

**Bulletin 03-2018**  
**April 1, 2018**

**Bulletin to Private Passenger Insurers**  
**2018 Semi-Annual Review PPV Industry Benchmark Schedule Effective April 1, 2018**

The Automobile Insurance Rate Board (AIRB) is issuing this Bulletin to advise all private passenger automobile insurers operating in Alberta that the AIRB's 2018 Semi-Annual Review has been completed. The 2018 Semi-Annual Review PPV Industry Benchmarks Schedule has been approved and posted on the website (<http://www.airb.alberta.ca/industry-information/communications/bulletins/>).

**Background:**

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

On February 8, 2018, the AIRB posted its consulting actuary's draft Review of Industry Experience (as of June 30th) and issued Notice 01-2018 advising of this review and requesting written input from stakeholders. The AIRB's consulting actuary has updated its review based on stakeholder input and the final report Semi-Annual Review of Industry Experience has been posted to the AIRB website (<http://www.airb.alberta.ca/industry-information/semi-annual-review/2018/>).

**The Process:**

All private passenger vehicle filings received on or after April 1, 2018, 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 AIRB's review of private passenger vehicle filings submitted on or after April 1, 2018. If you have any questions, please contact the AIRB 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:**

2018 Semi-Annual Review PPV Industry Benchmark Schedule – effective April 1, 2018

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Automobile Insurance Rate Board

Effective Date: Basic and/or Additional coverages submitted on or after April 1, 2018

## 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	-2.0%
AB – Funeral	-4.0%
AB - Medical	+3.5%*
AB - Disability	+5.5%/+6.5%**
AB – Uninsured Motorist	+0.0%
AB-Total	+4.0%/+4.5%
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.

\*\* Future trend begins at July 1, 2017.

\*\*\* Level change adjustment of +7.5% at 2015-1; future trend begins at January 1, 2015.

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.

## **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 2.50%. Insurers must use a risk-free rate that is no lower than the benchmark 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 27.8% based on 2016 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/Special-Notice-Assessment-Factor.html](http://www.finance.alberta.ca/publications/tax_rebates/healthcostsrecovery/Special-Notice-Assessment-Factor.html)). (2018 assessment factor is 7.04%.)

## **Profit**

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

## Attachment #1

**Age-to-Ultimate Development Factors**  
**As of June 30, 2017**  
**Alberta**  
**Private Passenger Automobile (Excluding Farmers)**

As of 2017-1

**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	1.007
138-Ult	1.003	1.000	1.000	1.000	1.000	1.000	1.000
132-Ult	1.004	1.000	1.002	1.002	1.000	1.000	0.993
126-Ult	1.004	1.000	1.005	1.002	1.000	1.008	0.993
120-Ult	1.004	1.000	1.009	1.003	1.000	1.008	0.993
114-Ult	1.007	1.000	1.007	1.002	1.000	1.008	0.974
108-Ult	1.013	1.000	0.999	1.002	1.000	1.003	0.959
102-Ult	1.018	1.000	0.999	1.004	1.000	1.003	0.889
96-Ult	1.022	1.000	1.005	1.005	1.000	1.006	0.907
90-Ult	1.027	1.000	1.006	1.004	1.000	1.007	0.922
84-Ult	1.035	1.000	1.005	1.005	1.000	1.006	0.857
78-Ult	1.045	1.000	1.007	1.004	1.000	1.006	0.933
72-Ult	1.057	1.000	1.009	1.004	1.000	1.009	0.970
66-Ult	1.075	1.000	1.008	1.003	1.000	1.039	0.942
60-Ult	1.099	1.000	1.006	1.008	0.998	1.036	0.934
54-Ult	1.126	1.000	1.003	1.008	0.998	1.037	0.943
48-Ult	1.185	1.000	1.014	1.007	0.992	1.030	0.905
42-Ult	1.243	1.000	1.017	1.010	0.992	1.029	1.021
36-Ult	1.346	1.000	1.029	1.014	0.990	1.025	1.145
30-Ult	1.480	1.000	1.047	1.016	0.977	1.019	1.453
24-Ult	1.659	1.004	1.051	0.999	0.963	1.010	1.869
18-Ult	1.874	1.020	1.146	1.040	0.953	1.004	2.055
12-Ult	2.071	1.067	1.413	1.041	0.919	1.014	5.243
6-Ult	2.641	1.210	1.940	0.862	1.000	1.180	22.563

