



ANNUAL 2021 REPORT



FOR THE YEAR ENDED
DECEMBER 31, 2021

Automobile Insurance Rate Board — 2021 Annual Report

For the Year Ended December 31, 2021



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For an electronic copy of this report, please visit:
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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:

On behalf of the Board and staff of the Automobile Insurance Rate Board (AIRB), I am pleased to submit the 17th Annual Report of the AIRB, for the year ended December 31, 2021.

The 2021 Annual Report of the AIRB was prepared under the Board's direction in accordance with section 60(1) of the *Insurance Act*. The information presented reflects the actual activities, results and performance of the AIRB for the year ended December 31, 2021. All significant decisions, events and identified risks as of December 31, 2021 have been considered in preparing this Annual Report.

As Chair, I am accountable for the contents of this report. Where this report contains estimates and interpretive information it represents the best judgment of management.

We are committed to working collaboratively with your office in pursuing the successful administration of the legislation as it relates to the AIRB.

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.



MISSION

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



VALUES

Accountability
Integrity
Excellence

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BOARD CHAIR'S REPORT



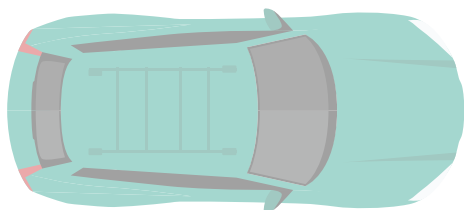
Charlene Butler
Board Chair

On behalf of the Automobile Insurance Rate Board (AIRB), I am pleased to present our 2021 Annual Report. As I look back on the past year, a quote by George C. Litchenberg resonates with me. "I cannot say whether things will get better if we change; what I can say is they must change if they are to get better." I believe the government also determined change was needed in Alberta's automobile insurance system, as premiums were no longer affordable for Albertans, mainly due to unsustainable cost pressures on bodily injury claims, severe weather events and theft.

Bill 41 – Insurance (Enhancing Driver Affordability and Care) Amendment Act, was passed in late 2020, laying out a clear path for change for the industry and the AIRB. The staff at the AIRB were incredibly responsive and managed a number of complex projects in a very short time, enabling the insurance industry to offer innovative products to Albertans. Bill 41 and accompanying regulatory amendments granted new authorities to the AIRB including:

- responsibility for oversight of the Grid Rating Program;
- ability to permit pay per kilometer rating programs and allow insurers to surcharge in their usage based insurance product;
- ability to implement file and use filing guidelines as appropriate; and
- ability to prohibit rating variables.

In addition to the new authorities, the AIRB was also responsible for ensuring all insurers filed amendments to their rating programs in preparation for the implementation of Direct Compensation for Property Damage (DCPD) on January 1, 2022. The AIRB implemented a file and use filing to reduce red tape for both insurers and the AIRB staff and Board members as we received 285 filings from insurers for over twenty vehicle types.



I am pleased to share a few of our successes from this year:

- implementation of principles based guidance for usage based insurance, rating variables and rating territories;
- simplification of our filing guidelines streamlining to a single guideline for both full and simplified filings, thereby reducing red tape; and
- implementation of file and use filing guidelines for CLEAR, DCPD and miscellaneous vehicles.

The Board and staff are excited for 2022, we will be seeking:

- further opportunities to reduce red tape for insurers while ensuring consumer protection;
- to build on our consumer education; and
- to work with insurers to opportunities to introduce innovation in our marketplace – such as pay per km or usage based insurance.

The AIRB's success depends on its people. I am very appreciative of the opportunity to lead this Board of engaged professionals from diverse backgrounds. I would like to thank our Board Members, management and staff for their ongoing engagement and dedication.

We are committed to ensuring automobile insurance is accessible, equitable and sustainable for all Albertans.

BOARD GOVERNANCE

Relationship to Government

The President of Treasury Board and Minister of Finance (Minister) and the Government of Alberta, through the *Insurance Act* (the *Act*), established the AIRB in October 2004 as an independent regulator. In this capacity, the AIRB is responsible for regulating automobile insurance rating programs in Alberta. The AIRB, through its functions and statutory duties and responsibilities, serves all Albertans — the public, industry and government. In addition, the AIRB must exercise and perform any other powers and duties assigned to it by the Minister or prescribed by regulations.

Decisions made by the AIRB regarding filings for changes to rating programs and the base premium with respect to the Grid are made independent of government and pursuant to the AIRB's enabling legislation.

As part of government's "Tools for Accountability" the AIRB is required to submit this Annual Report along with its Business Plan to the Minister on an annual basis.

Board Governance

The AIRB updated its vision, mission, and values in 2019. The AIRB sets goals as part of the annual business planning process, and these goals are the basis upon which accountability and performance are evaluated.

The AIRB consists of up to seven Board Members appointed by the Lieutenant Governor in Council, a Consumer Representative appointed by the Minister, and the Superintendent of Insurance who is a non-voting member of the Board, for a total of nine Board Members with a broad range of expertise and experience. The *Act* provides for a chair and a vice-chair as appointed by the Lieutenant Governor in Council.

The AIRB holds regular monthly meetings to review and rule on full and simplified filings for changes to rating programs and otherwise exercise its mandate and oversee its effective operation and fiscal responsibilities. The AIRB holds mid-month meetings to review and rule on simplified filings for changes to rating programs. In addition, it holds an open meeting to carry out its Annual Review process to develop an Industry Benchmarks Schedule for its review of insurer filings and the adjustment of the base premium level for the Grid.

The AIRB's governance processes and policies outline how it will carry out its duties and ensure alignment with *Alberta's Public Agencies Governance Act*.

Tools for Accountability

CODE OF CONDUCT

The Code of Conduct and Ethics (Code) was developed in 2018 and implemented April 1, 2019, pursuant to section 23.922 of the *Conflict of Interest Act*. The Code applies to all members and employees, and reflects a commitment to the AIRB's values and provides a framework to guide ethical conduct. Board Members and employees are expected to act in a way which supports this Code. To demonstrate our commitment to transparency and accountability, this Code can be viewed on our website.

