

P07 - Return of Excess Premiums

Policy

Every private passenger vehicle (PPV) insurer must complete the Automobile Insurance Rate Board's (AIRB) profit and loss report template (the "P&L"). The AIRB may exempt insurers with written exposures less than the full filing waiver threshold as outlined in the Filing Guidelines. Insurer groups with multiple companies must submit the P&L separately for each legal entity.

This policy will be applied prospectively, commencing with 2024 accident year results reported in 2025. Insurers will only be required to return excess premiums in the most recent accident year.

Authority

The AIRB's authority is provided under Automobile Insurance Premiums Regulation (Premiums Regulation), section 9.1.

Procedures

- The AIRB establishes a return on premium for its profit provision benchmark and reviews the benchmark annually in accordance with section 9 of the Premiums Regulation. Return on premium is the percentage an insurer is permitted to include in the development of their rate indication to reflect the cost of capital. The AIRB will use the benchmark in force on January 1 of any accident year under review.
- The AIRB sets the threshold of excess premiums annually, considering the market conditions, recognizing the benchmark for profit provision in force during the year under review. The threshold will be updated annually in the P&L report template.
- The AIRB publishes the P&L report template to be used in reporting by January 1 each year. Insurers must enter all relevant information, along with certification by a Fellow of the Canadian Institute of Actuaries who is authorized to file on behalf of the insurer, into the template and return to the AIRB on or before May 1st of each year.
- The data submitted in the P&L report template will be used to determine if the insurer had profits in excess of the threshold for the year under review. The methods of calculation, including formulas, are shown in greater detail in the P&L report template provided to insurers annually.
- Insurers will know the excess profit over the AIRB Benchmark as data is entered into the calculated fields. The amount calculated in the P&L report template will be used to trigger a meeting with the insurer.
- The AIRB will consider factors such as run off status, number of exposures, recent rate change requests, etc., in determining whether excess profits are to be returned to policyholders.
- To ensure procedural fairness, all insurers flagged for further review will be notified in writing and will have the opportunity to meet and discuss company specific circumstances. The method used to return premiums will be determined in consultation with each insurer.
- Once the insurer's plan for return of premiums in excess of the threshold has been submitted, reviewed, and approved, the insurer will provide the AIRB a detailed report of return of excess premiums, and if applicable provide a list showing at a minimum the policy number, original premium paid, and premium being returned.