

THREE YEAR ROLLING

BUSINESS PLAN

APRIL 1, 2021 TO MARCH 31, 2024

Automobile Insurance Rate Board

2021 - 2024 Business Plan



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For an electronic copy of this report, please visit:
www.airb.alberta.ca/about/business-plan

LETTER OF TRANSMITTAL AND ACCOUNTABILITY STATEMENT

The Honourable Travis Toews
President of Treasury Board and Minister of Finance
208 Legislature Building
10800 - 97 Avenue
Edmonton, Alberta T5K 2B6

Honourable Minister:

I am pleased to provide the Automobile Insurance Rate Board's (AIRB) 2021-2024 business plan. The AIRB is an independent agency, established by the President of Treasury Board and Minister of Finance to regulate automobile insurance rating programs in Alberta.

This business plan, for the three years commencing April 1, 2021, was prepared under my direction and is built on our updated vision, mission and values. All of the AIRB's policy decisions as of March 31, 2021, with material economic or fiscal implications of which I am aware have been considered in preparing this plan.

The AIRB's priorities outlined in this business plan were developed in the context of the Government's business and fiscal plans, the AIRB's Mandate and Roles Document and the operating environment known at time of approval. The AIRB is accountable for the preparation and achievement of the strategies and objectives laid out in this business plan.

Sincerely,

[Original signed by Charlene Butler]

Charlene Butler, MBA, B.Sc, BComm
Board Chair



VISION

Automobile insurance is accessible, equitable and sustainable for all Albertans.

VALUES

Accountability
Integrity
Excellence

MISSION

The AIRB independently regulates automobile insurance rating programs and educates consumers to ensure Albertans have access to a robust automobile insurance marketplace.

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MANDATE

The AIRB is a regulatory agency established by the President of Treasury Board and Minister of Finance in accordance with section 599 of the Insurance Act. The AIRB is responsible for:

- reviewing and approving of automobile insurance rating programs for basic and additional coverage;
- conducting an annual review of automobile insurance trends and rates relating to basic and additional coverage, which includes stakeholder feedback and an open meeting;
- receiving comments from the automobile insurance industry, the Consumer Representative and the public;
- publishing all filing decisions; and
- providing public education and information related to automobile insurance on an ongoing basis.

LEGISLATIVE REFORMS

In the fall of 2020, the President of Treasury Board and Minister of Finance announced several legislative and regulatory changes, expected to address the unsustainable costs resulting in increased automobile insurance premiums for Albertans.

We are honored to be trusted with increased responsibility and excited to review, implement and monitor the impact of the changes to the regulatory framework and deliver results on our new responsibilities.

These reforms have increased our responsibilities but have not changed our

overall focus or strategic direction. During the next twelve months, our priorities will be:

- Implementing, monitoring and reporting on the implementation of reforms and their impacts to stabilizing automobile insurance premiums in the province;
- Automating our systems and processes; and
- Transitioning to a principles based approach where appropriate.

During 2019, Alberta's **Private Passenger Automobile** Insurance Market Covered More Than 2.8 Million Vehicles

PREMIUMS COLLECTED

\$3,900,000,000+

In 2019, private passenger automobile insurers collected over \$3.9 billion in premiums.



CLAIMS & EXPENSES PAID

\$3,900,000,000+

In 2019, private passenger automobile insurers paid over \$3.9 billion in claims and operating expenses.



Industry Trends

\$74,000+

BODILY INJURY CLAIMS

The average cost of a private passenger bodily injury claim was over \$74 thousand for insurers in 2019.

34+

STOLEN VEHICLES PER DAY

In Alberta, an average of 34 vehicles are stolen each day.

Industry Statistics

285,000+

CLAIMS PER YEAR

Albertans made over 285 thousand private passenger claims in 2019.

\$1,406

YEARLY PREMIUMS

Albertans spent an average of \$1,406 on private passenger automobile insurance coverages in 2019.



44

COMPANIES

In Alberta, private passenger automobile insurance is provided by 44 different insurers.

3.1%

COST TO ALBERTANS

In 2019, Albertans spent an average of 3.1% of their after-tax income on private passenger automobile insurance.

Vehicles by Class

PRIVATE PASSENGER



77%

COMMERCIAL



9%

ALL TERRAIN



4%

MOTORCYCLE



4%

MISCELLANEOUS & OTHER



4%

SNOWMOBILE



2%

OPERATING ENVIRONMENT

The previous year was challenging for all stakeholders, and the AIRB continued to deliver on our mandate and priorities, while adapting to a virtual environment when meeting with stakeholders, conducting Board meetings. Our Staff continue to be agile and adaptable, able to transition seamlessly to the work setting dictated by the environment and conditions. The AIRB remains committed to ensuring a healthy and safe work environment for all staff, and ensuring the service we provide to all stakeholders is the same regardless of where it is delivered from.

