

NOTES TO USERS REGARDING USE OF DATA

1. The Green Book exhibits are published on an Accident Year basis. In Accident Year statistics, the experience of all policies which are in-force (or exposed) at some time during the period is grouped together. The accident years are defined as the calendar period January to December for each of the stated years. Only the portion of the experience related to the overlap of the given period and the policy term is included.

Earned premium and exposure are taken as the portion (usually pro-rata) of written premium and exposure on these policies which relates only to that part of the policy term which falls within the given period. All claims having date-of-loss within the given period are included in the loss experience, regardless of whether the policy effective date of the policy is within the given period or a prior one. Of course, for such a claim to have been incurred, there must have been a policy which was in-force at the date-of-loss, and so there is a proper matching of premium and losses.

Accident Year statistics tie less closely to written premium and the rates in effect at any given time, but tie more closely to traditional calendar year results.

2. The Actual Loss Ratio, Territorial, Classification and Driver/Vehicle Classification Exhibits display the historical general level statistics on a factored basis. The adjustments made to the loss experience consist of factors for Loss Development, Unallocated Loss Adjustment Expenses, and the Alberta Health Levy. Trend factors have not been applied to the claims experience to project it to a common level in time.

Please note also that amounts exhibited do not contain any adjustments to reflect other expenses incurred by insurance companies, such as commissions, premium taxes (if any) and general operating expenses.

It is strongly recommended that a proper analysis with appropriate adjustments be made to the data for ratemaking purposes. Users are also warned that other technical exhibits are required to complete a ratemaking analysis.

3. All claim (loss) and allocated claim (loss) adjustment expense amounts are included in the amounts reported under the ASP. No attempt has been made to adjust these values for the time value of money to discount them from their actual date paid or payable to an earlier average date of receipt of premium within the accident year. Differences between the displayed undiscounted amounts and corresponding discounted amounts which might be appropriate for some other purposes such as gauging relative profitability may be significant for long-tailed coverages such as Third Party Liability.

Note, however, that Disability Income loss reserve amounts under Accident Benefits coverage may commonly be reported on an already discounted basis and that some Bodily Injury and Disability Income losses may ultimately be settled by means of a structured settlement, at which point reserves will usually be reported on a discounted basis.

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All ratios derived from the claim (loss) amounts (i.e. claim (loss) ratios, claim (loss) costs per car insured, average costs per claim) are similarly on an as-reported and factored basis, unadjusted for the time value of money.

4. From June 1, 1987, until December 31, 1994, written premiums for the Facility Association were reported on a net of commission basis. Beginning from January 1, 1995 the said Written Premium are reported on the gross basis, and users should take note of the possible predominance of the Facility Association in the total Alberta experience for some categories of insurance in some years.
5. Every effort has been made to ensure the accuracy and completeness of the data. However, the responsibility for any errors or omissions in the data submitted under the statistical plan and presented in these exhibits remains with the reporting companies.

Some edit validation and verification, consistency and reasonability checks have been performed which led to some data exclusions in specific classes of business to improve the integrity of the exhibits (see the Data Exclusions section for details).

Other potential data quality problems are currently being investigated and technical users need to review these exhibits with caution.

An independent data audit is not currently mandated or performed.

6. In late 2003, the Alberta government enacted a 'rate freeze' which had the effect of rolling back premiums on all non-fleet and non-garage policies renewed on or after 30/10/2003 to those derived from rates in effect at the prior renewal, unless the insured had been convicted of certain offences or had an at-fault claim. In this latter case, and for additional vehicles and other amendments and for new business issued on or after 30/10/2003, rates were frozen at levels in force on 30/10/2003, until 29/04/2005. As part of this process, the government mandated insurers to provide rebates to insureds for any excess premiums on any renewal policies effective on or after 30/10/2003, which may have been initially issued at rates which were too high. As of 31/12/2004, it appears that this rebate process was complete. Under the ASP, insurers were required to file these premium rebates by means of two premium transactions, one offsetting the old premium amounts for the unexpired term of the policy, and the other onsetting the new premium amounts for the unexpired term of the policy. In the AIX system, written (both debit and credit) premium transactions are assigned for both exposure and premium amount to calendar/accident period based on the transaction effective date, and are then earned by the 24th s rule over the appropriate period to policy expiry date. For these rebates, the transaction effective date would be the same as the policy effective date, and would be on or after 30/10/2003. The effect of this rebate process was to depress average written premiums in the 2003-2 and 2004-1 periods below levels reflective of 'frozen' rates, but to produce average earned premiums which fully reflect earning at 'frozen' rates from 30/10/2003.

