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**Bulletin 07-17**

**September 29, 2017**

**To: Private Passenger Automobile Insurers**

**Subject: PPV Industry Benchmark Schedule – October 1, 2017**

The Automobile Insurance Rate Board is issuing this Bulletin to advise all private passenger automobile insurers operating in Alberta that the 2017 Annual Review of private passenger vehicle experience has been completed on data to December 31, 2016. The PPV Industry Benchmarks Schedule effective October 1, 2017 has been approved by the Board. The schedule and the related actuarial report have been posted on the AIRB website (<http://airb.alberta.ca/industry-information/communications/bulletins/>). Insurers in preparation of filings should incorporate the most current Industry Benchmarks to the extent that their own data is not fully credible. The Industry Benchmarks will also be used as the basis of the Board's review of Private Passenger Vehicle filings submitted on or after October 1, 2017.

**Background:**

On July 1, 2014, Section 9 of the *Automobile Insurance Premiums Regulations* came into effect requiring the AIRB to conduct an **Annual Review** of industry experience based on data to December 31st. In addition, Board policy P06 requires the AIRB to carry out a **Semi-annual Review** based on data to June 30th.

The Board's final report 2017 Annual Review has been posted to the AIRB website (<http://airb.alberta.ca/industry-information/annual-review/2017>).

**The Process:**

All filings received on or after October 1, 2017, should incorporate the most current Industry Benchmarks. The Board will use this schedule as a basis for its review of filings. If you have any questions, please contact the Board at (780) 427-5428 or by email [vivian.cao@gov.ab.ca](mailto:vivian.cao@gov.ab.ca) or [kimberley.kern@gov.ab.ca](mailto:kimberley.kern@gov.ab.ca).

**Attachment:**

2017 Annual Review Industry Benchmarks Schedule - PPV - Effective October 1, 2017

Sincerely,

*"Original signed"*

Del Dyck CPA, CMA, CLGM  
Executive Director

# 2017 Annual Review

## Industry Benchmarks Schedule - PPV

*Effective Date: For Basic and/or Additional coverage filings submitted on or after October 1, 2017*

### Loss Development Factors

The Board approved benchmark loss development factors for use by insurers in developing filings are outlined in Attachment #1.

### Loss Trends

The Board approved benchmark trend rates for use by insurers in developing filings:

Coverage	Oliver Wyman Selected Past/Future Trend Rates
TPL - Bodily Injury	+7.5%
TPL - Property Damage	+1.5%
TPL – Subtotal	+5.6%
AB - Death	-3.0%
AB – Funeral	-5.0%
AB - Medical	+3.5%*
AB - Disability	+3.5%
AB – Uninsured Motorist	+0.0%
AB-Total	+3.5%
Collision	+3.0%
Comprehensive	+3.0%/+5.5%**
Specified Perils	+3.0%/+5.5%**
All Perils	+5.0%
Underinsured Motorist	+3.0%

\* Level change adjustment of +16% at 2015-1

\*\* Level change adjustment of +7.5% at 2015-1

The Board acknowledges that insurers may select different trend rates based on their own claim experience. Insurers have the option to (a) use their own experience where it is fully credible; (b) use their own experience to the extent credible and apply the Board's accepted industry benchmark trend rates without adjustment as the complement of credibility; or (c) apply the Board's accepted industry benchmark trend rates without adjustment. The trend rates are updated on a semi-annual basis.

## **Catastrophe Loading**

The Board approved Catastrophe Loading is 65%. Where insurers' own claim experience differs from industry and is credible, the Board acknowledges that insurers may select a different catastrophe loading based on their own claim experience, providing their catastrophe definition has been consistent in the experience period.

## **Investment Income Rate**

The Board approved risk-free rate for all coverage is 1.95%. Insurers must use a risk-free rate that is no lower than 1.95% when discounting claims in the filings submitted with the Board. This rate is updated on a semi-annual basis. The ratios are updated annually based on GISA's publication schedule.

