



2023-2026 Three Year Rolling
**Business
Plan**



Automobile Insurance Rate Board

2023-2026 Business Plan



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The Honourable Travis Toews
President of Treasury Board and Minister of Finance
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Honourable Minister:

I am pleased to provide the Automobile Insurance Rate Board's (AIRB) 2023-2026 business plan. The AIRB is an independent agency, established by the President of Treasury Board and Minister of Finance to regulate auto insurance rating programs and provide consumer education in Alberta.

This business plan, for the three years commencing April 1, 2023, was prepared under my direction and is built on our vision, mission and values. All of the AIRB's policy decisions as of March 31, 2023, 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, GCB.D, 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 auto insurance rating programs for basic and additional coverage;
- ⚙️ Publishing all filing decisions;

- ⚙️ Receiving comments from the auto insurance industry, the Consumer Representative and the public;
- ⚙️ Conducting an annual review of auto insurance trends and rates, which includes stakeholder feedback and an open meeting; and
- ⚙️ Providing education and information related to auto 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 affordability, accessibility, and service quality by monitoring relevant indicators which are influenced by competition, consumer knowledge, and industry trends.

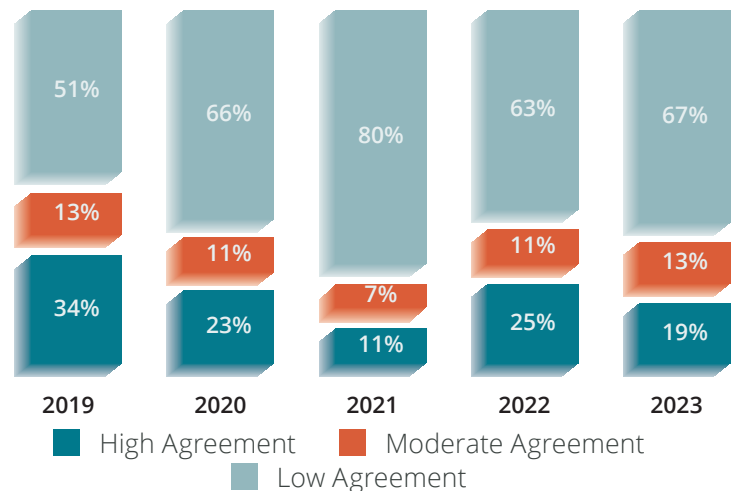
Consumer Perceptions

The AIRB's Consumer Representative undertook a Consumer Perception survey in January 2023. This year we have found consumer satisfaction with premiums being fair and reasonable dropped since 2022.

Affordability and inflation have dominated the media over several months and may be a factor influencing consumer dissatisfaction with insurance premiums. In January, the Government announced a rate pause to allow time to explore cost pressures which had been the leading cause of premium increases.

The AIRB carefully considers the affect on consumers when reviewing all requests for changes to rating programs and is continuing to focus on driver education in this business plan. There are a number of driver education resources available on our [website](#) and on our [social media channels](#).

How strongly do you agree your auto insurance premiums are fair and reasonable?¹



Accessibility

The AIRB monitors the industry to ensure coverage is accessible to Albertans. Alberta has a competitive market but rising claims costs put pressure on insurers with inadequate rate levels. The AIRB measures accessibility as the ability to find the coverages

and payment terms needed. This continues to be an important factor, while recognizing for some Albertans premiums are a significant factor in their ability to access insurance coverage.

Claim Trends

The sustainability of the industry is closely monitored. Inflation has significantly increased over the past year, and its affect on claims trends is top of mind for the AIRB, insurers and drivers. The three areas where auto insurance claim trends impact

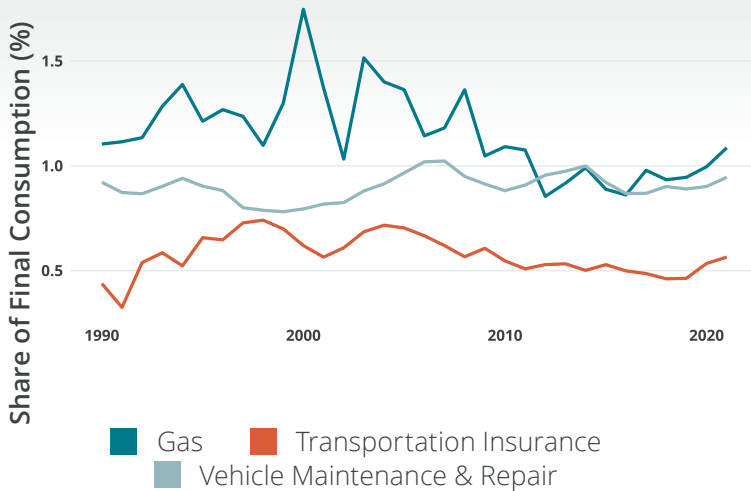
sustainability for insurers are bodily injury claim costs (third party liability), increasing vehicle repair cost due in part to automated features supply chain concerns and vehicle availability (DCPD and collision); and theft (comprehensive).

