018.

**69**

### COMPANIES

In Alberta, automobile insurance is provided by 69 different companies.



**\$1,316**

### YEARLY PREMIUMS

Albertans spent an average of \$1,316 on automobile insurance coverages in 2018.

**3%**

### COST TO ALBERTANS

In 2018, Albertans spent an average of 3% of their after-tax income on automobile insurance.

## How Is the Automobile Insurance Market Changing?

### MINOR INJURY REGULATION



### USAGE BASED INSURANCE



### CANNABIS



### SEVERE WEATHER



### DISTRACTED DRIVING



### TECHNOLOGY





# STRATEGIC GOALS

## Goal One

The AIRB continually optimizes its process for the review of rating programs.



## What Success Looks Like?

- Consumers have access to automobile insurance within a competitive marketplace.
- Insurance companies file for changes to rating programs on a regular basis, to avoid significant increases on consumer insurance premiums.

## To Achieve

- Premium stability with equitable and competitive pricing is an integral objective of the automobile insurance system for consumers, insurance companies and Government.
- We encourage competitive insurance premiums in part by supporting rating programs that demonstrate innovation and improve the alignment of premium to risk.

## Our Priorities

1. Our regulatory framework supports equitable rates, market innovation and continued compliance with legislation while being mindful of increased regulatory burden.
2. To remain current in our knowledge and understanding of the impact adoption of innovative strategies by insurance companies has on rate filings and consumers.

## How We Measure Results

Insurance companies submitting at least one filing every three years to ensure regular and stable rate adjustments.

ACTUAL 2019/20	TARGET 2020/21	TARGET 2021/22	TARGET 2022/23
95%	95%	100%	100%

# STRATEGIC GOALS

## Goal Two

The AIRB continues to be a recognized leader in insurance rate regulation.

### To Achieve:

- We are seen as a valued resource for automobile insurance information.
- We encourage input and discussion from stakeholders in effort to stay current with trends.
- We value partnerships and the collaboration with national colleagues on automobile insurance initiatives.

### What Success Looks Like?

- Stakeholders are satisfied with the level of service provided.
- The AIRB is a valued stakeholder in government initiatives related to automobile insurance.
- Alberta's priorities are considered in national organizations and their initiatives.

### Our Priorities

1. Trends, key industry indicators and innovations are monitored and reported to support the achievement of our mandate and reporting to Government.
2. Stakeholder feedback is valued on the AIRB's Industry Benchmarks, bulletins and other initiatives.
3. Continued collaboration with stakeholders to ensure consumers have access to information they need about changes to their automobile insurance premiums.
4. Lead and encourage initiatives with the General Insurance Statistical Agency and Canadian Automobile Insurance Rate Regulators Association.

### How We Measure Results

% of stakeholders rating the service received from the AIRB as excellent.

ACTUAL 2019/20	TARGET 2020/21	TARGET 2021/22	TARGET 2022/23
68% <sup>1</sup>	75%	80%	85%

<sup>1</sup> The stakeholder survey sought responses using a five point scale – excellent, good, average, poor and very poor. The survey responses for 2019/20 was 68% excellent and 32% good.

# STRATEGIC GOALS

## Goal Three

The AIRB has enhanced robust stakeholder engagement.



### To Achieve:

- We value stakeholder relationships and are committed to enhancing engagement.
- We are committed to increasing consumer awareness to enable informed decisions.

### What Success Looks Like?

- Stakeholders understand the AIRB's role and purpose, and view the AIRB as a valued partner.
- Our website is a reliable source of information on automobile insurance for all stakeholders.

### Our Priorities

1. Engage with government on the implementation of any reforms for automobile insurance.
2. The annual consumer survey conducted by the Consumer Representative, uses the most efficient tools available to collect data and inform the AIRB and Government on consumer perceptions of automobile insurance.
3. Collaboration with stakeholders on mutually beneficial projects.
4. The Minister is advised on automobile insurance trends and concerns, in addition to the activities of the AIRB as required by legislation.

### How We Measure Results

Our website is accessed for information by stakeholders, based on monthly page views.

ACTUAL 2019/20	TARGET 2020/21	TARGET 2021/22	TARGET 2022/23
18,919	19,000	20,000	22,000

# STRATEGIC GOALS

## Goal Four

The AIRB has educated and engaged professionals proactive to new trends.



## What Success Looks Like?

- We have long-term staff and Board Members.
- We attract high caliber Board Members with the right skills and competencies.
- We are knowledgeable about trends and issues impacting automobile insurance in the province and across Canada.

## Our Priorities

1. Recruitment of Board Members to ensure membership is diverse and representative of the established competency matrix.
2. Board Members and staff are provided opportunities for continuous education and development related to the AIRB's mandate.
3. The AIRB has appropriate resources to implement the AIRB's goals in the next three to five years is determined and monitored.

## To Achieve:

- The AIRB requires an appropriate staff and Board Member complement to deliver on their mandate and goals outlined in this business plan.
- We are committed to ensuring staff and Board Members have access to ongoing training and development to allow them to remain current with and be able to respond to new trends and changes in the marketplace.

## How We Measure Results

Number of appointed Board Members.

ACTUAL 2019/20	TARGET 2020/21	TARGET 2021/22	TARGET 2022/23
5	8	8	8





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