



2024-2027 BUSINESS PLAN

THREE YEAR ROLLING





The Honourable Nate Horner
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) 2024-2027 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 rolling three year business plan, commencing April 1, 2024, 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, 2024, 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,

Jamie Hotte
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 was established in 2004 to regulate auto insurance premiums and our mandate was expanded in 2007 to include provision of public education and information related to auto insurance. Through the Insurance Act, regulations, and our mandate and roles document, the AIRB has several responsibilities which can be grouped into three broad themes, each supported by AIRB resources:

1. Auto Insurance Rate Regulation

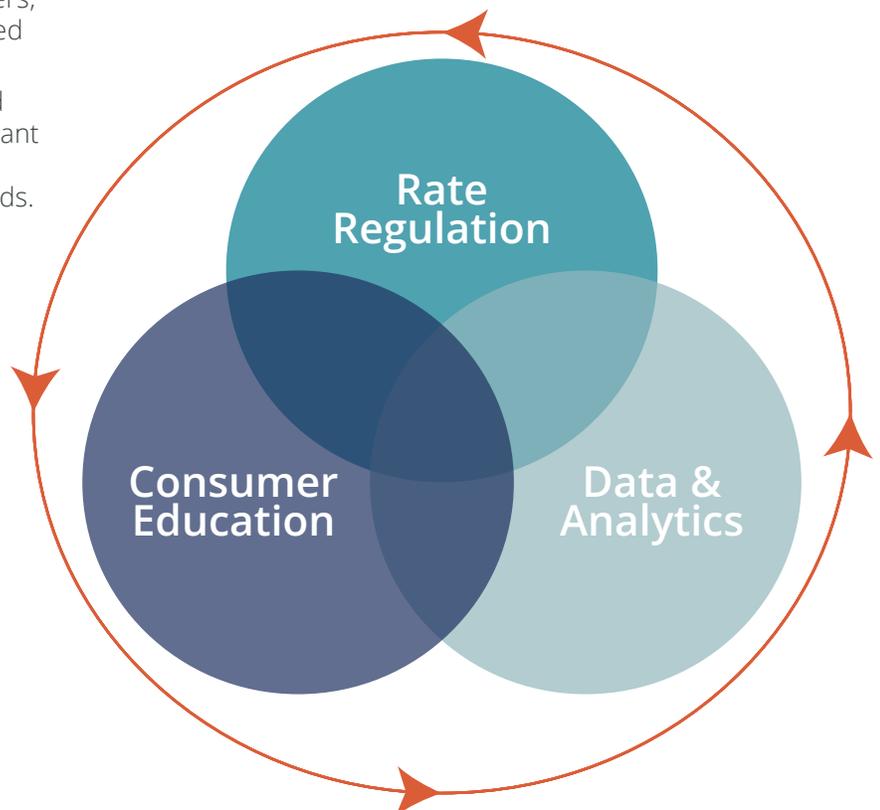
- ▶ Making rules governing the approval of rating programs.
- ▶ Reviewing and approving changes to auto insurance rating programs.
- ▶ Publishing all filing decisions.
- ▶ Maintaining the Grid rating system and adjusting the base premium annually.

2. Data Collection and Analytics

- ▶ Conducting an annual review of auto insurance trends and rates, which includes feedback from the Consumer Representative and other interested parties through written submissions and presentations at an open meeting.
- ▶ Collecting and analyzing data to report on industry trends informing Board Members, government officials, and other interested parties.
- ▶ Evaluating affordability, accessibility, and service quality through monitoring relevant indicators influenced by competition, consumer knowledge, and industry trends.

3. Consumer Education

- ▶ Providing education and information related to auto insurance on an ongoing basis through the AIRB website, social media, presentations and direct contact with Alberta drivers.
- ▶ Conducting an annual Consumer Perception survey to inform the Consumer Representative's report, which is completed as part of the AIRB's annual review process.
- ▶ Responding to consumer inquiries on auto insurance premiums.



Principles Based Regulator

The AIRB strives to be principles-based when appropriate; this enables flexibility to treat each insurer individually while being fair and equitable. This 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 focuses on the outcomes of its decisions and believes 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.

