

BULLETIN: 01-2020
DATE: MARCH 27, 2020

Bulletin to All Private Passenger Vehicle Insurers
2020 Semi-Annual Review Industry Benchmark Schedule
Effective April 1, 2020 for Private Passenger Vehicles

Purpose:

The Automobile Insurance Rate Board (AIRB) is issuing this Bulletin to advise all private passenger vehicle (PPV) insurers operating in Alberta the AIRB has concluded the 2020 Semi-Annual Review. The 2020 Semi-Annual Review PPV Industry Benchmarks Schedule has been approved and posted on the website (<https://airb.alberta.ca/industry-information/communications/bulletins/>).

Background:

Section 9 of the Automobile Insurance Premiums Regulation requires the AIRB to conduct an annual review. In addition, the AIRB believes it should be using the most current available data in its review of rate filings and as such conducts a semi-annual review.

Process:

Annually, the AIRB requests its consulting actuary, Oliver, Wyman Limited, (Oliver Wyman) to complete a Review of Industry Experience (as of June 30) for PPV, once the data is available.

Once AIRB has reviewed and approved Oliver Wyman's draft for distribution, it is posted on the website. The AIRB provides stakeholders an opportunity to provide input by written submission to the AIRB.

Following a review of all comments received, Oliver Wyman updates the draft report considering any new information provided by stakeholders and submits a final report to the AIRB.

The AIRB reviews and approves the final report, and issues a Bulletin to all Stakeholders providing Industry Benchmarks used in its review of insurers' rate filings effective April 1.

Action Required:

The Industry Benchmarks are used as the basis of the AIRB's review of PPV filings submitted on or after April 1, 2020. All PPV filings received on or after April 1, 2020, should incorporate the most current Industry Benchmarks to the extent their own data is not fully credible.

Should you have any questions relating to this Bulletin, please contact our office at (780) 427-5428 or by email: airb@gov.ab.ca.

Laurie Balfour, MBA, CPA, CMA
Executive Director

2020 Semi-annual Review Industry Benchmarks Schedule - PPV

Effective Date: For basic and/or additional coverage filings submitted on or after April 1, 2020

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	+8.0%/+7.0%*
TPL - Property Damage	+1.5%
TPL – Subtotal	+6.1%/+5.4%
Accident Benefits	+8.5%
Collision	+2.5%
Comprehensive	+6.5%
All Perils	+4.0%
Specified Perils	+7.0%
Underinsured Motorist	+4.0%

* Future trend rate begins April 1, 2019

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 57%. 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 selected provision for claim cost must be reduced to reflect the investment income earned on cash flows arising from the insurance options. The AIRB updated its Filing Guidelines in July 2019 to adhere to the Canadian Institute of Actuaries Standards of Practice and directed insurers to use their own expected investment return when discounting claims in the filings submitted to the AIRB. Therefore, the AIRB no longer publishes a benchmark for the investment income rate.

Administrative Expense & Unallocated Loss Adjustment Expense (ULAE)

The AIRB approved expense ratio is 26.7% based on 2018 GISA Expense Report; and the approved ULAE factor is 1.101 based on the published GISA accident year 2018 ULAE provision.

Insurers' should use their own experience 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 President of Treasury Board and Minister of Finance's [website](#). The 2019 assessment factor is 4.74%.

Profit

The AIRB approved 7% of premium as a target pre-tax profit provision for all coverages, insurers may choose a profit target up to 7%.

AIRB Approved Age-to-Ultimate Development Factors
As of June 30, 2020
Alberta
Private Passenger Automobile (Excluding Farmers)