## **Administrative Expense & Unallocated Loss Adjustment Expense (ULAE)**

The Board approved expense ratio is 27.1% based on 2015 AIFI results; and the approved ULAE factor is 1.085 based on the published GISA accident year 2016 ULAE provision.

Insurers' own experience should be used when filing with the Board.

## **Health Cost Recovery**

Health Cost Recovery is a component of claims costs reported by insurers. Insurers must use the most current percentage published on the Minister of Finance's website: [http://www.finance.alberta.ca/publications/tax\\_rebates/healthcostsrecovery/](http://www.finance.alberta.ca/publications/tax_rebates/healthcostsrecovery/). The factor is updated on an annual basis and the 2017 assessment factor is 5.67%.

## **Profit**

The Board approved 7% of premium as a target pre-tax profit provision for all coverage.

**Board Approved Age-to-Ultimate Development Factors  
As of December 31, 2016  
Alberta**

**Private Passenger Automobile (Excluding Farmers)**

**As of 2016-2**

**Age-to-Ultimate Factors**

**Incurred Claim Amount**

	<b>Bodily Injury</b>	<b>Property Damage</b>	<b>AB - Disability Income</b>	<b>AB - Medical Rehab</b>	<b>AB - Funeral</b>	<b>AB - Death</b>	<b>AB - Uninsured</b>
180-Ult	1.000	1.000	1.000	1.000	1.000	1.000	1.000
174-Ult	1.000	1.000	1.000	1.000	1.000	1.000	1.000
168-Ult	1.000	1.000	1.000	1.000	1.000	1.000	1.000
162-Ult	1.000	1.000	1.000	1.000	1.000	1.000	1.000
156-Ult	1.000	1.000	1.000	1.000	1.000	1.000	1.000
150-Ult	1.000	1.000	1.000	1.000	1.000	1.000	1.114
144-Ult	1.000	1.000	1.000	1.000	1.000	1.000	1.135
138-Ult	1.000	1.000	1.007	1.000	1.000	1.000	1.117
132-Ult	1.000	1.000	1.010	1.001	0.999	1.000	1.110
126-Ult	1.000	1.000	1.009	1.001	0.999	1.008	1.110
120-Ult	1.000	1.000	1.013	1.001	1.009	1.008	1.110
114-Ult	1.002	1.000	1.011	1.001	1.009	1.008	1.076
108-Ult	1.009	1.000	1.003	1.000	1.007	1.003	1.059
102-Ult	1.017	1.000	1.005	1.002	1.007	1.003	1.061
96-Ult	1.021	1.000	1.012	1.000	1.007	1.007	1.085
90-Ult	1.026	1.000	1.013	0.999	1.006	1.007	1.097
84-Ult	1.035	1.000	1.012	0.999	1.005	1.006	1.012
78-Ult	1.042	1.000	1.013	0.998	1.005	1.006	1.105
72-Ult	1.053	1.000	1.015	1.000	0.999	1.008	1.148
66-Ult	1.071	1.000	1.009	0.999	0.996	1.013	1.115
60-Ult	1.093	1.000	1.015	0.999	0.994	1.010	1.097
54-Ult	1.118	1.000	1.014	0.998	0.994	1.011	1.116
48-Ult	1.178	1.000	1.027	0.998	0.988	1.005	1.072
42-Ult	1.235	1.001	1.030	0.999	0.987	1.000	1.201
36-Ult	1.333	1.001	1.041	1.003	0.985	0.995	1.339
30-Ult	1.467	1.001	1.058	1.001	0.972	0.990	1.693
24-Ult	1.647	1.005	1.064	0.983	0.960	0.983	2.142
18-Ult	1.856	1.021	1.145	1.004	0.950	0.981	2.343
12-Ult	2.027	1.062	1.448	0.984	0.918	0.990	5.376
6-Ult	2.522	1.268	2.034	0.750	1.002	1.158	8.421

