

Notice to Insurers

Update on Grid Reform

Notice 09-2024

August 8, 2024

Purpose

The Automobile Insurance Rate Board (AIRB) is issuing this notice to provide an update on Grid reform to all insurers writing private passenger vehicles.

Background

In 2004 the Government implemented changes to the auto insurance system based on three guiding principles:

- 1 There must be a reasonable entry level premium,
- 2 The system must be stable and transparent, and
- 3 Insurance is directly tied to personal responsibility behind the wheel.

The implementation of the Grid rating system addressed the first principle. The Government created the Grid with the goals of rewarding safe drivers, penalizing those drivers demonstrating poor driving behavior and giving new drivers fair opportunity to prove themselves.

The Grid is a capping mechanism to protect new drivers and ensure affordability for mandatory insurance coverage with predictable and stable premiums. It currently caps the rate on mandatory coverages of third-party liability (bodily injury and property damage tort) and accident benefits coverages. Policyholders pay the lower of the insurer premium and the Grid premium.

The Grid premiums are determined based on a simplistic rating algorithm, considering the years of driving experience, traffic convictions, at-fault-claims, and rating territory. The Grid does not differentiate between age, gender or vehicle driven which are common characteristics in an insurer's rating program.

However, in practice the Grid is unnecessarily complicated to administer and limits the flexibility of insurers to distribute their premiums, resulting in unnecessary protection for more experienced drivers which could be redistributed to safe drivers who are not currently Grid capped. The AIRB strives to ensure the Grid continues to protect new drivers and offer them protection as they develop their driving history.

The AIRB was granted the authority for maintenance of the Grid effective January 1, 2021, the authority for elimination of the Grid remains with government. Following the transfer of authority, the AIRB collected additional data to enable a review and analysis of data on the Grid rated risks, which ultimately led to the development of a proposal to reform the Grid.

In March 2024, the AIRB shared a [discussion paper](#) to get feedback on possible reforms to the Grid Rating System, in the event the Grid remained following implementation of longer-term system reforms.

Update

The AIRB accepted comments and written submissions on its discussion paper until May 31, 2024. We received 13 submissions from insurers, brokers, and industry associations, and have followed up on individual submissions for increased context and information as required.

The AIRB believes if the Grid remains, it needs reform to return it to its original intent, to protect new drivers, and to simplify its operation for all users. We will continue to consider improvements to the Grid for the benefit of insurers, brokers, agents, and Alberta drivers, to ensure a solution is ready should the government retain the Grid with the implementation of long-term reforms to the auto insurance system.

We will align the implementation of any Grid reform with consideration of reforms to minimize system changes for insurers, and are confirming no reform will be implemented until longer term changes to the auto insurance system are known.

The AIRB will communicate the any decisions on the Grid in a timely manner to provide insurers with as much notice as possible.

Should you have any questions relating to this Notice, please contact our office at (780) 427-5428 or by email: airb@gov.ab.ca.

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