The AIRB monitors industry trends and developments to inform its board members, the Government of Alberta and other industry stakeholders. The AIRB evaluates accessibility, affordability, and service quality by monitoring relevant indicators which are influenced by competition, consumer knowledge, and industry trends.

Competitive Marketplace

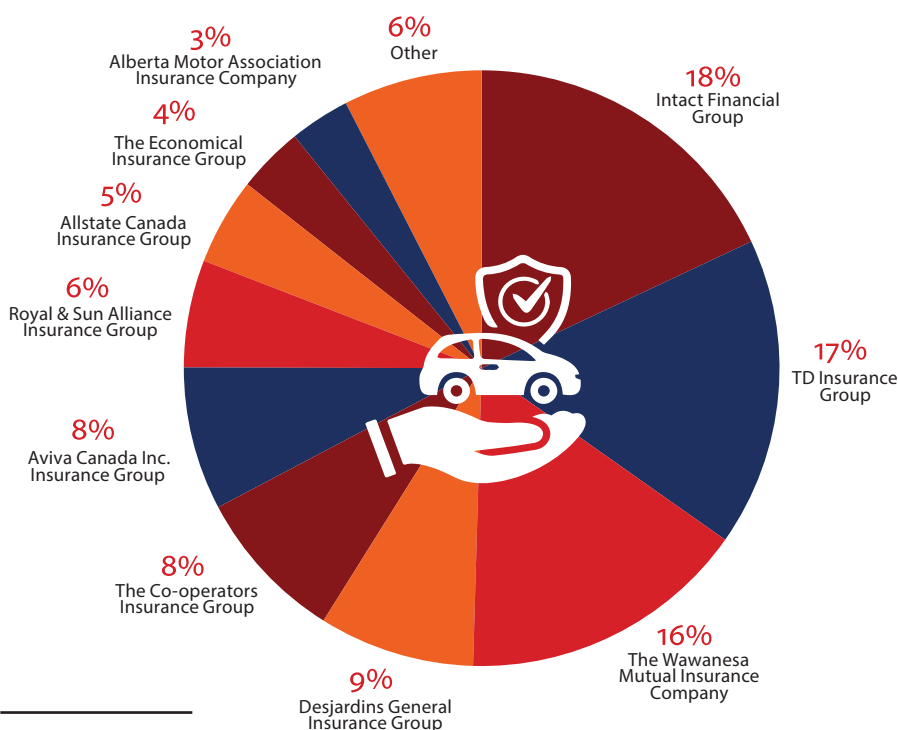
A competitive market not only allows insurers to compete on price and service but also, contributes to accessibility and affordability for consumers. Consumers have the ability to choose between different insurers, and no single insurer dictates how the market operates.

The size of the market is a measure of accessibility. Alberta has a competitive private market for automobile insurance providing

coverage for over 3.4 million vehicles (both private passenger and commercial) and with 69 insurers offering coverage to Albertans.

Based on 2019 direct written premiums, the top ten insurer groups in Alberta represented 94% of the private passenger vehicles (PPV) market share.

2019 TOP 10 PRIVATE PASSENGER INSURANCE GROUPS ¹



Affordability

Albertans are required to carry mandatory coverages for automobile insurance, and they have the option to purchase additional coverages like collision and comprehensive. Given affordability is subjective from person to person, the AIRB benchmarks the percentage of after tax income Albertans spend on the

average insurance premiums, in 2019, it was 3.1%, down from 3.0% in 2018. We focus on ensuring rating programs are equitable for all policyholders while monitoring the impact recent rate increases will have on the affordability of automobile insurance for Albertans.

Accessibility

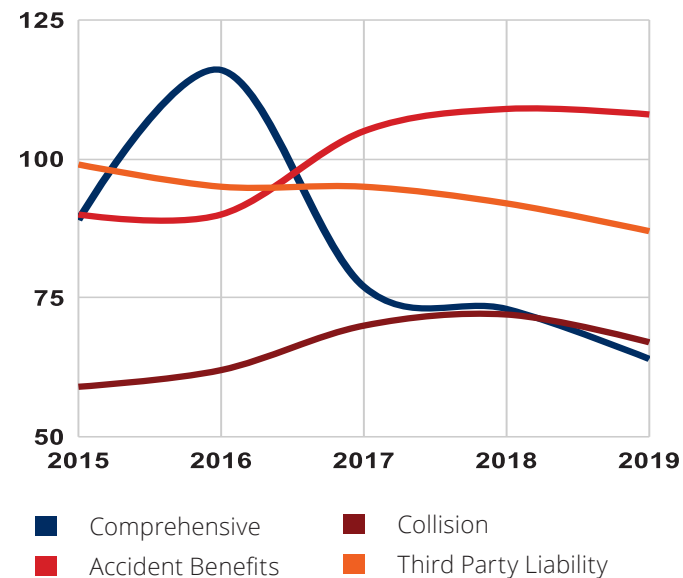
The AIRB continues to monitor the industry to ensure coverage is accessible to Albertans. Alberta has a robust and competitive market but rising claims costs and previous rate limitations put pressure on insurers with

