Alberta
airb Automobile Insurance Rate Board

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Bulletin 08-2018
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Bulletin to Private Passenger Vehicle Insurers

Private Passenger Vehicle Industry Benchmark Schedule Effective October 1, 2018

The Automobile Insurance Rate Board (AIRB) is issuing this bulletin to advise all private passenger vehicle (PPV) insurers operating in Alberta that the 2018 Annual Review of PPV experience has been completed on data to December 31, 2017. The PPV Industry Benchmarks Schedule (Schedule) effective October 1, 2018 has been approved. The Schedule and the related actuarial report have been posted on the AIRB website (https://airb.alberta.ca/industry-information/communications/bulletins/default.aspx).

Insurers in preparation of filings should incorporate the most current industry benchmarks to the extent their own data is not fully credible. The industry benchmarks will also be used as the basis of the AIRB's review of PPV filings submitted on or after October 1, 2018.

Background:
On July 1, 2014, Section 9 of the *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, AIRB Policy P06 requires the AIRB to carry out a **Semi-annual Review** based on data to June 30th.

The AIRB's final report 2018 Annual Review has been posted to the AIRB website (https://airb.alberta.ca/industry-information/annual-review/2018/default.aspx).

The Process:
All filings received on or after October 1, 2018, should incorporate the most current industry benchmarks. The AIRB will use this Schedule as a basis for its review of filings. If you have any questions, please contact the AIRB at (780) 427-5428 or by email tbf.airb@gov.ab.ca or kimberley.kern@gov.ab.ca.

Attachment:
2018 Annual Review Industry Benchmarks Schedule - PPV - effective October 1, 2018

"Original signed"

Laurie Balfour, MBA, CPA, CMA
Executive Director

2018 Annual Review
Industry Benchmarks Schedule - PPV

Effective Date: For basic and/or additional coverage filings submitted on or after October 1, 2018

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	+8.5%/+7.5%*
TPL - Property Damage	+0.5%
TPL – Subtotal	+6.3%/+5.5%
Accident Benefits	0.0%/+6.0%**
Collision	+2.5%
Comprehensive	+5.0%/+8.5%***
Specified Perils	+12.0%
All Perils	+4.0%
Underinsured Motorist	+4.0%

* Future trend rate begins October 1, 2017

** Trend rate change and level change adjustment of +25% at July 1, 2015

*** Future trend rate begins January 1, 2011

The AIRB 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 AIRB's accepted industry benchmark trend rates without adjustment as the complement of credibility; or (c) apply the AIRB's accepted industry benchmark trend rates without adjustment.

Catastrophe Loading

The AIRB approved catastrophe loading is 60%. 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.

Investment Income Rate

The AIRB approved risk-free rate for all coverage is 2.75%. Insurers must use a risk-free rate that is no lower than 2.75% when discounting claims in the filings submitted with the AIRB. This rate is updated on a semi-annual basis.

Administrative Expense & Unallocated Loss Adjustment Expense (ULAE)

The AIRB approved expense ratio is 27.8% based on 2016 AIFI results; and the approved ULAE factor is 1.092 based on the published GISA accident year 2017 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 Minister of Finance's website. The 2018 assessment factor is 7.04%.

Profit

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

Appendix #1

AIRB Approved Age-to-Ultimate Development Factors
As of December 31, 2017
Alberta
Private Passenger Automobile (Excluding Farmers)