**Board Approved Age-to-Ultimate Development Factors  
As of December 31, 2016  
Alberta  
Private Passenger Automobile (Excluding Farmers)**

**As of 2016-2  
Age-to-Ultimate Factors  
Incurred Claim Amount**

	<b>Collision</b>	<b>Comprehensive</b>	<b>Specified Perils</b>	<b>All Perils</b>	<b>Underinsured</b>
180-Ult	1.000	1.000	1.000	1.000	1.000
174-Ult	1.000	1.000	1.000	1.000	1.000
168-Ult	1.000	1.000	1.000	1.000	0.976
162-Ult	1.000	1.000	1.000	1.000	0.978
156-Ult	1.000	1.000	1.000	1.000	0.978
150-Ult	1.000	1.000	1.000	1.000	1.026
144-Ult	1.000	1.000	1.000	1.000	1.027
138-Ult	1.000	1.000	1.000	1.000	0.996
132-Ult	1.000	1.000	1.000	1.000	0.984
126-Ult	1.000	1.000	1.000	1.000	0.958
120-Ult	1.000	1.000	1.000	1.000	0.964
114-Ult	1.000	1.000	1.000	1.000	0.948
108-Ult	1.000	1.000	1.000	1.000	0.970
102-Ult	1.000	1.000	1.000	1.000	0.971
96-Ult	1.000	1.000	1.000	1.000	0.960
90-Ult	1.000	1.000	1.000	1.000	0.962
84-Ult	1.000	1.000	1.000	1.000	0.965
78-Ult	1.000	1.000	1.000	1.000	0.982
72-Ult	1.000	1.000	1.000	1.000	0.991
66-Ult	1.000	1.000	1.000	1.000	1.012
60-Ult	1.000	1.000	1.000	0.982	1.047
54-Ult	1.000	1.000	0.999	0.980	1.060
48-Ult	1.000	1.000	0.999	0.979	1.055
42-Ult	0.999	1.000	0.999	0.977	1.100
36-Ult	0.998	1.000	0.999	0.976	1.193
30-Ult	0.995	0.999	0.997	0.977	1.372
24-Ult	0.974	0.999	0.995	0.979	1.742
18-Ult	0.930	0.999	0.996	0.953	2.031
12-Ult	0.802	0.995	0.976	0.895	2.738
6-Ult	0.569	1.011	0.919	0.762	7.721

