Auto Insurance Reform

For Private Passenger Vehicles

Questions and Answers

Updated November, 2006
Please note: These questions and answers are intended for insurance industry staff.

Answers have been approved by Alberta Finance, Superintendent of Insurance.

ABSTRACTS

1. How will insurers determine the number of years licensed for Albertans? Currently, the Registry database contains this information, but drivers’ abstracts do not. Will this be added to the abstracts? Or can insurers ask insureds to obtain a second document from Registries to verify the number of years licensed? If so, who would pay the cost of the second report?

   Answer – In many instances, insurers’ records will indicate the number of years that a driver has been licensed. At this time, the government has no plans to add years licensed to the drivers’ abstract. An insurer may request that a policyholder obtain a second report from the Registries to confirm the number of years licensed. If so, the insured is responsible to provide the report, and pay for it.

2. Photo radar tickets and tickets for seat belt infractions are not presently reported on driving records. Is the government planning on changing the current process?

   Answer – No.

3. How are new drivers to Alberta rated?

   Answer – New drivers are given the benefit of driving experience for the number of years licensed in another jurisdiction or country, for which satisfactory evidence is provided. For the purpose of the grid, evidence will be accepted from other jurisdictions within Canada. For policies which are not grid-rated, each insurer may make its own determination about which countries and jurisdictions are acceptable.

4. How will insurers know if policyholders have had a change in their driving records (e.g., been convicted of impaired driving during the policy term)?

   Answer – The same way they always have - by pulling the driver’s abstract.

5. Immediate access to driver’s abstracts would be beneficial. What is the government doing to give brokers/agents immediate access to drivers’ abstracts so that an accurate quote can be given immediately to the customer?

   Answer – Work is underway, but it will take some time before any changes can be implemented.
6. Are there plans to have at-fault claims listed on the driver’s abstract, as is done in other jurisdictions?

Answer – No. The industry maintains a data bank of policy and claims information, reported by all insurers. Policy and claim information is reported to this data bank. The information is then provided to the industry through Auto Plus.

ALL COMERS

1. Where can I find the All Comers Rule? What is it?

Answer – Together, section 613 of the Insurance Act and the Adverse Contractual Action Regulation are colloquially referred to as the “All Comers Rule.”

The All Comers Rule applies to Private Passenger Vehicles, for brokers, agents and insurers. In part, it states:

Brokers, agents and insurers may
refuse to process an application
refuse to issue or renew a contract
terminate or cancel a contract
refuse to provide or continue any coverage or endorsement
for the following reasons:
• Non-payment of premium or any portion of a premium
• The failure of the insured or applicant to inform the insurer or to keep the insurer informed (where requested by the insurer) as to who is the principal operator
• With respect to the approved application form, the insured or applicant:
  fails to complete the form
  provides false information
  makes any misrepresentation
  fails to submit required information
• With respect to vehicles 12 model years or older
  refuses to provide a completed, approved vehicle inspection report
  refuses to repair a component of the vehicle that has been identified as being unsafe, within 30 days
• The applicant does not hold a valid operator’s licence to operate a private passenger vehicle in Canada (Note: This clause is not intended to apply where there is another operator of the vehicle.)

2. Are any automobile insurers currently operating in Alberta exempt from the All Comers Rule?

Answer – No. All insurers currently licensed to write automobile insurance in Alberta must comply. No exemptions have been granted.

3. Can an insurer refuse to issue an automobile policy based on the fact that the insured’s roommate refuses to provide his driving information?

Answer – No. Due to the implementation of the All-Comer’s Rule, insurers cannot decline to offer a renewal or new policy, or cancel a policy mid-term, if an insured refuses to provide driver information about another person who is resident in the household and who is not a listed driver.
4. Can an insurer add an SEF 8a and/or 28 for the insured’s roommate?

Answer – No. An insurer may ask, but the insured is not obligated to sign the endorsement.

5. If the insurer adds a SEF 28 and/or 8a for the insured’s roommate, what action, if any, can the insurer take if the policyholder refuses to sign the endorsement(s)?

Answer – None. The policy cannot be cancelled unless the insurer is unsure as to who is the principal operator.

6. When the named insured and principal operator has only a class 7 license, must an insurer write the risk in their regular market?

Answer – Yes. A class 7 license is recognized as a license, subject to restrictions.

7. If an insurer cannot cancel a policy for reasons other than those outlined in section 613 of the Insurance Act, can it void a policy from inception for a different reason?

Answer – No. An opinion has been obtained from Alberta Justice. Voiding a policy has the same effect as cancelling, and therefore would be considered to be an “Adverse Contractual Action” under section 613 of the Insurance Act.

8. An insurer has a rule that it doesn’t write any new business for risks without collision or all perils coverage. Can this be continued under the All-Comer’s rule?

Answer – No. Section 613.1 would prevent the insurer from enforcing this rule for private passenger vehicles.

9. What if a broker or agent does not want to deal with a particular consumer? Does he/she have the option to turn away a potential client?

Answer – No. All agents and brokers must accept all risks and deal with them. A risk can only be refused in accordance with the exemptions in section 613.1(2) of the Insurance Act.

10. Can an agent, broker or insurer refuse to insure (or cancel) an abusive customer?

Answer – No.

11. Does the All Comers Rule apply to group insurers?

Answer – Yes.

