



THREE YEAR ROLLING

BUSINESS PLAN

APRIL 1, 2022 TO MARCH 31, 2025

Alberta
airb *Automobile Insurance
Rate Board*

Automobile Insurance Rate Board

2022 - 2025 Business Plan



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

Phone: 780.427.5428

Email: airb@gov.ab.ca

For an electronic copy of this report, please visit:
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) 2022-2025 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, 2022, 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, 2022, 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,

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



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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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.

OPERATING ENVIRONMENT

The AIRB monitors industry trends and developments to inform its Board Members, the Government of Alberta and other industry stakeholders. The AIRB evaluates accessibility, affordability, and service quality by monitoring relevant indicators which are influenced by competition, consumer knowledge, and industry trends.

Competitive Marketplace

A competitive market not only allows insurers to compete on price and service but also, contributes to accessibility and affordability for consumers. Consumers have the ability to choose between different insurers, and no single insurer dictates how the market operates.

The size of the market is a measure of accessibility. Alberta has a competitive private market for automobile insurance providing

coverage for over 3.1 million vehicles (both private passenger and commercial) and with 55 insurers offering coverage to Albertans.

Based on 2020 direct written premiums, the top ten insurer groups in Alberta represented 95% of the private passenger vehicles (PPV) market share.

We monitor the market for mergers and acquisitions which may impact competition in the future.

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 2020, it was 3.1%, (3.0% in 2019). We focus on ensuring rating programs are equitable for all policyholders while monitoring the impact changes to rating programs have on the affordability of automobile insurance for Albertans.

Accessibility

The AIRB continues to monitor the industry to ensure coverage is accessible to Albertans. Alberta has a competitive market but rising claims costs and previous rate limitations put pressure on insurers with inadequate rate levels. Insurers are increasing their focus

on price accuracy and it is resulting in some policyholders experiencing large fluctuations in premiums. Premiums are only one measure of accessibility, the ability to find the coverages and payment terms needed is also an important factor.

Claim Trends

The sustainability of the industry is closely monitored. The three specific areas where automobile insurance claim trends impact sustainability for insurers 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.

Consumer Education

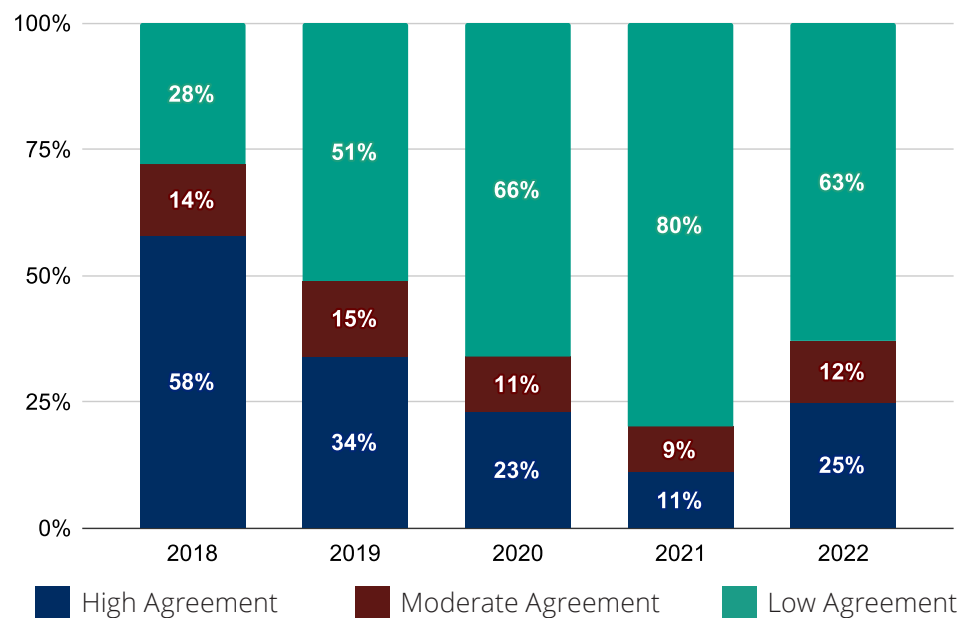
The AIRB's Consumer Representative undertook a Consumer Perception survey in January 2022. This year we have found consumer satisfaction with premiums being fair and reasonable has rebounded to 2020 levels.

