

BULLETIN: 05-2020
DATE: SEPTEMBER 25, 2020

Bulletin to All Commercial Vehicle Insurers

Commercial Vehicle Industry Benchmark Schedule Effective October 1, 2020

Purpose:

The Automobile Insurance Rate Board (AIRB) is issuing this Bulletin to advise all commercial vehicle insurers operating in Alberta the 2020 review of commercial vehicle experience has been completed on data to December 31, 2019. The Commercial Vehicle Industry Benchmarks Schedule (Schedule) effective October 1, 2020 has been approved. The Schedule and the related actuarial report have been posted on the AIRB [website](#).

Background:

The Insurance Act Section 602(1) requires all insurers' rating programs and changes there to be approved by the AIRB.

Prior to 2015, the AIRB reviewed commercial vehicle trend rates on an annual basis for internal use in the review of commercial vehicle filings. At its meeting of October 23, 2015, the AIRB enhanced its transparency by placing the approved Schedule and the actuarial report on the AIRB [website](#).

The draft report for the 2020 review was shared with industry on June 26, 2020 and industry was invited to participate through written submissions.

Action Required:

Based on the analysis of Alberta commercial vehicle loss experience ending December 31, 2019, the AIRB approved the Commercial Vehicle Industry Benchmarks Schedule to take effect on October 1, 2020.

Insurers, when preparing filings, should incorporate the most current industry benchmarks to the extent that their own data is not fully credible. The industry benchmarks will be used as the basis of the AIRB's review of commercial vehicle filings submitted on or after October 1, 2020.

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.

"Original signed"

Laurie Balfour, MBA, CPA, CMA
Executive Director

Attachment:

2020 Industry Benchmarks Schedule - Commercial Vehicle - effective October 1, 2020

2020 Industry Benchmarks Schedule – Commercial

Effective Date: For basic and/or additional coverage filings submitted on or after October 1, 2020

Loss Development Factors

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

Loss Trends

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

Coverage	Oliver Wyman Selected Past/Future Trend Rates
TPL - Bodily Injury	+7.5%
TPL - Property Damage	+3.0%
TPL – Subtotal	+5.9%
Accident Benefits	+1.0%
Collision	0.0%
Comprehensive	+6.0%
Specified Perils	+6.0%
All Perils	+1.8%
Underinsured Motorist	+7.5%

The AIRB acknowledges 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 AIRB'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 AIRB approved catastrophe loading is 22%. Where insurers' own claim experience differs from industry and is credible, the AIRB acknowledges that insurers may select a different catastrophe loading based on their own claim experience, providing their catastrophe definition has been consistent in the experience period.

Administrative Expense & Unallocated Loss Adjustment Expense (ULAE)

The AIRB approved expense ratio is 26.0% based on 2018 GISA Expense Report; and the approved ULAE factor is 1.108 based on the published GISA accident year 2019 ULAE provision. Insurers' own experience should be used when filing with the AIRB.

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 President of Treasury Board and Minister of Finance's [website](#). The 2020 assessment factor is 4.74%.

Profit

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

AIRB Approved Age-to-Ultimate Development Factors
As of December 31, 2019
Alberta
Commercial Vehicles (Excluding Farmers)

