

April 1, 2016

Bulletin 04-2016

Bulletin to All Private Passenger Automobile Insurers

2016 Industry Benchmarks Schedule Effective April 1, 2016

The Automobile Insurance Rate Board is issuing this Bulletin to advise all private passenger automobile insurers operating in Alberta that the AIRB's 2016 Semi-annual Review has been completed. The 2016 Semi-Annual Review Industry Benchmarks Schedule has been approved by the Board and posted on its website (<https://airb.alberta.ca/industry-information/industry-benchmarks-schedule/>). Insurers in preparation of filings should incorporate the most current Industry Benchmarks to the extent that their own data is not fully credible. The Industry Benchmarks will also be used as the basis of the Board's review of Private Passenger Vehicle filings submitted on or after April 1, 2016.

Background:

On July 1, 2014, Section 9 of the new *Automobile Insurance Premiums Regulations* came into effect requiring the AIRB to conduct an **Annual Review** of industry experience based on data to December 31st. In addition, Board policy P06 requires the AIRB to carry out a **Semi-annual Review** based on data to June 30th.

On February 1, 2016 the AIRB posted its consulting actuary's draft Review of Industry Experience (as of June 30th) and issued Notice 01-2016 advising of this review and requesting written input from stakeholders. The Board's consulting actuary has updated its review based on stakeholder input and the final report Semi-annual Review of Industry Experience has been posted to the AIRB website (<https://airb.alberta.ca/industry-information/semi-annual-review/>).

The Process:

All filings received on or after April 1, 2016, should incorporate the most current Industry Benchmarks. The Board will use this schedule as a basis for its review of filings. If you have any questions, please contact the Board at (780) 427-5428 or by email vivian.cao@gov.ab.ca or kimberley.kern@gov.ab.ca.

Attachment:

Semi-annual Review Industry Benchmarks Schedule Effective April 1, 2016

Del Dyck CPA, CMA, CLGM
Executive Director
Automobile Insurance Rate Board

2016 Semi-Annual Review

Industry Benchmarks Schedule

Effective Date:

For PPV Rate Filings for Basic and Additional coverage submitted between April 1, 2016 and September 30, 2016

Loss Development Factors

The Board approved benchmark loss development factors for use by insurers in developing filings are outlined in Attachment #1.

Loss Trends

The Board approved benchmark trend rates for use by insurers in developing filings:

Coverage	Oliver Wyman Selected Past/Future Trend Rates
TPL - Bodily Injury	+6.0%*
TPL - Property Damage	+2.0%
TPL – Subtotal	+4.5%
AB - Death	-4.0%
AB – Funeral	-6.0%
AB - Medical	+2.0%
AB - Disability	-2.5%/+0.0%
AB – Uninsured Motorist	+0.0%
AB-Total	+1.0%
Collision	+4.5%
Comprehensive	+1.0%
Specified Perils	+1.0%
All Perils	+5.0%
Underinsured Motorist	+6.0%

* Level change factor of 1.11 at 2011.2

The Board acknowledges that insurers may select different trend rates based on their own claim experience. Insurers have the option to (a) use their own experience where it is fully credible; (b) use their own experience to the extent credible and apply the Board's accepted industry benchmark trend rates without adjustment as the complement of credibility; or (c) apply the Board's accepted industry benchmark trend rates without adjustment.

Catastrophe Loading

The Board approved Catastrophe Loading is 45%. Where insurers' own claim experience differs from industry and is credible, the Board acknowledges that insurers may select a different catastrophe loading based on their own claim experience.

Investment Income Rate

The Board approved risk-free rate for all coverage is 0.95%. Insurers must use a risk-free rate that is no lower than 0.95% when discounting claims in the filings submitted with the Board. This rate is updated on a semi-annual basis.

Administrative Expense & Unallocated Loss Adjustment Expense (ULAE)

The Board approved expense ratio is 25.4% based on 2014 AIFI results, reflecting the 4% premium tax effective April 1, 2016; and the approved ULAE factor is 1.093 based on the published GISA accident year 2015 ULAE provision.

