

# ALBERTA RATE FILING REQUIREMENTS FOR MOTOR VEHICLE PROTECTION PRODUCTS

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On January 9, 2025, the Automobile Insurance Rate Board (“**AIRB**”) issued Bulletin 01-2025: *Vehicle Protection Products*<sup>[1]</sup> (“**AIRB’s Bulletin**”) to provide insurers who underwrite vehicle protection products with guidance regarding the compliance requirements for submitting a rating program.

The AIRB’s Bulletin builds on the bulletins recently issued by the Superintendent of Insurance (“**Superintendent**”) <sup>[2]</sup> and the Alberta Insurance Council (“**AIC**”) <sup>[3]</sup>, which outline the regulatory interpretation and treatment of motor vehicle warranty contracts, dealership loyalty programs and ancillary vehicle protection products. For more information, please see our [recent bulletin](#). These products, now classified as automobile insurance, must comply with the Alberta Insurance Act (“**Act**”) including having approved policy wordings and rating programs.

## The Rating Process in Alberta

The Act and the *Automobile Insurance Premiums Regulation* require insurers to apply for and obtain approval when establishing a new rating program or making changes to an existing one.

Prior to filing a rating program with the AIRB, the insurer must:

1. Obtain approval from the Superintendent for their policy wordings; and
2. Confirm they are licensed to transact auto insurance.

Insurers should review the AIRB Filing Guideline<sup>[4]</sup> (“**Guideline**”) to understand the approval requirements and the documentation required, including explanations on how the proposed rates were determined.

The filing and rating profiles must be submitted through the Collection and Reporting System (CARS). Decisions on full filings will be made within 60 days from the date materials are deemed complete; for file & use filings, decisions will be made within 30 days after submission of the filing.

In completing the filing, insurers must follow the following four steps:

### 1. Determine the Applicable Filing Type

The applicable filing type pertains to both private passenger vehicles and non private passenger vehicles, which include buses, taxis and trailers. The filing type depends on whether the insurer meets the rate approval and consumer impact thresholds outlined in the Guideline, which vary between these two vehicle types.

A full filing is typically required:

- a. when an insurer is seeking a new rate indication
- b. if the proposed rate exceeds the permitted thresholds
- c. when an insurer lacks an approved rating program and aims to establish one
- d. if it has been three years since the last full filing, and
- e. when actuarial analysis is required to support the insurer's proposed change.

## **2. Consider the Principles and Expectation for Rating Programs**

Insurers must take into account the following principles and expectations in their rating programs:

- a. The components of the rating programs are evidence based and reasonably predictive of risk.
- b. The components of the rating programs distinguish fairly between risks.
- c. The rating program does not impair the solvency of the insurer or provide excessive returns for the insurer.
- d. Changes in rates are reasonable.
- e. There is clear communication to consumers about premium changes.

## **3. Follow the Filing Format**

The filing should contain the informational sections in the following order: Cover Letter, Table of Contents, Summary of Information, Certifications of the Officer and Actuary, Actuarial Support (for full filings only), Rating Rule Changes, Final Rates/ Rate Level Change, Dependent Categories, Communication to Policyholders, Rate Manual and Rating Profiles.

## **4. If Applicable, Comply with Actuarial Support Requirements**

Actuarial Support Requirements apply only to full filings. Insurers must provide adequate actuarial documentation to support rate levels. Support for an overall rate level change should include the following sections, in the specified order: Overall Description of the Ratemaking Methodology and Summary, Development of Loss Experience, Unallocated Loss Adjustment Expenses, Health Cost Recovery (for third party liability coverage only), Premium, Other Expenses, Profit Provision, Credibility, Other Adjustments, Summary Rate Level Indications and Segmentation Analysis.

## **Impact for OEMs, Third-Party Providers and Dealers**

Note that the AIC has not included a transition period for compliance and has stated that the AIC will investigate complaints, which could result in fines of up to \$200,000 and other disciplinary measures.

As such, OEMs and third-party providers are left scrambling to either pull non-compliant products from the market (such as anti-theft, windshield replacement and non-manufacturer tire and rim replacement) or to urgently partner with an insurer to underwrite them. From a dealer perspective, it would be ideal to partner with an insurer who already has an established rating program that allows for pricing variations, so that they may continue their practice of marking-up the contract price as they see fit, or at least within the limits established by the OEM or third-party administrator.

[1] AIRB Bulletin: "[\*Vehicle Protection Products\*](#)".

[2] Superintendent of Insurance Interpretation Bulletin: "[\*Motor vehicle warranty contracts, dealership loyalty programs and vehicle protection products\*](#)".

[3] AIC Information Bulletin: "[\*New Alberta Insurance Council AIC Restricted Business License insurance type\*](#)".

[4] AIRB Guidelines: "[\*Filing Guidelines for Change in Rates & Rating Programs\*](#)".

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### **A Cautionary Note**

The foregoing provides only an overview and does not constitute legal advice. Readers are cautioned against making any decisions based on this material alone. Rather, specific legal advice should be obtained.

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