

## Good Driver Rate Cap Frequently Asked Questions

Last Updated May 1, 2024

**Note: The Questions and Answers are being updated as information is available.**

### 1. What is the “Good Driver” Protection announced on November 1?

The government recognizes product reform is needed to address the cost pressures leading to rising insurance premiums. Insurance is mandatory for all drivers, and the government is taking steps to stabilize premiums for Alberta drivers, while they complete their study of longer-term solutions. They want to ensure any future long-term reforms are effective and sustainable. We anticipate the government will announce the results of their study later in 2024. In the meantime, to address affordability challenges Albertans are facing they are implementing short-term reforms to assist Alberta drivers now. The short-term reforms include a cap on “Good Drivers”.

### 2. Is the Rate Pause announced in January 2023 ending?

Yes, it will expire on December 31, 2023, and be replaced with the Good Driver rate cap.

### 3. How is the Rate Cap different than the Rate Pause?

The rate pause prohibited the AIRB from approving a change to a rating program resulting in an increase to any policyholder. The rate cap allows the AIRB to approve changes to an insurer’s rating program, however insurers must ensure no policyholder meeting the definition of “Good Driver” sees an increase greater than the Alberta Consumer Price Index as reported each September. The rate cap only applies to renewal policies, a policyholder shopping the market will not see premiums capped at 3.7%.

### 4. Do all insurers have to implement the rate cap effective January 1, 2024?

Based on the Ministerial Order, the rate cap on Good Drivers is effective once the first filing approved by the AIRB after January 1, 2024, is implemented. Insurers are expected to file a change to their rating program to comply with the Ministerial Order as soon as possible.

### 5. My insurance policy renews January 20, 2024, I meet the definition of Good Driver so why is my premium increasing more than 3.7%?

The Government implemented the Good Driver protection by issuing a Ministerial Order which says the AIRB cannot approve a change to rating program where a Good Driver would see more than Alberta’s CPI each September (3.7% for 2024). Unfortunately, this rate cap does not become effective until your insurer files, receives approval and implements a change to their rating program, including the requirements under the Ministerial Order. We expect insurers will commence capping Good Drivers in the spring 2024.

### 6. How long is the rate cap on “Good Drivers” effective?

Ministerial Order 38/2023 is effective January 1, 2024, and will remain in force until rescinded.

**7. My policy renewed last March, during the Rate Pause and I saw an increase, will I see an increase when I renew this year?**

It depends on your insurer. Firstly, if you received an increase in 2024 it is because your insurer had received approval for a change to their rating program prior to the announcement of the Rate Pause and it take 12 months after the change is applied for all their customers to see the rate change.

Secondly, it will depend on when your insurer implements a rate change following the expiry of the Rate Pause. Check the [AIRB Website Rate Changes Page](#) to confirm if your insurer has implemented a change in 2024, once they have the Good Driver cap will be in effect.

**8. How do I know if I am a “Good Driver”, how is it defined?**

The Ministerial Order defines a “Good Driver” as a driver who, irrespective of their number of years of driving experience, on the inception date of the renewal of their auto insurance policy, does **not** have:

- i. any at-fault claims in the previous six years,
- ii. any criminal code convictions in the previous four years,
- iii. any major convictions in the previous three years, and
- iv. more than one minor conviction in the previous three years.

**9. Are there exceptions to the Ministerial Order, where a “Good Driver” may see an increase over 3.7% in 2024?**

The rate cap for “Good Drivers” does not apply to:

1. an insured whose risk profile has materially changed by:
  - a) moving from one rating territory established by their insurer to another, where the new rating territory poses a higher overall risk rating for all coverages combined,
  - b) adding or substituting a vehicle on the insured’s policy,
  - c) the insured having significantly modified their existing insured vehicle in a manner that materially increases the risk of the original vehicle that was insured;  
or
  - d) adding a new driver to their insurance policy who has a worse driving record or a higher overall risk rating than the policyholder,
2. new business; or
3. the Grid base premium for basic automobile insurance coverage established by the Automobile Insurance Rate Board (bodily injury, property damage tort, and accident benefits).

**10. Will the amount of the rate cap change annually?**

Yes, the rate cap is indexed for inflation and is tied to Alberta’s Consumer Price Index, as calculated in September for the preceding calendar year. The rate is 3.7% for policies renewing in 2024.

**11. Does Ministerial Order 38/2023 apply only to Private Passenger Vehicles (and excludes Motorhomes, ATV, Snowmobiles, Motorcycles, etc.).**

Yes, section 2 of the Ministerial Order, clearly states it applies only to private passenger vehicles.

**12. Is my Truck considered a Private Passenger Vehicle?**

The Automobile Insurance Premiums Regulation defines it as a motor vehicle with a curb weight of 4500 kg or less used for pleasure, driving to or from work or school or business purposes, including farming operations. It does not include motorcycles,

power bicycle or moped, vehicle used for commercial purposes, recreational vehicle, all terrain, or snow vehicle. Any vehicles not meeting the definition of private passenger vehicle is not included in the “Good Driver” protection.