12. Can an insurer decline to write a policy because it is not accepting new business?

Answer – No. The All Comers Rule will apply – unless the insurer has given the Superintendent notice of withdrawal from Alberta, is winding down operations or is under extra-provincial order or order from OSFI to cease writing auto insurance.
13. If a consumer states they want to be insured by Company X, but that company does not write Private Passenger Auto, must the insurer write the risk?

Answer – No. If an insurer does not write that class of business, then it is not required to write the risk.

14. With the All Comers Rule, can Insurers still have a restricted vehicle list if they had one prior to the reforms?

Answer – Insurers cannot refuse to provide basic coverage (Sections A and B) for private passenger vehicles, even if they have a restricted list. The “All Comers Rule” would take precedent over any existing underwriting guidelines used by the insurance company. However, if the risk is unacceptable to the insurer then it would be able to transfer the risk to the Risk Sharing Pool, subject to the applicable limits.

15. One of the reasons that an insurer may decline to issue a new policy or cancel an existing policy is for “the non-payment of premium or any portion of premium.” Does this mean that the insurer can cancel an automobile policy if the insured owes money for his home policy?

Answer – No. This part of the Insurance Act applies only to automobile insurance. An insurer may cancel or refuse to issue an automobile insurance policy only if the outstanding premium is for a private passenger automobile policy.

16. Can an insurer refuse to issue a new auto policy if the applicant owes money to another insurer for an automobile policy?

Answer – Yes. This applies to private passenger auto policies written in Alberta and other jurisdictions.

17. Can insurers decline a risk based on lack of driving experience in Canada or the US?

Answer – No.

CLAIMS ASSESSMENT AND RATING

1. Who is responsible for advising the insured that he or she can repay the claim within 90 days?

Answer – NOTE – Effective with accidents that occur on February 1, 2007 and after, insureds will not have the option to repay a loss and have the claim revert to not-at-fault status. The change to the regulation regarding repayment of losses is on a “going-forward” basis from February 1, 2007.

For losses that occur up to and including January 31, 2007, section 2(a.1) of the Market Conduct Regulation (renamed to “Fair Practices Regulation (AR 128/2001 s1; AR 96/2006)” in 2006) states that when the policy is grid rated, the insurer must notify the insured of his option to repay the amount of the loss.
2. If an insured had repaid a loss under the previous provisions of the regulation, how will his policy be rated on renewal after February 1, 2007?

Answer – If the insured had a claim with a date of loss of January 31, 2007 or before and repaid the amount of the loss, future policy renewals will be rated as if the claim never occurred.

3. Under the Order in Council of September 30th, 2004, an insurer may not charge for an at-fault loss if it failed to charge for the loss on the first renewal. If the loss occurs between the time the policy was issued and the renewal date (assuming that the insurer issues renewals in advance), can the renewal be reissued to reflect the claim?

Answer – NOTE – This section of the regulation has been repealed. Effective February 1, 2007, insurers may rate for at-fault losses whether or not they were charged for on the first renewal following the payment of the loss.

Up to and including January 31, 2007, the trigger is the first renewal following payment of the claim, not the date of loss. If the claim were paid between the time the insurer initially issued the renewal and the renewal date, the insurer could reissue the renewal to reflect the claim.

4. The client had at-fault accidents December 2003 and December 2005. Are the two years between accidents taken into consideration as “accident-free?”

Answer – No. Calculating placement on the grid is a 3-step process:

1. Every driver enters at a grid level zero
2. Go down one grid level for each year the driver has been licensed (to a maximum of 15 years), less any time the driver’s license was suspended – rounded down to the nearest full year
3. Go up five grid levels for each at-fault accident in the past 6 years

5. Will the “Fault Chart” still be applied to determine fault in an accident?

Answer – The grid refers to at-fault and partially at-fault accidents – the proportion of fault under the Fault Chart will not make a difference in calculating grid premiums.

6. For the purpose of placement on the grid, is a single vehicle accident considered to be “at-fault?”

Answer – No, unless there is a property damage or liability claim associated with it (i.e., passenger hazard).

7. Are single vehicle accidents, where there were payouts under Section B to injured passengers, considered to be “at-fault?”

Answer – No. “At-fault” claims are defined as those under third party liability (Section A of the SPF No.1).
8. A renewal for January 1, 2007 is issued on November 1, 2006. The insured has been licensed 10 years, so we calculated his grid level at -10. On renewal, he will have had one more year of experience, so his renewal grid level is -11. The insured is involved in a third-party at-fault loss on December 1, 2006. Can his grid level be recalculated due to the at-fault loss to a -5?

Answer – The insurer may reissue the renewal at a grid level –5 (because of the accident the driver does not have an additional at-fault claims-free year of driving, so would not have moved to a -11).

9. How is “fault” determined when a claim payment arises from the inter-company settlement chart?

Answer - Whether or not an accident is considered to be “at-fault” would be determined solely by tort.

COMMERCIAL VEHICLES

1. What is the definition of “commercial vehicle?”

Answer - The Premiums Regulation does not define “commercial vehicle.”

2. If there are two commercial vehicles and one private passenger vehicle on a policy, can the private passenger vehicle be placed in the Risk Sharing Pool?

Answer – Yes

3. If an insurer currently writes only commercial autos, will it be subject to the All Comers Rule?

Answer - No. The All Comers Rule applies only to private passenger vehicles.