inadequate rate levels. Insurers are increasing their focus on price accuracy and it is resulting in some policyholders experiencing large fluctuations in premiums.

Claim Trends

The sustainability of the industry is closely monitored. The three specific areas where automobile insurance claim trends impact sustainability for insurers are bodily injury claim costs (third party liability), increasing vehicle repair cost due in part to automated features (collision); and theft (comprehensive) – Alberta has more theft claims than any other Canadian province. The graph highlights the loss ratio (claims cost compared to premiums) by coverage.

**PRIVATE PASSENGER VEHICLES
LOSS RATIO BY COVERAGE ²**



² Source: General Insurance Statistical Agency

Consumer Education

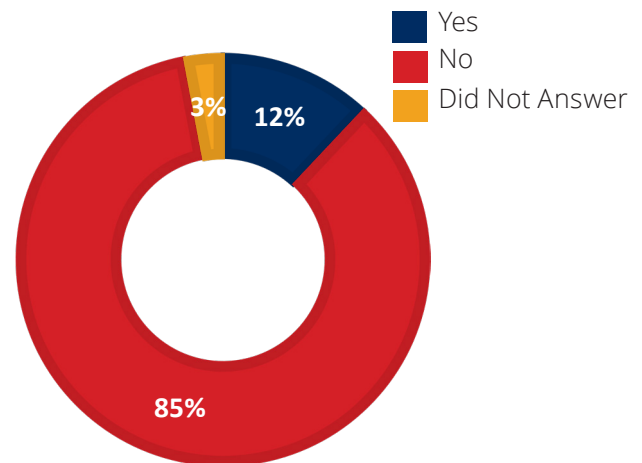
In the fall of 2019, over 95% of the market for private passenger vehicles received approval for rate changes and some consumers received premium increases greater than would otherwise normally be anticipated. This was followed by a decline in driving due to the pandemic in early 2020.

Recognizing this impact, the AIRB increased its attention on consumer education. The AIRB partnered with industry stakeholders on a social media campaign and published lists of the top ten reasons why insurance premiums are increasing and how to reduce your premiums, which are often not sufficiently explained or understood by consumers.

The results of the AIRB's 2021 Consumer Perception Survey showed 89% of Albertans were aware insurance premiums were increasing, and 79% contacted their broker or agent for an explanation of the increase. Of those surveyed, 85% indicated they did not get a satisfactory response from their broker or agent.

We believe all Insurers and industry stakeholders should improve their communication to consumers on why the rates are increasing. The AIRB continues to work with stakeholders to increase consumers education on automobile insurance.

DID YOUR BROKER OR AGENT PROVIDE YOU WITH A SATISFACTORY EXPLANATION AS TO WHY YOUR PREMIUM INCREASED?



STRATEGIC DIRECTION

The AIRB's vision, mission, values and strategic goals, continue to focus our direction for the future.

The guiding principles established in 2019, continue to influence the AIRB in this three year rolling business plan, reaffirming our commitment to:

- Optimizing our process for the review of rating programs;
- Being recognized as a leader in our sector;

- Enhancing our stakeholder engagement; and
- Continuing the development and engagement of our team to ensure we are proactive to the new and emerging trends.

Our goals and priorities give consideration to the fiscal restraint the AIRB is operating under.

This business plan only includes key priorities. Our plans for supporting initiatives to achieve our goals are detailed in our internal annual operational plan.

STRATEGIC GOALS



To Achieve

- Premium stability with equitable and competitive pricing is an integral objective of the automobile insurance system for consumers, insurers and Government.
- Competitive insurance premiums are available through rating programs which demonstrate innovation and improve the alignment of premium to risk.
- Adoption of innovative products for Albertans, to have greater control over their premiums thru usage based and pay per kilometer options.

