

AUTO INSURANCE RATES

FAQ April 9, 2020

Can insurance companies charge whatever auto insurance rates they want in Alberta?

Insurance companies cannot set the rates they charge on their own. The Automobile Insurance Rate Board (AIRB) regulates auto insurance rates. Insurers cannot increase or decrease rates without explicit approval from the AIRB. More information on rates can be found at airb.alberta.ca.

How are auto insurance rates set?

The Superintendent of Insurance approves rating factors that insurers may use to set their rates, such as where an individual lives and their years of driving experience, among others. In addition, the independent rate regulator, the AIRB, reviews auto insurers' proposed rate changes, including actuarial assumptions such as projected claims cost increases, operating expenses and maximum permitted profit margins. Based on those factors, it makes a decision on insurers' requested rate changes. AIRB full rate filing guidelines can be found [here](#).

This process takes at least 90 days from the time an insurer submits a rate filing to when the first consumer sees the rate change.

Why would insurers increase rates during a crisis?

Many of the approved rates in the AIRB's rate posting were submitted by insurers and approved by the AIRB late last year or early this year. These rates changes have already been implemented. Insurers understand that this is a challenging and uncertain time and want to help alleviate some of the financial burden for the most vulnerable. They recognize that many drivers are no longer commuting or using their vehicle as regularly, and their premiums should reflect the reduced risk.

If your driving habits have changed significantly, or you are facing financial hardship as a result of the pandemic, contact your insurance representative. Savings will vary based on individual driving habits.

Insurers believe auto insurance should be more affordable. That's why we are working with the Government of Alberta in hopes of implementing balanced changes that will make auto insurance more affordable while providing consumers with more choice and care when they need it.

How long does it take to get rates approved?

After making a rate change proposal, insurers must wait between 30- and 60-days before those rates are approved. After that, consumers are sent renewal notices at least a month before their new rates are proposed to come into effect. In all, it could take more than 90 days from rates

being submitted to consumers seeing those rates. Rates posted today were submitted to the AIRB months ago.

Why are the rate increases higher than in past years?

After years of an affordable and stable auto insurance system in Alberta, claims costs relating to bodily injury claims have skyrocketed by over 75% since 2011. These costs are driving premiums up. The insurance industry wants to work with the Government of Alberta to fix the issues in the system and deliver an affordable auto insurance product over the long term.

What is an insurer's market share?

This represents how much premium an insurer writes relative to the total size of the market. The higher the market share, the more policyholders the insurer serves.

What can consumers do to lower their premiums?

Alberta's insurers agree that auto insurance should be more affordable. In the short term, to help those dealing with the COVID-19 pandemic, insurers are offering substantial consumer relief measures. In the long-term, insurers are advocating for reforms to make auto insurance more affordable.

There are also 22 insurer groups (or 46 insurers) operating in Alberta that compete for consumers' business. Consumers should shop around – it is proven to help drivers find better rates.

Do insurance companies just file for the highest rates possible?

No. Alberta has a competitive insurance market and insurers compete for Albertans' hard-earned premium dollars. Many insurers request less than their justified rates as a consumer focused measure or to try to increase their market share.

The AIRB also closely monitors and approves the rates insurers can charge. No insurer can increase or even decrease their rates without explicit approval from the independent AIRB.

How often do these rate filings happen?

Filings go to the AIRB on a regular basis. This could be to request a rate increase or decrease or to change how insurers calculate their rates. The AIRB typically posts approved rates on a quarterly basis, which means that some of the decisions were made up to 90 days before the posting. Filing approval decisions are made in accordance with the Automobile Insurance Premiums Regulation.

Why aren't the rate changes communicated earlier?

The AIRB does not disclose information about rate filing decisions prematurely for competitive reasons, as it might give other companies an unfair advantage over their competitors.

What are some of the factors that go into calculating drivers' premiums?

Auto insurance premiums are calculated using many different factors (e.g., number of years driving, claims history, traffic convictions, where the driver lives, and type of vehicle or coverage selected). Different insurers use their claims data to determine how these factors are weighed. For example, some insurers may place a larger emphasis on number of kilometres driven per

year, while others place a greater emphasis prior claims history. Factors used must be authorized by the Superintendent.