We implemented a principles-based approach in our filing guidance in 2021 and continue to do so as new or updated guidance is warranted. We strive 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 Approach

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

Consumer Choice & Competition

- ▶ We encourage a competitive marketplace, which promotes 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.

Operating Environment

The AIRB operates in a complex, evolving regulatory environment. The market we regulate is influenced and impacted by external economic, social, technological, and political forces which each create challenges for the insurers operating in the province and pressures on the premiums Alberta drivers pay, as basic auto insurance is mandatory to register and operate a motor vehicle in the province.

The AIRB monitors claim, premium and profitability trends both in Alberta and nationally. Data and analysis can be found in the Market and Trends Reports as well as the Annual and Semi-annual Reviews, available on our [website](#).

Consumer Perceptions

Each January the AIRB's Consumer Representative undertakes a Consumer Perception survey to inform the Board of consumer's perceptions and confidence on auto insurance. In the past we have found perceptions are swayed by increased attention in the mainstream and social media channels. In 2024, we found consumer satisfaction with premiums being fair and reasonable increased since 2023. Affordability and inflation have been prominent in the media over recent months and may be a factor influencing consumer satisfaction with insurance premiums.

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 several consumer education resources available on our [website](#) and on our social media channels.

Consumer Perceptions

A competitive market allows insurers to compete on price and service contributing to affordability and accessibility for Alberta drivers. Drivers can choose between different insurers, and no single insurer dictates how the market operates. Drivers are not required to accept a renewal from their current insurer, they can compare rates from other insurers prior to renewing their policy. Choice of insurer enables drivers to shop the market for the price and coverage right for them. Insurers competing on price contributes to affordability in the marketplace.

The size of the market is a measure of accessibility, a key metric we monitor. Alberta has a competitive private market for auto insurance providing coverage for over 2.9 million private passenger vehicles and with over 40 insurers offering coverage to Albertans.

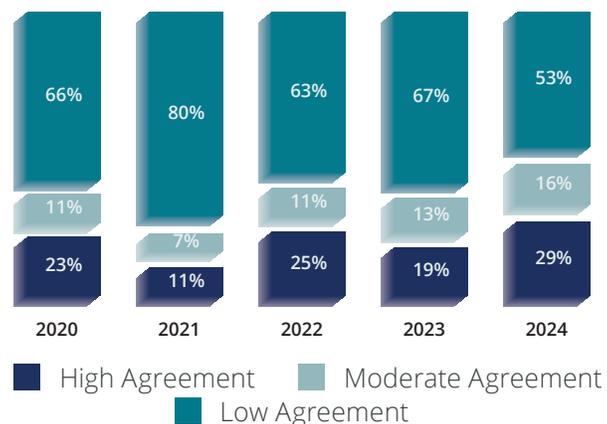
Based on 2022 direct written premiums, the top ten insurer groups in Alberta represented 91% of the private passenger vehicle market share. We monitor the market for mergers and acquisitions which may impact competition as well as legislative and regulatory changes which impact insurer's capacity to continue to deliver policies to Albertans.

Financial & Human Resources

The AIRB is comprised of up to seven public Board Members appointed by the Lieutenant Governor in Council, a Consumer Representative appointed by the Minister and the Superintendent of Insurance (non-voting member). The Board Members are supported by a team of employees seconded by the Government of Alberta.

Our operating expense budget is disclosed in Treasury Board and Finance's annual business plan, and those costs are recovered from industry through the Automobile Insurance Rate Board Fees Regulation. We publish our annual financial results in the [AIRB's annual report](#).

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



¹ Note: Some responded Do Not Know.

Strategic Direction

Government Reforms

In addition to considering the current operating environment, this plan has been developed with consideration for the work underway on longer term reforms to Alberta's automobile insurance product. While there is a focus on long term sustainability and affordability of auto insurance in our province, there is also a recognition of the need for expanded consumer education.

In budget 2024, The ministry of Treasury Board and Finance's business plan cites "support the Alberta Automobile Insurance Rate Board to further their mandate of providing education and information related to auto insurance on an ongoing basis" as an initiative supporting key objectives.