**Board Approved Age-to-Ultimate Development Factors  
As of December 31, 2016  
Alberta**

**Private Passenger Automobile (Excluding Farmers)**

**As of 2016-2**

**Age-to-Ultimate Factors**

**Incurred Claim Count**

	<b>Bodily Injury</b>	<b>Property Damage</b>	<b>AB - Disability Income</b>	<b>AB - Medical Rehab</b>	<b>AB - Funeral</b>	<b>AB - Death</b>	<b>AB - Uninsured</b>
180-Ult	1.000	1.000	1.000	1.000	1.000	1.000	1.000
174-Ult	1.000	1.000	1.000	1.000	1.000	1.000	1.000
168-Ult	1.000	1.000	1.000	1.000	1.000	1.000	1.000
162-Ult	1.000	1.000	1.000	1.000	1.000	1.000	1.000
156-Ult	1.000	1.000	1.000	1.000	1.000	1.000	1.000
150-Ult	1.000	1.000	1.000	1.000	1.000	1.000	1.045
144-Ult	1.000	1.000	1.000	1.000	1.000	1.000	1.045
138-Ult	1.000	1.000	1.000	1.000	1.000	1.000	1.012
132-Ult	1.000	1.000	1.000	1.000	0.999	0.998	0.983
126-Ult	1.000	1.000	1.000	1.000	0.999	1.000	0.983
120-Ult	1.000	1.000	1.000	1.000	1.000	1.000	0.983
114-Ult	1.000	1.000	1.000	1.000	1.000	1.000	0.921
108-Ult	0.999	1.000	1.000	1.000	0.999	0.999	0.906
102-Ult	0.998	1.000	1.000	1.000	1.000	0.999	0.906
96-Ult	0.997	1.000	1.000	1.000	1.000	0.999	0.872
90-Ult	0.996	1.000	1.000	1.000	1.000	0.999	0.861
84-Ult	0.994	1.000	1.000	1.000	0.999	0.998	0.817
78-Ult	0.991	1.000	1.000	1.000	0.999	0.996	0.825
72-Ult	0.989	1.000	1.000	1.000	0.998	0.995	0.769
66-Ult	0.986	1.000	1.000	1.000	0.997	0.995	0.703
60-Ult	0.982	1.000	1.000	1.000	0.995	0.995	0.655
54-Ult	0.979	1.000	1.000	1.000	0.995	0.993	0.611
48-Ult	0.973	1.000	1.000	1.000	0.991	0.985	0.571
42-Ult	0.968	1.000	1.000	1.000	0.990	0.980	0.589
36-Ult	0.966	1.000	1.000	1.000	0.988	0.973	0.609
30-Ult	0.956	0.999	0.998	0.999	0.986	0.969	0.625
24-Ult	0.948	0.999	0.996	0.998	0.973	0.942	0.779
18-Ult	0.936	1.005	0.996	0.996	0.956	0.917	0.871
12-Ult	0.890	1.014	0.978	0.989	0.913	0.863	0.956
6-Ult	0.948	1.103	0.979	0.857	0.932	0.841	1.255

**Board Approved Age-to-Ultimate Development Factors  
As of December 31, 2016  
Alberta  
Private Passenger Automobile (Excluding Farmers)**

**As of 2016-2  
Age-to-Ultimate Factors  
Incurred Claim Count**

	<b>Collision</b>	<b>Comprehensive</b>	<b>Specified Perils</b>	<b>All Perils</b>	<b>Underinsured</b>
180-Ult	1.000	1.000	1.000	1.000	1.000
174-Ult	1.000	1.000	1.000	1.000	1.000
168-Ult	1.000	1.000	1.000	1.000	1.000
162-Ult	1.000	1.000	1.000	1.000	1.000
156-Ult	1.000	1.000	1.000	1.000	1.011
150-Ult	1.000	1.000	1.000	1.000	1.030
144-Ult	1.000	1.000	1.000	1.000	1.047
138-Ult	1.000	1.000	1.000	1.000	1.047
132-Ult	1.000	1.000	1.000	1.000	1.034
126-Ult	1.000	1.000	1.000	1.000	0.996
120-Ult	1.000	1.000	1.000	1.000	0.991
114-Ult	1.000	1.000	1.000	1.000	0.944
108-Ult	1.000	1.000	1.000	1.000	0.905
102-Ult	1.000	1.000	1.000	1.000	0.871
96-Ult	1.000	1.000	1.000	1.000	0.839
90-Ult	1.000	1.000	1.000	1.000	0.795
84-Ult	1.000	1.000	1.000	1.000	0.740
78-Ult	1.000	1.000	1.000	1.000	0.691
72-Ult	1.000	1.000	1.000	1.000	0.626
66-Ult	1.000	1.000	1.000	1.000	0.586
60-Ult	1.000	1.000	1.000	1.000	0.537
54-Ult	1.000	1.000	1.000	1.000	0.496
48-Ult	1.000	1.000	1.000	1.000	0.465
42-Ult	1.000	1.000	1.000	1.000	0.443
36-Ult	1.000	1.000	1.001	1.000	0.449
30-Ult	0.999	1.000	1.001	1.000	0.501
24-Ult	0.992	1.001	1.001	1.003	0.702
18-Ult	0.970	1.004	0.999	1.008	0.828
12-Ult	0.900	1.009	0.995	1.019	1.035
6-Ult	0.722	1.013	0.995	1.079	1.511