

**Bulletin 08-2018**  
**September 24, 2018**

## **Bulletin to Private Passenger Vehicle Insurers**

### **Private Passenger Vehicle Industry Benchmark Schedule Effective October 1, 2018**

The Automobile Insurance Rate Board (AIRB) is issuing this bulletin to advise all private passenger vehicle (PPV) insurers operating in Alberta that the 2018 Annual Review of PPV experience has been completed on data to December 31, 2017. The PPV Industry Benchmarks Schedule (Schedule) effective October 1, 2018 has been approved. The Schedule and the related actuarial report have been posted on the AIRB website (<https://airb.alberta.ca/industry-information/communications/bulletins/default.aspx>).

Insurers in preparation of filings should incorporate the most current industry benchmarks to the extent their own data is not fully credible. The industry benchmarks will also be used as the basis of the AIRB's review of PPV filings submitted on or after October 1, 2018.

#### **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, AIRB Policy P06 requires the AIRB to carry out a **Semi-annual Review** based on data to June 30th.

The AIRB's final report 2018 Annual Review has been posted to the AIRB website (<https://airb.alberta.ca/industry-information/annual-review/2018/default.aspx>).

#### **The Process:**

All filings received on or after October 1, 2018, should incorporate the most current industry benchmarks. The AIRB will use this Schedule as a basis for its review of filings. If you have any questions, please contact the AIRB at (780) 427-5428 or by email [tbf.airb@gov.ab.ca](mailto:tbf.airb@gov.ab.ca) or [kimberley.kern@gov.ab.ca](mailto:kimberley.kern@gov.ab.ca).

#### **Attachment:**

2018 Annual Review Industry Benchmarks Schedule - PPV - effective October 1, 2018

*"Original signed"*

Laurie Balfour, MBA, CPA, CMA  
Executive Director

# 2018 Annual Review

## Industry Benchmarks Schedule - PPV

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*Effective Date: For basic and/or additional coverage filings submitted on or after October 1, 2018*

### Loss Development Factors

The AIRB approved benchmark loss development factors for use by insurers in developing filings are outlined in **Appendix #1**.

### Loss Trends

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

| Coverage              | Oliver Wyman Selected Past/Future Trend Rates |
|-----------------------|---|
| TPL - Bodily Injury   | +8.5%/+7.5%*                                  |
| TPL - Property Damage | +0.5%   |
| TPL – Subtotal        | +6.3%/+5.5%                                   |
| Accident Benefits     | 0.0%/+6.0%**                                  |
| Collision             | +2.5%   |
| Comprehensive         | +5.0%/+8.5%***                                |
| Specified Perils      | +12.0%  |
| All Perils            | +4.0%   |
| Underinsured Motorist | +4.0%   |

\* Future trend rate begins October 1, 2017

\*\* Trend rate change and level change adjustment of +25% at July 1, 2015

\*\*\* Future trend rate begins January 1, 2011

The AIRB 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 AIRB's accepted industry benchmark trend rates without adjustment as the complement of credibility; or (c) apply the AIRB's accepted industry benchmark trend rates without adjustment.

### Catastrophe Loading

The AIRB approved catastrophe loading is 60%. Where insurers' own claim experience differs from industry and is credible, the AIRB 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 AIRB approved risk-free rate for all coverage is 2.75%. Insurers must use a risk-free rate that is no lower than 2.75% when discounting claims in the filings submitted with the AIRB. This rate is updated on a semi-annual basis.

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

The AIRB approved expense ratio is 27.8% based on 2016 AIFI results; and the approved ULAE factor is 1.092 based on the published GISA accident year 2017 ULAE provision.

