
BULLETIN NUMBER: 07-2019

TITLE: **Summing Convictions or Accidents/Claims Across Operators**

DATE: **October 4, 2019**

PURPOSE

The purpose of this Interpretation Bulletin is to advise automobile insurers that the summing of convictions or accidents/claims across operators is prohibited for use as a rating variable in determining private passenger automobile insurance premiums. This Bulletin is issued pursuant to sections 509, 555, 604 and 792.1 of the *Insurance Act* (Act) and section 2(2) of the Automobile Insurance Premiums Regulation (regulation).

EXPECTATIONS

In accordance with the Superintendent of Insurance's (Superintendent) authority to:

- Establish written procedures to be followed by insurers in determining the amount payable for basic coverage or additional coverage by an insured or an applicant for a contract of insurance in section 604 of the Act;
- Prohibit the use of any rating variable in an insurer's rating program in section 2(2) of the regulation; and
- Issue guidelines respecting the interpretation or application of sections 509 (unfair practices) and 555 (adverse contractual action) of the Act, as is provided generally in section 792.1 of the Act,

automobile insurers currently using convictions or accidents/claims as a rating variable for determining private passenger automobile insurance premiums, must be in compliance with the following procedures effective April 1, 2020 for new business and June 1, 2020 for renewal business. If an insurer, in order to be compliant with this bulletin, changes its rating program and/or underwriting manual, that insurer must contact the Automobile Insurance Rate Board for instructions.

Convictions

- An insurer may only use convictions of an operator for whom a premium is charged in developing a premium; and
- Insurers are prohibited from summing the personal convictions of any other operator with those of an operator for whom a premium is being charged in developing a premium.

Accidents/Claims

- An insurer may only use accidents/claims arising from the ownership or operation of an automobile attributable to an operator for whom a premium is charged in developing a premium; and
- Insurers are prohibited from summing the accidents/claims of any other operator with those of an operator for whom a premium is being charged in developing a premium.

In respect to convictions and accidents/claims, insurers are authorized to continue the practice of charging premiums based on the highest rateable operator, even when that operator is not listed as the principal operator.

PENALTIES FOR NON-COMPLIANCE

Where the Superintendent is of the opinion that an insurer has contravened a prescribed provision of the Act or its associated regulations, the Superintendent may require that insurer to pay an administrative penalty of up to \$25,000 for each contravention.

In the alternative to an administrative penalty, and pursuant to section 780 of the Act, an insurer who contravenes any of sections 509(1)(c) or 555(3) of the Act may be prosecuted. If convicted, under section 786 of the Act an insurer is subject to a fine of up to \$200,000 (and if of a continuing nature, each day or part of a day constitutes a separate offence).

If you have any questions regarding this Bulletin please contact my office at 780-643-2237 or tbf.insurance@gov.ab.ca.

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