The evaluation of fair and reasonable varies from person to person and is influenced by individual circumstances. Many Albertans saw a decrease in their mobility during the pandemic, and not all drivers contacted their insurer to see if premium relief was available. During this time the Government announced reforms to address cost pressures which had been the

leading cause of premium increases. There are early signs these reforms are stabilizing premiums for Alberta drivers, more time is needed to fully evaluate the effectiveness of the reforms, especially when mobility returns to new normal levels as we enter the endemic phase.

The AIRB carefully considers the affect on consumers when reviewing all requests for changes to rating programs, and is continuing to focus on consumer education in this business plan. There are a number of consumer education resources available on our website.

HOW STRONGLY DO YOU AGREE YOUR AUTOMOBILE INSURANCE PREMIUMS ARE FAIR AND REASONABLE?



PRINCIPLES BASED REGULATION

In 2021, the AIRB commenced a transition to a more principles based approach to rate regulation with the issuance of new guidance on usage based insurance, rating territories and rating variables. We believe it is important to be transparent in what principles based regulation means in the context of our work, and have outlined our regulatory approach and expectation for insurers.

AIRB's Regulatory Approach

RISK-BASED REGULATION

- We make evidence based decisions.
- Our decisions focus on outcomes specifically, consumer impacts and overall market health.
- Filing guidelines and requirements are proportionate to the rating program and proposed changes, and we seek to remove regulatory burden where practical.

CONSUMER CHOICE & COMPETITION

- We encourage a competitive marketplace promoting consumer choice and innovation.
- We consider the market conditions and individual insurer circumstances when reviewing filings for changes to rating programs.
- We expect insurers effectively manage claims costs and expenses.

TRANSPARENCY & ACCOUNTABILITY

- We are transparent and publish all filing guidelines, policies and rate changes.
- We engage frequently with stakeholders to seek input and facilitate fair and inclusive processes.
- We deliver efficient rate regulation, aligned with all relevant legislation and policies considering the needs of insurers, the Minister and consumers.
- We strive to continuous improvement of our rate regulation framework through regular review and stakeholder input.

AIRB's Expectations for Insurers

EVIDENCE-BASED RATING PROGRAMS

- Rating programs are evidence based and supported by appropriate actuarial practices and business decisions.
- Rating programs align the premiums for each coverage with the associated risks.

CONSUMER CHOICE & COMPETITION

- Insurers innovate and implement new business or pricing models creating increased consumer choice and competition.
- Insurers maintain their rating programs, and employ measures to ensure rate stability for policyholders.

TRANSPARENCY & ACCOUNTABILITY

- Factors affecting individual premiums and changes to a policyholder's premium over time are explainable to the consumer, in plain language.
- Insurers are accountable for their operations, business practices, and development of models and rating programs.
- Rating programs are equitable for all consumers, and free of bias and unfair discrimination.

STRATEGIC DIRECTION

In 2022, the AIRB considered the guiding principles established in 2019, to reaffirm their continued influence over the priorities and actions for the duration of this business planning cycle. The AIRB's vision, mission and values were reaffirmed, and the strategic goals were revisited.

This year's we have adjusted the previous four goals to ensure they reflect the market realities and future direction of the AIRB, and we added a new strategic goal, Goal #2, to recognize the important role technology plays in both innovation for Alberta drivers and in enhancing our market intelligence. This plan includes five strategic goals which affirm our commitment to:

- optimizing our regulatory process and making evidence based decisions;
- leveraging technology to support innovation and enhance data collection;
- being recognized as a leader in our sector;

- enhancing our stakeholder engagement and building public confidence in insurance rate regulation; and
- continuing the development and engagement of our Board Members and staff to ensure we are proactive to new and emerging trends.

