

Automobile Insurance Premiums Regulation Consultation Paper

INTRODUCTION

The Department of Alberta Treasury Board and Finance (the department) is in the process of reviewing the [Automobile Insurance Premiums Regulation](#) (the regulation) of the [Insurance Act](#) (the Act).

PURPOSE OF THE CONSULTATION PAPER

The purpose of the consultation paper is to seek comments and feedback from stakeholders, as well as to provide an opportunity to identify any other items for consideration.

SUMMARY OF THE REGULATION

The regulation establishes a rate-setting process for automobile insurance premiums in Alberta and is set to expire August 31, 2020.

The Automobile Insurance Rate Board (Rate Board) is a regulatory agency established under section 599 of the Act and its roles and responsibilities are set out in the Act and in the regulation. The Rate Board is responsible for reviewing and approving individual insurance companies' rating programs for both basic (third party liability and accident benefits) and additional (collision and comprehensive) coverage. Rating programs use a number of factors to evaluate the risk posed by consumers purchasing automobile insurance in order to help determine automobile insurance premium amounts. The schedules of the regulation set out a maximum premium for basic automobile insurance in a premium rating grid (grid). No insurer may charge rates for basic coverage that exceed the amounts set out by the grid. The grid rates only take into consideration the number of years an individual has held a valid driver's licence, the number of at-fault claims, and the driver's territory.

ITEMS FOR CONSIDERATION

Only those provinces in Canada that have a similar system to Alberta for the delivery of automobile insurance (i.e. private sector offering of basic/mandatory coverage, not government/public automobile insurance) will be used as comparison jurisdictions. This includes Ontario, New Brunswick and Nova Scotia.

The department has identified the following items for consideration:

1. Updating Schedule 4 of Surcharges for the Grid

The department will be updating the list of grid surcharges for at-fault accidents and driving convictions to align with changes to the [Criminal Code of Canada](#) and the [Traffic Safety Act](#) and associated regulations, such as the new distracted driving offence.

The department is seeking feedback on the following question:

- a) *What offences should be included in Schedule 4 which are not currently listed?*

2. Superintendent to Maintain Schedule 4

The department is considering removing Schedule 4 Surcharges for at-fault accidents and driving convictions from the regulation and providing the Superintendent of Insurance (Superintendent) the authority to maintain and publish this Schedule. This would allow the Schedule to be kept up-to-date with changes to the relevant legislation without having to make changes to the regulation itself.

The department is seeking feedback on the following question:

- a) *What is your opinion on removing Schedule 4 from the regulation and providing the Superintendent with the authority to maintain and publish this schedule?*

3. Other Considerations

The department may propose a number of other items to update the regulation.

Prohibition of negative rate capping

The department is considering a prohibition on negative rate capping undertaken by insurers. The practice of negative rate capping is prohibited in all other provinces except for New Brunswick and Nova Scotia. Whereas New Brunswick allows insurers to determine negative rate caps, Nova Scotia does not allow insurers to impose their own rate caps. The Nova Scotia Utility and Review Board may impose negative rate caps in rare circumstances, which in turn would allow insurers to impose it.

Territories

The department and the Office of the Superintendent are working with the Rate Board and have developed potential options on the appropriate number of non-grid territories. The department is consulting separately on this issue. The total number of territories on the grid is not expected to change. If any changes are made to the non-grid territories, the department will ensure that the three grid territories identified in the regulation will be somewhat comparable to the non-grid territories that are established.

STAKEHOLDER COMMENTS AND FEEDBACK

Please inform the department of any comments you may have on these items and the regulation.

For your convenience, a suggested response template is attached.

Stakeholders are encouraged to identify any other issues the department should consider while reviewing the regulation.

In your response, please consider the following:

- **Rationale for the identified issue;**
- **Evidence to support the identified issue, including what other jurisdictions are doing (if applicable); and**
- **Solution to the identified issue, including what implementation could look like.**

Please note that all submissions will be subject to the [Freedom of Information and Protection of Privacy Act](#) (FOIP). All information received, including the names of stakeholders consulted in this process and any comments received about the proposed regulation, may be used or disclosed in the future in accordance with FOIP. Comments will not be publicly attributed to the stakeholder without consent.

Interested stakeholders are invited to submit their comments and feedback to Marissa Brown (marissa.brown@gov.ab.ca) or 780-415-4584 by August 31, 2016.

Thank you for your time and comments!