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**Bulletin 07-16**

**September 26, 2016**

**To: Private Passenger Automobile Insurers**

**Subject: PPV Industry Benchmark Schedule – October 1, 2016**

The Automobile Insurance Rate Board is issuing this Bulletin to advise all private passenger automobile insurers operating in Alberta that the 2016 Annual Review has been completed. The Industry Benchmarks Schedule effective October 1, 2016 has been approved by the Board and posted on its website (<http://airb.alberta.ca/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, 2016.

**Background:**

On July 1, 2014, Section 9 of the new *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 2016 Annual Review has been posted to the AIRB website ([airb.alberta.ca/public\\_meetings/2016/default.aspx](http://airb.alberta.ca/public_meetings/2016/default.aspx)).

**The Process:**

All filings received on or after October 1, 2016, 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:

2016 Annual Review Industry Benchmarks Schedule - PPV - Effective October 1, 2016

Sincerely,

*"Original signed"*

Del Dyck CPA, CMA, CLGM  
Executive Director

# 2016 Annual Review

## Industry Benchmarks Schedule - PPV

*Effective Date: For Basic and/or Additional coverage filings submitted on or after October 1, 2016*

### 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	Past/Future Trend Rates
TPL - Bodily Injury	+0.0%/+7.0%*
TPL - Property Damage	+3.0%
TPL – Subtotal	+5.5%
AB - Death	-4.0%
AB – Funeral	-5.5%
AB - Medical	+3.0%
AB - Disability	+0.0%
AB – Uninsured Motorist	+0.0%
AB-Total	+2.0%
Collision	+4.0%
Comprehensive	+3.0%/+5.0%**
Specified Perils	+3.0%/+5.0%**
All Perils	+5.0%
Underinsured Motorist	+7.0%

\* Level change factor of 1.11 at 2011.2

\*\* Level change factor of 1.10 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 55%. 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. The Catastrophe Loading is updated on an annual basis.

## **Investment Income Rate**

The Board approved risk-free rate for all coverage is 0.65%. Insurers must use a risk-free rate that is no lower than 0.65% when discounting claims in the filings submitted with the Board. This rate is updated on a semi-annual basis.

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

The Board approved expense ratio is 25.4% based on 2014 AIFI results; and the approved ULAE factor is 1.103 based on the published GISA accident year 2015 ULAE provision. The ratios are updated annually based on GISA's publication schedule.

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 2016 assessment factor is 5.90%.

## **Profit**

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

**Oliver Wyman Selected Age-to-Ultimate Development Factors  
As of December 31, 2015**

**Alberta**

**Private Passenger Automobile (Excluding Farmers)**

**As of 2015-2**

**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	1.000
144-Ult	1.000	1.000	1.000	1.000	1.000	1.000	1.000
138-Ult	1.000	1.000	1.000	1.000	1.000	1.000	1.000
132-Ult	1.000	1.000	1.000	1.000	1.000	1.000	1.000
126-Ult	1.000	1.000	1.000	1.000	1.000	1.000	1.000
120-Ult	1.000	1.000	1.000	1.000	1.000	1.000	1.000
114-Ult	1.003	1.000	1.000	1.000	1.000	1.000	1.000
108-Ult	1.006	1.000	1.000	1.000	1.000	1.000	0.997
102-Ult	1.017	1.000	1.000	1.001	1.000	1.000	0.998
96-Ult	1.021	1.000	1.000	0.997	1.000	1.004	1.025
90-Ult	1.029	1.000	1.000	0.997	1.000	1.005	1.036
84-Ult	1.038	1.000	1.003	0.997	1.000	1.005	0.940
78-Ult	1.043	1.000	1.003	0.996	1.000	1.004	1.038
72-Ult	1.058	1.000	1.008	1.000	1.000	1.006	1.127
66-Ult	1.071	1.000	1.009	1.001	0.997	1.016	1.106
60-Ult	1.097	1.000	1.012	1.001	0.994	1.012	1.090
54-Ult	1.122	1.000	1.017	1.001	0.992	1.013	1.139
48-Ult	1.162	1.000	1.028	1.003	0.986	1.002	1.118
42-Ult	1.217	1.000	1.024	1.003	0.985	0.999	1.267
36-Ult	1.301	1.000	1.038	1.007	0.982	0.994	1.416
30-Ult	1.423	0.999	1.053	1.004	0.969	0.983	1.769
24-Ult	1.552	1.004	1.055	0.983	0.957	0.982	2.282
18-Ult	1.718	1.013	1.128	0.993	0.945	0.987	2.443
12-Ult	1.874	1.033	1.287	0.957	0.920	0.973	5.582
6-Ult	2.306	1.219	1.754	0.700	1.010	1.143	8.834