As of 2019-2
Age-to-Ultimate Factors
Incurred Claim Amount

	Bodily Injury	Property Damage	Accident Benefits	Collision	Comprehensive	Comprehensive Theft	All Perils	Specified Perils	Underinsured
180-Ult	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
168-Ult	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
156-Ult	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
144-Ult	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
138-Ult	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
132-Ult	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
126-Ult	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
120-Ult	0.997	1.000	1.000	1.000	1.000	0.999	1.000	1.000	1.000
114-Ult	1.000	1.000	1.000	1.000	1.000	0.999	1.000	1.000	1.032
108-Ult	1.003	1.000	1.000	1.000	1.000	0.999	0.998	1.000	1.122
102-Ult	1.005	1.000	1.000	1.000	1.000	0.999	0.998	1.000	1.237
96-Ult	1.008	1.002	1.000	1.000	0.999	0.999	0.998	1.000	1.309
90-Ult	1.011	1.002	1.000	1.000	0.999	0.999	0.996	1.000	1.289
84-Ult	1.020	1.003	1.001	1.000	0.999	0.999	0.996	1.000	1.263
78-Ult	1.043	1.005	1.009	1.000	0.999	0.999	0.996	1.000	1.129
72-Ult	1.049	1.006	1.011	1.000	0.999	0.999	0.995	1.000	1.071
66-Ult	1.071	1.006	1.029	1.000	0.999	0.999	0.995	1.000	1.050
60-Ult	1.095	1.006	1.030	0.998	0.999	0.998	0.994	0.999	1.128
54-Ult	1.149	1.006	1.036	0.997	0.999	0.998	0.992	0.999	1.160
48-Ult	1.204	1.002	1.057	0.997	0.999	0.998	0.991	0.998	1.136
42-Ult	1.299	1.004	1.042	0.996	0.998	0.997	0.990	0.997	1.129
36-Ult	1.427	1.007	1.055	0.996	0.998	0.997	0.989	1.003	1.322
30-Ult	1.640	1.008	1.059	0.993	0.999	0.997	0.987	1.001	1.512
24-Ult	1.943	1.023	1.078	0.983	1.000	0.996	0.977	1.005	2.224
18-Ult	2.222	1.051	1.231	0.955	1.000	0.994	0.962	1.006	3.118
12-Ult	2.584	1.109	1.304	0.877	1.000	0.986	0.927	0.995	6.076
6-Ult	3.488	1.548	1.298	0.761	1.040	0.997	0.997	0.992	9.955

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	Bodily Injury	Property Damage	Accident Benefits	Collision	Comprehensive	Comprehensive Theft	All Perils	Specified Perils	Underinsured
180-Ult	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
168-Ult	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
156-Ult	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
144-Ult	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
138-Ult	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
132-Ult	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
126-Ult	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
120-Ult	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
114-Ult	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.042
108-Ult	0.999	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.042
102-Ult	0.998	1.000	1.000	1.000	1.000	1.000	1.000	1.000	0.903
96-Ult	0.998	1.000	1.000	1.000	1.000	1.000	1.000	1.000	0.802
90-Ult	0.999	1.000	1.000	1.000	1.000	1.000	1.000	1.000	0.724
84-Ult	0.997	1.000	1.000	1.000	1.000	1.001	1.000	1.000	0.780
78-Ult	0.995	1.000	1.000	1.000	1.000	1.001	1.000	0.999	0.661
72-Ult	0.993	1.000	1.000	0.999	1.000	1.001	1.000	0.999	0.634
66-Ult	0.988	1.000	1.000	0.999	1.000	1.001	0.999	0.999	0.577
60-Ult	0.985	1.000	0.999	0.999	1.000	1.001	0.999	0.999	0.531
54-Ult	0.981	1.000	0.999	0.999	1.000	1.001	0.999	0.999	0.473
48-Ult	0.979	1.000	0.998	0.999	1.000	1.001	0.999	0.999	0.435
42-Ult	0.975	0.999	0.997	0.999	1.000	1.001	0.999	0.999	0.403
36-Ult	0.977	0.999	0.995	0.999	1.000	1.001	0.999	0.999	0.424
30-Ult	0.982	0.998	0.995	0.997	1.000	1.001	0.997	1.000	0.484
24-Ult	1.004	0.999	0.997	0.993	1.002	1.002	0.991	1.001	0.747
18-Ult	1.022	1.010	0.994	0.975	1.005	1.002	0.981	1.003	0.979
12-Ult	1.013	1.032	0.986	0.907	1.011	1.004	0.930	0.993	1.142
6-Ult	1.184	1.241	0.899	0.726	1.029	1.018	0.840	1.001	2.620