¹ Note: Some responded Do Not Know.

Affordability

Albertans are required to carry mandatory coverages (third party liability and accident benefits) for auto insurance, and they have the option to purchase additional coverages like collision and comprehensive. Given insurance is mandatory to drive a vehicle, we know affordability is a concern for many

Expenditure Spent on Various Transport Expenses²

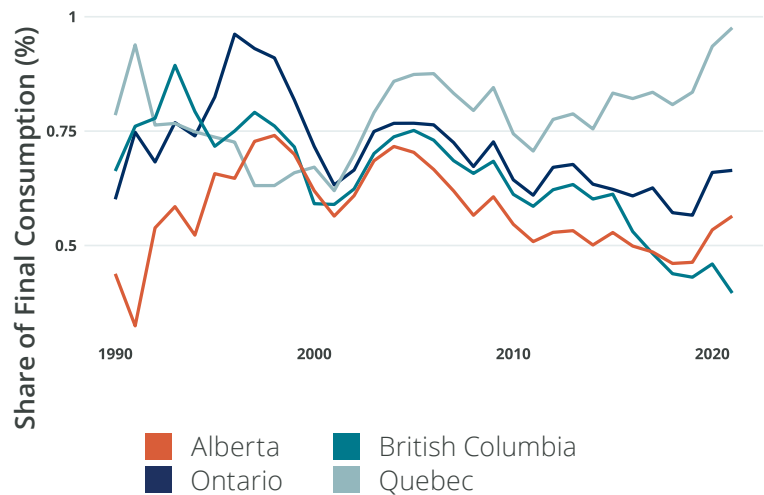


Focusing in on private passenger vehicle insurance premiums and comparing them to the three other largest provinces in Canada, Alberta has one of the lowest premiums as a share of total expenditures. As shown, British Columbia only recently dipped below Alberta following reforms to their auto insurance product.

drivers. We also know affordability is subjective from person to person. The AIRB considers the percentage of after tax income spend on average auto insurance premiums as one measure of affordability, refer to the [Market and Trends Report](#) for more information on this measure.

Affordability has been a focus of Albertans and the Government in 2022 and is expected to continue throughout 2023 as the cost of everyday goods and necessities has increased due to high inflation. The figure to the left shows the proportion of consumption of various goods and services to consumption of all goods and services in Alberta. Insurance is not the only cost of owning a vehicle impacted by inflation, since gas and maintenance are other costs rising and impacting the cost of operating a vehicle. Higher vehicle repair costs also raise insurance premiums as they increase the cost paid out on a claim.

Expenditure Spent on Auto Insurance Premiums³



Competitive Marketplace

A competitive market allows insurers to compete on price and service contributing to affordability and accessibility for consumers. Drivers have the ability to choose between different insurers, and no single insurer dictates how the market operates. Choice of insurers enables drivers to shop the market for the price and coverage right for them. Insurers compete on price, which contributes to affordability in the market place.

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

coverage for over 3.1 million vehicles (both private passenger and commercial) and with over 60 insurers offering coverage to Albertans.

Based on 2021 direct written premiums, the top ten insurer groups in Alberta represented 92% of the private passenger vehicles market share.

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

² Source: Statistic Canada. Gas is not strictly used for transportation, but also includes uses for heating and other uses.
³ Source: Statistic Canada. Premiums are passenger vehicle premiums.

Principles Based Regulation

The AIRB's principles based approach means we promote use of high-level, broadly stated principles rather than detailed, prescriptive rules where practical to do so. We believe this approach encourages innovation and provides the flexibility for insurers to adopt new strategies for pricing auto insurance for Alberta drivers while enabling the AIRB's receipt of the evidence and information needed to make informed decisions.

The AIRB is focused on the outcomes of all decisions made. We believe a principles based approach enables a focus on the premium impacts rather than requiring insurers to follow prescriptive processes which do not lead to better outcomes for Alberta drivers and their auto insurance premiums.

Since early 2021, the AIRB has implemented a principles based approach in our filing guidelines and technical guidance, and will continue to do so as new or updated guidance is warranted. 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 expectations for insurers.

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 for continuous improvement of our rate regulation framework through regular review and stakeholder input.

Insurer Expectations

Evidence-Based Rating Program

- ⚙️ 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

The AIRB's vision, mission, values and the strategic goals were reaffirmed as continuing to influence the priorities and actions to be taken for the duration of this business planning cycle.