How We Measure Results

- Insurers submit at least one filing every three years to ensure regular and stable rate adjustments

ACTUAL 2019/20	ACTUAL 2020/21	TARGET 2021/22	TARGET 2022/23	TARGET 2023/24
95%	100%	100%	100%	100%

What Success Looks Like?

- Consumers have access to automobile insurance within a competitive marketplace.
- Insurers file regularly for changes to rating programs, to avoid significant fluctuation in premium increases for consumers.

Our Priorities

1. Our regulatory framework supports equitable rates, market innovation and continued compliance with legislation while being mindful of increased regulatory burden.
2. We are current in our knowledge and understanding of the impact adoption of innovative strategies by insurers has on rate filings and consumers.
3. Implement appropriate changes within the AIRB's mandate to support government's priorities for automobile insurance.
4. Implement file and use frameworks, starting with filings to implement Direct Compensation for Property Damage (DCPD)
5. Implement and monitor new processes for usage based insurance, review and approval of rating variables and rating territories.
6. Conduct a review of the GRID rating system.

STRATEGIC GOALS

Goal Two

The AIRB continues to be a recognized leader in insurance rate regulation.

To Achieve

- Being seen as a valued resource for automobile insurance information.
- Ongoing input and discussion from stakeholders in effort to stay current with trends.
- Valued partnerships and the collaboration with national colleagues on automobile insurance initiatives.

What Success Looks Like?

- Stakeholders are satisfied with the level of service provided.
- The AIRB is a valued stakeholder in government initiatives related to automobile insurance.
- Alberta's priorities are considered in national organizations and their initiatives.

Our Priorities

1. Trends, key industry indicators and innovations are monitored and reported to support the achievement of our mandate and reporting to Government.
2. Stakeholder feedback is valued on the AIRB's Industry Benchmarks, bulletins and other initiatives.
3. Continued collaboration with stakeholders to ensure consumers have access to information they need about changes to their automobile insurance premiums.
4. Lead and encourage initiatives with the General Insurance Statistical Agency and Canadian Automobile Insurance Rate Regulators Association.

How We Measure Results

- % of stakeholders rating the service received from the AIRB as excellent.

ACTUAL 2019/20	ACTUAL 2020/21	TARGET 2021/22	TARGET 2022/23	TARGET 2023/24
68%	94%	95%	95%	95%

STRATEGIC GOALS



To Achieve

- Stakeholder's value relationships with the AIRB and are committed to enhancing engagement.
- Increased consumer awareness to enable informed decisions, about the purchase of automobile insurance.

What Success Looks Like?

- Stakeholders understand the AIRB's role and purpose, and view the AIRB as a valued partner.
- Our website is a reliable source of information on automobile insurance for all stakeholders.
- Stakeholders have access to accurate information on rate changes and impacts to consumers.

How We Measure Results

- Our website is accessed for information by stakeholders based on monthly page views.

ACTUAL 2019/20	ACTUAL 2020/21	TARGET 2021/22	TARGET 2022/23	TARGET 2023/24
18,919	21,714	22,000	23,000	24,000

Our Priorities

1. Engage with government on the implementation of short reforms for automobile insurance and plans for longer term reforms.
2. Conduct the annual consumer survey by the Consumer Representative, using the most efficient tools available to collect data and inform the AIRB and Government on consumer perceptions of automobile insurance.
3. Collaborate with stakeholders on mutually beneficial projects.
4. Advise the Minister on automobile insurance trends and concerns, in addition to the activities of the AIRB as required by legislation.
5. Focus consumer education on ensuring brokers/agents and other front line professionals have accurate information on issues impacting premiums.

STRATEGIC GOALS

Goal Four

The AIRB has educated and engaged professionals proactive to new trends.

To Achieve

- An appropriate staff and Board Member complement to deliver on the AIRB's mandate and goals outlined in this business plan.
- Staff and Board Members have access to ongoing training and development to allow them to remain current with and be able to respond to new trends and changes in the marketplace.

How We Measure Results

- Number of appointed Board Members.

What Success Looks Like?

- We have long-term staff and Board Members.
- We attract high caliber Board Members with the right skills and competencies.
- We are knowledgeable about trends and issues impacting automobile insurance in the province and across Canada.

Our Priorities

1. Recruitment of Board Members to ensure membership is diverse and representative of the established competency matrix.
2. New Board Members receive orientation and education to ensuring adequate knowledge to make informed decisions.
3. Board Members and staff are provided opportunities for continuous education and development related to the AIRB's mandate.
4. The AIRB has appropriate resources to implement the AIRB's goals in the next three to five years.

ACTUAL 2019/20	ACTUAL 2020/21	TARGET 2021/22	TARGET 2022/23	TARGET 2023/24
5	8	8	8	8

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