Insurers' own experience should be used when filing with the Board.

Health Cost Recovery

Health Cost Recovery is a component of claims costs reported by insurers. Insurers must use the most current percentage published on the Minister of Finance's website. (2016 assessment factor is 5.90%)

Profit

The Board approved 7% of premium as a target pre-tax profit provision for all coverage.

Attachment 1

**Oliver Wyman Selected Age-to-Ultimate Development Factors
As of June 30, 2015
Alberta
Private Passenger Automobile (Excluding Farmers)**

As of 2015-1

Age-to-Ultimate Factors

Incurred Claim Amount

	TPL-BI	TPL-PD	AB-DI	AB-MR	AB-FU	AB-DB	AB-UM	COLL	COMP	SP	AP	UIM
180-Ult	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
174-Ult	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
168-Ult	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
162-Ult	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
156-Ult	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.001
150-Ult	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.011
144-Ult	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.022
138-Ult	1.000	1.000	1.000	1.000	1.000	1.000	0.967	1.000	1.000	1.000	1.000	1.022
132-Ult	1.000	1.000	1.000	1.000	1.000	1.000	0.934	1.000	1.000	1.000	1.000	1.024
126-Ult	1.000	1.000	1.000	1.000	1.000	1.000	0.934	1.000	1.000	1.000	1.000	1.012
120-Ult	1.000	1.000	1.000	1.000	1.001	1.000	0.934	1.000	1.000	1.000	1.000	1.017
114-Ult	1.002	1.000	1.000	1.000	1.001	1.000	0.932	1.000	1.000	1.000	1.000	1.010
108-Ult	1.003	1.000	1.000	1.000	0.999	0.996	0.934	1.000	1.000	1.000	1.000	1.020
102-Ult	1.013	1.000	1.000	1.001	0.999	1.001	0.937	1.000	1.000	1.000	1.000	1.033
96-Ult	1.018	1.000	1.000	0.997	0.998	1.005	0.939	1.000	1.000	1.000	1.000	1.010
90-Ult	1.026	1.000	1.000	0.997	0.997	1.003	0.950	1.000	1.000	1.000	1.000	1.013
84-Ult	1.033	1.000	1.003	0.997	0.997	1.003	0.775	1.000	1.000	1.000	1.000	1.004
78-Ult	1.040	1.000	1.003	0.996	0.996	1.002	0.767	1.000	1.000	1.000	1.000	1.010
72-Ult	1.054	1.000	1.013	1.000	0.990	1.002	0.810	1.000	1.000	1.000	1.000	1.042
66-Ult	1.069	1.000	1.014	1.002	0.986	1.012	0.843	1.000	1.000	1.000	0.999	1.049
60-Ult	1.091	1.000	1.017	1.002	0.982	1.007	0.872	1.000	1.000	1.000	0.998	1.066
54-Ult	1.126	1.000	1.020	1.002	0.980	1.008	0.933	1.000	1.000	1.000	1.000	1.072
48-Ult	1.169	1.000	1.028	1.004	0.973	0.998	0.886	1.000	1.000	1.000	1.000	1.099
42-Ult	1.230	1.000	1.029	1.004	0.972	0.997	1.086	0.999	1.000	1.000	0.999	1.146
36-Ult	1.316	1.000	1.032	1.007	0.970	0.993	1.268	0.998	1.000	0.997	0.999	1.249
30-Ult	1.437	0.999	1.038	1.003	0.957	0.983	1.574	0.995	0.999	0.994	0.999	1.407
24-Ult	1.576	1.003	1.040	0.978	0.945	0.968	1.473	0.979	0.998	0.994	0.984	1.759
18-Ult	1.731	1.010	1.102	0.985	0.936	0.975	1.635	0.941	0.997	0.998	0.966	2.087
12-Ult	1.856	1.023	1.227	0.941	0.916	0.958	10.083	0.814	0.987	0.984	0.933	2.893
6-Ult	2.263	1.123	1.665	0.673	1.004	1.122	17.343	0.590	1.076	0.945	0.828	8.289