4. Can insurers that now permit private passenger vehicles on commercial policies continue to do so? Or must they write those vehicles on a separate personal lines policy?

Answer - The insurer can continue with its current practice.

5. Under an Individually Rated Commercial (IRC) policy, can a company decline to write the Private Passenger portion of the risk?

Answer – No – the All Comers Rule would not allow the insurer to decline the private passenger vehicle.
6. Under a Fleet Automobile Policy, can a company decline to write the Private Passenger portion of the risk?

*Answer – No - the All Comers Rule would not allow the insurer to decline the private passenger vehicle.*

### EQUALIZATION OF RATE DIFFERENTIALS

1. I don’t understand why an insurance company charges different rates for the same risk profile on renewal. Can you explain?

*Answer – When the Rate Freeze was implemented in 2003, insurers had to issue renewals at the rate charged on the policyholder’s previous policy. That meant an insurer had as many different versions of private passenger rates in effect as it had filed with Rate Board within the year preceding the Rate Freeze. The equalization of rate differentials in the Premiums Regulation allows insurers to gradually return to just one set of rates by October 1, 2008. Insurers were required to file their plans for returning to one set of rates, or “equalizing their rate differentials” with the Superintendent’s Office.*

### FAIR PRACTICES REGULATION

1. In 2003, the government passed the Fair Practices Regulation. What has happened to it?

*Answer – The Fair Practices Regulation, which was passed in 2003, expired on May 1, 2006. It was not renewed and no longer exists in that form. (Note that the Market Conduct Regulation was renamed “Fair Practices Regulation” in 2006 – however, only the name changed. The substance of the original Fair Practices Regulation was not transferred to the Market Conduct Regulation.)*

### GRID

1. On the grid, there does not appear to be any difference in premium between pleasure use, driving to and from work or business use. Is this correct?

*Answer – Yes. This is a feature of the grid only.*

2. Does the maximum premium outlined in the Automobile Insurance Premiums Regulation apply to just Section A coverage, or to both Sections A and B? What about endorsements, such as the SEF 44?

*Answer – The maximum premium applies to Sections A and B, and no other coverages or endorsements.*
Grid Rates Vs. Insurer’s Regular Market Rates – Which applies?

1. Can an insurer charge the grid premiums even when their own regular market premiums are less?

Answer – Yes. Pursuant to section 3(3) of the Automobile Insurance Premiums Regulation, insurers may charge grid premiums when one or more of the following apply in respect of the relevant driver:

   a) The relevant driver had 3 or more at-fault claims during the preceding 6 years;
   b) The relevant driver had 5 or more traffic safety convictions in the preceding 2 years;
   c) The relevant driver had one or more criminal code convictions in the preceding 3 years;
   d) The relevant driver had 2 or more serious traffic safety convictions in the preceding 3 years; or
   e) The relevant driver was convicted of one or more offences for fraud relating to automobile insurance in the previous 10 years.

Note: Until February 1, 2007, this applies only to business that was new to the insurer since October 1, 2004 and to renewals of that new business.

Effective February 1, 2007, this applies to all business, regardless of when the policy was first written by the insurer.

2. If a principal driver’s premium is less using the insurer’s regular market rates, does the occasional driver pay the regular market rates or grid rates (assuming the grid is lower)?

Answer – Rates are determined on a “per vehicle” basis, rather than by the driver. If the rates generated for the principal and occasional operators are lower based on the insurer’s regular market rates (as opposed to grid rates), the insurer’s regular market rates would apply for both drivers of the vehicle. Similarly, if the grid rates were lower, the grid rates would apply. See question 1 for the exceptions.

3. How do you decide if policies with multiple vehicles and a number of operators should be rated using an insurer’s regular market rates or grid rates? For example, an insurer’s underwriting rules and guidelines state that when there is Mom, Dad and an underage operator and three vehicles that each operator must be assigned to a vehicle as a principal operator. The grid assigns relevant and inexperienced drivers differently, making it impossible to do a premium comparison on a vehicle-by-vehicle basis.

Answer – In cases such as these, it is necessary to rate all vehicles using both the insurer’s regular market rules and guidelines and the “Calculation of Grid Premiums,” in Schedule 1 of the Premiums Regulation. The lowest overall premium for all three vehicles will apply (subject to the exceptions outlined in question 1).
4. What triggers the placement of an insured from the regular market to the grid?

Answer – The “trigger” is price. In most instances the insured will be charged the lower of the grid or regular market – see question 1 for the exceptions.

5. Does the grid premium or market premium apply for the entire renewal period or can it change from grid to market and vice versa during the policy term, depending on the policy circumstances?

Example 1. If a careless driving charge became three years old during the policy term, do we re-calculate the premium or wait until renewal to assess whether the person should receive market rates or grid rates?

Example 2. If an occasional operator is added mid-term to a policy which is market rated, do we apply the grid premium to the policy if it is lower than the market premiums or do we wait until renewal to re-assess this?

Answer – Surcharges would remain on the policy until the next renewal date. Mid-term changes, such as the addition of a vehicle, would be calculated on both the grid and the insurer’s regular market premiums. The lower of the two would apply, subject to the exceptions outlined in question 1 above.