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

### **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. The 2018 assessment factor is 7.04%.

### **Profit**

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

**Appendix #1**

**AIRB Approved Age-to-Ultimate Development Factors  
As of December 31, 2017  
Alberta**

**Private Passenger Automobile (Excluding Farmers)**

**As of 2017-2**

**Age-to-Ultimate Factors  
Incurred Claim Amount**

|         | <b>Bodily<br/>Injury</b> | <b>Property<br/>Damage</b> | <b>Accident<br/>Benefits</b> | <b>Collision</b> | <b>Comprehensive</b> | <b>Comprehensive<br/>Theft</b> | <b>All<br/>Perils</b> | <b>Specified<br/>Perils</b> | <b>Underinsured</b> |
|---------|--------------------------|----------------------------|------------------------------|------------------|----------------------|--------------------------------|-----------------------|-----------------------------|---------------------|
| 180-Ult | 0.999                    | 1.000                      | 1.000                        | 1.000            | 1.000                | 1.000                          | 1.000                 | 1.000                       | 1.000               |
| 174-Ult | 1.000                    | 1.000                      | 1.001                        | 1.000            | 1.000                | 1.000                          | 1.000                 | 1.000                       | 1.000               |
| 168-Ult | 1.000                    | 1.000                      | 1.001                        | 1.000            | 1.000                | 1.000                          | 1.000                 | 1.000                       | 1.000               |
| 162-Ult | 1.000                    | 1.000                      | 1.001                        | 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                 | 1.000                       | 1.002               |
| 150-Ult | 1.000                    | 1.000                      | 1.001                        | 1.000            | 1.000                | 1.000                          | 1.000                 | 1.000                       | 1.017               |
| 144-Ult | 1.001                    | 1.000                      | 1.001                        | 1.000            | 1.000                | 1.000                          | 1.000                 | 1.000                       | 1.019               |
| 138-Ult | 1.004                    | 1.000                      | 1.001                        | 1.000            | 1.000                | 1.000                          | 1.000                 | 1.000                       | 1.011               |
| 132-Ult | 1.006                    | 1.000                      | 1.002                        | 1.000            | 1.000                | 1.000                          | 1.000                 | 1.000                       | 1.009               |
| 126-Ult | 1.006                    | 1.000                      | 1.003                        | 1.000            | 1.000                | 1.000                          | 1.000                 | 1.000                       | 1.001               |
| 120-Ult | 1.009                    | 1.000                      | 1.003                        | 1.000            | 1.000                | 1.000                          | 1.000                 | 1.000                       | 1.002               |
| 114-Ult | 1.010                    | 1.000                      | 1.003                        | 1.000            | 1.000                | 1.000                          | 1.000                 | 1.000                       | 1.004               |
| 108-Ult | 1.015                    | 1.000                      | 1.002                        | 1.000            | 1.000                | 1.000                          | 1.000                 | 1.000                       | 1.028               |
| 102-Ult | 1.017                    | 1.000                      | 1.002                        | 1.000            | 0.999                | 1.000                          | 1.000                 | 1.000                       | 1.036               |
| 96-Ult  | 1.021                    | 1.000                      | 1.004                        | 1.000            | 0.999                | 1.000                          | 1.000                 | 1.000                       | 1.021               |
| 90-Ult  | 1.025                    | 1.000                      | 1.005                        | 0.999            | 0.999                | 0.999                          | 0.999                 | 1.000                       | 1.022               |
| 84-Ult  | 1.034                    | 1.000                      | 1.005                        | 0.999            | 0.999                | 0.999                          | 0.999                 | 1.000                       | 1.013               |
| 78-Ult  | 1.042                    | 1.000                      | 1.006                        | 0.999            | 0.999                | 0.999                          | 0.998                 | 1.000                       | 1.008               |
| 72-Ult  | 1.053                    | 1.000                      | 1.005                        | 0.999            | 0.999                | 1.000                          | 0.998                 | 1.000                       | 1.000               |
| 66-Ult  | 1.074                    | 1.000                      | 1.004                        | 0.998            | 0.999                | 0.999                          | 0.998                 | 1.000                       | 0.993               |
| 60-Ult  | 1.097                    | 1.000                      | 1.006                        | 0.998            | 0.999                | 0.999                          | 0.997                 | 1.000                       | 0.995               |
| 54-Ult  | 1.135                    | 0.999                      | 1.006                        | 0.998            | 0.999                | 0.998                          | 0.996                 | 0.999                       | 1.011               |
| 48-Ult  | 1.192                    | 0.999                      | 1.009                        | 0.998            | 0.999                | 0.998                          | 0.995                 | 1.000                       | 1.020               |
| 42-Ult  | 1.257                    | 1.000                      | 1.012                        | 0.997            | 0.999                | 0.998                          | 0.993                 | 1.000                       | 1.055               |
| 36-Ult  | 1.363                    | 1.000                      | 1.019                        | 0.997            | 0.999                | 0.998                          | 0.995                 | 0.999                       | 1.157               |
| 30-Ult  | 1.501                    | 1.001                      | 1.024                        | 0.994            | 0.999                | 0.996                          | 0.996                 | 0.997                       | 1.323               |
| 24-Ult  | 1.716                    | 1.005                      | 1.012                        | 0.975            | 0.999                | 0.996                          | 0.996                 | 0.995                       | 1.681               |
| 18-Ult  | 1.977                    | 1.020                      | 1.054                        | 0.934            | 1.000                | 0.991                          | 0.975                 | 0.994                       | 2.064               |
| 12-Ult  | 2.263                    | 1.062                      | 1.106                        | 0.817            | 1.001                | 0.979                          | 0.914                 | 0.969                       | 2.766               |
| 6-Ult   | 2.796                    | 1.292                      | 0.994                        | 0.579            | 1.018                | 0.957                          | 0.782                 | 0.907                       | 7.317               |

**AIRB Approved Age-to-Ultimate Development Factors  
As of December 31, 2017  
Alberta  
Private Passenger Automobile (Excluding Farmers)**