**Oliver Wyman Selected Age-to-Ultimate Development Factors
As of June 30, 2015**

Alberta

Private Passenger Automobile (Excluding Farmers)

As of 2015-1

Age-to-Ultimate Factors

Incurred Claim Count

	TPL-BI	TPL-PD	AB-DI	AB-MR	AB-FU	AB-DB	AB-UM	COLL	COMP	SP	AP	UIM
180-Ult	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
174-Ult	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
168-Ult	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
162-Ult	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
156-Ult	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
150-Ult	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
144-Ult	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.007
138-Ult	1.000	1.000	1.000	1.000	1.000	1.000	0.964	1.000	1.000	1.000	1.000	1.007
132-Ult	1.000	1.000	1.000	1.000	1.000	1.000	0.933	1.000	1.000	1.000	1.000	1.007
126-Ult	1.000	1.000	1.000	1.000	1.000	1.000	0.933	1.000	1.000	1.000	1.000	0.973
120-Ult	1.000	1.000	1.000	1.000	1.000	1.000	0.933	1.000	1.000	1.000	1.000	0.965
114-Ult	1.000	1.000	1.000	1.000	1.000	1.000	0.869	1.000	1.000	1.000	1.000	0.918
108-Ult	0.999	1.000	1.000	1.000	0.999	1.000	0.908	1.000	1.000	1.000	1.000	0.890
102-Ult	0.997	1.000	1.000	1.000	1.001	1.000	0.908	1.000	1.000	1.000	1.000	0.866
96-Ult	0.996	1.000	1.000	1.000	1.001	1.000	0.870	1.000	1.000	1.000	1.000	0.831
90-Ult	0.994	1.000	1.000	1.000	1.000	0.999	0.822	1.000	1.000	1.000	1.000	0.802
84-Ult	0.991	1.000	1.000	1.000	0.999	0.998	0.702	1.000	1.000	1.000	1.000	0.744
78-Ult	0.988	1.000	1.000	1.000	0.999	0.996	0.733	1.000	1.000	1.000	1.000	0.704
72-Ult	0.983	1.000	1.000	1.000	0.998	0.996	0.661	1.000	1.000	1.000	1.000	0.643
66-Ult	0.979	1.000	1.000	1.000	0.997	0.996	0.661	1.000	1.000	1.000	1.000	0.597
60-Ult	0.975	1.000	1.000	1.000	0.995	0.996	0.650	1.000	1.000	1.000	1.000	0.544
54-Ult	0.970	1.000	1.000	1.000	0.993	0.993	0.585	1.000	1.000	1.000	1.000	0.503
48-Ult	0.965	1.000	0.999	1.000	0.988	0.983	0.544	1.000	1.000	1.000	1.000	0.473
42-Ult	0.959	1.000	0.998	1.000	0.987	0.981	0.566	1.000	1.000	1.000	1.000	0.450
36-Ult	0.956	1.000	0.998	0.999	0.984	0.974	0.588	0.999	1.000	1.002	1.000	0.453
30-Ult	0.944	0.999	0.996	0.998	0.982	0.970	0.588	0.998	1.000	1.000	1.001	0.505
24-Ult	0.926	0.999	0.992	0.995	0.971	0.942	0.736	0.993	1.000	1.002	1.004	0.686
18-Ult	0.907	1.001	0.986	0.989	0.958	0.923	0.892	0.974	1.001	0.996	1.011	0.825
12-Ult	0.856	1.001	0.964	0.969	0.926	0.878	0.955	0.904	1.002	1.000	1.032	1.022
6-Ult	0.841	1.044	0.938	0.849	0.948	0.860	1.160	0.724	1.077	1.011	1.141	1.559