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

This business plan highlights key priorities. Our detailed plans for supporting the initiatives to achieve these strategic goals are outlined in our internal operational plan. The operational plan is a living document, which may be adjusted to respond to changes not anticipated at the start of the fiscal year. The AIRB approves the annual operational plan, and monitors progress through quarterly updates on the steps taken to further the goals established.



STRATEGIC GOALS



GOAL ONE
The AIRB optimizes automobile insurance regulatory processes and makes evidence based decisions.

What Success Looks Like?

- Consumers have access to automobile insurance within a competitive marketplace.
- Insurers file regularly for changes to rating programs to avoid significant fluctuation in premium increases for consumers.

Our Priorities

1. Our regulatory framework supports equitable rates, market innovation and continued compliance with legislation while being mindful of increased regulatory burden.
2. We are current in our knowledge and understanding of the impact adoption of innovative strategies by insurers has on rate filings and consumers.
3. We will consider improvements to the GRID rating system to ensure it functions as intended.
4. Our staff and contract resources have the skills and expertise to review the increasingly complex rating models.

To Achieve

- Premium stability with equitable and competitive pricing is an integral objective of the automobile insurance system for consumers, insurers and Government.
- Competitive insurance premiums are available through rating programs demonstrating innovation and improved alignment of premium to risk.
- Alberta drivers choice to adopt innovative products for greater control over their premiums through usage based and pay per kilometer options.

How We Measure Results

- The year to date weighted average percentage change of approved private passenger vehicle insurance premiums is stable and does not exceed moderate increases to the province's consumer price index.

ACTUAL ²		TARGET		
2020/21	2021/22	2022/23	2023/24	2024/25
-0.02%	-0.53%	2.00%	3.00%	3.00%

² 12 month rolling weighted average as of March 31.

STRATEGIC GOALS



GOAL TWO

The AIRB leverages technology to support innovation and enhance data collection to inform key trends and health of the marketplace.

To Achieve

- Expanding our data analytic and reporting capabilities to position the AIRB to better respond to the information needs of a diverse stakeholder group.
- Supporting the insurance industry to implement innovative options for Alberta drivers.

How We Measure Results

- This is a new goal for 2022-2025. The performance measure will be developed during 2022 – 2023 fiscal year.

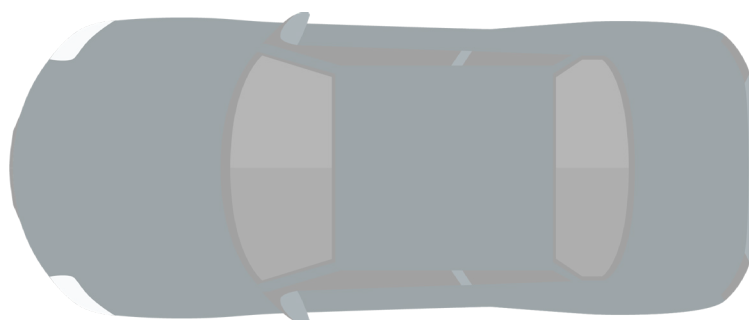
ACTUAL		TARGET		
2020/21	2021/22	2022/23	2023/24	2024/25
N/A	N/A	TBD	TBD	TBD

What Success Looks Like?

- AIRB and its stakeholders have the data available to make evidence based decisions.
- Albertans are offered options using new technologies to increase their ability to control their individual premiums.

Our Priorities

1. Support our data scientist to lead work to enhance AIRB’s use of technology and expand our data analytic capabilities.
2. Work with national counterparts and the General Insurance Statistical Agency on enhancements to the data reporting and analysis of automobile insurance statistical data.
3. Launch the AIRB’s online filing system, AIRB Collection and Reporting System, CARS.
4. Develop measurement tools and refine future state expectations to further this goal.



