

April 12, 2006

**Notice 01-06:
Annual Review of Automobile Insurance Premiums for Basic Coverage**

The Automobile Insurance Rate Board (AIRB) is commencing the 2006 annual adjustment, a process that analyzes the industry-wide experience and determines whether premiums for basic coverage for private passenger vehicles should be adjusted. The Board will consult with interested stakeholders on the annual adjustment and is calling for stakeholders to file a letter of intent to participate in the process by April 21, 2006. This consultation process will conclude with public meetings:

- In Edmonton at the Sutton Place Hotel, 10235 – 101 Street on June 14th and June 15th from 9am to 5pm; and
- In Calgary at the Metropolitan Center, 333 – 4th Avenue S.W. on June 20th and June 21st from 9am to 5pm.

Background

The annual review will collect input on whether the premium level for basic automobile insurance coverage¹ needs to be adjusted given the accident experience of the insured public in 2005 and based on expectations for the future. The Board's focus for the public meetings this year is centered on the following topics:

- Loss trends
- Expense provision
- Rate of return on investment of net premium
- Impact of reform on third party liability costs and accident benefit costs

Presenters may also wish to address the subject of:

- The premium Grid and Risk Sharing Pool

In order to participate in the public hearings, all stakeholders are invited to send a letter of intent to the Board. The letter of intent should specifically identify all the topics the presentation will cover. The Board will evaluate the letter of intent and presenters will be selected based on adherence to the areas identified above and relevance to the mandate of the Board. The purpose of a submission process is to ensure that presentations are within the scope of the annual review and relate to the industry-wide experience. All interested parties may attend the public hearings, but only those parties selected by the Board will be permitted to present to the Board.

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

Profit

Profit will not be considered in the June public meeting process this year. The profit provision to be used in future annual adjustments will be addressed in a separate set of public meetings scheduled to occur in the Fall of 2006. Profit, which proved to be a significant issue in the 2005 annual adjustment process, is a complex issue that warrants a separate and more comprehensive consultation process. Therefore, the Board will conduct separate hearings on an appropriate level of insurer profit to be recognized in the annual adjustment and by extension to other rate applications. The hearings will be held in the Fall of 2006 and all stakeholders will be invited to make a submission or presentation to the Board. For the 2006 annual adjustment, the Board will use the same profit provision used last year with amendments to accommodate the current investment environment.

The Process

There are three ways for interested parties to participate in the annual adjustment

- Submit a Letter of Intent. This is required in order to make a presentation to the Board at the public meetings
- Send a Written Submission to the Board regarding the annual adjustment
- Contact the Consumer Representative

1) File a Letter of Intent

All interested parties wishing to present to the Board during the public meetings must file a letter of intent **by April 21, 2006**. Your letter of intent should include:

- A list of the issues that you wish to present to the Board, including a description of how these issues apply to the criteria that must be considered by the Board and to industry experience for the past year.
- Your presentation should contain information that is accurate, based on current circumstances and related to the Alberta insurance market.
- You must also indicate whether you would like to simply file a written submission or make a presentation to the Board. If you would prefer to make a presentation you should indicate your choice of location.

2) Presentation at the Public Meetings:

The Board will review all letters of intent and select presenters. Presenters will be notified by May 5, 2006 whether they have been selected to present at the public meetings. Upon notification, a presenter must file their presentation with the Board **by May 31, 2006**. Any presentations received after this date will not be accepted and that party forfeits their presentation slot.

**The Board's actuary, Mercer Oliver Wyman, will release a preliminary report on the industry wide experience by May 31, 2006. Presenters are invited to comment on the preliminary report during their presentation.*

3) Written Submissions

As an alternative to making a presentation during the public meetings, stakeholders are invited to make a written submission to the Board on issues related to the annual adjustment. Written submissions must be received **by May 31, 2006**.

4) Input to the Consumer Representative:

Consumers not wishing to make a presentation or submit a written submission may make comments regarding the annual adjustment to the Consumer Representative. The Board may also direct parties to provide their input to the Consumer Representative, Merle Taylor, who will collect the input of consumers. During the public meetings, the Consumer Representative will present a report to the Board on the input that she has received.

5) Attendance at Public Meetings:

The annual review will be a public process and all interested parties may attend the public meetings. However:

- Only those parties who have been invited to make a presentation will have an opportunity to speak to the Board;
- Presenters are invited to ask the Board questions at the end of their presentation; and
- All presenters and attendees at the public meetings will be responsible for any expenses they incur in order to attend a public meeting process.
- During the public meetings, the Board will reserve the right to go into in-camera sessions if necessary to protect proprietary data.

Important Dates:

1. April 21, 2006 Deadline for Letter of Intent
2. May 31, 2006 Presentations due to the Board
 Deadline for written submissions
3. May 31, 2006 Board Preliminary Actuarial Report released
4. June 14 & 15, 2006 Edmonton Public Meetings
5. June 20 & 21, 2006 Calgary Public Meetings
6. August 1, 2005 Board Decision Released

Public disclosure of all presentation and written submissions:

Subject to section 816 of the *Insurance Act*, any information (including personal or business information) that is submitted to the Board for consideration in the annual adjustment process will be considered made in the context of a public meeting, whether made as a written submission or an oral presentation, and will be made available to the public upon request to the Board.

Letters of intent and submissions should be sent:

Automobile Insurance Rate Board
200, Terrace Building
9515 – 107 Street
Edmonton, AB T5K 2C3

Phone: (780) 427-5428, or toll free: 310-0000

Fax: (780) 644-7771

Email: AIRB@gov.ab.ca

To contact the Consumer Representative:

Ms. Merle Taylor
200, Terrace Building
9515 – 107 Street
Edmonton, AB T5K 2C3

Phone: (780) 427-5428, or toll free: 310-0000

Fax: (780) 644-7771

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