CHARTER OF EXPECTATIONS

The Charter of Expectations (Charter), adopted in 2008 and updated in 2018, is a governance tool used in the recruitment of new Board Members and as a framework to assess their performance. The Charter is reviewed annually and reaffirmed by all Board Members.

The following guiding principles provide an understanding of the roles, expectations and responsibilities of each Board Member:

- assume, as a Board Member, the stewardship role of governing business affairs of the AIRB;
- act in the highest ethical manner and with integrity in all personal, business and professional dealings;
- become knowledgeable about the AIRB's mandate, responsibilities, the environment in which it operates and the emerging trends and issues in the automobile insurance industry;
- commit enough time and sufficient attention to the work of the AIRB; and
- act in a way which contributes to the effective operation of the AIRB.

BOARD PROFILE AND COMPETENCY MATRIX

The AIRB operates as a group. It only has authority as a group and as a group the AIRB deliberates and makes decisions. Acting as a regulatory and quasi-judicial Board in a very complex and constantly changing industry

requires the AIRB as a group to have a wealth of wisdom, experience and expertise in various disciplines.

The AIRB's Profile and Competency Matrix (Matrix) identifies the set of skills and experience required within the group to effectively carry out the AIRB's mandate. All of our Board Members are respected in his/her field and have a proven track record of achievement. In addition to direct experience with boards and governance, we seek to ensure our Board membership is diverse and represents Albertans.

The Matrix includes personal effectiveness skills as well as other specialized knowledge and relevant professional or volunteer experience which assist the AIRB in effectively carrying out its mission and mandate.

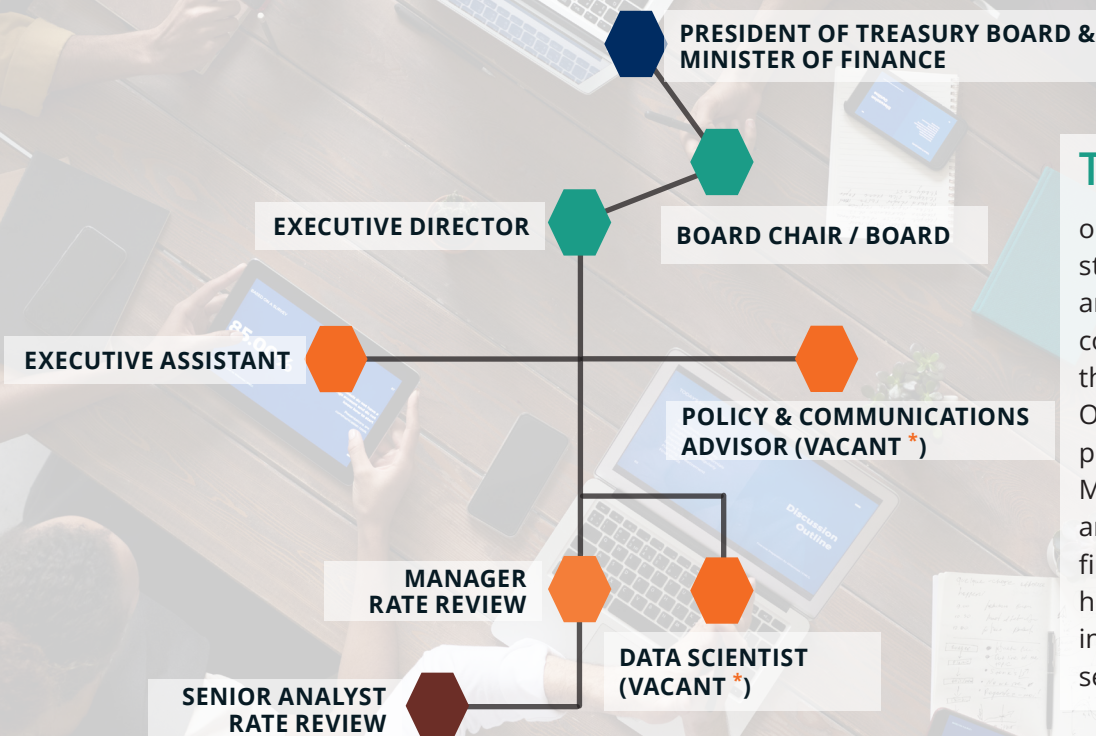
The profile of current Board Members continues to be updated as the membership of the AIRB changes, and is a tool used in the identification of the competencies the AIRB seeks when recruiting for vacant positions.

BOARD MEMBERS



Joshua Gogo, Patricia Matthews, Mathew Wesolowski, Jamie Hotte, Charlene Butler, William Moore and Jay Jeworski
(Mark Brisson absent from photo)

ORGANIZATIONAL CHART



The AIRB...

operates with six approved staff support positions, and actuarial and legal consulting services provided through external contracts. Operational support is provided through the Ministry of Treasury Board and Finance and includes finance, communications, human resources, and information technology services.

* The AIRB has reviewed its staffing structure, and reclassified vacant positions to better meet its organizational needs in the future.

ACCOUNTABILITY

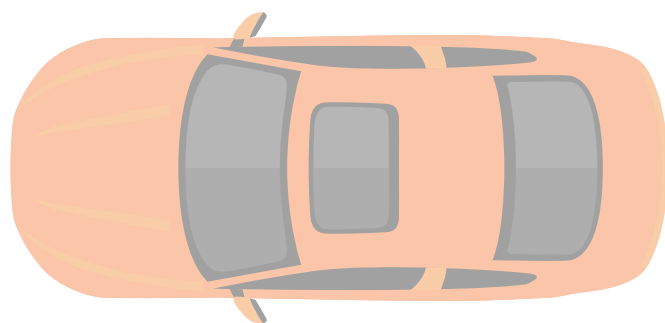
2020-2021 Expense Breakdown

The Ministry of Treasury Board and Finance's budget includes the AIRB. The AIRB is accountable to the Minister for its overall spending.

The AIRB's operations are fully funded through an annual industry levy to automobile insurers, in accordance with the Automobile Insurance Rate Board Fees Regulation.

The AIRB's operations for the fiscal year ended March 31, 2021, decreased 2.6 percent over the prior year.

The AIRB levy equates to a cost of \$0.39 per vehicle written (private passenger and commercial vehicles), a slight increase from \$0.36 per vehicle in 2020.