Definition of “Private Passenger Vehicle”

1. What is the definition of a private passenger vehicle?

Answer - The Premiums Regulation defines “private passenger vehicle” as follows:

A motor vehicle not weighing more than 4500 kg that is used for
(i) pleasure,
(ii) driving to or from work or school, or
(iii) business purposes, including farming operations,

but does not include
(iv) a motorcycle, power bicycle or moped,
(v) a vehicle used for commercial purposes, including but not limited to,
   (A) a vehicle used for transporting individuals for compensation,
   delivery of good, courier or messenger service, parcel delivery,
   meal delivery or driver training,
   (B) a vehicle rated under a fleet formula,
   (C) a short-term lease or rental vehicle,
   (D) a funeral vehicle, or
   (E) a vehicle held for sale or used for demonstration or testing,

(vi) an emergency vehicle as defined in section 1(1)(m) of the Traffic Safety Act,
(vii) a recreational vehicle,
(viii) an antique vehicle registered under the Traffic Safety Act as an antique vehicle, or
(ix) an all terrain vehicle, a snow vehicle, a miniature motor vehicle or any other similar off-highway vehicle
2. When does the grid apply? Does it include Farmers, individually-rated fleet vehicles, business-use vehicles?

Answer – The grid applies to all individually rated private passenger vehicles. This includes non-farm, business class (class 07) and individually-rated private passenger vehicles on commercial policies. It does not include private passenger vehicles rated under a fleet formula. A full definition of “private passenger vehicle” is included in the Premiums Regulation, Definitions section, subsection (o).

3. Does the definition of private passenger vehicle, not weighing more than 4500 KG refer to curb weight or gross vehicle weight?

Answer – 4500 kilograms or 10,000 pounds, gross vehicle weight.

4. What is the definition of an “antique” automobile? Is it a private passenger vehicle?

Answer – Antique vehicles exempted under the Premiums Regulation are those registered under the Traffic Safety Act as antiques.

5. Does the type of vehicle determine whether a risk is placed on the grid or not?

Answer – No, providing that the vehicle is a private passenger vehicle, as defined in the regulation. The vehicle is irrelevant when determining if the grid premium is lower than the regular market, as the grid applies only to Section A and B coverages.

6. Are private passenger vehicles on fleet policies subject to the new auto reform regulations?

Answer - Private passenger vehicles that are subject to an experience rating formula used in connection with a fleet of commercial vehicles or a garage policy are not subject to the reforms.

Establishing the Grid Level for New Business

1. Now that the “relevant date” of October 1, 2004 described in the regulation has past, how is the grid level determined for a driver who has never been placed on the grid? (this could be a new driver or a new resident to Alberta)

Answer – Grid level is determined in three steps:
   a. Each driver starts at grid level zero
   b. Go down one grid level for each year licensed to a maximum of 15 (less any time the license was suspended) – rounded down to the closest full year
   c. Go up five levels for each at-fault accident within the past 6 years preceding the effective date of the policy
2. If an insured does not have a confirmation letter from Alberta registries stating the number of years he or she has been licensed, can insurers apply a grid level zero?

Answer – Insurance is still based on “utmost good faith.” The logical grid level should apply.

3. How would the following risk be placed on the grid? Would driving experience be applied first, less the time suspended, or is the maximum of 15 years applied first, and then the time suspended deducted?

   Licensed June 1986 (20 years)
   Suspended June 2000 to June 2006 (6 years)
   No at-fault claims within the last 6 years

Answer – Effective January 1, 2007 for new business and February 1, 2007 for renewals, an insured’s grid level is determined by his/her driving experience in the past 15 years. Start with the number of years licensed (to a maximum of 15), less the period of suspension if applicable. In the example given, the grid level would be a –9 (15 years, less 6 for the suspension).

4. For initial grid placement, is there a reduction for full years since the last at-fault accident?

Answer – No. The Order in Council of September 30th simplified grid placement to the following three steps:
   a. Each driver starts at grid level zero
   b. Go down one grid level for each year licensed to a maximum of 15 (less any time the license was suspended) – rounded down to the closest full year
   c. Go up five levels for each at-fault accident within the past 6 years

5. If someone has been licensed for 6 years, but never had insurance, where do they start on the grid?

Answer – Placement on the grid is determined by the number of years licensed, regardless of whether the individual was insured or not. Therefore, he/she would start at a –6 grid level, providing there were no at-fault claims.

6. We are quoting an auto policy that insures a mother and father. A daughter also lives at home, but she has her own vehicle and insurance and does not drive their vehicles. The insurer has requested driver information for the daughter.

   a. Are we required to ask for this information?

Answer – You may ask for the information, but the insured is not required to provide it.

   b. What recourse can the insurer take if the parents refuse to provide us with the information?

Answer – None. The Principle of utmost good faith applies.
7. How should the policy be rated if the named insured and principal operator has only a class 7 license?

*Answer – For the purpose of the grid, the driver would be rated at a grid step zero.*

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**Establishing the Grid Level on Renewal**

1. How is the grid level determined on renewal for a person who already has been placed on the grid?

*Answer – After making adjustments for the grid level based on the insured’s actual driving experience in the past 15 years (effective January 1, 2007 for new business, February 1, 2007 for renewals), the grid level is then adjusted based on the individual’s experience during the previous policy term in one of three ways:

1) If they had been claims free for another full year, they would go down one grid level.
2) If it was a six-month policy, and they had not been another full year claims free, they would stay at the grid level already established until the next renewal date.
3) They would go up 5 levels for each at-fault accident during the policy term.*

2. Can an insurer amend the grid level mid-term?

*Answer – No. Adjustments are made on renewal.*

3. If insurers must use the grid level assigned by the previous insurer, can anything be done if the previous insurer made an error in placing an insured on the grid?

