2026

ANNUAL REVIEW **REPORT**

AIRB AUTOMOBILE INSURANCE RATE BOARD

CONTENT

EXECUTIVE SUMMARY

The Automobile Insurance Rate Board (AIRB) conducted its annual reviews of industry loss experience as of December 31, 2025. The reviews establish industry benchmarks for private passenger vehicles, commercial vehicles and motorcycles which the AIRB will consider when evaluating insurer rate filings received on or after October 1, 2026.

Insurers are expected to rely on their own data wherever possible. The AIRB industry benchmarks should be used only when an insurer does not have sufficient data or cannot otherwise support the reasonableness of its assumptions. The AIRB uses the benchmarks as a reference point when assessing assumptions made in individual insurer rate filings.

ANNUAL REVIEW PROCESS

The annual review for private passenger vehicles began with the AIRB's consulting actuary, Risk Consulting Services (RCS), preparing a preliminary report on industry loss experience. The preliminary report was published on June 18, 2026, and the AIRB invited interested parties to provide written submissions.

KEY SOURCES OF UNCERTAINTY

Uncertainty and its contributing factors change over time; however, some uncertainty is always present when forecasting future claims costs. Insurers use past results to project future claims costs, and this uncertainty is considered when determining future loss cost trend rates in each semi-annual review and in each insurer rate filing. RCS identified heightened uncertainty around current trends due to the following factors:

- COVID-19 affected driving patterns and claims frequency, influencing loss costs in 2020, 2021, and the first half of 2022.
- Legislative changes under Bill 41, announced in November 2020, expanded accident benefit limits, changed the definition of minor injury, and introduced direct compensation for property damage effective January 1, 2022.
- Physical damage claim costs increased significantly alongside the late-2021 rise in Consumer Price Index (CPI) categories directly affecting vehicle parts, replacement vehicles, rental fees, maintenance, and repairs. Although CPI inflation has moderated since its summer 2022 peak, general inflation may reduce vehicle usage, which can also reduce claims frequency.

OTHER FACTORS AFFECTING LOSS COST TRENDS

RCS also commented on several factors influencing loss cost trends:

- **Growth in insured vehicles:** Since 2016, the number of private passenger vehicles in Alberta has generally increased year-over-year, with more variance over the most recent three years, likely due to the COVID-19 pandemic. The number of insured vehicles per semi-annual period rose from approximately 1.37 million in the first half of 2016 to 1.57 million in the second half of 2025.
- **Optional physical damage coverages**: Over the last ten years, the percentage of risks with comprehensive coverage has decreased, while the percentage of risks with collision coverage has declined modestly.
- **Deductible levels:** A consistent shift toward higher deductibles for collision and comprehensive coverages was observed over the last ten years. This trend reflects insurers increasing the deductible levels offered, rather than policyholders choosing to assume greater risk.

This report concludes the 2026 annual review process for private passenger vehicles. It includes the release of industry benchmarks, an overview of annual review participants, RCS's *Final Review of Industry Experience*, and consumer perspectives on auto insurance.

ANNUAL REVIEW

INDUSTRY EXPERIENCE REVIEW

On a semi-annual basis, the AIRB asks its consulting actuary, Risk Consulting Services (RCS), to review industry experience for private passenger vehicles and provide information and professional advice on auto insurance trends and premiums. On June 18, 2026, the AIRB released RCS's preliminary report, *Review of Industry Experience as of December 31, 2025, Private Passenger Vehicles* (RCS Report).

The RCS Report analyzes private passenger vehicle insurance claims experience for basic and additional coverage. RCS based its analysis on data for all insured vehicles in Alberta, including those in the Facility Association and Risk Sharing Pools, using claim data provided by the General Insurance Statistical Agency (GISA) as of December 31, 2025. The preliminary report was posted on the AIRB website.

The AIRB reviewed RCS's final report, which considered information available before publication. The report includes recommendations on the industry benchmarks to be used when reviewing and assessing assumptions in rate filings submitted on or after October 1, 2026, where an insurer does not have sufficient data or cannot otherwise support its assumptions. The AIRB accepted RCS's recommendations.

The AIRB also conducted annual reviews for commercial vehicles and motorcycles. Except where noted this report focuses on private passenger vehicles.