Planning Session

The AIRB held a strategic planning session on November 24, 2023. It was a great opportunity to level set priorities and future direction given the number of new board appointees in the past 24 months. While there is uncertainty in how long-term reforms may impact the AIRB and its mandate and operational objectives, we continue to operate with what we know, and the current direction provided by government. We will adapt as needed to ensure we are delivering on our vision, mission, and mandate, while fulfilling our statutory obligations.

Although the vision and mission were discussed during the strategic planning session, they remain unchanged, with a commitment to revisit over the current fiscal year with the development of a multi-year strategic plan to complement and guide our three-year rolling business plans which are updated annually.

Operational Plan

In addition to the objectives and activities outlined in this business plan, the AIRB develops and approves an internal operational plan used for internal objectives and activities. The operational plan is a tool used for reporting progress to Board Members on our public and internal objectives.

To fund this commitment the ministry's budget includes a \$1,300,000 increase to the AIRB's budget line item for a total budget of \$2,609,000. This increase in funding allows the AIRB to build on the work previously undertaken to expand our focus on education and information sharing and launch a broader awareness campaign aimed at informing Alberta's drivers on auto insurance.

Consumer education will continue to be a focus of the AIRB's work in the year ahead, while we continue our work on rate regulation and the data analytics and reporting needed to inform and support the other two priorities.

We also discussed goals for both the business and operational plan in the fiscal year covered under this plan. Following the planning session, it was decided rather than redefining a few specific goals we would take a step back and consider what achieving our vision, mission and mandate would look like if we accomplished objectives under three main themes:

1. Auto Insurance Rate Regulation
2. Data Analytics and Reporting
3. Consumer Education

This business plan includes objectives and planned activities to further those goals. We will measure our success or progress towards where we want to be through several data-based indicators which will assist us to assess if we are on the right path or need to adapt our direction and plan.

The operational plan is a living document, which is adjusted to respond to changes not anticipated at the start of the fiscal year as required. The AIRB monitors progress through quarterly updates to Board Members.

Auto Insurance Rate Regulation

Objectives

1. Auto insurance premium increases are moderate year over year, enabling Alberta drivers to budget this mandatory expense in their personal finances.
2. The Grid provides a reasonable entry level premium for new drivers to enable time to gain experience demonstrating safe driving behaviors.
3. Filing Guidance and systems are easy to use, reduce red tape and encourage maintenance of rating programs to stabilize impacts to policyholders.
4. Rate filing decisions protect the consumer's interests while fostering a healthy marketplace.



Planned Activities for the 2024-2025 Fiscal Year

1. Review and approve rate filings, ensuring continued compliance with Good Driver Rate cap.
2. Engage with Government on longer term reforms to address affordability challenges with auto insurance.
3. Engage with Minister and broader industry on Grid reform for implementation with long term reforms.
4. Revisit filing guidelines for opportunities to further reduce red tape while encouraging regular maintenance to avoid large rate shocks for policyholders.
5. Automate the capture and tracking of rating variables used by insurers to inform the AIRB which rating variables are in use and expedite review for insurer requests to add new variables.

Performance Indicators

Average increase in premiums year over year

| Actual ² | | | Target | |
|---------------------|---------|----------------------|---------|---------|
| 2022/23 | 2023/24 | 2024/25 ³ | 2025/26 | 2026/27 |
| 5.18% | 1.90% | 5.00% | 5.00% | 5.00% |

Insurer satisfaction survey results

| Actual ⁴ | | | Target | |
|---------------------|---------|---------|---------|---------|
| 2022/23 | 2023/24 | 2024/25 | 2025/26 | 2026/27 |
| 83% | 81% | 95% | 95% | 95% |

² 12 month rolling weighted average as of March 31.