**13. Does the Good Driver Rate Cap apply to fleets or Taxis?**

No

**14. One of the exclusions to the cap on Good Drivers is if the policyholder moves from one rating territory to one which poses higher overall risk, what does this mean?**

Insurers consider the risk of a policyholder making a claim in establishing rating territories. When a policyholder moves from a rural rating territory to an urban one for example, move from Entwistle to Edmonton, the risk of making a claim increases due to differences in traffic density, crime, and potential weather impacts. Insurers will need to demonstrate a policyholder has moved to a territory posing a higher overall risk when excluding them from the Good Driver rate cap. Each insurer determines their own rating territories so if the policyholder is moving, they should consider shopping the market to confirm the best premium available.

**15. What are the benefits of shopping the market if the rate cap doesn't apply to new business?**

All insurers set their prices differently and have different appetites for the type of driver they want to attract. A customer renewing their premium with a 3.7% rate increase may still find a lower premium by shopping the market, even though new business is not capped. An insurer who receives approval to increase new business by 10% may still have rates lower than their competitor's renewal premium.

**16. Does the Rate Cap apply if I am getting insurance for the first time?**

No, it applies only to renewal business. Albertans switching insurance companies or purchasing auto insurance for the first time will be considered new business by their insurer. New business is not subject to the cap for “Good Drivers”. Next year, when your policy renews, if you meet the definition of Good Driver, your rate will be capped.

**17. I am looking for quotes to see if I can lower my insurance premium, will the new cap on Good Drivers affect me if I change insurance providers before February 1?**

The rate cap on Good Drivers does not take effect once an insurer has received approval for a change to their rating program and implemented the changes. Given the AIRB cannot approve any rate changes until after January 1, it is unlikely many insurers will have increased rates for new business prior to early spring. Even after they have implemented a change it is possible you can still find a lower premium by shopping the market, refer to FAQ #15.

**18. Will my broker or agent be able to explain why my policy is going up more than 3.7% at renewal, and I meet the definition of Good Driver?**

Insurers are expected to provide brokers and agents with information, in addition to directly communicating with their policyholder.

**19. How will the cap on Good Drivers be enforced?**

All insurers are required to comply with the Insurance Act, regulations, Ministerial Orders, Superintendent and AIRB bulletins, notices, and orders. Insurers who are not in compliance with the Ministerial Order may be subject to enforcement action by the Superintendent of Insurance.

**20. How many drivers will qualify as Good Drivers?**

The Insurance Bureau of Canada has estimated 80% of drivers will meet the definition of Good Driver, however the AIRB cannot validate this estimate until insurers file and disclose how many vehicles are not capped at 3.7%.

**21. Regarding the definition of Good Driver, can you clarify the insurance and license experience requirement (i.e., if I have only been licensed for 2 years, do I qualify under the at fault accident-free rule in 6 years since I do not have at-fault losses in the last 6 years?)**

Yes, the Ministerial Order section 1 c defines a Good Driver and is clear it is it applies irrespective of the number of years driving experience. For example, if a driver has 1 year experience and no at fault claims, or convictions they meet the definition of Good Driver.

**22. When more than one driver is assigned to a vehicle, must all drivers assigned meet the definition of Good Driver to be capped? Or is it just the Principal Operator?**

The current practice for most insurers is to rate the vehicle based on the highest risk driver, therefore if one driver does not meet the requirements of Good Driver the premium for this vehicle would not be capped at 3.7%

**23. Are Occasional Operators evaluated on their own merit against the Occasional Driver rating (Class 05/06)? In other words, if the underage driver is a Good Driver, but the Principal Operator (PO) is not, shall the cap only be applied to the Class 05/06 premium, and not the PO's premium?**

If one driver rated on the vehicle does not meet the definition of Good Driver, then the vehicle is not capped at 3.7%

**24. Usage Based Insurance is an optional offering whereby customers consent and agree to have their premiums vary based on their driving behaviors. Does Ministerial order preclude insurers from increasing my premium more than 3.7% based on poor driving behavior?**

Yes, if you consent to the option of having your premiums determined by your driving behavior, your premium may increase greater than 3.7% because of your driving behaviors, even if you meet the definition of Good Driver. We expect your insurer to be transparent on the surcharge and what driving behaviors can result in an increase to your premium.

**25. Will a Photo Radar Ticket Impact a Driver's Premium?**

Photo radar tickets do not count against the criteria set for a Good Driver.

**26. If I was conviction-free when my policy renewed and this year at renewal, I have a traffic conviction does the Ministerial Order prevent my insurer from increasing my premium?**

If the driver does not meet the definition of Good Driver at renewal, they would not be capped at 3.7%.

**27. If I have one speeding ticket (minor conviction) and as a result I lose the conviction-free discount, will I still have my premium capped at 3.7%?**

Yes, the definition of Good Driver requires the insured to have more than 1 minor conviction to not be a Good Driver as defined by the Government.

**28. If I make changes to my coverage, i.e., increase my commute/annual km, increase my liability limit, add collision coverage, would I still be capped at 3.7% if I meet the definition of Good Driver?**

If you make a change to your coverage increasing the risk your insurer would have to cover in event of a claim, either mid-term or at renewal, the change would not be capped at 3.7%.

