

# 2025 ANNUAL REVIEW REPORT





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# Executive Summary

The Automobile Insurance Rate Board (AIRB) conducted its annual review of industry loss experience as of December 31, 2024. This review establishes industry benchmarks for private passenger vehicles, considered when the AIRB evaluates insurers' rate filings received on or after October 1, 2025. Insurers are expected to use their own data and only consider the AIRB industry benchmarks when they lack sufficient data to support the reasonableness of their own assumptions in rate filings. The AIRB uses benchmarks as a comparison when opining on the assumptions individual insurers make in their rate filings.

The annual review started with the AIRB's consulting actuary, Oliver, Wyman Limited (Oliver Wyman), preparing a preliminary report on their review of industry loss experience. This preliminary report was published on June 17, 2025, and the AIRB invited interested parties to comment through written submission and verbal presentations at the annual review open meeting held on August 14, 2025. The 2025 annual review confirmed industry benchmark loss trends deteriorated compared to those stated in the 2025 semi-annual review.

Uncertainty and its contributing factors change over time, however, there is always some uncertainty when predicting what will happen in the future. Insurers use past results to predict claims costs in the future, and this uncertainty is considered when determining future loss cost trend rates in each semi-annual review as well as in each insurer rate filing. Oliver Wyman's report highlights heightened uncertainty around current trends due to several factors including:

- COVID-19's impact on driving patterns and related change in claims frequency affecting loss costs for 2020, 2021 and first half of 2022,
- The legislative changes under Bill 41, announced in November 2020 which expanded accident benefit limits, changed the definition of minor injury, and introduced direct compensation for property damage effective January 1, 2022, and

- Significant increase in physical damage claim costs coincident with the late 2021 rise in Consumer Price Index (CPI) for categories directly impacting physical damage claim costs (vehicle parts, replacement vehicles, rental fees, maintenance, and repair costs). Although CPI statistics show a continued tempering of the inflation rate since its peak in the summer of 2022, general inflation can cause consumers to do less, resulting in a reduction of vehicle usage, which can lead to a reduction in claims frequency.

Oliver Wyman's report comments on other factors influencing the loss cost trends including:

- The growth of insured vehicles. Since 2015, the number of private passenger vehicles in Alberta has generally increased year-over-year, with increased variance over the most recent three years, likely due to the COVID-19 pandemic. The number of insured vehicles per semi-annual period rose from approximately 1.35 million in the first six months of 2015 to 1.55 million in the second half of 2024.
- The purchase of optional physical damage coverages. Over the last ten years there is a decreasing percentage of risks with comprehensive coverage and a modest decrease in the percentage of risks with collision coverage.
- The level of deductible. A consistent shift toward higher deductibles for collision and comprehensive coverages was observed over the last ten years, with the shift more noticeable in recent years. This trend is a result of the insurer's increasing the levels of deductible offered and not the policyholders desire to assume greater risk.

This report concludes the 2025 annual review process. The report includes the release of industry benchmarks, an overview of the annual review participants, Oliver Wyman's Final Review of Industry Experience, and the Consumer Representative's report on Perspectives on auto insurance.



# Annual Review

## Industry Experience Review

On a semi-annual basis, the AIRB requests its consulting actuary, Oliver, Wyman Limited (Oliver Wyman), review the industry experience for private passenger vehicles and provide information and professional advice on automobile trends and premiums.

On June 27, 2025, the AIRB released the preliminary report, “Review of Industry Experience as of December 31, 2024, Private Passenger Vehicles” (Oliver Wyman Report). The Oliver Wyman Report includes their analysis and findings about the private passenger vehicle insurance industry claims experience for basic and additional coverage. Oliver Wyman based its analysis and findings on data for all insured vehicles in Alberta, including those in the Facility Association and the Risk Sharing Pools. The Oliver Wyman Report

includes claim data provided by the General Insurance Statistical Agency (GISA) as of December 31, 2024. This preliminary report was posted on the AIRB [website](#).

Oliver Wyman’s final report was reviewed by the AIRB. The Oliver Wyman Report (Appendix A) considered information available prior to publication. The report includes recommendations to the AIRB on the Industry Benchmarks to be considered in reviewing and opining on assumptions made in rate filings submitted on or after October 1, 2025, when the insurer does not have sufficient data or is unable to support their assumptions. The AIRB accepted Oliver Wyman’s recommendations.