*Answer – The new insurer may correct the error.*

4. When an insured has a claim or conviction that would affect their grid rate, is the change made mid-term or on renewal?

*Answer – On renewal, as has been the industry’s practice.*

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**Impact of CLAIMS on Grid Level**

1. How would a policyholder who is only partially liable for a loss be rated on the grid?

*Answer – The grid defines “at-fault claims” as “a claim paid in respect of liability for which the driver is wholly or partially at fault.” The policyholder would therefore move up 5 grid steps for each loss for which s/he was partially liable.*

2. Are single vehicle accidents, where there were payouts under Section B to injured passengers, considered to be “at-fault?”

*Answer – No. “At-fault” claims are defined as those under third party liability (Section A of the SPF No.1).*
3. How does the grid apply to at-fault claims when the driver of the vehicle is not a listed driver on the policy? For example:
   - When the policyholder loans the vehicle to another driver who has his/her own vehicle and insurance?
   - When the policyholder loans the vehicle to another driver who does not own a vehicle, and therefore does not carry insurance?

   *Answer* – Rating for accidents under the grid follow the driver, and not the policy. Therefore, if the policyholder loans the vehicle to another driver who has an accident, that driver would be charged for the accident under the grid. Regardless if the driver owns a vehicle or not, the claim would not be charged against the policyholder for the purpose of rating on the grid. For all risks that do not hit grid maximums, each insurer can follow its own stated practice of rating for claims.

4. Does it matter how long ago an at-fault claim occurred? Is there a difference in the rates for drivers whose at-fault claims were 1 full year ago versus 5 full years ago?

   *Answer* – No. Not for initial placement on the grid. To calculate the initial grid placement, the following 3 steps apply:

   1) Each driver starts at a grid level zero,
   2) The driver then moves down one grid level for each year licensed (to a maximum of 15)
   3) The driver moves up 5 grid levels for each at-fault accident in the 6 years immediately preceding the relevant date. No further adjustment is made for the number of full years since the last at-fault accident.

### Impact of LICENSE SUSPENSIONS on Grid Rating

1. How do suspensions affect the grid level?

   *Answer* – License suspensions are deducted from the total number of years the driver has been licensed (subject to a maximum of 15) – and then rounded down.

   Therefore a license suspension of one month could affect the grid level in two different ways:

   - If the driver had been licensed 3 years and 3 months, the month suspension would be deducted, and the driver would still get the benefit of 3 full years of driving experience (he or she should have had 3 years, 2 months, rounded down to 3 years).
   - If the driver had been licensed 3 years and 2 weeks, the month suspension would be deducted, and the driver would be at a grid level 2 (with experience for 2 years, 11 months and 2 weeks, rounded down to 2 years).

2. How does a maintenance suspension affect the grid rating?

   *Answer* – The regulation does not differentiate between reasons for suspensions or types of suspensions. The reduction in driving experience due to the suspension would still apply.
3. How do license suspensions affect placement on the grid? The regulation does not specify the length of the suspension, nor does it indicate any specific reason for the suspension (such as demerits, criminal code convictions, maintenance, medical reasons, etc.). How are suspensions of less than a full year calculated with respect to driver experience?

Answer – “Driving experience” is determined by full years that a person has held a valid driver’s license (subject to a maximum of 15 years), less the period of time during which a person’s license was suspended, cancelled or revoked. Partial years are rounded down – for example, a person who had been licensed for 3 years and 2 months but had a 6-months suspension would have 2 years experience (3 years, 2 months less 6 month suspension would be 2 years, 8 months, rounded down to 2 full years)

Impact of LAPSES IN INSURANCE COVERAGE for Grid-rated Policies

1. How are “claims free years” determined when a lapse in coverage has occurred? For example, a person has been licensed for 6 years, but only insured for 2.

Answer – Number of years licensed is a main criterion for determining grid placement, regardless of whether the driver was insured for the entire time or not. In the example given, for the purpose of calculating the grid premium, driving experience would equal the number of years licensed, being 6.

Impact of Suspension or Accident on DRIVER TRAINING credit for Grid Level

1. How is the –2 grid level for driver training impacted if the driver has a license suspension or accident?

Answer – The driver does not lose the benefit of the –2 grid level for a license suspension or for an accident. His grid level would be determined by starting at –2 and going up for the length of time the license was suspended, or by 5 for each accident.

Surcharges for Grid-rated Policies

1. Does the accident surcharge apply only to new business?

Answer – No. For grid-rated policies, it will apply to both new business and renewals.

2. An applicant was convicted with impaired driving while he was a young offender. The conviction therefore does not show on his driving abstract. Can the insurance company charge for the conviction?

Answer – No. Insurers may charge only for the convictions shown on the applicant’s drivers abstract.
3. Under the regulation, a “serious traffic safety conviction” is defined as “any of the following offences under the Traffic Safety Act, or a conviction for an offence that is substantially similar under an enactment of Canada … or of another province or territory.” Does this mean if the insured has a conviction that is sort of the same as one that is listed, but not identical that it can be charged for?