This plan includes five strategic goals which consider the fiscal restraint the AIRB operates under and affirms our commitment to:

1. Optimizing our regulatory process and making evidence based decisions;
2. Leveraging technology to support innovation and enhance data collection;
3. Being recognized as a leader in our sector;
4. Engaging with stakeholders and building public confidence in insurance rate regulation; and
5. Educating and developing our Board Members and staff to ensure we are proactive to new and emerging trends.

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.

Success Means

- ⚙ Drivers have access to auto insurance within a competitive marketplace.
- ⚙ Insurers file regularly for changes to rating programs to promote stability in premium for drivers.

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 understanding of the impact adoption of innovative strategies by insurers has on rate filings and driver premiums.
3. Our staff and contract resources have the skills and expertise to review increasingly complex rating models.

To Achieve

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

Results Are Measured

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 ⁴		Target		
2021/22	2022/23	2023/24	2024/25	2025/26
-0.53%	5.18%	5.00%	5.00%	5.00%

⁴ 12 month rolling weighted average as of March 31.



Goal Two

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

Success Means

- ⚙️ AIRB implements technology solutions to reduce processing time, and increase access to information.
- ⚙️ AIRB and its stakeholders have the data available to make evidence based decisions.
- ⚙️ Insurers introduce new products and technologies giving drivers options to control their individual premiums.

Our Priorities

1. Expand the AIRB’s use of technology and robust data analytic capabilities.
2. Seek opportunities for digital transformation to optimize and automate our operations.
3. Collaborate with our national counterparts and the General Insurance Statistical Agency on enhancements to the data reporting and analysis of auto insurance statistical data.

To Achieve

- ⚙️ Our data analytic and reporting capabilities position the AIRB to better respond to the information needs of diverse stakeholders.
- ⚙️ The insurance industry is supported in the implementation of innovative options for Alberta drivers.
- ⚙️ The government is informed on market trends and impacts to affordability and availability of auto insurance.

Results Are Measured

The average number of days to review filings ⁵.

Actual		Target		
2021/22	2022/23	2023/24	2024/25	2025/26
15	19	15	15	15

⁵ Includes all vehicle and filing types.



Goal Three

The AIRB is a recognized leader in insurance rate regulation.

Success Means

- ⚙ The AIRB delivers excellent service to stakeholders.
- ⚙ The AIRB is a valued stakeholder in government initiatives related to auto 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 drivers have access to information they need about auto insurance.
4. Lead and encourage initiatives with the General Insurance Statistical Agency and Canadian Auto Insurance Rate Regulators Association.

To Achieve

- ⚙ Being seen as a valued resource for auto 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 auto insurance initiatives.

Results Are Measured

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

Actual ⁶			Target	
2021/22	2022/23	2023/24	2024/25	2025/26
68%	83%	95%	95%	95%

⁶ Volatility of results year over year due to actual insurers who respond to survey each year.



Goal Four

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

Success Means

- ⚙ Stakeholders understand the AIRB’s role and purpose, and view the AIRB as a valued partner.
- ⚙ The AIRB is a reliable source of information on auto insurance for all stakeholders.
- ⚙ Stakeholders have access to accurate information on auto insurance, including changes and impacts to drivers.

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 auto insurance.
2. Collaborate with stakeholders on mutually beneficial projects.
3. Advise the Minister on auto insurance trends and concerns, in addition to the activities of the AIRB as required by legislation.
4. Focus driver education on ensuring brokers/agents and other front line professionals have accurate information on issues impacting premiums.

To Achieve

- ⚙ Stakeholder’s value relationships with the AIRB and are committed to enhancing engagement.
- ⚙ Increased driver awareness to enable informed decisions, about the purchase of auto insurance.

Results Are Measured

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

Actual			Target	
2021/22	2022/23	2023/24	2024/25	2025/26
20,006	23,141	25,000	27,000	29,000



Goal Five

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

Success Means

- ⚙️ We attract and retain high caliber staff and Board Members with the right skills and competencies.
- ⚙️ We are knowledgeable about trends and issues impacting auto insurance in the province and across Canada.

Our Priorities

1. Ensure board membership is diverse and representative of the established competency matrix.
2. Provide ongoing orientation and training for 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 to allow them to remain current with and able to respond to new trends and changes in the marketplace.
4. Ensure the AIRB has appropriate staff and contract resources to implement the AIRB's goals in the next three to five years.

To Achieve

- ⚙️ An appropriate staff and Board Member complement of educated and engaged professionals to deliver on the AIRB's mandate and goals outlined in this business plan.

Results Are Measured

Number of appointed Board Members.

Actual			Target	
2021/22	2022/23	2023/24	2024/25	2025/26
7	8	8	8	8



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