STAKEHOLDER CONSULTATION

Under the *Automobile Insurance Premiums Regulation* (Premiums Regulation), the AIRB must conduct an annual review for private passenger vehicles. The review provides an opportunity for the auto insurance industry and the public to comment on loss trends. The AIRB considers written submissions when finalizing the Industry Benchmarks Schedule.

Although the Premiums Regulation no longer requires an open meeting, the AIRB maintained a transparent annual review process by publishing the following materials:

- RCS's presentation on loss trends and economic factors; and
- The presentation on consumer perspectives.

This approach gives stakeholders an opportunity to review the preliminary report and understand the consultant's view of emerging trends before providing written submissions.

On June 18, 2026, the AIRB announced the timelines for the 2026 annual review of Alberta industry loss experience for private passenger vehicles and published the preliminary report. The AIRB invited all interested parties to submit written submissions by August 4, 2026.

The following parties made written submissions:

- Insurance Bureau of Canada
- Alberta Civil Trial Lawyers Association

All information submitted to the AIRB as part of the annual review process is available on the AIRB website.

SUMMARY OF FINDINGS

The 2026 Annual Review of Alberta's Private Passenger Vehicle (PPV) insurance market found claim frequency has generally stabilized below pre-pandemic levels, while claim severities remain elevated. Inflation, legislative reforms, injury cost pressures, and severe weather losses continue to place upward pressure on insurance costs.

Bodily injury and accident benefits continue to experience the strongest growth in claims costs. The AIRB selected loss cost trend benchmarks of +8.6% for bodily injury and +9.0% for accident benefits, reflecting ongoing increases in average claim severity despite lower claim frequencies. Inflation, higher treatment costs, and the effects of Bill 41 reforms continue to influence these coverages.

Property damage trends remain more moderate. The AIRB selected annual loss cost trend benchmarks of +1.4% for Property Damage and +1.4% for Direct Compensation Property Damage (DCPD), indicating claim frequency has not returned to pre-pandemic levels despite elevated vehicle repair costs.

Physical damage coverages continue to reflect higher costs for vehicle parts, labour, repairs, and rental vehicles. Although inflation has moderated since its peak, claims continue to settle at higher cost levels than before the pandemic. The AIRB selected trend benchmarks of +2.3% for Collision, +3.6% for Comprehensive, and +2.8% for All Perils.

Weather-related losses remain a significant challenge, particularly for Comprehensive coverage. Recent Alberta hailstorms, including significant losses in 2024, reinforce the importance of catastrophe provisions within rate indications. Increasing vehicle values and repair complexity have amplified the financial impact of these events.

The review also confirms Alberta's PPV market has largely entered a post-pandemic "new normal." While traffic volumes have recovered, claim frequencies for several coverages remain below historical levels, influenced in part by hybrid and remote work arrangements. The selected benchmarks align historical claim experience with current driving behaviours and expected future claim patterns.

Industry profitability has moderated since the unusually strong results observed in 2020 and 2021, when pandemic-related claim activity was significantly reduced. The benchmark recommendations remain forward-looking and are based on expected costs rather than prior-period profits or losses.

The AIRB also maintained key rating assumptions, including the Health Cost Recovery assessment, operating expense benchmark, and allowed profit provision.

Overall, the 2026 Annual Review presents a more stable market from a frequency perspective but it continues to face claims cost pressures from inflation, injury costs, and severe weather. The resulting benchmark recommendations are intended to support adequate and sustainable rates while reflecting the evolving risk environment facing Alberta drivers and insurers.

INDUSTRY BENCHMARKS

The AIRB expects insurers to use their own data in rate filings wherever possible for all vehicle types.

> *Industry Benchmarks should be used only when an insurer does not have sufficient data or cannot otherwise support the reasonableness of its assumptions.*

The AIRB and its consulting actuary use the Industry Benchmarks as reference points when reviewing individual insurer filings and assessing the reasonableness of assumptions. Insurers must support assumptions which vary significantly from industry experience.

Under the AIRB filing guidelines, all full filings must consider benchmarks for the following ratemaking components:

1. Loss Development Factors
2. Loss Cost Trends
3. Administrative Expense & Unallocated Loss Adjustment Expense (ULAE)
4. Health Cost Recovery
5. Profit

The RCS Report estimates the first three ratemaking components listed above. These components should be based on each insurer's experience to the extent the experience is credible for use in rate filings. When an insurer must calculate industry loss costs as a credibility complement, the AIRB-approved benchmarks for each ratemaking component are expected to be used.