STATEMENT OF OPERATIONS

AND SURPLUS For the period April 1, 2020 to March 31, 2021

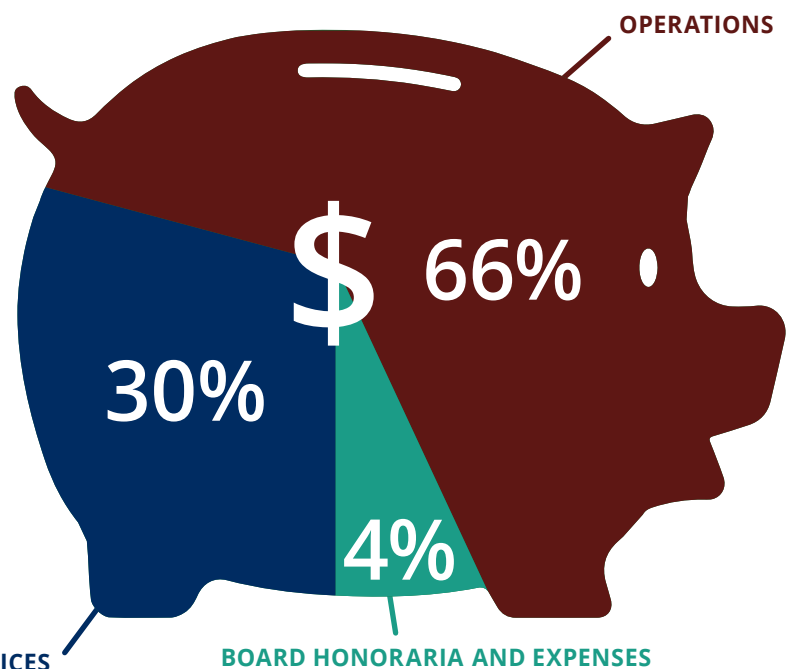
	2019 - 20 ACTUAL	2020 - 21 ACTUAL	2020 - 21 BUDGET
Revenue			
Annual Industry Levy ¹	\$1,448,000	\$1,309,000	\$1,309,000
— Less Accumulated Surplus	71,453	203,937	203,938
Net Annual Industry Levy	1,376,547	1,105,063	1,105,062
Expense			
Operations	818,984	800,145	867,350
Actuarial and Contract Services	353,557	365,190	339,400
Board Honoraria and Expenses ²	71,521	46,360	12,250
	1,244,062	1,211,695	1,309,000
Surplus / (Deficit)	132,485	(106,632)	(203,938)
Accumulated Surplus Beginning	71,453	203,938	203,938
Accumulated Surplus End ³	203,938	97,306	—



¹ In accordance with the Automobile Insurance Rate Board Fees Regulation, insurers are assessed a fee based on their share of direct written automobile insurance premiums from the prior year. The fee represents the AIRB's annual budget plus or minus the prior year's accumulated surplus or deficit.

² Board honoraria are remunerated in accordance with Schedule 1 of the Part-Time Committee Remuneration Orders in Council 103/2006 and 466/2007. Expenses are remunerated in accordance with the Public Services Commissioner directive on subsistence and travel expenses.

³ The accumulated surplus changes as actual expenditures vary compared to budget. The AIRB is subject to the same fiscal restraint as the Government of Alberta and at times this results in a surplus. Any accumulated surplus is deducted from the next year's levy.



BOARD INVOLVEMENT

Canadian Automobile Insurance Rate Regulators Association

The Canadian Automobile Insurance Rate Regulators Association (CARR) provides rate regulators with an opportunity to address current and potential regulatory challenges and work together to find common solutions where practical. CARR was formed in 2008, and the AIRB is proud to be a founding member.

The AIRB actively participates with CARR committees and initiatives to remain informed of trends and innovations in the market.

As an active member of all of the CARR committees, the AIRB suggests projects and promotes information sharing, such as updating rating profiles used nationally by rate regulators and specifically in Alberta's



Where Canadian Auto Insurance Rate Regulators Converge!

rate comparison tool. We also engage CARR membership on other projects aligned with AIRB priorities, including educational opportunities.

General Insurance Statistical Agency

The General Insurance Statistical Agency (GISA) is the statistical agent appointed for Alberta and eight other jurisdictions with private automobile insurance regimes. GISA a key source of data for the AIRB Annual Review and data gathering related to market analysis and reporting. The AIRB ensures Alberta has a strong voice in the initiatives GISA undertakes.

Our Executive Director plays a key leadership role in a number of key GISA initiatives — including but not limited to:

- exhibit production;
- data management;
- financial information collection; and
- strategic planning.

GISA continues to focus on improvement of its data collection and reporting to ensure the availability of accurate data. The AIRB recognizes the importance of quality data to make decisions both from a regulatory and industry perspective, and supports the continuous improvement of the data to meet the needs of the AIRB and stakeholders.



EXECUTIVE DIRECTOR'S REPORT



Laurie Balfour
Executive Director

As I look back on 2021, I am very proud of the agility of our team. Responding thoughtfully, yet quickly to the new authorities with existing resources was challenging, but one we tackled successfully. We still have work to do, and will continue our pursuit of continuous improvement as we deliver on our mandate and increase our focus on consumer education.



Increased Mandate

The AIRB responded quickly to the transfer of authorities from the Superintendent of Insurance to our team. In each of the following three highlighted examples, the AIRB has sought to implement the new mandate with due care for the impact to consumers and the premiums they pay, as well as reducing red tape where possible to streamline efforts for the industry and the AIRB.

FILE AND USE FILING GUIDELINES

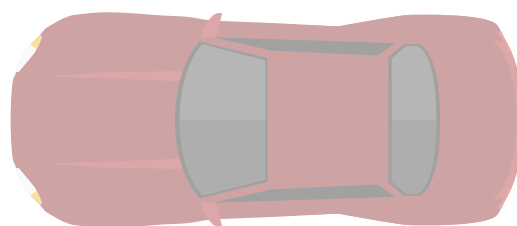
Bulletin 01-2021 announced the first file and use filing guideline implemented following the legislative change allowing the AIRB to include alternatives to the prior approval framework. The AIRB considers file and use frameworks as an opportunity to reduce red tape for insurers by simplifying the process for changes to rating programs where the change is either required, or considered regular maintenance – such as annual update of CLEAR Rate Group Tables. We later introduced the DCPD Filing Guidelines as file and use, through Bulletin 03-2021 and miscellaneous classes through Bulletin 11-2021. We will continue to monitor the use of file and use, and consider further opportunities to streamline the filing process.

