

GEOGRAPHICAL DIFFERENTIAL ADJUSTMENT

**TO THE GRID BASE PREMIUM RATES FOR
BASIC COVERAGE EFFECTIVE NOVEMBER 1, 2005**

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

ALBERTA AUTOMOBILE INSURANCE RATE BOARD

BOARD DECISION

Order No: 02-05

August 2, 2005



Legislative and Regulatory Mandate

The Automobile Insurance Rate Board (AIRB) was established on October 1, 2004 under section 653(1) of the *Insurance Act* (the Act). The AIRB is mandated under the Act and the *Automobile Insurance Premiums Regulation* (the Regulation) to: annually determine if rates for basic coverage should be changed through an industry-wide review; 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, 2005 reduce the differential in the grid base premiums between Edmonton and Calgary by 40%. 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.

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In accordance with the 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, 2005.

New Grid Base Premiums as of November 1, 2005

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

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
- (a) the territory in which the policyholder resides, and
 - (b) 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.

Policyholder's choice of coverage	Territory		
	Edmonton territory	Calgary territory	Rest of Alberta territory
\$200,000	\$1683	\$1530	\$1224
\$250,000	\$1738	\$1580	\$1264
\$300,000	\$1775	\$1614	\$1291
\$400,000	\$1835	\$1668	\$1334
\$500,000	\$1881	\$1710	\$1368
\$750,000	\$1922	\$1747	\$1398
\$1 million	\$1980	\$1800	\$1440
\$2 million	\$2158	\$1962	\$1570

- (2)** The Board must,
 - (a) effective November 1, 2005, reduce the differential base premium between the Edmonton territory and the Calgary territory shown in the table by 40%;
 - (b) effective November 1, 2006, reduce the differential base premium between the Edmonton territory and the Calgary territory shown in the table by 50%;
 - (c) effective November 1, 2007, eliminate the remaining differential between the Edmonton territory and the Calgary territory shown in the table.
- (3)** 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.
- (4)** 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 October 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.