

**Bulletin 02-2019**  
**February 8, 2019**

## **Bulletin to all Private Passenger Vehicle Insurers**

### **Criteria for Ministerial Order No. 5/2019**

The Automobile Insurance Rate Board (AIRB) is issuing this Bulletin to advise all private passenger vehicle (PPV) insurers operating in Alberta the Minister of Treasury Board and Finance (Minister) has issued a new Ministerial Order, replacing Ministerial Order 14/2018 and criteria for considering rate increases over five per cent have been established.

#### **Background:**

Section 602 of the Insurance Act and Sections 2 and 5 of the Automobile Insurance Premiums Regulation require insurers to submit a rate filing application and obtain prior approval for implementation of a new or revisions to an existing rating program for private passenger vehicles. The AIRB has two guidelines for insurers to follow in developing their filings - a Simplified Filing and a Full Filing.

The Minister of Treasury Board and Finance issued Ministerial Order 5/2019, on February 7, 2019, which states the AIRB will continue to review and decide upon all rate filing applications of up to and including five per cent and the Minister will decide upon rate filing applications greater than five per cent. The Ministerial Order applies to all rate change approvals between December 1, 2018 and August 31, 2019. Regardless of the amount of the rate change request, the AIRB Filing Guidelines are applicable.

#### **Process:**

The AIRB will continue to approve all rate filing applications of up to and including five per cent. All rate filing applications for rate increases greater than five per cent will be reviewed by the AIRB and forwarded to the Minister for his decision.

In considering rate filing applications requesting a rate increase greater than five per cent, the Minister intends to consider, at least the following criteria:

1. The AIRB has already approved the full cumulative PPV rate increase of five per cent.
2. The insurer should demonstrate a significant residual actuarial indication for all PPV coverages in the order of 20 per cent.
3. The insurer's average market premium for all PPV coverages combined should be lower than the weighted provincial average premium of \$1,357 as calculated by AIRB staff as of January 23, 2019. If the insurer's average premium is in excess of the provincial average, the insurer may provide an argument as to why its situation merits special consideration.
4. The insurer provides its Alberta PPV trended ultimate accident year loss ratios from 2014 through 2018, as of December 31, 2018. The insurer should demonstrate its loss ratios have deteriorated.
5. The insurer provides its audited financial statements, Canada-wide, for all lines of business for 2015 through 2018, on an entity basis. The insurer should demonstrate it is facing serious

financial challenges and its financial situation is deteriorating.

In addition to the above criteria, insurers submitting a rate filing application for increases in excess of five per cent are encouraged to provide any other information and/or statistics that support their application, including any information that supports a determination the requested increase would be in the public interest. Prior to forwarding the rate filing application to the Minister for a decision, the AIRB may request any information it believes may be useful to the Minister in making a decision.

**Required Action:**

Insurers submitting a rate filing application for a rate increase of up to five per cent prior to August 31, 2019 will continue to file in accordance with the [AIRB Filing Guidelines](#) and [AIRB Bulletin 12-2018 Filing Guideline Exception for Ministerial Order No. 14/2018](#), which still apply under Ministerial Order No. 5/2019.

Insurers who meet the criteria listed above and wish to request a rate increase for greater than five per cent must submit their rate filing application for increases over five per cent to the AIRB for review and forwarding to the Minister for his decision.

Should you have any questions relating to this Bulletin, please contact the AIRB at (780) 427-5428 or by email [tbf.airb@gov.ab.ca](mailto:tbf.airb@gov.ab.ca).

*{Original Signed}*

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**Attachments**

1. Ministerial Order 5/2019
2. Minister letter to AIRB Chair