

Bulletin to Insurers

Policy on Return of Excess Premiums

Bulletin 11-2024

December 13, 2024

Purpose

The Automobile Insurance Rate Board (AIRB) is issuing this Bulletin to advise all automobile insurers operating in Alberta of a new policy, [Po7 – Return of Excess Premiums](#).

Background

The AIRB has approved a new policy to enact the authority to return excess premiums, in accordance with the Automobile Insurance Premiums Regulation (Regulation), section 10(1). In doing so, the AIRB carefully considered how best to implement the new authority to return excess premiums, as set out in section 9.1 of the Regulation, considering the intent of the authority while measuring profits on the same basis as the return on premium benchmark is considered in rate filings. The AIRB has determined the return of excess premium will be based on an actuarial calculation, as is any rate indication and the benchmark it is compared against.

Policy Po7 sets out the requirement for insurers to report their data to determine if they are required to return excess premiums.

Process

The AIRB will provide an excel based Profit and Loss Report template each year by January 1, containing the required data elements used to determine if for any given accident year, the insurer has exceeded the AIRB's profit benchmark.

The template will include the threshold by which an insurer may exceed the profit benchmark in a given calendar year, which will be set annually to reflect market conditions and the uncertainty present in accident year reporting.

Claims are the main contributor to profitability in any given accident year, and in the first year of the claim the reporting will largely be based on estimates. Over time as claims are closed the data will be reviewed to evaluate an insurer's abilities in estimating ultimate losses, and we will consider any favorable development in future years when determining return of excess premiums in years where profits are achieved.

While the authority is not retroactive, we will consider results from the prior five accident years in determining whether an insurer is required to return excess premiums for the period.

Action Required

The AIRB requires all insurers to submit the excel template no later than May 1 annually.

Should you have any questions relating to this bulletin, please contact our office at (780) 427-5428 or by email to airb@gov.ab.ca.

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