EXPANSION OF RATING TERRITORIES

Bulletin 02-2021 advised industry stakeholders of the approval of principles for the expansion of rating territories. The Superintendent of Insurance rescinded the moratorium on the number of territories for basic coverage, and the responsibility for this rating variable was transferred to the AIRB. One of the key principles was established to ensure premium impacts for consumers are minimized, while insurers seek to return to a competitive market with a level playing field.

USAGE BASED INSURANCE

Bulletin 05-2021 announced the AIRB's principles based approach to review and approving usage based insurance (UBI) for Albertans. Although no new UBI programs have been introduced, we are in discussions with insurers about new programs being developed, and are excited to see more options become available to Albertans in the near future.



Changes and Opportunities

On top of the changes in mandate, the AIRB also had changes in our staffing complement. We welcomed back Christine Zhao from her maternity leave in February 2021. Christine was quickly back up to speed and actively contributed to our implementation on several key projects.

Haydn Borlase, Rating Analyst and Tracy Lemieux, Senior Rating Analyst Rate Review leveraged the experiences they gained while working at the AIRB to gain promotional

opportunities. I would like to thank them both for their numerous contributions to the AIRB during their tenure, and wish them both much success in the future.

The departure of two key individuals presented an opportunity for the AIRB to review its organizational structure, and to introduce changes to position us well for the future. The Board members and I are excited for the changes yet to come.

Stakeholder Survey

We conducted our stakeholder survey in order for the Board Members to evaluate the level of satisfaction insurers have with the services provided by AIRB staff. All insurers who submitted a filing during 2020 were surveyed, and we received responses from 78.0% of them. One of the questions, which is used as a metric in our business plan, is the overall rating for service received. Based on a five point scale ranging from very poor to excellent, 77% of the responses rated the overall service as excellent (68% in 2020). This survey is one way we measure our service, and we will be striving to improve annually.

RATING FOR EXCELLENT SERVICE RECEIVED



Looking Ahead to 2022

The year ahead will be equally busy, and filled with new challenges and opportunities. Some of the things we are working on include:

- preparing for the launch of an automated process for rate filings and web portal for insurers to exchange information with the AIRB staff;
- reviewing the Grid rating program, seeking opportunities and adjustments to ensure it is meeting its intended outcome; and
- expanding the work of the Consumer Representative, focusing on increasing engagement directly with consumers to both educate and hear their concerns.

AUTOMOBILE INSURANCE MARKET

The AIRB independently regulates automobile insurance rating programs and educates consumers to ensure there is access to a robust automobile insurance marketplace. The AIRB monitors industry trends and developments to inform the Government of Alberta, and other industry stakeholders. Further, the AIRB evaluates affordability, accessibility, and service quality by monitoring relevant indicators which

are influenced by competition, consumer knowledge, and industry trends.

For more information, refer to the 2021 Market and Trends report on our website.

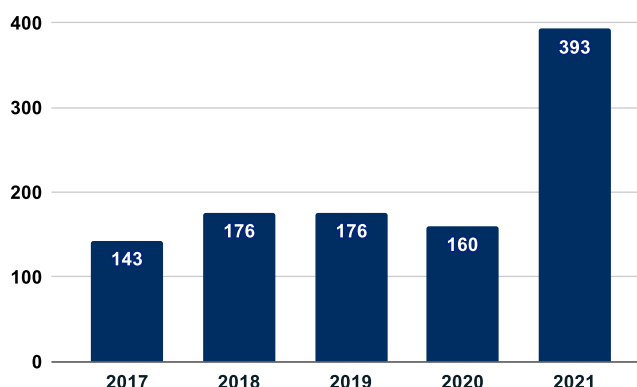
Filing Decisions

One of the AIRB's primary responsibilities is to review and approve changes to rating programs for all types of vehicles and coverages. The AIRB meets regularly to review insurer filings and can approve, reject or amend a filing. The AIRB staff and/or our consulting actuary scrutinize each filing to ensure the request for change to a rating program is supported and in compliance with the AIRB's guidelines and applicable legislative requirements. It is very common for this review to result in a change to the insurer's request prior to presentation to the Board Members. In 2021, 97.2% of filings presented to the Board Members were accepted and the remaining 2.8% approved with conditions or amendments. The AIRB tracks the volume of filing decisions by vehicle type as one indicator of market sustainability.

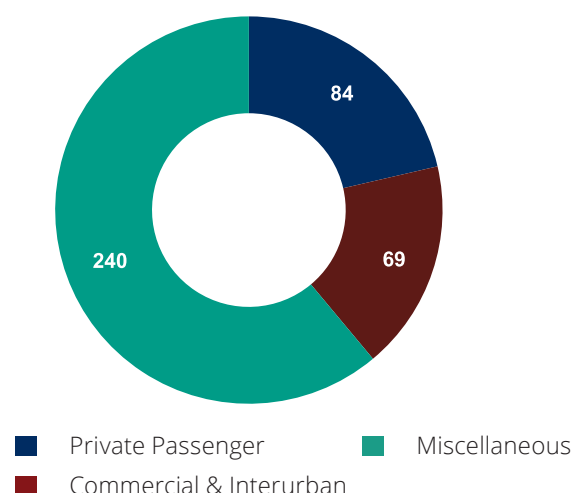
In 2021, the AIRB introduced a file and use filing guideline, to reduce red tape for insurers and encourage regular maintenance to the rating programs for miscellaneous vehicles, DCPD implementation and CLEAR vehicle rate group table updates. Regular maintenance of a rating program minimizes rate shocks, which negatively affect consumers. As shown below, the 285 DCPD implementation filings (included in File and Use) skew the annual comparison.

For more information, refer to Rate Changes on our website. Filing decisions are update daily, reflecting any rate changes implemented on any given day. We do not disclose information about rate filing decisions prematurely for competitive reasons, as it might give other companies an unfair advantage over their competitors.