**29. If I sell my vehicle and purchase a less expensive one, am I exempt from the Good Driver rate cap?**

Yes.

**30. When can I expect the update for the 2025 rate cap so I know how much my rate will be capped in 2025?**

The 2025 Good Driver rate cap is not expected to be calculated until late October 2024, as it requires the Consumer Price Index data for September 2024 to be published.

**31. If my broker no longer sells for my current insurance company, and they transfer my policy to a new insurer, will I still be capped if I meet the definition of Good Driver?**

If your broker has made arrangements with the new insurer to treat the transfer of policy as renewal you may be capped, however the insurer can treat it as new business which would be exempt from the rate cap.

**32. Will the rate cap on Good Drivers apply only to Third Party Liability or will it also apply to collision and comprehensive?**

The cap will apply to all coverages you had on your policy on the last renewal. If you are adding a coverage during the period of the rate cap, the newly added coverage will not be capped initially, but will be in subsequent renewals.

**33. The Minister announced increased authority for the Automobile Insurance Rate Board, what has changed?**

The government is granting the AIRB more authority to regulate Alberta's automobile insurance industry. We will have the authority to order an insurer to file to amend their rating program, and require rebates if an insurer has excessive profits, details to be defined in policies we will develop early in 2024.

**34. Can I read the Ministerial Order?**

Ministerial Order 38/2023 has not been published, if it is in the future it will be found on the [Kings Printer](#).

**35. Why is it taking a long time to implement reforms which will decrease premiums?**

Auto insurance is a complex issue with no easy solutions. The government needs to thoroughly evaluate all options to ensure the long-term reforms are effective and sustainable. The government has commissioned an in-depth analysis by an external consultant, and it takes time to conduct such a comprehensive study. A final report by the first quarter of 2024.

**36. One insurer left Alberta due to the rate pause. Will these new reforms cause more insurers to leave the province, and what will happen to my policy?**

It is possible insurers may decide to leave the province if they are unable to charge enough premium to be profitable. Insurers must provide a minimum of 180 days' notice to ensure Alberta drivers have time to look for options. Alberta has a competitive market, and you will be able to shop the market and find coverage, it may not be at a lower price than you are paying today.

**37. What is causing Alberta’s auto insurance rates to be one of the highest in the country?**

Rising auto insurance premiums are a result of factors such as inflation and claims cost. Alberta’s auto insurance rates are tied to claims costs. When claims costs increase, rates are adjusted to cover those costs. It is important Alberta drivers embrace safe driving habits, leading to fewer collisions and lower overall insurance costs for everyone.

In addition, we have a tort system where Albertans who are injured in collisions can sue the at-fault driver for damages. Provinces like British Columbia, Saskatchewan, Manitoba, and Quebec have lower rates because they have no-fault systems.

**38. What measures are in place to ensure that rate increases in 2024 are reasonable and fair?**

The AIRB provides regulatory oversight to ensure rate increases are fair, especially for drivers with good records. Proposed regulatory amendments will also grant more authority to the AIRB to maintain a balance between consumer protection and reasonable industry profits.

**39. When can Albertans expect to start seeing lower insurance rates?**

The implementation of longer-term reforms is expected to address the cost pressures increasing premiums for Alberta drivers. In the short term, proposed amendments will allow the AIRB to request a rate filing from insurers at any time, which they will review and possibly lower rates to ensure fairness. The AIRB will also have the authority to direct auto insurers to return premiums to Albertans in excessively profitable years. These reforms will help lower insurance rates for some Albertans when necessary.

**40. When will the AIRB require insurers to return premiums to Albertans?**

The authority to require premiums to be returned to Albertans will be contingent on an insurer exceeding the annual profit benchmark set by the AIRB. We have not yet established policies regarding when and how returns of premiums might occur. Our priority is to ensure auto insurers are filing for rate changes when necessary, so insurers are not collecting too much in premiums.

**41. If I am in an accident where my car is written off but I am 100% not at fault, am I still excluded from the Good Driver rate cap?**

Yes, adding or substituting a vehicle for any reason is an exception in the Ministerial Order.

**42. What is the latest date an insurer may implement the Good Driver rate cap?**

All insurers have filed with the AIRB to implement the Good Driver Rate Cap, each insurer will implement on a different date, with the latest date being July 1, 2024.

**43. What can I do if my insurer has implemented the Good Driver Rate Cap but my renewal is greater than 3.7%?**

If your change in premium at renewal is greater than 3.7%, and your insurer has implemented the Good Driver Rate Cap, as indicated on our [webpage](#), and you meet the definition of Good Driver, have not moved, changed vehicles or added a new driver who is a higher risk than you, then you should contact your broker or agent for an explanation. If you are still unsatisfied, contact your insurers [complaint liaison officer or ombudsperson](#) to find out why you did not qualify for the rate cap.

**Have more questions? Didn’t see the answer to your Question?**

**Email [AIRB@gov.ab.ca](mailto:AIRB@gov.ab.ca) and we will respond!**