

Bulletin to All PPV Insurers

Permissible Changes to Rating Programs Under Ministerial Order 38/2023

Bulletin 10-2023

November 17, 2023

Purpose

The Automobile Insurance Rate Board (AIRB) is issuing this Bulletin to advise all private passenger vehicle (PPV) insurers operating in Alberta of permissible changes to rating programs during the period under Ministerial Order 38/2023.

Background

On November 1, 2023, the Government of Alberta announced short term reforms to the auto insurance system. One change announced was a rate cap for Good Drivers. The Ministerial Order prohibits the AIRB from approving a change to a rating program which results in an increase greater than 3.7% for one calendar year. The Government announcement also made clear the AIRB will carefully monitor rate increases in 2024 to ensure they are reasonable and justifiable.

As is noted in our FAQ related to the Ministerial Order, the AIRB defines the terms as follows:

- ⚙️ **Reasonable** will be determined on an insurer-by-insurer basis, however given affordability challenges, reasonable will consider the rate impact to policyholders under the Ministerial Order as well as flow through implications once the Ministerial Order is removed.
- ⚙️ **Justified** will be determined through actuarial review and analysis.

Auto insurance is mandatory for Alberta drivers and over time the cost of driving a vehicle has become unaffordable for many drivers who are required to purchase it. The impact to individual policyholders is top of mind with our Board Members in their decision making, and they will strive to ensure approval of changes to rating programs and related premiums are reasonable for all drivers under the Ministerial Order.

We recognize there is a lot of uncertainty around what may or may not be approved, and a lot of thought and work goes into each rate filing. This is why we are clarifying expectations for insurers in advance of finalizing their rate filings for 2024 – to allow insurers the opportunity to prepare their filings with the approval conditions in mind and reduce the time and delays of having to retool or refile.

We understand this rate cap for Good Drivers follows an 11-month rate pause and recognize there may be rate need greater than Alberta CPI for some insurers, as well as residual supply change issues impacting claim costs from the pandemic. However, the AIRB must balance the industry's need to charge a rate enabling a reasonable profit with the affordability challenges Alberta drivers face and which the Ministerial Order was issued to address.

The AIRB has considered the impacts of the Rate Cap for Good Drivers on insurers, those drivers who will not be capped, as well as the flow through impact to Good Drivers at the expiry of the Ministerial Order. The AIRB has determined the criteria for reviewing and approving changes to rating programs during the Ministerial Order to ensure approved changes to rating programs are both justifiable and reasonable.

- 1 The AIRB will not approve any change to a rating program which is perceived to be outside of the spirit of the Ministerial Order, which is intended to provide price protection to Good Drivers.
- 2 The AIRB will consider rate received prior to the 2023 Rate Pause in determining the rate level approved for 2024 rate filings.
- 3 The AIRB will not approve a rate change greater than 10% overall, realizing this would limit the amount an insurer can charge to new customers or renewal customers who do not meet the definition of Good Driver, and flow through to Good Drivers at the expiry of the Ministerial Order.
- 4 The AIRB will not approve any segmentation changes which would result in non-good drivers or new business customers being charged a premium which is unreasonable or unjustified.
- 5 The AIRB will not approve any unreasonable changes to an insurers upper threshold for internal rate capping.

Process

All insurers submitting a PPV rate change for approval by the AIRB in 2024 should consider the criteria above prior to submission.

Action Required

The AIRB requires all insurers to file in early 2024 to ensure compliance with the Ministerial Order.

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

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