STRATEGIC GOALS



GOAL THREE

The AIRB is a recognized leader in insurance rate regulation.

To Achieve

- Being seen as a valued resource for automobile insurance information.
- Ongoing input and discussion from stakeholders in effort to stay current with trends and issues in the marketplace.
- Valued partnerships and the collaboration with national colleagues on automobile insurance initiatives.

How We Measure Results

- The percentage of stakeholders rating the service received from the AIRB as excellent, as measured through annual stakeholder survey.

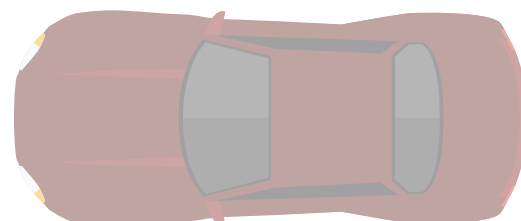
ACTUAL			TARGET		
2020/21	2021/22	2022/23	2023/24	2024/25	
94%	68% ³	95%	95%	95%	

What Success Looks Like?

- The AIRB delivers excellent service to stakeholders.
- 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. Monitor and report on trends, key industry indicators and innovations to support the achievement of our mandate and reporting to Government.
2. Value stakeholder feedback on the AIRB's Industry Benchmarks, bulletins and other initiatives.
3. Collaborate 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.



³ Volatility of results year over year due to actual insurers who respond to survey each year, 2021/22 results are inline with the actual from 2019/20 (68%).

STRATEGIC GOALS



GOAL FOUR

The AIRB has enhanced robust stakeholder engagement and is committed to building public confidence in the regulation of automobile insurance.

To Achieve

- Stakeholder's value relationships with the AIRB and are committed to enhancing engagement.
- Increased consumer awareness to enable informed decisions, about the purchase of automobile insurance.

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.
- Stakeholders have access to accurate information on rate changes and impacts to consumers.

Our Priorities

1. Conduct the annual consumer survey by the Consumer Representative, using the most efficient tools available to collect data and inform the AIRB and Government on consumer perceptions of automobile insurance.
2. Collaborate with stakeholders on mutually beneficial projects.
3. Advise the Minister on automobile insurance trends and concerns, in addition to the activities of the AIRB as required by legislation.
4. Focus consumer education on ensuring brokers/agents and other front line professionals have accurate information on issues impacting premiums.
5. Launch a new AIRB website to ensure ease of access for all stakeholders.

How We Measure Results

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

ACTUAL		TARGET		
2020/21	2021/22	2022/23	2023/24	2024/25
21,714	20,006	22,000	24,000	26,000

STRATEGIC GOALS



GOAL FIVE

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 staff and 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. Recruit Board Members to fill vacancies ensuring membership is diverse and representative of the established competency matrix.
2. Orientate new Board Members and staff, providing education to ensure adequate knowledge to make informed decisions.
3. Provide Board Members and staff opportunities for continuous education and development related to the AIRB's mandate.
4. Ensure the AIRB has appropriate resources to implement the AIRB's goals in the next three to five years.

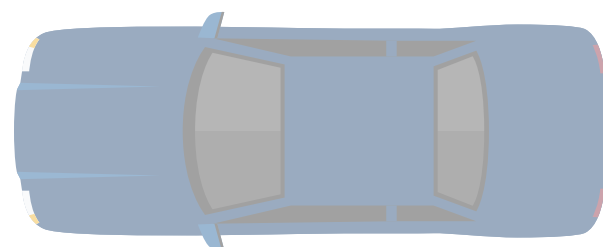
To Achieve

- An appropriate staff and Board Member complement to deliver on the AIRB's mandate and goals outlined in this business plan.
- 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			TARGET	
2020/21	2021/22	2022/23	2023/24	2024/25
5	7	8	8	8





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