

GEOGRAPHICAL DIFFERENTIAL ADJUSTMENT

**TO THE GRID BASE PREMIUM RATES FOR
BASIC COVERAGE EFFECTIVE NOVEMBER 1, 2006**

**RE: SCHEDULE 3 SECTIONS 2(2), 2(3) AND 2(4) OF THE
AUTOMOBILE INSURANCE PREMIUMS REGULATION**

ALBERTA AUTOMOBILE INSURANCE RATE BOARD

BOARD DECISION

Order No: 02-06

July 31, 2006



Legislative and Regulatory Mandate

The Automobile Insurance Rate Board (referred to herein as either the AIRB or the Board) was established on October 1, 2004 under Section 653(1) of the *Insurance Act* (the Act). The mandate of the AIRB is defined in the Act and the *Automobile Insurance Premiums Regulation* (the Regulation) and includes the duty to:

- annually determine if rates for basic coverage¹ should be changed through an industry-wide adjustment;
- monitor optional coverage;
- review and approve rating programs for new insurers granted a license to sell automobile insurance in Alberta by the Superintendent of Insurance; and
- fulfill the duties and responsibilities carried out by the previous Automobile Insurance Board regarding non-private passenger insurers.

Schedule 3, section 2(2) of the Regulation requires that the Board as of November 1, 2006 reduce the current differential in the grid base premiums between Edmonton and Calgary by 50%. Under schedule 3, section 2(3), the Board must also ensure that the grid base premiums for the rest of Alberta remain 20% less than Calgary.

Base premiums are defined in the Regulation as “the premium determined under Schedule 3 for basic coverage for 12 months, or if for a period of less than 12 months, an amount prorated accordingly”

The current grid base premiums are listed in Appendix A

Section 2(4) of Schedule 3 of the Regulation also stipulates that any industry-wide adjustment made under section 4 of the Regulation also must apply to the grid base premiums.

¹ Basic coverage is the third-party liability and accident benefits portion of an automobile insurance policy.

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In accordance with Schedule 3, Section 2(2) and Section 2(4) of the *Automobile Insurance Premiums Regulation*, the Automobile Insurance Rate Board orders that the grid base premiums, listed in Schedule 3 of the Regulation, be adjusted according to the table below as of November 1, 2006.

New Grid Base Premiums as of November 1, 2006

Policyholder's choice of coverage	Territory		
	Edmonton territory	Calgary territory	Rest of Alberta territory
\$200,000	\$1,567	\$1,524	\$1,220
\$250,000	\$1,618	\$1,574	\$1,259
\$300,000	\$1,653	\$1,607	\$1,286
\$400,000	\$1,709	\$1,662	\$1,330
\$500,000	\$1,751	\$1,704	\$1,363
\$750,000	\$1,789	\$1,740	\$1,392
\$1 million	\$1,844	\$1,793	\$1,435
\$2 million	\$2,009	\$1,955	\$1,564

Appendix A - Automobile Insurance Premiums Regulation

Schedule 3, Section 2

- 2 (1)** The base premium for a relevant driver and occasional driver is an amount calculated in accordance with the following table by determining
- the territory in which the policyholder resides, and
 - the choice of the policyholder's coverage under section 627 of the Act, namely: \$200,000, \$500,000, \$1 million or \$2 million or such other coverage amounts offered by the insurer that are included in the table.²

Policyholder's choice of coverage	Territory		
	Edmonton territory	Calgary territory	Rest of Alberta territory
\$200,000	\$1616	\$1528	\$1222
\$250,000	\$1668	\$1577	\$1262
\$300,000	\$1704	\$1611	\$1289
\$400,000	\$1762	\$1665	\$1332
\$500,000	\$1806	\$1707	\$1366
\$750,000	\$1845	\$1744	\$1395
\$1 million	\$1901	\$1797	\$1438
\$2 million	\$2072	\$1959	\$1567

- The Board must,
 - effective November 1, 2005, reduce the differential base premium between the Edmonton territory and the Calgary territory shown in the table by 40%;
 - effective November 1, 2006, reduce the differential base premium between the Edmonton territory and the Calgary territory shown in the table by 50%;
 - effective November 1, 2007, eliminate the remaining differential between the Edmonton territory and the Calgary territory shown in the table.
- In making an adjustment under subsection (2), the Board must ensure that the base premium for the rest of Alberta territory is 20% less than for the Calgary territory.
- In addition to the adjustments under subsections (2) and (3), if the Board has made an adjustment on an industry-wide basis under section 4 of this Regulation, the Board must, effective November 1 of the year in which the adjustment is made, make a corresponding percentage change to the base premiums in the table in this Schedule.

² Table shows premiums effective November 1, 2005.