



*July 29, 2009*

## **Mandatory auto insurance premiums to decrease by five per cent**

*Edmonton...* The Automobile Insurance Rate Board (AIRB) is directing insurers to reduce premiums for basic auto insurance by five per cent, effective November 1, 2009.

The decrease is mainly a reflection of the Alberta Court of Appeal's decision to uphold the province's Minor Injury Regulation, which restores the cap on the amount an individual can claim for minor soft-tissue injuries. The AIRB also took into account expected claims and administrative costs for insurance companies, as well as declining investment rates and increasing claims costs.

"Today's announcement shows how auto insurance reforms are working for Albertans," said Alf Savage, chair of the AIRB. "Since the introduction of the reforms in 2004, rates for compulsory auto insurance coverage have decreased by 18 per cent. As a result of this year's decision, drivers, on average, will see a reduction of \$30 per year in premiums."

The AIRB's role is to encourage an efficient and effective automobile insurance market with rates that are predictable and fair for both motorists and insurance companies. The process for adjusting insurance premiums is open and transparent. Public meetings and presentations by interested stakeholders were held over two days in June and more than 800 Albertans were surveyed.

The AIRB's mandate is to set premiums for mandatory auto insurance coverage for private passenger vehicles, monitor premiums for optional coverage, and review and approve rating programs for new insurers entering the Alberta market. The AIRB annually sets the maximum premiums for mandatory coverage that all automobile insurers charge.

The board is required to announce any industry-wide adjustment that results from its annual auto insurance rate review by August 1 of each year.

For more information, visit the board's website at [www.airb.gov.ab.ca](http://www.airb.gov.ab.ca) or call 780-427-5428 (toll free at 310-0000).

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**Backgrounder:** Mandatory auto insurance premiums to decrease

**Media inquiries may be directed to:**

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## Mandatory auto insurance premiums to decrease

The AIRB is required to release the results of its annual review of basic insurance premiums by August 1 of each year. As part of this review, public meetings were held on June 16 and 17 in Edmonton to hear from stakeholders.

Since the AIRB's inception, rates have been adjusted as follows:

• 2004	5% decrease
• 2005	10% decrease
• 2006	3% decrease
• 2007	no change
• 2008	5% increase
• 2009	5% decrease
Total	18% decrease

This year, the rate board directed its actuary and presenters to provide information regarding the required rate adjustment in two components: firstly, the indicated adjustment based on industry's experience, which is the difference between current premiums and the estimated required premiums for the upcoming year and, secondly, the impact of the removal of the minor injury cap. Just days prior to the AIRB meetings, the Alberta Court of Appeal restored the cap.

### **Total rate adjustment: -5%**

The AIRB has directed mandatory insurance premiums be decreased by 5 per cent effective November 1, 2009. In determining this overall rate adjustment, the board took into account two main components - the experience of the auto insurance industry and the effect of the restoration of the soft tissue injury cap, as follows:

#### Experience adjustment: +5%

The financial crisis and its impact on the economy have placed upward pressure on rates for 2009-10. The board recognized the following two main factors as contributors to this increase:

- declining investment rates; and,
- increasing repair costs due mainly to the unavailability and increasing cost of parts, body shop rate increases to offset new environmental standards, and ongoing car rental costs related to the extended wait periods for vehicle repairs.

The board's actuary, after considering input from the public meetings, recommended a 9% increase in rates for the experience adjustment. This is just one piece of evidence the board takes into consideration. The AIRB also reviews all other available information, including past profits, rate stability, investment rates, claims frequency and severity. Based on its review of these factors, the board decided on a 5% increase for the experience adjustment in rates for 2009.

#### Cap adjustment: -10%

In 2008, based on the uncertainty surrounding the legal challenge of the Minor Injury Regulation, the board chose to pass along half of the estimated impact, or 10%, to motorists.

While some uncertainty still remains, the board chose to remove this 10% from rates effective November 1, 2009, as a result of the decision of the Alberta Court of Appeal to uphold the Minor Injury Regulation.

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