TOTAL FILINGS APPROVED BY YEAR

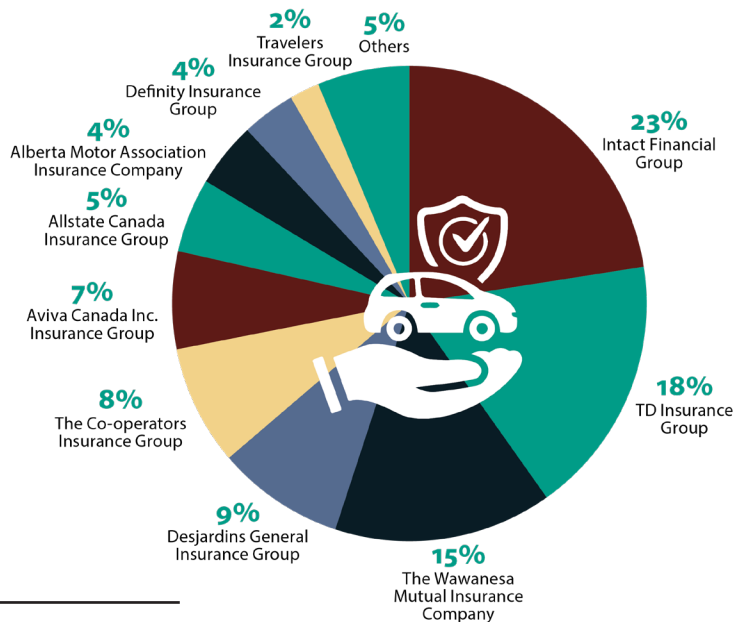


2021 FILINGS BY VEHICLE TYPE



Private Passenger Vehicle Trends & Statistics

2020 TOP 10 PRIVATE PASSENGER INSURANCE GROUPS ⁴



⁴ Source: MSA Research.



Vehicles by Class

PRIVATE PASSENGER



78%

COMMERCIAL



8%

ALL TERRAIN



5%

MOTORCYCLE



5%

MISCELLANEOUS & OTHER



2%

SNOWMOBILE



2%

\$77,000+

BODILY INJURY CLAIMS

The average cost of a private passenger vehicle bodily injury claim was over \$77,000 for insurers in 2020 (\$74,000+ in 2019).

226,000+

CLAIMS PER YEAR

Albertans made over 226 thousand private passenger vehicle claims in 2020 (285,000+ in 2019).

\$1,514

YEARLY PREMIUMS

Albertans spent an average of \$1,514 on private passenger vehicle insurance coverages in 2020 (\$1,406 in 2019).

52+

STOLEN VEHICLES PER DAY

In Alberta, an average of 52 vehicles were stolen each day in 2020 (34+ in 2019).

45

INSURERS

In Alberta, private passenger vehicle insurance is provided by 45 different insurers (44 insurers in 2019).

3.3%

COST TO ALBERTANS

In 2020, Albertans spent an average of 3.3% of their after-tax income on private passenger vehicle insurance (3.1% in 2019).

DCPD

Direct Compensation for Property Damage (DCPD) was introduced as part of the Automobile Insurance Reforms announced in October 2020. DCPD will replace the property damage portion of the third party liability coverage on the automobile insurance policy effective January 1, 2022. The main intent of this change is to provide consumers with an efficient way to process vehicle damage claims.

Preparing for the implementation of DCPD has been a significant focus for the AIRB this year. Staff worked closely with insurers to revise their rating programs to include DCPD, receiving and reviewing 285 file and use filings. In addition, the AIRB worked closely with the Government and industry stakeholders to ensure consistent communication is available to Albertans in advance of this change coming into effect. We have introduced a new webpage dedicated to DCPD to assist Albertans to obtain the information they need about this important change.

Key Q&A's

WHAT DOES THIS MEAN TO VEHICLE OWNERS?

Under DCPD vehicle owners will work directly with their own insurer instead of the other party's insurer in the event of an accident. It allows for a more efficient and customer focused claims process. DCPD is part of the mandatory coverage for Alberta drivers.

WHAT IMPACT WILL DCPD HAVE ON INSURANCE PREMIUMS?

DCPD better aligns insurance premiums with the costs associated with repairs for a vehicle. Under DCPD, insurers will take into account the year, make and model of a vehicle in their premiums, as well as how likely it is the vehicle will be involved in a collision and how expensive it will be to fix.

This means, generally, owners of less expensive vehicles which cost less to repair will pay less for their insurance. Similarly, owners of more expensive vehicles which cost more to repair may pay more. It's a fairer system for everyone.

When DCPD is implemented, 42% of drivers will see a reduction in their premiums and roughly 15% will see no change. An estimated 34% of drivers will see an increase in their premiums between 0% and 5%.

WHO WILL DETERMINE WHO IS AT-FAULT FOR AN ACCIDENT?

Fault for vehicle accidents will be determined using the DCPD Fault Determination Rules. For unique or complex situations not falling under these scenarios, the ordinary rules of the road, will apply, as they have in the past. The AIRB has accident examples on our website to assist Albertans in understanding how fault is determined.

Consumers who disagree with the determination of fault for an accident will continue to have access to the same options available today, including each insurer's Ombudsperson/consumer complaints and the General Insurance OmbudService.

DCPD DEDUCTIBLE OPTIONS

While all insurers are required by law to offer DCPD coverage without a deductible, some insurers may offer a deductible option to help lower premiums for drivers. It is important to note, under the third party liability property damage Albertans are used to, there is no deductible. So, if a deductible is chosen, and the driver is involved in a not at fault claim, the deductible must be paid (in whole or in part) prior to the claim being paid under DCPD. We encourage all policyholders to speak to an insurance representative to see what options are available and right for you.

CONSUMER EDUCATION

The AIRB's main responsibility is the regulation of the automobile insurance rating programs in Alberta; in addition, we ensure consumers have access to the information they need to facilitate informed choices regarding automobile insurance.

In the spring of 2019, the AIRB updated its mission statement. The mission confirms the priority and requirement to focus on stakeholder engagement.