The fourth component, health cost recovery, is used by insurers to calculate rate indications. The fifth component is the maximum profit provision permitted for use by insurers.

LOSS DEVELOPMENT FACTORS

Historical claim counts and amounts must be projected to expected ultimate values by coverage and sub-coverage. Prior years' experience provides insight into how the number and amount of claims tend to develop from initial reporting. Insurers are expected to select and support claim count and amount development factors based on their own experience when calculating rate level indications.

RCS analyzed industry claim count and amount development patterns using Alberta industry data as of December 31, 2025, and considered information available during the review period when selecting loss development assumptions.

The AIRB accepts RCS's selected development factors as benchmarks for insurers to use when industry claim experience is considered in developing rate level indications. Insurers are required to use their own data where it is credible and supported.

LOSS TRENDS

Loss cost trends are projections of future accident losses based on historical loss patterns. Insurers consider how their own data compares with these factors when estimating future claims costs. Trending helps assess how changes over time affect claim costs and claim development. Loss trends vary by coverage and sub-coverage. Based on industry analysis and stakeholder comments, RCS selected loss trend rates for each coverage. The loss trends with comparison to the prior review are shown.

These benchmarks, for all vehicle classes, apply to rate indication filings submitted between October 1, 2026, and March 31, 2027. Insurers are reminded they may only file to increase premiums for physical damage coverages during this period, as premiums for Care-First coverages were filed separately for the full 2027 calendar year.

Private Passenger Vehicle

Coverages	2025 Semiannual Review (As of 06/30/2024)	2025 Annual Review (As of 12/31/2024)	2026 Semiannual Review (As of 06/30/2025)	2026 Annual Review (As of 12/31/2025)
Third Party Liability (TPL) Bodily Injury	+9.1%	+8.7%	+8.8%	+8.6%
TPL Property Damage	+1.5%/+10.3%	+1.6%	+1.6%	+1.4%
Direct Compensation Property Damage	+1.5%/+10.3%	+1.6%	+1.6%	+1.4%
Accident Benefits	+12.0%/+5.5%	+11.9%/+7.0%	+11.8%/+8.7%	+11.9%/+9.0%
Collision	+2.5%/+16.7%	+2.4%	+2.4%	+2.3%
Comprehensive	+5.1%	+4.9%	+3.6%	+5.4%
All Perils	+3.2%	+3.7%	+3.1%	+2.8%
Specified Perils	+4.9%	+5.3%	+5.2%	+1.1%
Underinsured Motorist (SEF 44)	+4.9%	+4.6%	+4.4%	+4.7%

Although this report is required for PPV, the AIRB also conducts an annual review of commercial vehicles to ensure transparency and give stakeholders an opportunity to provide feedback. The preliminary report for commercial vehicles was posted on the AIRB website on July 14, 2026, and written submissions were accepted until August 14, 2026. No written submissions were received.

Commercial Vehicle & Motorcycles

Coverages	2025 Commercial Annual Review (As of 12/31/2024)	2026 Commercial Annual Review (As of 12/31/2025)	2026 Motorcycle Annual Review (As of 12/31/2025)
Third Party Liability (TPL) Bodily Injury	+7.9%	+6.8%	+0.1%
TPL Property Damage	-0.3%	-0.8%	+3.3%
Direct Compensation Property Damage	-0.3%	-0.8%	+3.3%
Accident Benefits	+11.1%	+11.8%	+4.1%/+6.4%
Collision	-0.1%	-0.1%	-9.9%/+0.4%
Comprehensive	+3.9%	+3.2%	+2.6%
All Perils	+1.8%	+0.9%	+2.0%
Specified Perils	+3.9%	+3.2%	-5.7%
Underinsured Motorist (SEF 44)	+9.8%	+8.4%	+0.0%

New in 2026, the AIRB added an annual review for motorcycles to support the upcoming launch of Care-First. Motorcyclists will receive increased accident benefits to ensure they have access to appropriate care and treatment following an accident. Because motorcyclists are often more severely injured, claim costs are expected to rise following the launch of Care-First. The preliminary report was posted on the AIRB website on August 4, 2026, and written submissions were accepted until September 4, 2026. No written submissions were received.

The AIRB accepts RCS's selected trend rates as the industry benchmarks for commercial vehicles and motorcycles. These trend rates will serve as a reference point when reviewing filings received on or after October 1, 2026, and assessing the reasonableness of assumptions used by insurers in rate filings.