As of 2020-1
Age-to-Ultimate Factors
Incurred Claim Amount

	Bodily Injury	Property Damage	Accident Benefits	Collision	Comprehensive	Comprehensive Theft	All Perils	Specified Perils	Underinsured
6-Ult	2.689	1.199	1.020	0.590	0.967	0.936	0.794	0.904	7.586
12-Ult	2.114	1.060	1.096	0.850	1.002	0.983	0.920	0.972	2.784
18-Ult	1.837	1.019	1.050	0.950	1.002	0.994	0.977	0.995	2.101
24-Ult	1.602	1.005	0.998	0.982	1.000	0.997	1.001	0.997	1.734
30-Ult	1.404	1.001	1.019	0.996	0.999	0.998	1.001	1.002	1.375
36-Ult	1.278	1.000	1.019	0.998	0.999	0.999	1.000	0.999	1.158
42-Ult	1.192	1.000	1.016	0.999	0.999	0.999	1.001	1.002	1.062
48-Ult	1.134	1.000	1.013	0.999	0.999	0.999	0.999	1.001	1.034
54-Ult	1.097	1.000	1.009	0.999	0.999	0.999	1.000	1.001	1.036
60-Ult	1.070	1.001	1.005	0.999	0.999	0.999	1.000	1.002	1.012
66-Ult	1.053	1.001	1.004	0.999	0.999	0.999	1.000	1.002	1.007
72-Ult	1.037	1.000	1.005	1.000	1.000	1.000	0.998	1.002	1.013
78-Ult	1.024	1.000	1.005	1.000	1.000	0.999	0.999	1.002	1.016
84-Ult	1.023	1.000	1.004	1.000	1.000	0.999	1.000	1.001	1.015
90-Ult	1.019	1.000	1.005	1.000	1.000	1.000	1.000	1.001	1.023
96-Ult	1.014	1.000	1.004	1.000	1.000	1.000	1.000	1.000	1.019
102-Ult	1.011	1.000	1.003	1.000	1.000	1.000	1.000	1.000	1.036
108-Ult	1.008	1.000	1.003	1.000	1.000	1.000	1.000	1.000	1.017
114-Ult	1.006	1.000	1.004	1.000	1.000	1.000	1.000	1.000	1.002
120-Ult	1.006	1.000	1.004	1.000	1.000	1.000	1.000	1.000	1.003
126-Ult	1.003	1.000	1.004	1.000	1.000	1.000	1.000	1.000	1.012
132-Ult	1.002	1.000	1.003	1.000	1.000	1.000	1.000	1.000	1.017
138-Ult	1.000	1.000	1.001	1.000	1.000	1.000	1.000	1.000	1.020
144-Ult	1.000	1.000	1.001	1.000	1.000	1.000	1.000	1.000	1.021
150-Ult	1.000	1.000	1.001	1.000	1.000	1.000	1.000	1.000	1.021
156-Ult	1.001	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.009
162-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
174-Ult	0.999	1.000	1.001	1.000	1.000	1.000	1.000	1.000	1.000
180-Ult	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000

**AIRB Approved Age-to-Ultimate Development Factors
As of June 30, 2020
Alberta
Private Passenger Automobile (Excluding Farmers)**

**As of 2020-1
Age-to-Ultimate Factors
Incurred Claim Count**

	Bodily Injury	Property Damage	Accident Benefits	Collision	Comprehensive	Comprehensive Theft	All Perils	Specified Perils	Underinsured
6-Ult	1.056	1.111	0.950	0.721	1.104	0.995	1.006	1.014	1.375
12-Ult	1.021	1.021	0.995	0.911	1.015	0.998	0.997	1.001	0.992
18-Ult	1.024	1.003	0.999	0.974	1.006	0.999	1.001	1.003	0.811
24-Ult	1.005	0.997	0.999	0.992	1.002	0.999	1.001	1.002	0.683
30-Ult	0.985	0.998	0.999	0.998	1.000	0.998	1.001	1.004	0.491
36-Ult	0.986	0.999	0.999	0.999	1.000	0.999	1.000	1.004	0.436
42-Ult	0.984	0.999	0.999	0.999	1.000	0.999	1.000	1.002	0.429
48-Ult	0.987	1.000	0.999	0.999	1.000	0.999	1.000	1.002	0.451
54-Ult	0.990	1.000	1.000	0.999	1.000	0.999	1.000	1.002	0.481
60-Ult	0.992	1.000	1.000	0.999	1.000	0.999	1.000	1.002	0.517
66-Ult	0.994	1.000	1.000	0.999	1.000	0.999	1.000	1.002	0.567
72-Ult	0.996	1.000	1.000	0.999	1.000	0.999	1.000	1.002	0.609
78-Ult	0.996	1.000	1.000	0.999	1.000	0.999	1.000	1.002	0.669
84-Ult	0.997	1.000	1.000	0.999	1.000	0.999	1.000	1.002	0.721
90-Ult	0.998	1.000	1.000	1.000	1.000	1.000	1.000	1.000	0.772
96-Ult	0.998	1.000	1.000	1.000	1.000	1.000	1.000	1.000	0.798
102-Ult	0.999	1.000	1.000	1.000	1.000	1.000	1.000	1.000	0.833
108-Ult	0.999	1.000	1.000	1.000	1.000	1.000	1.000	1.000	0.858
114-Ult	0.999	1.000	1.000	1.000	1.000	1.000	1.000	1.000	0.893
120-Ult	0.999	1.000	1.000	1.000	1.000	1.000	1.000	1.000	0.931
126-Ult	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	0.943
132-Ult	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	0.979
138-Ult	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	0.984
144-Ult	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	0.990
150-Ult	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	0.990
156-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
168-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
180-Ult	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000