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

The AIRB connects with consumers in a number of ways:

- telephone and e-mail inquiries;
- the Consumer Representative's surveys;
- invitation to attend Annual Open Meeting;
- presentations on automobile insurance and shopping the market; and
- ensuring consumer information is available and up to date on our website.

The AIRB believes it is important to provide consumers with information regarding costs pressures on claims, factors which influence their premiums and ways they can reduce their premiums. A list of the top ten reasons why premiums increase is available on our website. The AIRB regularly reviews the consumer information on its website and updates or adds content to ensure Albertans have access to factual content and information on automobile insurance.

Rate Comparison

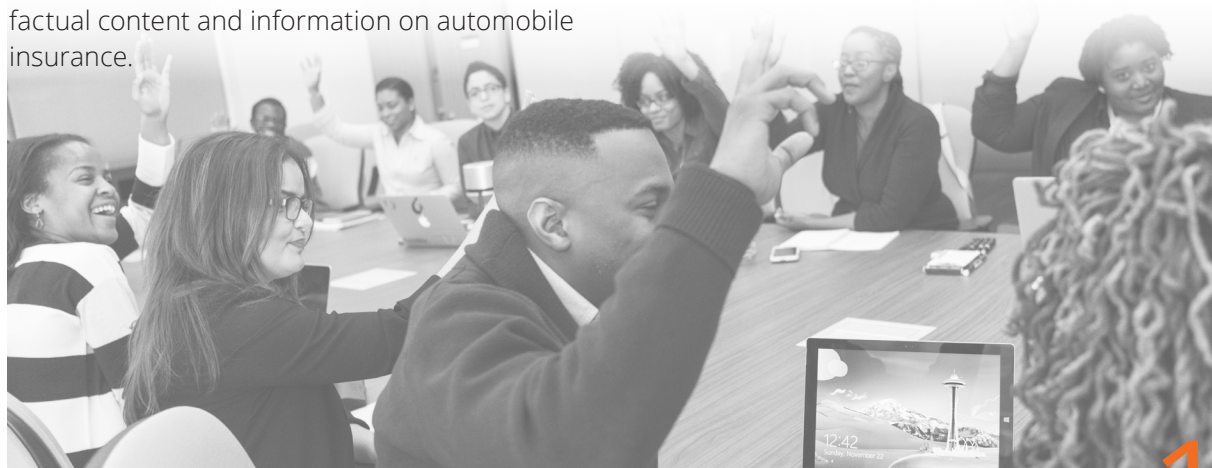
Alberta's private insurance delivery system benefits consumers by providing choice and flexibility over their coverage and the premium they pay for insurance.

The AIRB website provides a comprehensive interactive rate comparison tool which allows consumers to compare insurance rates by insurer for a sample number of driving profiles and geographical locations. While this tool does not provide pricing for a specific driver, its purpose is to demonstrate the wide range of premiums available for the same coverage and shopping for rates may result in a lower premium.

Consumers should be mindful insurers compete not only on premium but also on service and product; therefore, premium should not be the only determining factor in the selection of an insurer. If a consumer is not satisfied with the premium for their automobile insurance, the AIRB encourages comparative shopping. Consumers can contact either an insurance broker/agent or one of the many insurers who have online quoting tools.

Consumer Information

The AIRB website includes a wide range of consumer information, such as ways to lower your premiums, factors which affect your premiums, comparing rates, a Grid calculator and links for insurers.

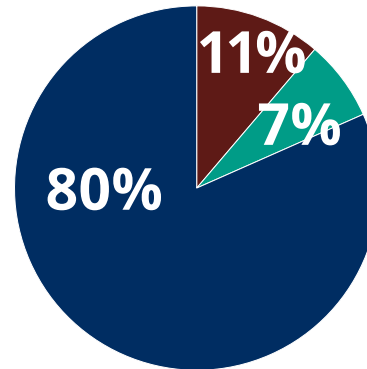


2021 Consumer Perception Survey

PERCEPTIONS OF AUTOMOBILE INSURANCE

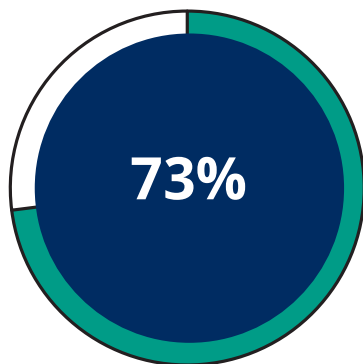
How strongly do you agree, your automobile insurance premiums are fair and reasonable?

- High Agreement
- Moderate Agreement
- Low Agreement



Note: Some responded with *Don't Know*

PURCHASING BEHAVIOUR

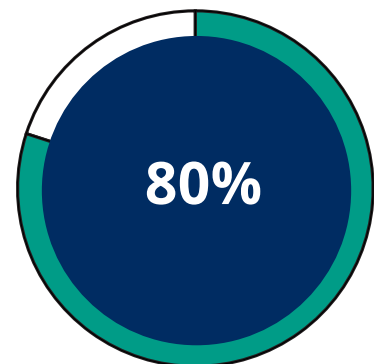


Remained with their existing insurer in the last 2 years.



4 out of 7

Respondents used a broker/agent when purchasing automobile insurance.



Of those who switched, did so to lower their premium.

ANNUAL REVIEW

The AIRB conducts an Annual Review of automobile insurance trends, premiums and costs relating to basic and additional coverage for private passenger vehicles, as required under Section 9 of the Automobile Insurance Premiums Regulation. The Annual Review considers industry experience related to claims costs, administrative expenses, profitability and any other matters the AIRB considers appropriate.

In early 2021, the AIRB requested its consulting actuary, Oliver Wyman Limited (Oliver Wyman), complete an analysis of industry experience for the period ended December 31, 2020. Oliver Wyman's preliminary report was posted to the AIRB's website on June 25, 2021 for review by stakeholders. Stakeholders were provided an opportunity to respond to this report at an open meeting held on August 19, 2021, by written submission, presentation or through the AIRB Consumer Representative. At the open meeting, the AIRB heard from Oliver Wyman, the Consumer Representative and three industry stakeholders.

The AIRB considered the information received at the open meeting along with the written submissions and requested Oliver Wyman to update its preliminary report as a result of the information received.