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7. For claims occurring on or after 01/10/2004, the Alberta government implemented certain product reforms under Bill 53 which changed the Tort Liability – Bodily Injury and Accident Benefits – Medical/Rehabilitation automobile insurance coverages. These reforms included a cap of \$4,000 per person on non-economic damages for minor injuries as defined, and certain other minor changes including a reduction of damages for loss of income from a gross to a net basis, and the offset of some collateral source amounts, both of which actually became effective somewhat earlier, for claims occurring on or after 24/01/2004, for tort liability claims. They also included an increase in the accident benefits medical/rehabilitation per person limit from \$10,000 to \$50,000, and the introduction of treatment protocols for certain minor injuries. It should be expected that these reforms may result in a shock change to level of ultimate claim frequency and/or severity for 2004-2 and subsequent accident half years for the Third Party Liability - Bodily Injury, Uninsured Motorist, Underinsured Motorist, and Accident Benefits - Medical/Rehabilitation sub-coverages, and that loss development patterns for these sub-coverages might also change. The ultimate claim frequency and/or severity for these sub-coverages for recent prior accident half years still having open claims as of the product reform implementation date may possibly also be affected, but to a lesser degree. The Accident Benefits - Disability Income sub-coverage might possibly experience similar effects as a sort of ripple effect from the other changes. These reforms accompanied the introduction by the government of a Grid system of maximum premium rates applicable to all insurers regardless of their filed approved rates, for Private Passenger vehicles for the total of Third Party Liability and Accident Benefits coverages. The Grid rates vary by Third Party Liability limit and territory, by years of experience, at-fault claim history, and conviction record of each of the relevant driver and the occasional driver, if any. These changes were also accompanied by a 'rate rollback' which had the effect of rolling back premiums for Third Party Liability plus Accident Benefits coverages on Private Passenger vehicles by 5%, and then applying the Grid cap, if it results in a lower premium. As part of this process, the government mandated insurers to provide rebates to insureds for the unexpired term on policies in force at 01/10/2004, and for any excess premiums on any policies effective on or after 01/10/2004, which may have been initially issued at rates which were too high. As of 31/12/2004, it appears that this rebate process was essentially complete. Under the ASP, insurers were required to file these premium rebates by means of two premium transactions, one offsetting the old premium amounts for the unexpired term of the policy, and the other onsetting the new premium amounts for the unexpired term of the policy. In the AIX system, written (both debit or credit) premium transactions are assigned for both exposure and premium amount to calendar/accident period based on the transaction effective date, and are then earned by the 24th s rule over the appropriate period to policy expiry date. For these rebates, the transaction effective date would be 01/10/2004, or such later effective date of the policy for policies subsequently and initially issued at too high rates. The effect of this rebate process was to depress average written premiums in the 2004-2 period for these coverages below levels reflective of the new lower rates, but to produce average earned premiums which fully reflect earning at the new lower rates from 01/10/2004. It should be expected that these roll backs and rebates may result in a shock change to level of average premium per vehicle for

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2004-2 and subsequent accident half years for the Third Party Liability and Accident Benefits coverages.

8. Starting with the factors as of 31/12/2004 and continuing since, the method used to calculate the Alberta Health Levy factors was revised to better reflect the percentages promulgated periodically by the Alberta Ministry of Finance.
9. **On February 8, 2008, the Court of Queen's Bench released its decision in the recent Charter Challenge cases, striking down as unconstitutional the Minor Injury Regulation (MIR) with its \$4,000 (indexed) cap on non-pecuniary damages for claimants with Minor Injuries. An appeal of this decision was heard by the Alberta Court of Appeal in September 2008, and this latter court released its decision on June 12, 2009, overturning the decision of the lower court. The Supreme Court of Canada dismissed the application for leave to appeal the decision of the Court of Appeal with costs on December 17, 2009, and so the Charter Challenge has now ended. In the raw underlying unfactored data, incurred claim amounts consist of cumulative paid amounts up to 31/12/2009 and unpaid case reserve amounts as of 31/12/2009 reported under the Automobile Statistical Plan (ASP). For the Third Party Liability – Bodily Injury sub-coverage, there is some indication in the data that some insurers may have revised their 31/12/2009 case reserves to eliminate any additional amounts held as case reserves on account of the Charter Challenge, but given the short time between the Supreme Court's dismissal of leave to appeal, and the 31/12/2009 date of these case reserves, it is possible that not all relevant insurers have done so yet. However, other sources of information indicate that many insurers were holding reserves for additional amounts on account of the Charter Challenge only as bulk reserves, not included in reporting under the ASP. It may therefore be reasonable to infer that the case reserves as of 31/12/2009 for this sub-coverage might be at levels on average modestly higher than those which would be expected had the Charter Challenge never occurred, but closer to them than may have been the case in the recent past. The projected ultimate claim counts and claim amounts for this sub-coverage, after factoring for expected development, are expected to be close to values reflective of the current situation now that the MIR has been finally determined to be constitutional.**
10. The Automobile Statistical Plan required the reporting of "Actual Values" for Physical Damage Deductibles effective January 1, 2008. For exhibit purposes, the actual value data has been "mapped back" to the old deductible codes.

Based on the reported data, it appears that a number of major writers have problems matching exposures and claims at the deductible level. Users are advised to exercise caution when they are reviewing the data by deductible.

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In 2009, for Private Passenger excluding Farmers, the reporting of All Perils coverage by deductible is distorted. As a consequence, this data has been combined under Coverage Code "40" and the deductible splits are not available on the flat files accompanying this exhibit.

IBC continues to investigate this issue and is following up with the companies to rectify the reporting.