

DCPD FAQs

Topics Covered in this Document

1. DCPD and Grid rates
2. Other factors to consider in 2022
3. How to explain premium changes to your clients

The Grid and DCPD Rates

The introduction of DCPD brings in a new rating variable to the calculation of premiums, which was previously not used in the Grid premiums – Vehicle Rate Groups (VRG).

Prior to DCPD, the property damage portion of the Section A coverage did not consider the specific vehicle insured. Instead it was based on the “average” cost of repairs for ALL possible vehicles.

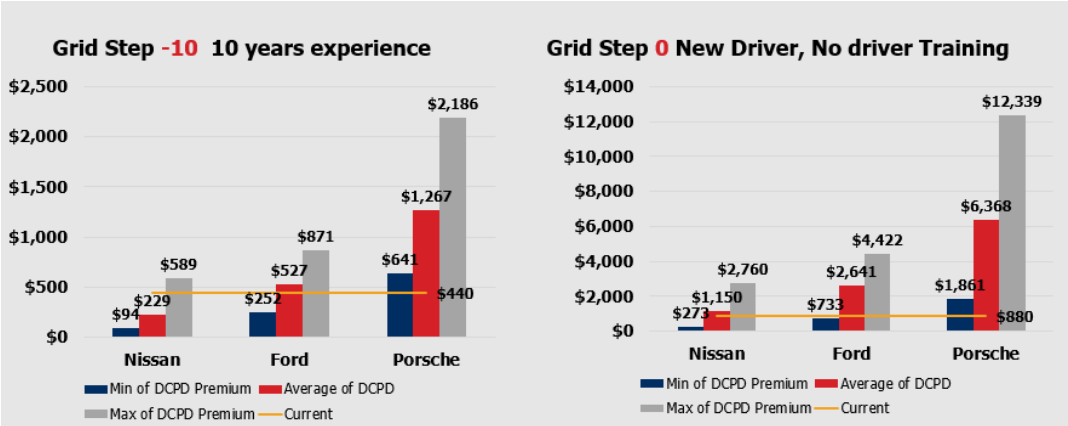
For the transition to DCPD, insurers were required to keep all other rating factors consistent with how it was priced previously, except for allowing VRG and deductibles. This was done in order to minimize impact to drivers. Insurers were required to implement DCPD on a revenue neutral basis overall, but depending on the vehicle, some policyholders will see an increase to their premiums.

In addition, the implementation timelines and insurer system restraints led to the Government approval of uncapping of DCPD Premium portion of the Grid premium. Effective January 1, 2022, the Grid Premium set by the AIRB covers third party liability bodily injury, property damage tort and accident benefits. The total Grid Premium is the AIRB Grid Premium **PLUS** the insurer’s premium for DCPD. This means the 176,000 Grid rated drivers in Alberta will pay more than today, because there is no Grid capping in place for 26.5% of their premium. This is a relatively small number compared to the 2.8 million drivers in Alberta, the majority of whom will not see a significant impact on their premiums.

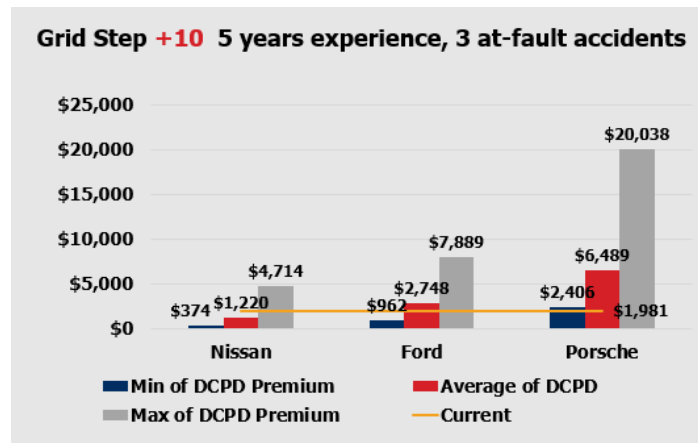
Here are some examples of the varying rates for three different Grid steps, comparing the capped DCPD portion of Grid premium in 2021 to the impact when the DCPD portion is uncapped and charged at insurer premiums.

In these examples the vehicles are:

- 2003 Nissan Pathfinder LE 4DR 4WD, VRG 15 (low)
- 2018 Ford F150 XLT Supercrew 4WD Diesel, VRG 36 (average)
- 2019 Porsche Panamera GTS 4DR AWD, VRG 75 (high)



Brokers can see from the above chart, the premium for “safe” drivers rated on the Grid and new drivers are primarily impacted by the vehicle rate group and the uncapped premium. In the chart below, it is much clearer the impact is the driving record.