The AIRB published its "Annual Review Report" of its findings on September 24, 2021, which includes: the Consulting Actuary's report, Consumer Representative's report and the approved Industry Benchmarks Schedule. The Annual Review Report can be found on our website.

In addition to the Annual Review, the AIRB conducts a Semi-annual Review between January and March, which results in an updated Industry Benchmarks Schedule to be used to review insurers' filings for the period April 1 to September 30.

Consumer Representative

As part of the Annual Review process, the AIRB contracted a consulting and research firm to conduct an independent and impartial review of consumers' perceptions of automobile insurance in Alberta, via a social media panel and telephone survey, on behalf of the Consumer Representative, Mr. Mathew Wesolowski. Consumer telephone and e-mail correspondence addressing their specific concerns along with information from other provinces, traffic safety trends and other data were also considered.

The results through the combined surveys included the following:

- the percentage of consumers who feel their premiums are not fair and reasonable increased from 66% in 2020 to 80% in 2021;
- the percentage of consumers who are aware some Alberta drivers are facing premium increases decreased slightly from 91% in 2020 to 89% in 2021;
- the percentage of consumers who indicated awareness of factors contributing to the rising cost of automobile insurance decreased over 2020 results; and
- more than 75% of consumers surveyed were aware of actions they could take to reduce their premiums.

In 2021, the Consumer Representative also conducted four online focus groups each targeting different demographics and regions – seniors, youth, urban and rural. Each of the 22 focus group participants engaged in open discussions of their opinions of automobile insurance in Alberta and discussions to correct misinformation or impressions the participants had. The insights heard from these focus groups was invaluable to the Consumer Representative in writing a report of his findings.

These findings were presented to the AIRB at its open meeting in August. Mr. Wesolowski's report, including his observations, is available on our website.

ALBERTA'S GRID RATING PROGRAM

Alberta's 2004 automobile insurance reforms introduced legislation creating the "All Comers Rule". This rule was introduced to protect consumers from insurers who chose not to provide coverage to those drivers believed to be undesirable business. The reforms included a Grid Rating program developed to set maximum premiums an insurer could charge for basic coverage (third party liability and accident benefits) for any driving record. Effective January 1, 2022, the Grid premium will include the approved premiums for direct compensation property damage coverage.

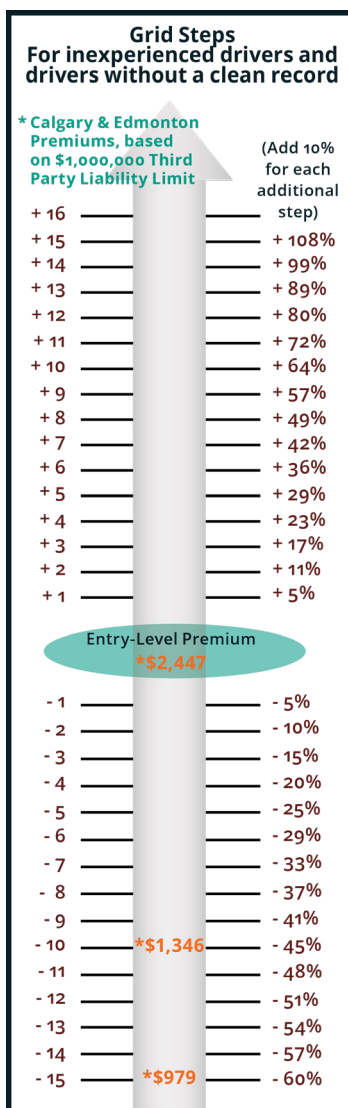
The Grid premium is often the lower premium for inexperienced drivers and drivers an insurer deems less desirable (e.g. poor driving record, etc.). The vast majority, approximately 93%, of drivers pay premiums lower than the Grid.

New drivers rated on the Grid will be assigned an initial Grid step. As drivers gain experience and drive without claims and convictions, their premiums decrease each year, to a maximum 50% reduction of the initial Grid step premium. If an at-fault claim occurs, the driver will move up 5 Grid steps which will lead to an increase in their Grid premium. The AIRB has developed a Grid calculator which allows insurers and consumers to determine a driver's Grid premium and to demonstrate how the Grid rating program operates. The Grid calculator can be found on our website.

How the Grid Protects Drivers

The Grid applies only to private passenger vehicles. It does not extend to other categories of vehicles such as motorcycles, recreational vehicles (snow vehicles, all-terrain vehicles, etc.), motorhomes, commercial vehicles and public transportation vehicles. It only applies to basic coverage, not additional coverage (all perils, collision, comprehensive and specified perils).

This Grid base premiums are reviewed on an annual basis and published by the AIRB for use by insurers and consumers. Insurers are required to compare a driver's premium under their current AIRB approved rating program to the driver's Grid premium and charge the lesser of the two premiums for basic coverage.



*Effective January 1, 2022

GRID CAPPED VEHICLES

This infographic compares the percentage of total private passenger vehicles capped by the Grid premium and ceded to the Grid Risk Sharing Pool (RSP). In 2020, **7.1% of risks were capped by the Grid** and of those, **2.3% were ceded to the Grid RSP**. The number of private passenger vehicles on the road has been increasing and was over **2.8 million at the end of 2020**.



