

Bulletin 09-2018
September 24, 2018

Bulletin to Commercial Vehicle Insurers

Commercial Vehicle Industry Benchmark Schedule Effective October 1, 2018

The Automobile Insurance Rate Board (AIRB) is issuing this bulletin to advise all commercial vehicle insurers operating in Alberta the 2018 review of commercial vehicle experience has been completed based on data to December 31, 2017. The Commercial Vehicle Industry Benchmark 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 commercial vehicle industry benchmarks will also be used as the basis of the AIRB's review of commercial vehicle filings submitted on or after October 1, 2018.

Background:

The Insurance Act Section 602(1) requires all insurers' rating programs and changes thereto be approved by the AIRB. Prior to 2015, the AIRB reviewed commercial vehicle trend rates on an annual basis for internal use in the review of commercial vehicle filings. At its meeting of October 23, 2015, the AIRB decided to provide greater transparency by placing the approved Schedule and the actuarial report on the AIRB website (<https://airb.alberta.ca/industry-information/filing-guidelines/>). Industry was invited to participate through written submissions.

The Process:

All filings received on or after October 1, 2018, should incorporate the most current industry benchmarks to the extent the insurer's own data is not fully credible. The AIRB will use this Schedule as a basis for its review of commercial vehicle filings. If you have any questions, please contact the AIRB at 780-427-5428 or by email tbf.airb@gov.ab.ca or kimberley.kern@gov.ab.ca.

Attachment:

2018 Annual Review Industry Benchmarks Schedule – Commercial - effective October 1, 2018

"Original signed"

Laurie Balfour, MBA, CPA, CMA
Executive Director

2018 Annual Review

Industry Benchmarks Schedule - Commercial

Effective Date: For Basic and/or Additional coverage rate 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	+5.5%
TPL - Property Damage	+3.0%
TPL – Subtotal	+4.4%
Accident Benefits	+0.0%
Collision	+2.5%
Comprehensive	+7.0%
Specified Perils	+7.0%
All Perils	+4.0%
Underinsured Motorist	+8.5%

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 25%. 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 and is the same as the PPV benchmark.

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
Commercial Vehicles**

**As of 2017-2
Age-to-Ultimate Factors
Incurred Claim Amount**

	Bodily Injury	Property Damage	Accident Benefits	Collision	Comprehensive	Comprehensive - Theft	All Perils	Specified Perils	Underinsured
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	1.000
150-Ult	1.000	1.000	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	1.000	1.000
138-Ult	1.000	1.000	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	1.000	1.000
126-Ult	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
120-Ult	0.998	1.000	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	1.000	1.000	0.974
108-Ult	1.004	1.001	1.000	1.000	0.999	1.000	1.000	1.000	0.997
102-Ult	0.999	1.000	1.000	1.000	0.999	0.999	1.000	1.000	1.174
96-Ult	1.002	0.999	1.000	1.000	0.999	0.999	1.000	1.000	1.238
90-Ult	1.004	0.999	1.000	1.000	0.999	0.999	1.000	1.000	1.243
84-Ult	1.017	1.000	0.999	0.999	0.999	1.000	1.000	1.000	1.259
78-Ult	1.017	1.003	1.010	0.999	0.999	0.999	1.000	0.983	1.131
72-Ult	1.027	1.003	1.019	1.000	0.999	0.999	1.000	0.983	1.122
66-Ult	1.026	1.003	1.033	1.000	0.999	0.999	1.000	0.983	1.065
60-Ult	1.037	1.000	1.036	1.000	0.999	0.998	0.999	0.983	1.077
54-Ult	1.082	1.000	1.044	0.999	0.999	0.998	0.999	0.983	1.164
48-Ult	1.153	0.997	1.017	0.999	0.999	0.998	0.997	0.982	1.189
42-Ult	1.216	0.999	1.003	0.997	0.998	0.997	0.997	0.981	1.178
36-Ult	1.334	0.999	1.009	0.997	0.998	0.996	0.996	0.984	1.299
30-Ult	1.487	0.993	0.998	0.994	0.999	0.995	0.993	0.984	1.489
24-Ult	1.727	0.999	1.021	0.983	1.000	0.993	0.984	0.985	2.117
18-Ult	1.984	1.025	1.108	0.952	1.000	0.990	0.968	0.983	3.010
12-Ult	2.214	1.081	1.145	0.870	0.998	0.978	0.928	0.974	5.629
6-Ult	2.896	1.536	1.037	0.770	1.047	0.985	1.031	0.977	8.636

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

As of 2017-2
Age-to-Ultimate Factors
Incurred Claim Count

	Bodily Injury	Property Damage	Accident Benefits	Collision	Comprehensive	Comprehensive Theft	All Perils	Specified Perils	Underinsured
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	1.000
150-Ult	1.000	1.000	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	1.000	1.000
138-Ult	1.000	1.000	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	1.000	1.000
126-Ult	1.000	1.000	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	1.000	1.000
114-Ult	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.029
108-Ult	0.999	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.001
102-Ult	0.999	1.000	1.000	1.000	1.000	1.000	1.000	1.000	0.929
96-Ult	0.999	1.001	1.000	1.000	1.000	1.000	1.000	1.000	0.830
90-Ult	0.997	1.001	1.000	1.000	1.000	1.000	1.000	1.000	0.768
84-Ult	0.997	1.001	1.000	1.000	1.000	1.000	1.000	1.000	0.827
78-Ult	0.995	1.001	1.000	1.000	1.000	1.000	1.000	1.000	0.741
72-Ult	0.993	1.000	1.000	1.000	1.000	1.000	1.000	1.000	0.707
66-Ult	0.988	1.000	1.000	1.000	1.000	1.000	1.000	1.000	0.629
60-Ult	0.987	1.000	1.000	1.000	1.000	1.000	1.000	1.000	0.590
54-Ult	0.984	1.000	0.999	1.000	1.000	1.000	1.000	1.000	0.555
48-Ult	0.981	1.000	0.999	0.999	1.000	1.000	1.000	1.000	0.503
42-Ult	0.976	1.000	0.998	0.999	1.000	1.000	1.000	1.000	0.474
36-Ult	0.975	1.000	0.997	0.999	1.000	1.001	0.999	1.001	0.492
30-Ult	0.969	0.998	0.993	0.998	1.001	1.000	0.998	1.001	0.554
24-Ult	0.980	0.997	0.986	0.993	1.003	1.000	0.993	1.001	0.803
18-Ult	0.986	1.009	0.986	0.979	1.006	1.000	0.981	0.999	0.970
12-Ult	0.957	1.029	0.975	0.915	1.009	0.997	0.931	0.988	1.125
6-Ult	1.088	1.174	0.867	0.728	1.012	0.983	0.865	0.982	2.163