Answer – No. Surcharges apply only for the specific convictions listed in the regulation. This list includes the Act and section number of the offence. Note that effective January 1, 2007 for new business and February 1, 2007 for renewals, changes were made to the schedules of convictions in the Premiums Regulation to make it in line with industry standards.

4. How are surcharges applied?

Answer – The regulation is very specific. Surcharges for various offences are specifically listed by Criminal Code, Traffic Safety Act or Use of Highway and Rules of the Road Regulation, including the pertinent section numbers. The Premium Regulation lists the surcharge amounts for the three different classes of convictions. If an offence is not listed in the regulation, it cannot be included when calculating the surcharge percentage for the purpose of the Grid.

### Multi-Vehicle Policies

1. If an insured has two vehicles and is the only operator, would his/her convictions apply to both vehicles, if they are grid rated?

Answer – Yes. While many insurers would surcharge only one vehicle under these circumstances, both are surcharged for the purpose of determining the grid premium.

2. If a policy insures two autos and drivers, one subject to the grid, the other subject to the insurer’s regular market, would one or two policies be issued?

Answer – This would be determined by each insurer’s preference or practice. There is no direction in the regulation regarding this.

3. What are the rules for determining the highest risk? Is this the driver with the highest grid surcharge?

Answer – Highest risk is the driver with the highest grid premium, including conviction surcharges.
Multi-Driver Policies

1. There are instances where there could be 2 private passenger vehicles and a total of 4 drivers, but only one of the drivers actually has access to the private passenger vehicles and therefore is assigned as principal operator of both. The other three drivers only drive the commercially-rated vehicles. How would the policy be rated?

*Answer* - *As the grid pertains only to private passenger vehicles, for purposes of calculating the grid premium, only the driver who operates the private passenger vehicles is considered.*

2. An inexperienced driver rate would apply 1) Only when there are more drivers than vehicles, or 2) A driver has less than 8 years experience. What happens when there are more drivers than vehicles, but all have been licensed more than 8 years?

*Answer* - *If drivers have over 8 years experience, they are not considered to be inexperienced drivers - the extra drivers are occasional drivers but not inexperienced drivers, so there is no charge.*

3. Are only drivers that are actually stated as driving the private passenger vehicles to be used when calculating the rate?

*Answer* – *Yes.*

Calculation of Endorsement Premiums

1. How are the premiums for SEF 6A endorsement calculated?

*Answer* - *The grid applies to Section A & B coverages only. Insurers use their own established rules and rates to calculate endorsement premiums. For example, if it is an insurer’s practice to charge 10% of the liability premium for an SEF 6A, then the rate would be 10% of the grid premium, if the vehicle was grid rated.*

Liability limits

1. Can an insurance company or broker refuse to write a policy with a $200,000 Third Party Liability limit?

*Answer* – *It must provide the policy with a $200,000 limit, if this is what has been requested by the policyholder.*

2. Our binding authority with the insurer we write most of our personal lines auto with is $1,000,000 for Third Party Liability. Can the insurer decline to write limits of $2,000,000? Can the applicant insist on a $2,000,000 Third Party Liability limit through this insurer, even though it is not their practice to offer it?

*Answer* – *The insurer cannot decline to write a limit of $2,000,000.*
**Section C coverages**

1. As the grid applies only to Sections A & B, what prevents insurers from increasing Section C premiums?

   *Answer – Premiums for non-mandatory coverages (Section C) are on a “file and use” basis. Insurers may increase Section C premiums after filing their rates with the Automobile Insurance Rate Board.*

2. Can insurers decline to offer Section C coverages due to the number of Section C claims? (For example, a policyholder has presented 6 windshield claims within the policy term – could an SEF 13D be added?)

   *Answer – Yes.*

3. Will Section C premiums be higher for grid risks than for those in the voluntary market?

   *Answer – No. Insurers must use their own Section C premiums.*

**NON-PAYMENT OF PREMIUM**

1. Can insurers cancel for non-payment of premium?

   *Answer – Yes.*

2. If the insured applies for a policy again to the same insurer, must the insurer write the policy if there is still an outstanding premium on the original policy?

   *Answer – No. Premium due to any insurer for a private passenger automobile policy is one of the reasons that an insurer can decline to write a new policy.*

3. If the insured applies to a different insurer, must the new insurer write the policy if there is a premium owing to another insurer for an automobile insurance policy?

   *Answer - No. Premium due to any insurer for a private passenger automobile policy is one of the reasons that an insurer can decline to write a new policy.*

4. If an insured has several payments returned “NSF” during a policy term, may the insurer demand payment in full during the term of the policy? Can the insurer decline to offer monthly payments on renewal?

   *Answer – Yes. An insurer may demand full payment during the term of the policy and can decline to offer monthly payments on renewal.*
NON-RESIDENTS – INSURING THEIR VEHICLES

1. Our insured has moved to British Columbia, but refuses to register and insure his vehicle there. Must we write his insurance?

   Answer – At www.icbc.com, the Insurance Corporation of British Columbia states:
   
   You must register, license and insure any vehicle you bring to B.C. within 30 days of its arrival here.
   
   The insured would be in contravention of the laws of his new province by continuing to be insured in Alberta after the 30-day period. Determination of “residency” rests with the government of the jurisdiction where the insured resides.