APPENDIX I – STATISTICS

Automobile Insurance Fact Page

	2016	2017	2018	2019	2020	2021
Active Insurers ⁷	68	69	69	69	68	—
Market Share of Private Passenger Written Premium for the Five Largest Insurer Groups in 2019 ⁷						
Intact Financial Insurance Group	21.5%	20.5%	18.4%	18.0%	22.5%	—
TD Insurance Group	16.0%	15.5%	16.2%	16.8%	17.7%	—
The Wawanesa Mutual Insurance Company	14.0%	14.2%	15.0%	15.7%	14.9%	—
Desjardins General Insurance Group	8.8%	8.0%	7.9%	8.5%	8.7%	—
The Co-operators Insurance Group	7.9%	8.0%	8.3%	8.4%	8.2%	—
Total	68.2%	66.2%	65.7%	67.3%	71.9%	—
Written Premium						
Total Premium (000s) ⁷	\$4,422,234	\$4,592,355	\$4,944,823	\$5,428,072	\$5,813,148	—
Private Passenger (000s) ⁹	\$3,264,829	\$3,411,179	\$3,648,197	\$3,937,953	\$4,650,504	—
Average Written Premiums for Private Passenger Vehicles ⁸						
Basic Coverage	\$684	\$725	\$774	\$849	\$897	—
Additional Coverage	\$522	\$527	\$542	\$557	\$555	—
Total	\$1,206	\$1,252	\$1,316	\$1,406	\$1,453	—
Change from Prior Year, Total	2.3%	3.8%	5.1%	6.9%	3.3%	—
Written Private Passenger Vehicles						
Non Grid Rated ⁹	94.7%	94.3%	94.4%	92.8%	93.0%	—
Grid Rated ¹⁰	5.3%	5.7%	5.7%	7.2%	7.0%	—
Total # Vehicles Insured ⁹	2,706,493	2,725,034	2,772,218	2,800,229	2,802,973	—
Change from Prior Year, Total # Vehicles	0.7%	0.7%	1.7%	1.0%	0.1%	—
Estimated Total Claims						
All Automobile (000s) ⁷	\$3,837,138	\$3,739,672	\$3,970,871	\$4,276,820	\$4,489,038	—
Private Passenger (000s) ⁹	\$2,811,557	\$2,809,370	\$2,934,691	\$2,976,111	\$2,600,162	—
Private Passenger Loss Ratio ⁹	88.0%	85.0%	83.0%	79.0%	63.0%	—
Change from Prior Year, Private Passenger Loss Ratio	4.8%	-3.4%	-2.4%	-4.8%	-20.3%	—
Minor Injury Cap	\$4,956	\$5,020	\$5,080	\$5,202	\$5,296	\$5,365
Other						
Health Cost Recovery (Millions) ¹¹	\$135	\$155	\$159	\$141	\$147	\$140
Board Adjustment to Grid	7.0%	10.0%	5.0%	15.0%	5.0%	0.0%
Industry Levy Collected During the Year	\$1,092,951	\$1,156,916	\$1,188,112	\$1,376,547	\$1,105,062	\$1,215,314

⁷ Source: Superintendent of Insurance (most recent available data for 2020)

⁸ Source: MSA Research

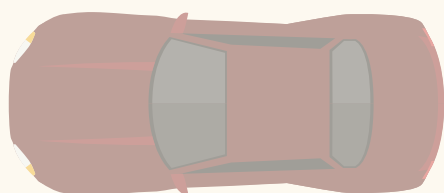
⁹ Source: GISA Statistical Exhibits (most recent available data for 2020)

¹⁰ Source: Facility Association

¹¹ Amount assessed to industry under *Hospitals Act* for costs of automobile accident related

APPENDIX II – ACTIVE INSURERS

Name of Insurer	2020 (thousands)	Name of Insurer	2020 (thousands)
AIG Insurance Company of Canada	13,779	Intact Financial Insurance Group	
Alberta Motor Association Insurance Company	153,114	Belair Insurance Company Inc.	79,961
Alberta Municipal Insurance Exchange	1,197	Intact Insurance Company	851,222
Allianz Global Risks US Insurance Company	327	Novex Insurance Company	58,509
Allstate Canada Insurance Group		Royal & Sun Alliance Insurance Company of Canada	86,003
Allstate Insurance Company of Canada	189,247	Unifund Assurance Company	197,432
Pembroke Insurance Company	46,874	Liberty Mutual Insurance Company	13,639
American Road Insurance Company	2,333	Lloyd's Underwriters	25,064
Arch Insurance Canada Ltd.	1,196	Mennonite Mutual Insurance Co. (Alberta) Ltd.	20
Aviva Canada Inc. Insurance Group		Millennium Insurance Corporation	43,525
Aviva General Insurance Company	41,440	Mitsui Sumitomo Insurance Company, Limited	658
Aviva Insurance Company of Canada	289,885	National Liability & Fire Insurance Company	90
Elite Insurance Company	13,008	Northbridge Financial Corporation Insurance Group	
S&Y Insurance Company	586	Federated Insurance Company of Canada	29,387
Traders General Insurance Company	73,168	Northbridge General Insurance Corporation	135,786
Canadian Farm Insurance Corp.	5,791	Tokio Marine & Nichido Fire Insurance Co., Ltd.	919
Chubb Insurance Company of Canada	31,410	Zenith Insurance Company	17,911
Continental Casualty Company	12,602	Old Republic Insurance Company of Canada	11,503
Co-operators Insurance Group, The		Optimum West Insurance Company Inc.	8,213
Co-operators General Insurance Company	386,357	Peace Hills General Insurance Company	119,811
Coseco Insurance Company	19,532	Portage la Prairie Mutual Insurance Company, The	27,274
Cumis General Insurance Company	8,155	Protective Insurance Company	566
Sovereign General Insurance Company, The	24,457	Saskatchewan Mutual Insurance Company	1
Definity Insurance Group		Sentry Insurance A Mutual Company	57
Definity Insurance Company	185,267	SGL CANADA Insurance Services Ltd.	99,948
Sonnet Insurance Company	43,743	Sompo Japan Insurance Inc	44
Desjardins General Insurance Group		Starr Insurance & Reinsurance Ltd.	48
Certas Direct Insurance Company	28,515	TD Insurance Group	
Certas Home and Auto Insurance Company	189,030	Primum Insurance Company	208,745
Personal Insurance Company, The	132,835	Security National Insurance Company	556,876
Echelon Insurance	12,159	TD Home and Auto Insurance Company	11,746
Electric Insurance Company	241	Travelers Insurance Group	
Everest Insurance Company of Canada	4,397	Dominion of Canada General Insurance Company, The	109,866
Fortress Insurance Company	233	St. Paul Fire and Marine Insurance Company	6,230
Genesis Reciprocal Insurance Exchange	2,763	Travelers Insurance Company of Canada	12,881
Gore Mutual Insurance Company	2	Wawanesa Mutual Insurance Company, The	771,254
Hartford Fire Insurance Company	194	XL Specialty Insurance Company	1,160
HDI Global Specialty SE	3,922	Zurich Insurance Company Ltd.	23,653





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