## Open Meeting

According to the Automobile Insurance Premiums Regulation (Premiums Regulation), the AIRB must conduct an annual review for private passenger vehicles and hold an open meeting as part of the annual review. The meeting is the AIRB’s opportunity to receive comments from the auto insurance industry, the Consumer Representative, and the public. The AIRB considers the feedback received through written submissions and presentations in finalizing the Industry Benchmarks Schedule and any adjustment to the Grid base premiums.

On June 17, 2025, the AIRB advised the dates related to the 2025 open meeting to review Alberta industry loss experience for private passenger vehicles. The AIRB invited all interested parties to submit a letter of intent to participate in the open meeting by July 8, 2025,

and provided clear guidance on the acceptable topics presenters could discuss, which were limited to those related to the purpose of the open meeting.

Interested parties had the option to make a written submission if they chose not to present.

The notice was posted on the AIRB [website](#).

AIRB held a virtual open meeting on August 14, 2025.

The following parties made presentations at the open meeting:

-  Oliver Wyman
-  Consumer Representative

All information submitted to the AIRB as part of the open meeting process, including the video files of the open meeting, are available on the AIRB [website](#).

# Grid Rating Program

In October 2004, the Government introduced the Grid rating program to set maximum premiums insurers can charge for basic coverage for any driver profile and established two risk-sharing pools <sup>1</sup>. In late 2020, the Government introduced reforms through Bill 41, which included the implementation of Direct Compensation Property Damage (DCPD). The interaction of DCPD with the Grid base premiums was unique to Alberta. After thoughtful consideration, the President of Treasury Board and Minister of Finance confirmed DCPD premiums are mandatory coverage but are excluded from the AIRB's calculation of Grid premium for basic coverage. Insurers must compare the premium for basic coverage (third party liability bodily injury, property damage tort and accident benefits) under their current rating program to the Grid premium and charge the lesser of the two premiums with exceptions under Section 8(2) of the Premiums Regulation.

Since January 1, 2022, the AIRB has set a base premium for third-party liability, property damage tort, and accident benefits, and insurers used their market rate for DCPD. The Grid base premium is the total of the AIRB set base premium plus the market rate for DCPD.

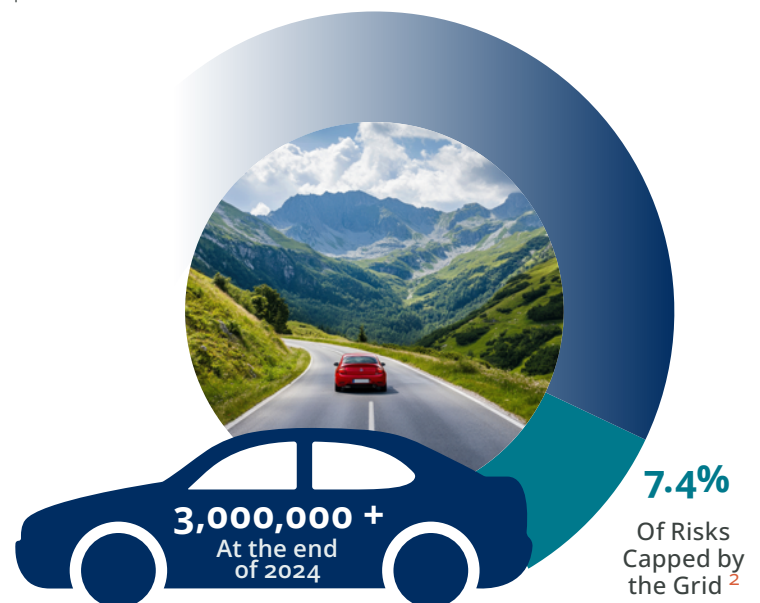
The Grid premium adjustment is made following the annual review, based on the analysis of the Grid claims experience using the most current information on trends available. The AIRB advises its final decision for the Grid base premium adjustment no later than October 1, giving 90 days notice in advance of the changes effective January 1.

In November 2024, the Government announced the Grid rating program would be rescinded with the implementation of Care-first effective January 1, 2027. The AIRB will continue to maintain the Grid rating program until it is rescinded.

The AIRB used 2024 data to analyze the Grid base premium adequacy. Due to the data credibility of the Grid-only risks, the AIRB will accept industry benchmarks without adjustment used for the analysis.