2. We have many applicants who are working in Alberta, but who have not established permanent residency here. Are they required to obtain Alberta drivers licenses and register their vehicles in Alberta?

   Answer – The department of Government Services deals with determining whether or not an individual who has not established residency in Alberta is required to obtain an Alberta driver’s license. This department also decides what constitutes “residency,” which varies depending upon the home jurisdiction of the individual. Both IIBAA and IBC have requested clarification from Government Services on this issue. Until received, brokers, agents and underwriters may call Government Services for advice on a case-by-case basis at 780-427-7013 (outside of the Edmonton area call 310-000 first to access Government Services toll-free). Limited information may also be found online at: www.governmentservices.gov.ab.ca.

NOVEMBER 1ST, 2006 RATE CHANGES

1. The press reported that rates will decrease by 3% on November 1, 2006. Is this true for all coverages and all insureds?

   Answer – Rates can be impacted by a number of variables, outlined in the Automobile Insurance Premiums Regulation. They are:

   a) Industry-wide adjustments
   b) Offsetting adjustments to rating variables
   c) Equalization of rate differentials, and
   d) For the grid only, elimination of the rate differentials between Edmonton and Calgary

   In addition, individual insurers may file to the Superintendent for a further adjustment or exemption.
The 3% reduction effective November 1, 2006 was mandated by the Automobile Insurance Rate Board (“AIRB”) as the “Industry-Wide” reduction for 2006 after broad consultation with industry and with the AIRB’s own actuaries. This 3% reduction applies to Section A and B coverages only for the grid and insurers’ regular market premiums.

In addition to this decrease, the Premiums Regulation also calls for the gradual elimination of the rate differences between Edmonton and Calgary for the grid by 2007. Towards eliminating this rate difference, effective November 1, 2006, grid rates for Calgary and the “rest of Alberta” (excluding Edmonton) will increase by slightly less than 3%. (The net decrease to grid premiums for Calgary and the “rest of Alberta” due to the Industry-Wide Adjustment and the Elimination of the Rate Differentials is $0.02$ of 1%.)

Under the Premiums Regulation, Section 5 “Offsetting Adjustments to Rating Variables,” an insurer may increase various components of its rating programs by up to 10% - provided that a corresponding decrease of the same dollar amount is simultaneously implemented. For example, an insurer may have found that its 1* rates are inadequate, and so it may increase its 1* rates by up to 10%. It must then decrease rates for another “rating variable” (such as all its 4* rates) by the same amount, so that the net effect is no change to the insurer’s overall revenue.

“Equalization of Rating Variables” is described in its own section on page 8 of this document.

Changes to rates, as noted above, are implemented in conjunction with one another.

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**OPTIONAL COVERAGES (SECTION C & ENDORSEMENTS)**

1. Can an insurer refuse to provide Section C or endorsement coverages?

   Answer – Yes. The Superintendent’s office will monitor the situation to ensure that withholding Section C coverages is not being used to avoid the All Comers Rule.

2. Some insurers have offered endorsements that waive future rate increases due to at-fault accidents or convictions. If the insurer had not increased the premium on the renewal immediately following payment of the claim, the Premiums Regulation stated that no insurer could charge for the accident on future renewals. Has this changed?

   Answer – Effective January 1, 2007 for new business and February 1, 2007 for renewals, insurers are not obligated to forgive an accident because the insured had an accident rating waiver endorsement from a previous insurer. Note that this applies on a “going forward” basis. Claims forgiven due to a claims rating waiver endorsement under the previous version of the Premiums Regulation (up to December 31st for new business, January 31st for renewals) will continue to be considered not “at-fault” losses.
3. Can an insurer refuse to issue a policy if the insured refuses to sign an SEF 8a and/or SEF 28?

*Answer – No. However, under its regular market Rules, Guidelines and Procedures, an insurer may charge for a resident of the household who refuses to sign an SEF 8a and/or 28. Note, however, that this practice is not allowed for grid-rated vehicles.*

4. Has the government given any consideration to allowing SEF 28A endorsements (excluding named persons) to be used?

*Answer – Not at this time. Use of this endorsement would require further legislative changes, which are not being contemplated.*

### RESIDUAL MARKET

1. How do we handle drivers with International licenses?

*Answer – The eligibility criteria for the Residual Market has been expanded to include drivers with international licenses. (An international license is not the same as a license issued by a foreign government, such as a German or Italian driver’s license). Drivers with international licenses may be submitted to the Residual Market servicing carrier. As drivers with international licenses are unlikely to be able to prove driving experience, they would be rated at a grid level zero.*

2. Can an insurer non-renew a risk that has deteriorated so badly during the policy term that it meets the criteria for the Residual Market?

*Answer – No. Section 613.1 of the Act prohibits insurers and agents from refusing to renew, terminate or cancel a contract, except for those specific actions listed in subsection 2. However, the insurer may cede the risk to the Risk Sharing Pool.*

3. We have an applicant with a driving record that meets the eligibility criteria for the Residual Market. But, he is insisting that his policy be placed with one of our regular insurers. Do we have to place the risk with the insurer, even though we believe he really should be placed with our Residual Market servicing carrier?