The final PPV report and benchmark schedule are included in the appendix. Final reports and schedules for commercial vehicles and motorcycles are available on the AIRB website.

OPERATING EXPENSES & ULAE

Expense Category	AIRB Selections
Amortization of Insurance Acquisition Cash Flows	+20.0%
General & Operating	+7.8%
Total Expenses	**+27.8%**
ULAE	+1.094

In Alberta, all insurers offer the same auto insurance policy and coverages. Insurers may differentiate their pricing through operating expenses. GISA publishes the Automobile Insurance Financial Information exhibit, which establishes industry averages for operating expenses on a direct written premium basis. GISA also publishes auto industry exhibits which incorporate ULAE ratios.

Although categories differ under the new accounting standard, IFRS 17, operating expenses remain non-claims related. Acquisition costs include compensation paid to agents and brokers for selling insurance policies. Brokers are typically compensated as a percentage of premium, referred to as standard commissions. Brokers may also receive contingent commissions based on business growth or profit targets.

Unallocated loss adjustment expense (ULAE) is the claims and settlement-related expense which is not associated directly with individual claims.

Under IFRS 17, liabilities for incurred claims (LIC) are no longer broken down between direct and assumed business. This change required assumptions to estimate the direct portion of insurance service expenses. In addition, updates to insurer expense allocation methodologies contribute to differences in ULAE ratios when comparing pre- and post-IFRS 17 data.

The AIRB accepts RCS's recommendation the 2022 IFRS 4 expense ratio continue to be used until an acceptable IFRS 17 metric is defined. The AIRB accepts the Alberta ULAE ratio presented in the GISA exhibit as benchmarks, adjusted to reflect a percentage of direct earned premium. These ratios serve as reference points when considering administrative expenses and ULAE in individual insurer filings.

HEALTH COST RECOVERY

Under Alberta legislation, insurers pay a levy to achieve a target amount set by government. The levy recoups the cost of public healthcare services provided to victims of auto collisions. The levy is calculated as a percentage of earned third-party liability premiums using GISA data. The government has no subrogation rights against at-fault parties with third-party liability coverage. The President of Treasury Board and Minister of Finance publishes the levy percentage applied to third-party liability written premiums annually.

The AIRB accepts Health Cost Recovery as 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.

PROFIT

The AIRB sets a target pre-tax profit benchmark for all coverages and vehicle types. The AIRB reviews the profit benchmark annually to determine a reasonable profit level, considering factors such as stakeholder feedback. The profit benchmark provides a fair return to compensate insurers for the risk assumed when writing auto insurance in Alberta.

When an insurer issues an insurance policy, it assumes the risk premiums may not be sufficient to pay claims and expenses. The insurer supports this risk by maintaining capital, for which it expects to earn a return.

In 2023, the AIRB conducted an economic analysis and lowered the profit benchmark from 7.0% to 6.0% of premium, effective October 1, 2023. In 2026, the AIRB maintained the profit benchmark at 6.0%, following a review of the updated economic analysis.

CARE-FIRST

Beginning January 1, 2027, Alberta's government will implement the Care-First auto insurance system. Care-First is a new approach to auto insurance focusing on providing injured Albertans with faster access to treatment, rehabilitation, and income support benefits following a motor vehicle collision, rather than relying on lengthy and costly court proceedings. The model is intended to improve recovery outcomes for those injured in collisions while reducing system costs and delivering greater affordability and predictability for drivers.

As part of the Care-First transition, premiums associated with bodily injury and accident benefits coverages will be frozen for the 2027 calendar year. This approach is intended to provide premium stability during the initial implementation period while claims experience emerges under the new system and sufficient Care-First data becomes available to support future actuarial analysis and pricing adjustments. The AIRB will continue to monitor insurer rating programs and market experience throughout the transition.

To support consistent implementation across the market, all insurers were required to file Care-First rating programs using the actuarial benchmarks established in the Care-First Actuarial Costing Report and the filing requirements outlined in AIRB Bulletin 04-2026. The AIRB mandated the use of benchmark premiums for bodily injury, accident benefits, and SEF 44 coverages when insurers filed to implement Care-First. These benchmarks establish common average premium levels across the industry, ensuring the projected savings identified in the actuarial costing work are reflected in insurer filings while maintaining risk based pricing for individual policyholders.