- Premium stability;
- Subsidization by the competitive market;
- Risk sharing pool size and profitability;
- Impact on Grid population;
- Impact of the premium change on the Grid;
- Current Alberta market environment; and
- Time since last rate change.

Given the nature of the Grid rating program, simply increasing the Grid premium will not bring the Grid rates to an adequate level. As premium levels increase, some risks will leave the Grid rating program; hence the selected premium increase will not be fully realized for Grid-rated drivers. Moreover, the risk make-up of the Grid can change significantly, which suggests the setting of the Grid premium level needs to be an ongoing process.



<sup>1</sup> Coverage for insurers whose premium for basic coverage is limited by the Grid can be ceded to the Grid risk sharing pool. Insurers may voluntarily cede up to 4% of their insured vehicles rated below the Grid through a Non-Grid risk sharing pool.

<sup>2</sup> As of December 31, 2024.

# Industry Benchmarks

The AIRB expects insurers to use their data in rate filings to the extent possible, reflecting their mix of business and unique circumstances.

*Insurers should only use the AIRB Industry Benchmarks when they do not have sufficient data or are unable to support the reasonableness of their assumptions.*

The AIRB and its consulting actuary use the Industry Benchmarks as a reference when reviewing individual insurer's filings and opining on the assumptions' reasonableness. The insurer's data must support assumptions, which vary significantly from industry experience.

## Loss Development Factors

Historical claim count and amounts must be projected to expected ultimate values by coverage and sub-coverage. Prior years' experience provides insight into how the number and amount of claims tend to develop from initial reporting. Insurers are expected to select and support claim count and amount development factors based on their experience calculating their rate level indications.

The AIRB's consulting actuary, Oliver Wyman, analyzed industry claim count and amount development patterns based on Alberta industry data as of December 31, 2024, and considered information available during review period regarding the loss development selections.

The AIRB publishes benchmarks for the following rate making components, which under the AIRB's filing guidelines, must be considered in all full filings:

1. Loss Development Factors
2. Loss Cost Trends
3. Administrative Expense & Unallocated Loss Adjustment Expense (ULAE)
4. Health Cost Recovery
5. Profit

The Oliver Wyman Report estimates the first three rate making components listed above, which should be based on each insurer's experience to the extent they are deemed credible when used in rate filings. However, suppose an insurer needs to calculate industry loss costs to serve as a credibility complement, in that case, the AIRB approved benchmarks for each rate making component are expected to be used.

The fourth component health cost recovery is to be used by insurers to calculate their rate indications, and the fifth component is the maximum profit provision permitted to be used by insurers.

The AIRB accepts Oliver Wyman's selected development factors as a benchmark for insurers to use to the extent industry claim experience is a consideration in developing their rate level indications. Insurers are required to use their own data where credible and supported.

## Loss Trends

Loss cost trends are projections of future accident losses based on the analysis of historical loss patterns. Insurers consider how their own data compared to these factors in estimating the future costs for claims.

Trending is a means of evaluating how changes over time affect claim costs and the development of claims. Loss trends vary by coverage and sub-coverage.

Based on the industry analysis and comments, Oliver Wyman selected loss trend rates for each coverage.

The loss trends for the last two years are shown below.

*The AIRB expects insurers to select trend rates based on their own claim experience and use the industry benchmarks to supplement only where their data is not credible.*

### Private Passenger Vehicle

Coverages	2024 Semiannual Review (As of 06/30/2023)	2024 Annual Review (As of 12/31/2023)	2025 Semiannual Review (As of 06/30/2024)	2025 Annual Review (As of 12/31/2024)
Third Party Liability (TPL) Bodily Injury	+8.7%/+5.0%	+8.7%	+9.1%	+8.7%
TPL Property Damage	+1.8%	+1.6%	+1.5%/+10.3%	+1.6%
Direct Compensation Property Damage	+1.8%	+1.6%	+1.5%/+10.3%	+1.6%
Accident Benefits	+3.8%/+10.9%	+2.2%/+13.2%/+4.1%	+12.0%/+5.5%	+11.9%/+7.0%
Collision	+2.3%	+2.4%	+2.5%/+16.7%	+2.4%
Comprehensive	+4.0%	+5.1%	+5.1%	+4.9%
All Perils	+2.2%	+2.7%	+3.2%	+3.7%
Specified Perils	+3.3%	+3.7%	+4.9%	+5.3%
Underinsured Motorist (SEF 44)	+4.4%	+4.4%	+4.9%	+4.6%

The AIRB accepts Oliver Wyman's selected trend rates as the industry benchmark. The industry trend rates developed by Oliver Wyman will serve as a point of reference in the review of filings received on or after October 1, 2025 when opining on the reasonableness of assumptions used by insurers in rate filings.