*Answer – The policy must be placed with the regular insurer. Meeting the eligibility criteria for the Residual Market is not a reason that an insurer can decline to write a risk.*

4. Can a broker or agent place all business that reaches the maximum grid premium in the Residual Market?

*Answer – No. The majority of risks that reach the grid premium will be ceded to the Risk Sharing Pool. It is important to remember that ceding business to the Pool is performed by companies, not brokers. Business eligible for the Residual Market has been strictly defined.*
RISK SHARING POOL

1. If a non-grid risk qualifies for the Residual Market, but the client specifically requests to be placed with a specific insurer, will that specified insurer be forced to accept the risk?

   Answer – Yes, unless they are authorized by law to refuse the risk. Risks which companies are required to accept in this fashion may be ceded to the Risk Sharing Pool, subject to the Pool’s procedures and limits.

2. What are the differences between “Residual Market” and the “Risk Sharing Pool”?

   Answer – Only limited, eligible private passenger vehicle risks may be placed in the Residual Market. Brokers and agents will submit applications for eligible risks directly to a servicing carrier. The Risk Sharing Pool operates “behind the scenes” as an industry-supported reinsurance mechanism.

3. If insurers can cede all grid business to the Risk Sharing Pool, why do brokers have to spread it around?

   Answer – They don’t. However, common sense would suggest that brokers would spread “grey risks” that are not residual market risks and not grid risks amongst their markets.

4. Can you explain the process for ceding risks?

   Answer – Agents and brokers will submit applications to their markets as they do now. Insurers can cede individual risks, if they choose to do so, through a web-based application or use their own mainframes to download bordereaux.

5. What expenses are included in the expense allowance?

   Answer – The expense allowance is to cover acquisition and operating costs, but does not include premium taxes and professional fees. Loss adjustment expenses are split between the expense allowance and eligible specific expenses transferred to the Risk Sharing Pool for reimbursement.

6. Is ceding to the Risk Sharing Pool done by vehicle or by policy?

   Answer – By vehicle. Because transferring risks to the pool is a process internal to insurers, a policy could contain both a pool vehicle and non-pool vehicle.

7. Are midterm transfers to the grid and/or Risk Sharing Pool allowed? (For example, when a new operator is added)

   Answer – Yes. This is outlined in the Risk Sharing Pool manual.
8. If the principal operator is non-grid, but the occasional operator is grid rated, does just
the vehicle to which the occasional operator is assigned cede to the Risk Sharing
Pool?

Answer – The grid is applied at the vehicle level. If the vehicle’s Third Party Liability
and Accident Benefits premiums (for the relevant and inexperienced drivers combined)
are subject to the grid maximum, then the vehicle can be ceded to the Risk Sharing Pool.
If the combined premium (for the principal and occasional operators) is lower in the
insurer’s regular market than the grid premium, this vehicle would be considered a non-
grid risk. It could still be ceded to the Pool, but subject to that insurer’s transfer limit.

9. When there are two vehicles on a policy, with one being written in the regular market,
and the other ceded to the Risk Sharing Pool, will insurers issue separate policies?

Answer – Most insurers will continue to follow their current practice; for most, this
would be to issue one policy showing both vehicles.

10. If an insurer cedes a risk to the Risk Sharing Pool, does the insurer still handle any
claims?

Answer – The claim would be handled by the insurer in exactly the same fashion as if it
was standard business. The insurer would be reimbursed for claims and administrative
costs via the expense allowance, plus specific reimbursements for eligible expenses.

11. If there are two commercial vehicles and one private passenger vehicle on a policy,
can the private passenger vehicle be placed in the Risk Sharing Pool?

Answer – Yes.

12. Do the policy documents look different if the risk is pooled?

Answer – No. Insurers will use their own standard policy documents and forms.

SUPPLEMENTARY MARKET AVAILABILITY PLAN

1. Why is there a need for the Supplementary Market Availability Plan (“SMAP”), if
there is a Risk Sharing Pool (especially in a “Take All Comers” environment)?

Answer – If, for some reason, a broker or agent is not able to place a risk (e.g., if they
have lost the contract with a particular insurer, or have only one contract with an insurer
that does not write that type of business), they can access the Supplementary Market
Availability Plan at 1-800-677-6378 and the client will be provided with a policy.

Use of the Supplementary Market Availability Plan should be minimal, however, the
Market Availability Plan provides a guarantee of availability, so the Supplementary
Market Availability Plan component is needed to support that guarantee.
SURCHARGE – FOR AT-FAULT ACCIDENTS

1. Does the accident surcharge apply only to new business?

Answer – No. For grid-rated policies, it will apply to both new business and renewals.

VEHICLE INSPECTION REPORTS

1. Can insurers insist on having a vehicle inspection report completed?

Answer – Insurers may request a vehicle inspection report for any private passenger vehicle that is at least 12 model years old. Vehicle inspection reports may then be requested every 3 years thereafter.

2. Can an insurer cancel a policy if the insured refuses to repair a component of the vehicle noted to be unsafe in the vehicle inspection report?

Answer – Yes. An insurer may cancel the policy if repairs are not completed within 30 days of the vehicle inspection report being completed.

3. The government has approved an Automobile Insurance Motor Vehicle Inspection Report form. Can insurers use their own forms instead?

Answer – The government has approved a Vehicle Inspection Report form under section 803 of the Insurance Act. This form should be used to ensure compliance with the Act and its regulations.