**Oliver Wyman Selected Age-to-Ultimate Development Factors  
As of December 31, 2015**

**Alberta**

**Private Passenger Automobile (Excluding Farmers)**

**As of 2015-2**

**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	1.005
162-Ult	1.000	1.000	1.000	1.000	1.006
156-Ult	1.000	1.000	1.000	1.000	1.006
150-Ult	1.000	1.000	1.000	1.000	1.016
144-Ult	1.000	1.000	1.000	1.000	1.033
138-Ult	1.000	1.000	1.000	1.000	1.033
132-Ult	1.000	1.000	1.000	1.000	1.035
126-Ult	1.000	1.000	1.000	1.000	1.035
120-Ult	1.000	1.000	1.000	1.000	1.029
114-Ult	1.000	1.000	1.000	1.000	1.025
108-Ult	1.000	1.000	1.000	1.000	1.035
102-Ult	1.000	1.000	1.000	1.000	1.048
96-Ult	1.000	1.000	1.000	1.000	1.027
90-Ult	1.000	1.000	1.000	1.000	1.031
84-Ult	1.000	1.000	1.000	1.000	1.009
78-Ult	1.000	1.000	1.000	1.000	1.023
72-Ult	1.000	1.000	1.000	1.000	1.055
66-Ult	1.000	1.000	1.000	0.999	1.068
60-Ult	1.000	1.000	1.000	0.998	1.091
54-Ult	1.000	1.000	0.999	1.000	1.104
48-Ult	1.000	1.000	0.999	1.000	1.120
42-Ult	0.999	1.000	0.999	0.997	1.171
36-Ult	0.998	1.000	0.999	0.997	1.276
30-Ult	0.995	0.999	0.997	0.996	1.447
24-Ult	0.977	0.998	0.995	0.978	1.821
18-Ult	0.934	0.996	0.999	0.959	2.140
12-Ult	0.800	0.988	0.971	0.896	2.872
6-Ult	0.573	0.999	0.920	0.793	8.331

**Oliver Wyman Selected Age-to-Ultimate Development Factors  
As of December 31, 2015  
Alberta  
Private Passenger Automobile (Excluding Farmers)**

**As of 2015-2  
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	1.000
144-Ult	1.000	1.000	1.000	1.000	1.000	1.000	1.000
138-Ult	1.000	1.000	1.000	1.000	1.000	1.000	1.000
132-Ult	1.000	1.000	1.000	1.000	1.000	1.000	1.000
126-Ult	1.000	1.000	1.000	1.000	1.000	1.000	1.000
120-Ult	1.000	1.000	1.000	1.000	1.000	1.000	1.000
114-Ult	1.000	1.000	1.000	1.000	1.000	1.000	0.959
108-Ult	0.999	1.000	1.000	1.000	1.000	1.000	0.941
102-Ult	0.998	1.000	1.000	1.000	1.000	1.000	0.941
96-Ult	0.996	1.000	1.000	1.000	1.000	1.000	0.903
90-Ult	0.994	1.000	1.000	1.000	1.000	1.000	0.881
84-Ult	0.993	1.000	1.000	1.000	1.000	1.000	0.828
78-Ult	0.990	1.000	1.000	1.000	1.000	0.998	0.820
72-Ult	0.986	1.000	1.000	1.000	1.000	0.997	0.777
66-Ult	0.982	1.000	1.000	1.000	1.000	0.997	0.725
60-Ult	0.979	1.000	1.000	1.000	1.000	0.997	0.678
54-Ult	0.974	1.000	1.000	1.000	1.000	0.995	0.640
48-Ult	0.969	1.000	0.999	1.000	0.995	0.984	0.614
42-Ult	0.963	1.000	1.000	1.000	0.994	0.980	0.635
36-Ult	0.961	1.000	1.000	1.000	0.992	0.972	0.667
30-Ult	0.950	1.000	0.998	0.999	0.989	0.967	0.689
24-Ult	0.935	1.001	0.996	0.998	0.978	0.942	0.849
18-Ult	0.919	1.004	0.994	0.995	0.963	0.918	0.959
12-Ult	0.897	1.008	0.975	0.984	0.924	0.869	1.033
6-Ult	0.978	1.092	0.954	0.862	0.951	0.855	1.399

**Oliver Wyman Selected Age-to-Ultimate Development Factors  
As of December 31, 2015**

**Alberta**

**Private Passenger Automobile (Excluding Farmers)**

**As of 2015-2**

**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	1.000
150-Ult	1.000	1.000	1.000	1.000	1.000
144-Ult	1.000	1.000	1.000	1.000	1.007
138-Ult	1.000	1.000	1.000	1.000	1.007
132-Ult	1.000	1.000	1.000	1.000	1.007
126-Ult	1.000	1.000	1.000	1.000	0.964
120-Ult	1.000	1.000	1.000	1.000	0.955
114-Ult	1.000	1.000	1.000	1.000	0.907
108-Ult	1.000	1.000	1.000	1.000	0.876
102-Ult	1.000	1.000	1.000	1.000	0.847
96-Ult	1.000	1.000	1.000	1.000	0.816
90-Ult	1.000	1.000	1.000	1.000	0.784
84-Ult	1.000	1.000	1.000	1.000	0.729
78-Ult	1.000	1.000	1.000	1.000	0.686
72-Ult	1.000	1.000	1.000	1.000	0.629
66-Ult	1.000	1.000	1.000	1.000	0.585
60-Ult	1.000	1.000	1.000	1.000	0.531
54-Ult	1.000	1.000	1.000	1.000	0.491
48-Ult	1.000	1.000	0.999	1.000	0.462
42-Ult	1.000	1.000	0.999	1.000	0.441
36-Ult	0.999	1.000	1.001	1.000	0.444
30-Ult	0.999	1.000	1.000	1.000	0.493
24-Ult	0.993	1.000	1.001	1.003	0.672
18-Ult	0.973	1.002	0.998	1.010	0.802
12-Ult	0.901	1.005	0.991	1.026	0.996
6-Ult	0.719	1.012	0.983	1.102	1.513