

**Notice 05-2017**  
**December 14, 2017**

## **Notice to all PPV Automobile Insurers**

### **5% Limitation on Private Passenger Rate Increases**

As a result of Ministerial Order No. 25/2017 issued December 4, 2017 requiring the Board to cease approving PPV rate filings for cumulative rate increases on private passenger vehicles greater than five percent (5%), the Automobile Insurance Rate Board (AIRB) is issuing this notice to clarify the process for submitting PPV filings during the period November 1, 2017 to November 30, 2018.

#### **Background:**

Over the past two years the AIRB has received numerous company filings for rate increases significantly lower than their rate indications. More recently some companies have filed for double digit increases. In some cases, these companies had not filed within the past twelve (12) or more months resulting in increases to the consumer that would not normally have been experienced.

On August 14 2017 the Board at its regular meeting decided that for the foreseeable future, in order to protect consumers, it was unlikely to approve PPV rate increases greater than ten percent (10%) over a cumulative 12-month period. In addition, companies should be encouraged to file more regularly to ensure timely implementation of rate requirements to minimize rate shock to consumers.

On December 4, 2017 the Board was advised that the Minister was concerned with the impact that significant automobile insurance rate increases might have on Albertans. Consistent with government's top priorities of ensuring the cost of living in Alberta is affordable, the Minister issued Ministerial Order No. 25/2017 requiring the Board to cease approving any PPV rate filings from insurers for cumulative rate increases on private passenger vehicles greater than five percent (5%). This order is for the period November 1, 2017 to and including November 30, 2018 (these dates refer to Board approval dates not rate implementation dates). This five percent (5%) limit is not retrospective prior to November 1, 2017.

In addition to the above, the Board's August 14 2017 decision limiting rate increases to ten percent (10%) over a 12-month period still applies. For example, a company receiving approval for a seven (7%) increase at the Board's October 2017 meeting (prior to the November 1 2017 date) while eligible for a five percent (5%) increase under the Ministerial Order will still be limited to a maximum increase of three percent (3%) as a result of the Board's ten percent (10%) rate increase limitation over a twelve (12) month period. Note companies receiving approval for rate increases beyond five percent (5%) prior to November 1, 2017 with implementation dates for new or renewal business on or after November 1, 2017 are not affected by this order.

**Process:**

The AIRB is aware that given the overall industry average rate indication and the continued deterioration of Bodily Injury claims costs insurers would under normal circumstances be filing for significant rate increases until such time as rates have either caught up with rate indications or claims costs have declined. The AIRB is requesting that in order to maintain filing efficiency, companies should continue to:

- file as they normally do providing an overall rate indication
- provide in the filing what would have been their proposed rate level change absent the Ministerial Order or the Board's ten percent (10%) limitation (as information only)
- provide in the filing their proposed rate level change based on a maximum overall premium increase of five percent (5%) or less if limited by the Board's annual ten percent (10%) rule
- use the AIRB's existing filing guidelines (no changes have been made as a result of this order)

While the Board encourages rate capping to smooth the impact of changing rates and dislocation resulting from changes in rating algorithms, the Board's policy is that "rate capping" is a tool used at the discretion of companies to manage the impact of rate changes. As such, companies may continue to use capping as they have in the past.

Please note that the five percent (5%) applies to overall rates for all coverage. It does not apply on a policy or coverage basis. Companies having exhausted their five percent (5%) rate increase may still file for segmentation purposes as long as the overall rate change is no greater than zero percent (0%). The Board approved 10% Grid increase effective January 1, 2018 is not affected by this order.

As always companies are encouraged to contact our office prior to developing their filing to ensure a clear understanding of filing requirements so as not to delay the review process. Should you have any questions relating to this notice, please contact our office at 780-427-5428 or by email: [del.dyck@gov.ab.ca](mailto:del.dyck@gov.ab.ca) or [vivian.cao@gov.ab.ca](mailto:vivian.cao@gov.ab.ca) or [kimberley.kern@gov.ab.ca](mailto:kimberley.kern@gov.ab.ca).

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