## Commercial Vehicle

Coverages	2024 Annual Review (As of 12/31/2023)	2025 Annual Review (As of 12/31/2024)
Third Party Liability (TPL) Bodily Injury	+7.0%	+7.9%
TPL Property Damage	-0.3%	-0.3%
Direct Compensation Property Damage	+0.0%	-0.3%
Accident Benefits	+2.9%	+11.1%
Collision	-0.2%	-0.1%
Comprehensive	+3.9%	+3.9%
All Perils	+1.0%	+1.8%
Specified Perils	+3.9%	+3.9%
Underinsured Motorist (SEF 44)	7.7%	+9.8%

The AIRB accepts Oliver Wyman's selected trend rates as the industry benchmark. The industry trend rates developed by Oliver Wyman will serve as a point of reference in the review of filings received on or after October 1, 2025 when opining on the reasonableness of assumptions used by insurers in rate filings.

## Operating Expenses & ULAE

In Alberta, all insurers offer the same auto policy and coverages. One way insurers can differentiate their pricing is their operating expenses. GISA publishes the Automobile Insurance Financial Information exhibit, establishing industry averages for operating expenses on a direct written premium basis. GISA also publishes automobile industry exhibits, where the ULAE ratios are incorporated. This is the first year IFRS17 data was published.

Although the categories are different under the new accounting standard operating expenses are non-claims related.

Acquisition costs including the compensation paid to agents and brokers for selling insurance policies. Brokers are usually compensated on a percentage of premium basis, referred to as standard commissions. In addition, brokers may receive contingent commission based on growth of business or meeting profit targets.

Unallocated loss adjustment expense (ULAE) is the claim and settlement related expense not associated directly with individual claims.

Expense Category	AIRB Selections PPV	AIRB Selections COM
Amortization of Insurance Acquisition Cash Flows	+17.7%	+17.7%
General & Operating	+4.9%	+4.9%
<b>Total Expenses</b>	<b>+22.6%</b>	<b>+22.6%</b>
ULAE	+1.082	+1.082

As part of the transition to IFRS17, liabilities for incurred claims (LIC) are no longer broken down between direct and assumed business. This change necessitated the use of assumption to estimate the direct portion of insurance service expenses. In addition, updates to insurer expense allocation methodology contributes to differences in ULAE ratios when comparing pre and post IFRS17 data.

The AIRB accepts the industry average expense ratio and the ULAE ratio for Alberta presented in the GISA exhibit as the benchmark, after adjusting to reflect as a percent of direct earned premium. They are used in the Grid analysis and are reference points when considering administrative expenses and ULAE in reviewing individual insurer filings.

*The AIRB expects insurers to use their own experience where it is credible.*

## Health Cost Recovery

Under Alberta legislation, insurers pay a levy to achieve a target amount set by Government. The levy is calculated as a percentage of earned third-party liability premiums using GISA data. The Government has no subrogation rights against the at-fault parties with third-party liability coverage. The President of Treasury Board and Minister of Finance annually publishes the levy percentage applied to third-party liability written premiums.

The AIRB accepts the Health Cost Recovery as a component of claims costs reported by insurers. Insurers must use the most updated percentage published on the President of Treasury Board and Minister of Finance's website. The 2025 assessment factor is 1.94%.

## Profit

The AIRB sets a target pre tax profit benchmark for all coverages and vehicle types. The AIRB reviews the profit benchmark annually to determine a reasonable profit level considering a number of factors including feedback from interested parties. The profit benchmark sets a fair return to compensate insurers for the level of risk assumed by writing auto insurance in Alberta. When an insurer issues an insurance policy, they assume the risk premiums may not be sufficient to pay claims and expenses. The insurer supports this risk by maintaining capital for which they expect to earn a return.

In 2023, the AIRB conducted an economic analysis and lowered the benchmark effective from 7.0% to 6.0% of premium October 1, 2023. In 2025, the AIRB has maintained the profit benchmark at 6.0%.

# Appendices

- A. Oliver Wyman Review of Industry Experience
- B. Industry Benchmarks Schedule
- C. Consumer Representative's Report





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