The use of common actuarial benchmarks was a key element of the Care-First implementation strategy because it resets premiums for the new coverages based on independent actuarial costing rather than historical pricing. This approach helps ensure Albertans receive the benefits and savings anticipated under the new system while providing insurers with a consistent and transparent framework for transitioning to Care-First on January 1, 2027.

APPENDICES

A. RCS Review of Industry Experience Final, PPV

B. Industry Benchmark Schedule

C. Consumer Perspectives Report

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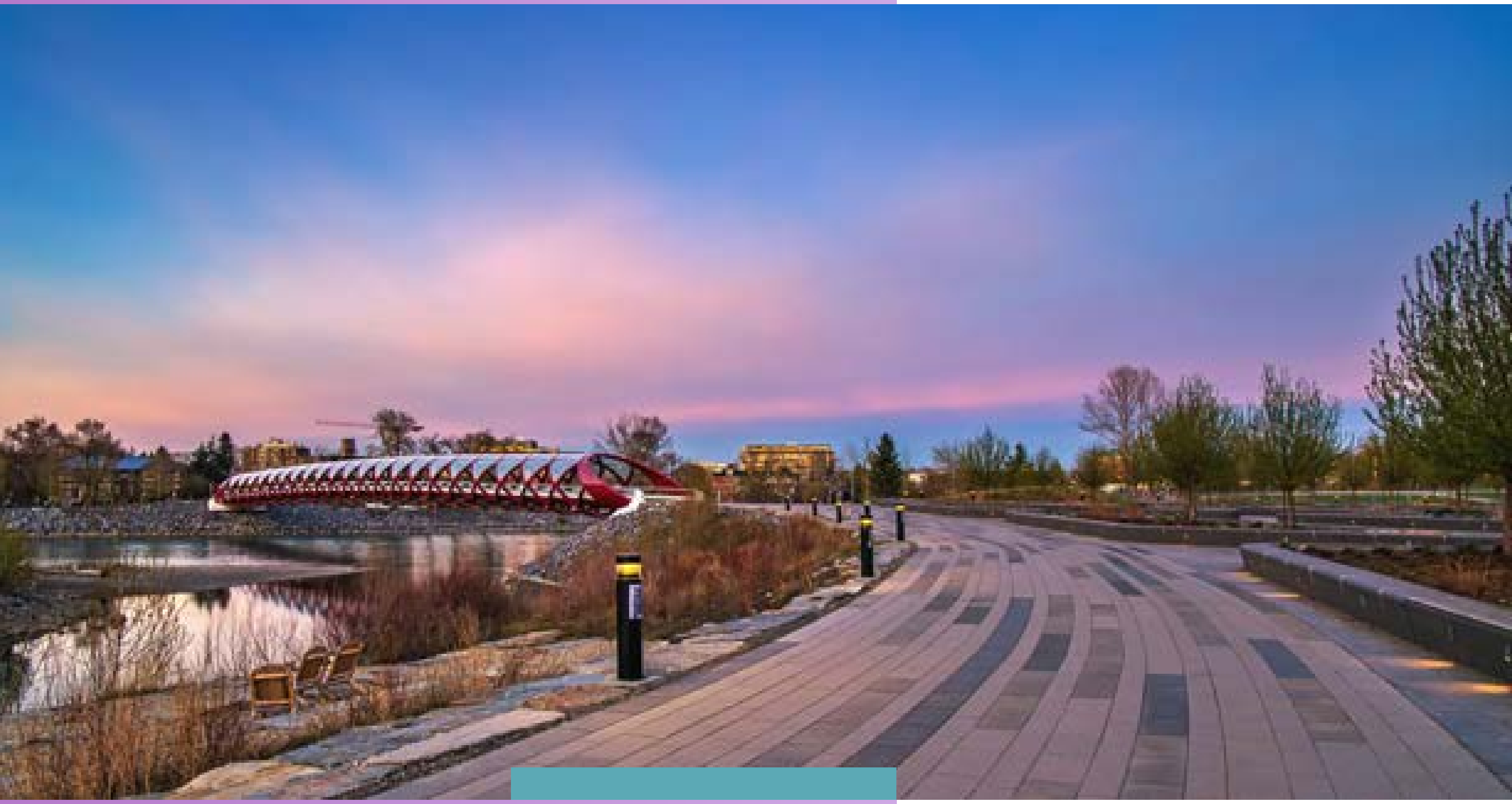

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