As of 2017-2
Age-to-Ultimate Factors
Incurred Claim Amount

	Bodily Injury	Property Damage	Accident Benefits	Collision	Comprehensive	Comprehensive Theft	All Perils	Specified Perils	Underinsured
180-Ult	0.999	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
174-Ult	1.000	1.000	1.001	1.000	1.000	1.000	1.000	1.000	1.000
168-Ult	1.000	1.000	1.001	1.000	1.000	1.000	1.000	1.000	1.000
162-Ult	1.000	1.000	1.001	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	1.002
150-Ult	1.000	1.000	1.001	1.000	1.000	1.000	1.000	1.000	1.017
144-Ult	1.001	1.000	1.001	1.000	1.000	1.000	1.000	1.000	1.019
138-Ult	1.004	1.000	1.001	1.000	1.000	1.000	1.000	1.000	1.011
132-Ult	1.006	1.000	1.002	1.000	1.000	1.000	1.000	1.000	1.009
126-Ult	1.006	1.000	1.003	1.000	1.000	1.000	1.000	1.000	1.001
120-Ult	1.009	1.000	1.003	1.000	1.000	1.000	1.000	1.000	1.002
114-Ult	1.010	1.000	1.003	1.000	1.000	1.000	1.000	1.000	1.004
108-Ult	1.015	1.000	1.002	1.000	1.000	1.000	1.000	1.000	1.028
102-Ult	1.017	1.000	1.002	1.000	0.999	1.000	1.000	1.000	1.036
96-Ult	1.021	1.000	1.004	1.000	0.999	1.000	1.000	1.000	1.021
90-Ult	1.025	1.000	1.005	0.999	0.999	0.999	0.999	1.000	1.022
84-Ult	1.034	1.000	1.005	0.999	0.999	0.999	0.999	1.000	1.013
78-Ult	1.042	1.000	1.006	0.999	0.999	0.999	0.998	1.000	1.008
72-Ult	1.053	1.000	1.005	0.999	0.999	1.000	0.998	1.000	1.000
66-Ult	1.074	1.000	1.004	0.998	0.999	0.999	0.998	1.000	0.993
60-Ult	1.097	1.000	1.006	0.998	0.999	0.999	0.997	1.000	0.995
54-Ult	1.135	0.999	1.006	0.998	0.999	0.998	0.996	0.999	1.011
48-Ult	1.192	0.999	1.009	0.998	0.999	0.998	0.995	1.000	1.020
42-Ult	1.257	1.000	1.012	0.997	0.999	0.998	0.993	1.000	1.055
36-Ult	1.363	1.000	1.019	0.997	0.999	0.998	0.995	0.999	1.157
30-Ult	1.501	1.001	1.024	0.994	0.999	0.996	0.996	0.997	1.323
24-Ult	1.716	1.005	1.012	0.975	0.999	0.996	0.996	0.995	1.681
18-Ult	1.977	1.020	1.054	0.934	1.000	0.991	0.975	0.994	2.064
12-Ult	2.263	1.062	1.106	0.817	1.001	0.979	0.914	0.969	2.766
6-Ult	2.796	1.292	0.994	0.579	1.018	0.957	0.782	0.907	7.317

AIRB Approved Age-to-Ultimate Development Factors
As of December 31, 2017
Alberta
Private Passenger Automobile (Excluding Farmers)

As of 2017-2
Age-to-Ultimate Factors
Incurred Claim Count

	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	0.997
150-Ult	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	0.988
144-Ult	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	0.991
138-Ult	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	0.991
132-Ult	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	0.983
126-Ult	0.999	1.000	1.000	1.000	1.000	1.000	1.000	1.000	0.959
120-Ult	0.999	1.000	1.000	1.000	1.000	1.000	1.000	1.000	0.943
114-Ult	0.999	1.000	1.000	1.000	1.000	1.000	1.000	1.000	0.909
108-Ult	0.998	1.000	1.000	0.999	1.000	1.000	1.000	1.000	0.884
102-Ult	0.998	1.000	1.000	0.999	1.000	1.000	1.000	1.000	0.855
96-Ult	0.997	1.000	1.000	0.999	1.000	1.000	1.000	1.000	0.822
90-Ult	0.996	1.000	1.000	0.999	1.000	1.000	1.000	1.000	0.786
84-Ult	0.994	1.000	1.000	0.999	1.000	1.000	1.000	1.000	0.731
78-Ult	0.992	1.000	1.000	0.999	1.000	1.000	1.000	1.000	0.680
72-Ult	0.990	1.000	0.999	0.999	1.000	1.000	1.000	1.000	0.617
66-Ult	0.987	1.000	0.999	0.999	1.000	1.000	1.000	1.000	0.570
60-Ult	0.985	1.000	0.999	0.999	1.000	1.000	1.000	1.000	0.517
54-Ult	0.982	1.000	0.999	0.999	1.000	0.999	1.000	1.000	0.473
48-Ult	0.978	0.999	0.999	0.999	1.000	0.999	0.999	1.000	0.444
42-Ult	0.973	0.999	0.999	0.999	1.000	0.999	1.000	1.000	0.419
36-Ult	0.975	0.999	0.999	0.999	1.000	0.999	1.000	1.001	0.432
30-Ult	0.971	0.998	0.998	0.997	1.000	0.999	1.001	1.001	0.486
24-Ult	0.981	0.998	0.998	0.991	1.002	0.999	1.004	1.001	0.664
18-Ult	0.988	1.006	0.998	0.970	1.005	0.998	1.008	1.001	0.795
12-Ult	0.972	1.024	0.995	0.901	1.015	0.996	1.013	0.998	0.980
6-Ult	1.094	1.151	0.930	0.716	1.041	0.989	1.058	1.001	1.399