

June 26, 2017

Notice 03-2017

**Notice to all Stakeholders:
Annual Review of Automobile Insurance Loss Experience**

The Automobile Insurance Rate Board (AIRB) is commencing its 2017 Annual Review process to analyze industry loss experience for private passenger vehicles (PPV) to establish industry benchmarks to be used in the review of insurers' PPV rate filings for basic and additional coverage, effective October 1st, 2017. The Board invites comments from interested stakeholders as part of its Annual Review and is calling for stakeholders to file a letter of intent to participate in the process by Friday, July 7th, 2017. This process will conclude with an Open Meeting:

The Open Meeting will take place in Edmonton at Canadian Western Bank Place, 10303 Jasper Avenue, Western Room, 11th Floor on Tuesday, August 15th, 2017 from 9:00 am to 4:00 pm.

Background

The AIRB will be holding a consultation meeting to review Alberta industry loss experience for private passenger vehicles to establish industry benchmarks to be used in the review of insurers' PPV filings for basic and additional coverage. The Board's focus for this year's Open Meeting is on:

- **Loss Development.** Oliver Wyman reports continued prior years' adverse loss development (based on its estimates) for Bodily Injury, and significant adverse loss development for the 2016-1 semester for Medical Payments and Disability Income. Are Oliver Wyman's findings consistent with what individual companies are experiencing? If yes, what are the causes?
- **Loss trends**, in particular:
 - Cause(s) for the decline in Bodily Injury, Property Damage, and Collision claim frequencies in 2015 and 2016, and the thoughts offered by Oliver Wyman on considering weather and economic conditions in the analysis of trends.
 - Cause(s) for the continued increase in Bodily Injury claim severity (More claims being settled outside the Minor Injury Cap? Increase in legal representation? Other reasons?) and whether it is reasonable to assume that the rate of increase will continue.
 - Cause (s) for the sharp increase in Medical Expense severity in 2015, and whether this represents (and should be treated as) a change in severity level.
 - Causes(s) for the sharp increase in Disability Income severity in 2015, and whether this represents (and should be treated as) a change in severity level or a data point outlier.
 - Causes for the decline in Collision severity in 2016 (Is this simply a reflection of the variability of the data?)
 - Cause(s) for the rise in theft claims, and whether the high frequency trend has continued in 2017.
- **The Government of Alberta's latest investment yield forecast and the resulting, higher, recommended investment rate benchmark.**

In order to participate in this year's Open Meeting, all stakeholders are invited to send a letter of intent to the AIRB. The letter of intent should specifically identify all the topics the presentation will cover. The AIRB will evaluate the letter of intent and presenters will be selected based on adherence to the areas identified above and relevance to the mandate of the AIRB. The purpose of a submission process is to ensure that presentations are within the scope of the Annual Review and relate to industry-wide experience. All interested parties may attend the Open Meeting, but only those parties selected by the AIRB will be permitted to present to the Board.

The Process

There are three ways for interested parties to participate in the Annual Review

- Submit a Letter of Intent to make a presentation to the Board at the Open Meeting.
- Send a Written Submission to the AIRB regarding the Annual Review.
- Contact the Consumer Representative.

1) Letter of Intent to Present at Open Meeting

All interested parties wishing to present to the Board during the Open Meeting must file a letter of intent by Friday, July 7th, 2017. Your letter of intent should include:

- A list of the issues that you wish to present to the Board, including a description of how these issues apply to the criteria that must be considered by the Board and to industry experience for the past year.
- Your presentation should contain information that is accurate, based on current circumstances and related to the Alberta insurance market.

Presenters will be notified by Wednesday, July 12th, 2017 of their scheduled time to present at the Open Meeting. Each presenter must file their submission with the AIRB by Friday, July 21st, 2017. The presenters' submissions and presentation materials introduced at the Open Meeting will be posted to the AIRB website Tuesday, August 15, 2017 following the Open Meeting.

The AIRB's Preliminary Report (as prepared by Oliver Wyman, AIRB consulting Actuary) on industry experience was posted on the AIRB website on Monday, June 26th, 2017. Presenters are invited to comment on the report during their oral presentation.

2) Written Submissions

As an alternative to making a presentation during the Open Meeting, stakeholders are invited to make a written submission to the Board on issues related to the Annual Review. Written submissions must be received by Friday, July 21st, 2017. Submissions will be posted to the AIRB website Tuesday, August 15th, 2017 following the Open Meeting.

3) Input to the Consumer Representative:

Consumers not wishing to make a presentation or submit a written submission may make comments regarding the Annual Review to the Consumer Representative. The Board may also direct parties to provide their input to the Consumer Representative, Mr. Chris Daniel, who will collect the input of consumers. During the Open Meeting, the Consumer Representative will present a report to the Board on the input that he has received. His report was posted on the AIRB website on Monday, June 26th, 2017.

Attendance at Open Meeting:

The Annual Review will be an open process and all interested parties may attend the Open Meeting. However:

- Only those parties who have been invited to make a presentation will have an opportunity to speak to the Board.
- Presenters are invited to ask the Board questions at the end of their presentation.
- All presenters and attendees at the Open Meeting will be responsible for any expenses they incur in order to attend the Meeting.
- During the Open Meeting, the Board will reserve the right to go into in-camera sessions if necessary to protect proprietary data.

Important Dates:

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| 1. June 26 th , 2017 | Board Preliminary Report posted to the AIRB website
Consumer Report posted to the AIRB website
www.airb.alberta.ca |
| 2. July 7 th , 2017 | Deadline for Letter of Intent |
| 3. July 21 st , 2017 | Deadline for written submissions |
| 4. August 15 th , 2017 | Open Meeting
Submissions and presentation materials posted to the AIRB website
www.airb.alberta.ca |
| 5. September 22 nd , 2017 | Board’s Final Report posted to website |

Public disclosure of all presentation and written submissions:

Subject to section 816 of the *Insurance Act*, any information (including personal or business information) that is submitted to the Board for consideration in the Annual Review process will be considered made in the context of a public meeting, whether made as a written submission or an oral presentation, and will be made available to the public upon request to the Board.

Letters of intent and submissions should be sent to:

Automobile Insurance Rate Board
2440 Canadian Western Bank Place
10303 Jasper Avenue
Edmonton, AB T5J 3N6

Phone: 780-427-5428, or
Alberta toll free: 310-0000
Fax: 780-638-4254
Email: AIRB@gov.ab.ca

To contact the Consumer Representative:

Mr. Chris Daniel
c/o Automobile Insurance Rate Board
2440 Canadian Western Bank Place
10303 Jasper Avenue
Edmonton, AB T5J 3N6

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