



Time to rethink Alberta's Grid system

Unique to Alberta, the Grid rating program was established in 2004 to provide new and inexperienced drivers access to affordable insurance premiums. This is an important goal and, using a points system, the Grid is intended to allocate a portion of the premiums from good drivers to subsidize those with less experience. However, the Grid has grown dramatically in recent years, and now charges good drivers much more than is justified in order to provide subsidized insurance for those exhibiting dangerous behavior on our roadways and with a history of at-fault accidents and infractions.

In light of this, Insurance Bureau of Canada (IBC) commissioned Deloitte LLP to assess Alberta's auto insurance Grid rating system, and to provide recommendations to better-align the framework with its original intent.



Grid impacts

Good drivers pay higher premiums in order to subsidize others, including bad drivers with a history of accidents and infractions.



In total, good drivers paid \$180 million more in auto insurance premiums than they should have in 2021.



Over half of Grid drivers are not new drivers.



52% of Grid drivers have more than 7 years experience, and are not the drivers the system is intended to support.

The number of Grid drivers is expected to nearly double this year (from 77,000 in 2021 to 133,000 in 2022), further increasing its cost to good drivers.





Recommendations

It is clear that the Grid is no longer meeting its original intent and places a significant strain on the affordability of auto insurance in the province. It is an overly complex and antiquated mechanism that penalizes good drivers in the province in order to provide a subsidy to those exhibiting high-risk behaviours. In doing so, it actually incentivizes dangerous behavior on our roadways and works against other measures that promote safe driving.

Clearly, it's time for change. Alberta's Grid framework needs to be replaced with a new system that better supports new drivers to build their experience and improve their premiums.

In the near term, however, Deloitte has identified the following actions to help re-align the Grid to better support new and inexperienced drivers while reducing its costs overall

- Enable minor-conviction surcharges beginning at Grid step 1, as opposed to the current Grid step 2
- Include at-fault claims, other than third-party liability claims, in moving drivers up or down Grid steps
- Reduce the number of years that drivers are subject to Grid ratings by phasing out Grid steps -7 to -15 over the next three years
- Refocus the Grid to provide subsidies only to those with seven years of driving experience or less.

There is no public-policy rationale in providing subsidized premiums to high-risk drivers with a history of at-fault claims and/or infractions in Alberta. Under the current system, the Grid charges good drivers more and works against the very thing we should seek to encourage most – safe driving.

About Us

Established in 1964, Insurance Bureau of Canada (IBC) is the national trade association representing Canada's private home, auto and business insurers. Its member companies represent the vast majority of the Canadian property and casualty insurance market. IBC works on a number of fronts to increase public understanding of home, auto and business insurance.

Contact us

ibc.ca

Aaron Sutherland
Vice-President, Western
604-684-3635 Ext. 223
asutherland@ibc.ca



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