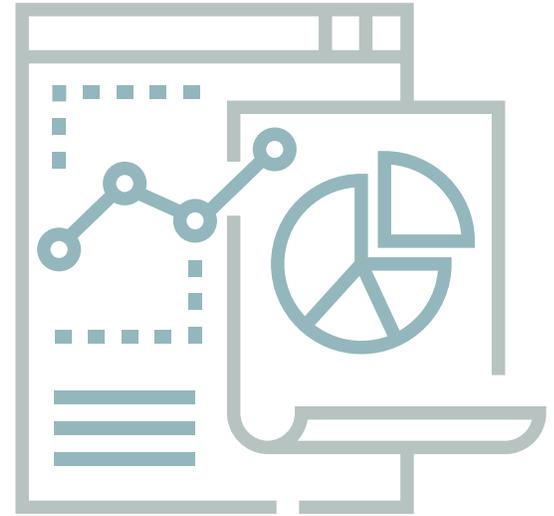
³ Good driver rate cap is at 3.70% for 2024, however not all drivers capped, therefore 5.00% reflects average for all drivers.

⁴ Volatility of results year over year due to actual insurers who respond to survey each year.

Data Analytics & Reporting

Objectives

1. The AIRB uses available data to make informed decisions.
2. Data and analytics meet legislative requirements and inform Board Members, Government, industry, and Alberta drivers.
3. The AIRB leverages data from a variety of sources to present a comprehensive view of issues and trends for Board decision making.
4. AIRB data is used to determine and evaluate government policy decisions on auto insurance.
5. The AIRB presents data in a manner appropriate for the different users and audiences.



Planned Activities for the 2024-2025 Fiscal Year

1. Develop a facts and figures page on our website to increase access to data and statistics through easy to digest dashboards.
2. Conduct an affordability study to determine how it varies by FSA and correlates to other rating variables.
3. Perform market competition analysis to evaluate level of competition in market following mergers and acquisitions in recent years.
4. Develop process to measure and evaluate excess profits in accordance with new authority and policy.
5. Conduct a study on personal characteristics used in auto insurance to determine if they are still appropriate for use in Alberta.

Performance Indicators

Website hits on market and trends reports

| Actual | | | Target | |
|---------|---------|---------|---------|---------|
| 2022/23 | 2023/24 | 2024/25 | 2025/26 | 2026/27 |
| 1,491 | 4,168 | 6,500 | 8,000 | 10,000 |

Number of dashboards and reports published

| Actual | | | Target | |
|---------|---------|---------|---------|---------|
| 2022/23 | 2023/24 | 2024/25 | 2025/26 | 2026/27 |
| 1 | 5 | 7 | 10 | 12 |

Consumer Education

Objectives

1. Albertans know where to find impartial information to assist them in choosing an insurance provider.
2. Albertans are aware of regulatory protections in place for auto insurance.
3. Albertans understand the change in their annual premiums and what they can do to reduce premiums.
4. Albertans know where to go if they have issues with their auto insurance – Insurer Ombudsperson, General Insurance Ombudservice, AIRB.
5. AIRB is preferred source of factual automobile data and information.



Planned Activities for the 2024-2025 Fiscal Year

1. Launch education campaign including a micro site dedicated to consumer information on auto insurance.
2. Engage Industry Advisory Committee to identify areas where enhanced education or reference material would be beneficial to supporting better policyholder discussions.
3. Hold at least one educational event (seminar or webinar).
4. Advertise and recruit Consumer Panel members, to form committee to advise AIRB on consumer related issues.
5. Develop key messages for communicating changes to Grid and any other product reform.

Performance Indicators

Consumer perception on premium fair and reasonable⁵

| Actual | | | Target | |
|---------|---------|---------|---------|---------|
| 2022/23 | 2023/24 | 2024/25 | 2025/26 | 2026/27 |
| 19% | 29% | 39% | 49% | 59% |

Consumer confidence metric is developed and monitored through annual consumer perception survey

| Actual ⁶ | | | Target | |
|---------------------|---------|---------|---------|---------|
| 2022/23 | 2023/24 | 2024/25 | 2025/26 | 2026/27 |
| N/A | 69% | 75% | 80% | 85% |

⁵ Based on results of Consumer Perception Survey conducted in January of each year.

⁶ Based on results of Consumer Perception Survey question “How confident are you about making purchase decisions regarding auto insurance”.



Automobile Insurance Rate Board

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