**As of 2017-2**

**Age-to-Ultimate Factors**

**Incurred Claim Count**

|         | <b>Bodily<br/>Injury</b> | <b>Property<br/>Damage</b> | <b>Accident<br/>Benefits</b> | <b>Collision</b> | <b>Comprehensive</b> | <b>Comprehensive<br/>Theft</b> | <b>All<br/>Perils</b> | <b>Specified<br/>Perils</b> | <b>Underinsured</b> |
|---------|--------------------------|----------------------------|------------------------------|------------------|----------------------|--------------------------------|-----------------------|-----------------------------|---------------------|
| 180-Ult | 1.000                    | 1.000                      | 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                 | 1.000                       | 1.000               |
| 168-Ult | 1.000                    | 1.000                      | 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                 | 1.000                       | 1.000               |
| 156-Ult | 1.000                    | 1.000                      | 1.000                        | 1.000            | 1.000                | 1.000                          | 1.000                 | 1.000                       | 0.997               |
| 150-Ult | 1.000                    | 1.000                      | 1.000                        | 1.000            | 1.000                | 1.000                          | 1.000                 | 1.000                       | 0.988               |
| 144-Ult | 1.000                    | 1.000                      | 1.000                        | 1.000            | 1.000                | 1.000                          | 1.000                 | 1.000                       | 0.991               |
| 138-Ult | 1.000                    | 1.000                      | 1.000                        | 1.000            | 1.000                | 1.000                          | 1.000                 | 1.000                       | 0.991               |
| 132-Ult | 1.000                    | 1.000                      | 1.000                        | 1.000            | 1.000                | 1.000                          | 1.000                 | 1.000                       | 0.983               |
| 126-Ult | 0.999                    | 1.000                      | 1.000                        | 1.000            | 1.000                | 1.000                          | 1.000                 | 1.000                       | 0.959               |
| 120-Ult | 0.999                    | 1.000                      | 1.000                        | 1.000            | 1.000                | 1.000                          | 1.000                 | 1.000                       | 0.943               |
| 114-Ult | 0.999                    | 1.000                      | 1.000                        | 1.000            | 1.000                | 1.000                          | 1.000                 | 1.000                       | 0.909               |
| 108-Ult | 0.998                    | 1.000                      | 1.000                        | 0.999            | 1.000                | 1.000                          | 1.000                 | 1.000                       | 0.884               |
| 102-Ult | 0.998                    | 1.000                      | 1.000                        | 0.999            | 1.000                | 1.000                          | 1.000                 | 1.000                       | 0.855               |
| 96-Ult  | 0.997                    | 1.000                      | 1.000                        | 0.999            | 1.000                | 1.000                          | 1.000                 | 1.000                       | 0.822               |
| 90-Ult  | 0.996                    | 1.000                      | 1.000                        | 0.999            | 1.000                | 1.000                          | 1.000                 | 1.000                       | 0.786               |
| 84-Ult  | 0.994                    | 1.000                      | 1.000                        | 0.999            | 1.000                | 1.000                          | 1.000                 | 1.000                       | 0.731               |
| 78-Ult  | 0.992                    | 1.000                      | 1.000                        | 0.999            | 1.000                | 1.000                          | 1.000                 | 1.000                       | 0.680               |
| 72-Ult  | 0.990                    | 1.000                      | 0.999                        | 0.999            | 1.000                | 1.000                          | 1.000                 | 1.000                       | 0.617               |
| 66-Ult  | 0.987                    | 1.000                      | 0.999                        | 0.999            | 1.000                | 1.000                          | 1.000                 | 1.000                       | 0.570               |
| 60-Ult  | 0.985                    | 1.000                      | 0.999                        | 0.999            | 1.000                | 1.000                          | 1.000                 | 1.000                       | 0.517               |
| 54-Ult  | 0.982                    | 1.000                      | 0.999                        | 0.999            | 1.000                | 0.999                          | 1.000                 | 1.000                       | 0.473               |
| 48-Ult  | 0.978                    | 0.999                      | 0.999                        | 0.999            | 1.000                | 0.999                          | 0.999                 | 1.000                       | 0.444               |
| 42-Ult  | 0.973                    | 0.999                      | 0.999                        | 0.999            | 1.000                | 0.999                          | 1.000                 | 1.000                       | 0.419               |
| 36-Ult  | 0.975                    | 0.999                      | 0.999                        | 0.999            | 1.000                | 0.999                          | 1.000                 | 1.001                       | 0.432               |
| 30-Ult  | 0.971                    | 0.998                      | 0.998                        | 0.997            | 1.000                | 0.999                          | 1.001                 | 1.001                       | 0.486               |
| 24-Ult  | 0.981                    | 0.998                      | 0.998                        | 0.991            | 1.002                | 0.999                          | 1.004                 | 1.001                       | 0.664               |
| 18-Ult  | 0.988                    | 1.006                      | 0.998                        | 0.970            | 1.005                | 0.998                          | 1.008                 | 1.001                       | 0.795               |
| 12-Ult  | 0.972                    | 1.024                      | 0.995                        | 0.901            | 1.015                | 0.996                          | 1.013                 | 0.998                       | 0.980               |
| 6-Ult   | 1.094                    | 1.151                      | 0.930                        | 0.716            | 1.041                | 0.989                          | 1.058                 | 1.001                       | 1.399               |