

BULLETIN: 07-2021
DATE: JULY 5, 2021

Bulletin to All Private Passenger Vehicle Insurers

Grid Rating Program Premium & Differential Changes

Effective January 1, 2022

Purpose:

The Automobile Insurance Rate Board (AIRB) is issuing this Bulletin to advise all private passenger vehicle insurers operating in Alberta of changes to the Grid Rating Program (Grid) premiums effective January 1, 2022.

Background:

In accordance with the AIRB Grid Guidance, the AIRB may, no later than October 1 each year, adjust the Grid base premiums based on the Annual Review completed under Section 9 of the regulation. In addition, in accordance with Schedule 3, Section 2 of the regulation, the AIRB must publish a table determining the base premium for a driver by the territory in which the policyholder resides and the choice of policyholders coverage on or before October 31 each year.

In late 2020, the Government introduced automobile reforms through Bill 41, which included the introduction of Direct Compensation Property Damage (DCPD). The interaction of DCPD with the Grid base premiums is unique to Alberta and after thoughtful consideration the President of Treasury Board and Minister of Finance has confirmed DCPD premiums are mandatory coverage, but will be excluded from the AIRB's calculation of Grid premium for basic coverage.

Therefore, for Grid base premiums effective January 1, 2022, the AIRB will set base premium for third party liability – bodily injury, third party liability – property damage tort and accident benefits and insurers will use their market rate for DCPD. The Grid base premium will be the total of the AIRB set base premium plus the market rate for DCPD.

The Grid premium adjustment is normally made following the annual review, with the most current information on trends available. After considering the data from 2020, when available, will require adjustment for the impact of COVID 19, and industry stakeholders request for advance notification of the Grid base premiums for 2022, we have based our analysis on 2019 data. The 2019 data is the best estimate available at the time of analysis, to enable us to provide insurers with early notification of the changes to the Grid base premiums, which include the separation of the DCPD premium amounts. Refer to Attachment #1 for a copy of our Consulting Actuary's analysis.

In addition to separating out DCPD, the AIRB is adjusting the differentials for Grid steps and territories to better align the premiums to the risk. No structural changes have been made to the Grid at this time. The AIRB is conducting a review of the Grid and will consult with industry stakeholders, should any structural changes be considered.

Process:

The AIRB recognizes the importance and impact of its decisions on the insurance industry and consumers, and when deciding on an adjustment to Grid base premiums we take a number of factors into consideration. In addition to stakeholder comments and analysis from our consulting actuary, Oliver Wyman, other factors considered include:

- Premium stability;
- Subsidization by the competitive market, if any;
- Risk sharing pool size and profitability;
- Impact on Grid population;
- Impact of the premium change on Grid; and
- Current Alberta market environment.

Based on the information available the AIRB made its decision and is issuing Order No. 01-2021 reducing the premiums to reflect the removal of DCPD from the Grid base premiums set by the AIRB (20.5%) and reforms implemented by the Government in October 2020 (11.4%) effective January 1, 2022. The adjustment is in accordance with AIRB Grid Guidance, which will be updated and posted by the end of August. Refer to Order 01-2021 for tables of base premiums for the Grid and the Alberta Grid Study for the differentials for Grid. All insurers are required to implement the updated differentials and base premiums effective January 1, 2022¹.

Action Required:

Insurers must send an acknowledgement to the AIRB by October 1, 2021, verifying they have made provisions to comply with Order 01-2021 and the AIRB Grid Guidance. These documents can be viewed on our website.

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.

Laurie Balfour, MBA, CPA, CMA
Executive Director

Attachment

1. Alberta Grid Study July 1, 2021

¹Grid Guidance— An adjustment to the Grid base premium is effective the following January 1.