**Age-to-Ultimate Development Factors**

**As of June 30, 2017**

**Alberta**

**Private Passenger Automobile (Excluding Farmers)**

**As of 2017-1**

**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	1.000
162-Ult	1.000	1.000	1.000	1.000	1.000
156-Ult	1.000	1.000	1.000	1.000	1.001
150-Ult	1.000	1.000	1.000	1.000	1.002
144-Ult	1.000	1.000	1.000	1.000	1.004
138-Ult	1.000	1.000	1.000	1.000	1.004
132-Ult	1.000	1.000	1.000	1.000	0.992
126-Ult	1.000	1.000	1.000	1.000	0.981
120-Ult	1.000	1.000	1.000	1.000	0.985
114-Ult	1.000	1.000	1.000	1.000	0.973
108-Ult	1.000	1.000	1.000	1.000	1.010
102-Ult	1.000	1.000	1.000	1.000	1.019
96-Ult	1.000	1.000	1.000	1.000	1.000
90-Ult	1.000	1.000	1.000	1.000	1.002
84-Ult	1.000	1.000	1.000	1.000	1.016
78-Ult	1.000	1.000	1.000	1.000	1.037
72-Ult	1.000	1.000	1.000	1.000	1.034
66-Ult	1.000	1.000	1.000	1.000	1.055
60-Ult	1.000	1.000	1.000	0.999	1.080
54-Ult	1.000	1.000	1.000	0.998	1.100
48-Ult	1.000	1.000	1.000	0.996	1.087
42-Ult	0.999	1.000	1.000	0.993	1.124
36-Ult	0.998	1.000	1.000	0.993	1.229
30-Ult	0.995	1.000	0.997	0.993	1.394
24-Ult	0.975	1.000	0.995	0.996	1.802
18-Ult	0.933	1.000	0.992	0.975	2.136
12-Ult	0.811	0.998	0.971	0.911	2.884
6-Ult	0.577	0.988	0.907	0.784	8.283

**Age-to-Ultimate Development Factors**  
**As of June 30, 2017**  
**Alberta**  
**Private Passenger Automobile (Excluding Farmers)**

**As of 2017-1**  
**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	1.042
144-Ult	1.000	1.000	1.000	1.000	1.000	1.000	1.042
138-Ult	1.000	1.000	1.000	1.000	1.000	1.000	1.010
132-Ult	1.000	1.000	1.000	1.000	1.000	1.000	0.981
126-Ult	1.000	1.000	1.000	1.000	1.000	1.000	0.981
120-Ult	1.000	1.000	1.000	1.000	1.000	1.000	0.981
114-Ult	1.000	1.000	1.000	1.000	1.000	1.000	0.931
108-Ult	0.999	1.000	1.000	1.000	1.000	1.000	0.917
102-Ult	0.999	1.000	1.000	1.000	1.000	1.000	0.905
96-Ult	0.998	1.000	1.000	1.000	1.000	1.000	0.860
90-Ult	0.997	1.000	1.000	1.000	1.000	1.000	0.850
84-Ult	0.996	1.000	1.000	1.000	1.000	1.000	0.801
78-Ult	0.994	1.000	1.000	1.000	1.000	1.000	0.809
72-Ult	0.992	1.000	1.000	1.000	1.000	1.000	0.760
66-Ult	0.989	1.000	1.000	1.000	1.000	1.000	0.696
60-Ult	0.987	1.000	1.000	1.000	0.998	1.000	0.659
54-Ult	0.984	1.000	1.000	1.000	0.998	0.998	0.604
48-Ult	0.980	1.000	1.000	1.000	0.995	0.990	0.568
42-Ult	0.974	1.000	1.000	1.000	0.993	0.985	0.587
36-Ult	0.974	1.000	1.000	1.000	0.992	0.979	0.616
30-Ult	0.966	1.000	0.998	0.999	0.990	0.972	0.633
24-Ult	0.973	1.000	0.997	0.998	0.977	0.943	0.769
18-Ult	0.979	1.007	1.001	1.002	0.960	0.914	0.865
12-Ult	0.992	1.028	0.994	1.004	0.913	0.856	0.949
6-Ult	0.980	1.088	1.025	0.922	0.930	0.838	2.085

**Age-to-Ultimate Development Factors**

**As of June 30, 2017**

**Alberta**

**Private Passenger Automobile (Excluding Farmers)**

**As of 2017-1**

**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	0.984
156-Ult	1.000	1.000	1.000	1.000	0.984
150-Ult	1.000	1.000	1.000	1.000	0.963
144-Ult	1.000	1.000	1.000	1.000	0.980
138-Ult	1.000	1.000	1.000	1.000	0.980
132-Ult	1.000	1.000	1.000	1.000	0.967
126-Ult	1.000	1.000	1.000	1.000	0.934
120-Ult	1.000	1.000	1.000	1.000	0.910
114-Ult	1.000	1.000	1.000	1.000	0.870
108-Ult	1.000	1.000	1.000	1.000	0.832
102-Ult	1.000	1.000	1.000	1.000	0.800
96-Ult	1.000	1.000	1.000	1.000	0.757
90-Ult	1.000	1.000	1.000	1.000	0.721
84-Ult	1.000	1.000	1.000	1.000	0.670
78-Ult	1.000	1.000	1.000	1.000	0.626
72-Ult	1.000	1.000	1.000	1.000	0.565
66-Ult	1.000	1.000	1.000	1.000	0.530
60-Ult	1.000	1.000	1.000	1.000	0.488
54-Ult	1.000	1.000	1.000	1.000	0.453
48-Ult	1.000	1.000	1.000	1.000	0.425
42-Ult	1.000	1.000	1.000	1.000	0.399
36-Ult	1.000	1.000	1.001	1.000	0.404
30-Ult	0.999	1.000	1.001	1.000	0.457
24-Ult	0.992	1.001	1.001	1.002	0.641
18-Ult	0.972	1.004	0.999	1.007	0.762
12-Ult	0.906	1.012	0.993	1.015	0.942
6-Ult	0.734	1.103	0.994	1.064	1.326