Drilling down to what is affecting the client’s premium will be essential in the communication the broker has with customers. Is it the clients driving record? Is it the vehicle rate group (now a rating variable in the DCPD premium)? Is it nothing other than the premium being uncapped? Or is it a combination of one or more of these factors?

Other factors to consider for 2022

In addition to implementing DCPD, Insurers regularly update their rating programs. One change we can expect to see implemented starting January 1, 2022 is rating territory.

Alberta had an unlevelled playing field for more than a decade, with more than half the insurers permitted to use more than four rating territories and the remainder under a moratorium. The restriction was lifted following Bill 41, and several insurers have been approved to expand the number of rating territories.

What this means is some areas of the province may see a premium increase in all coverage sections due to the increase in the number of rating territories.

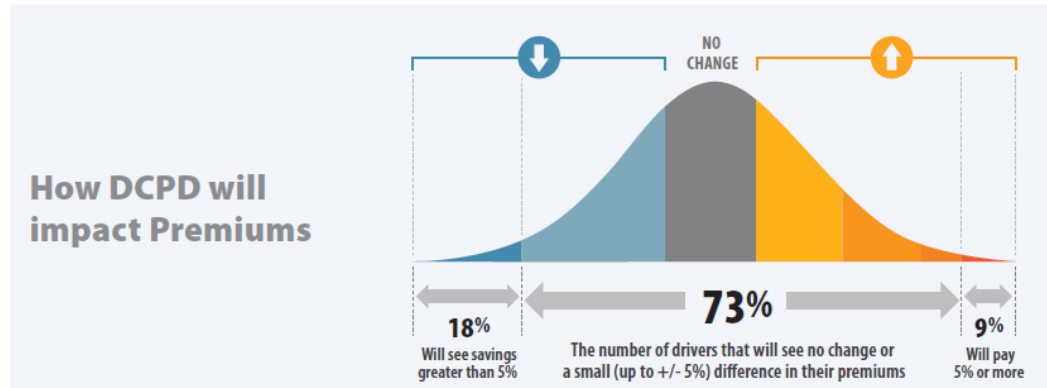
How to explain premium changes to your clients:

First and foremost, brokers should reach out to their insurers to request the specific changes they have made and the impact to the policyholders if you have not already received this clear messaging from them.

Generally, insurers are focusing their communication to their policyholders on the change in claims process related to DCPD. They are not specifically addressing the individual policyholder’s potential for positive and negative premium impacts. So far, the overall message has been that DCPD better aligns insurance premiums in terms of costs associated with repairs for a vehicle. This means that, typically, **owners of less expensive vehicles that cost less to repair will pay less for their insurance.** Similarly, owners of more expensive vehicles that cost more to repair may pay more. It’s a fairer system for everyone.

Under DCPD, 73% of drivers will see 5% or less change with 18% seeing savings greater than 5%, and 9% paying more than 5%.

Under DCPD, insurers will better take into account the year, make and model of a vehicle in their premiums, as well as how likely it is that it will be involved in a collision and how expensive it will be to fix.



The general correspondence advises policyholders with any questions to contact their broker.

To prepare for, and get ahead of that call, review the following factors for those specific clients who are experiencing those higher premium increases:

What is driving the premium increase?

- The vehicle rate group?
- A change in driving record?
- Premium alone? (The uncapping of Grid premium (if Grid rated))
- A change in rating territory?
- Other segmentation or changes to the insurers rating program?

IBC produces a vehicle rate group system referred to as CLEAR [Canadian Loss Experience Automobile Rating \(CLEAR\)](#), and it is used by most insurers.

A vehicle's rate group is determined by its safety features like airbags, side-impact door reinforcements, and anti-theft devices, back-up cameras and alerts notifying when objects are close. These vehicles may cost more to buy but may have a lower CLEAR system rating because of these safety features that assist in preventing a collision.

Vehicle rate groups classify vehicles based on the price of repairs and the likelihood of being involved in an accident. Generally, the lower the vehicle rate group, the lower the DCPD premium. Vehicles are organized in rate groups based on data that accounts for:

- the year, make and model of a vehicle;
- the likelihood a vehicle will be involved in a claim; and
- how much that claim will cost – factors such as safety features, “bells & whistles”, readily availability of parts is considered.

There are 99 VRG's in CLEAR, if the insurer does not disclose the VRG on the renewal, brokers can help clients estimate the VRG's premium impact by reviewing IBC's [How Cars Measure Up](#). It will give an indication on whether the vehicle rate group would be considered high or low, and therefore whether there will be any premium increase or decrease based on their VRG.

What this means for Brokers is you will need to shop the market to find the best rate for impacted clients.

The most impacted customers are most likely:

- drivers with poor driving records (Grid premium uncapping implemented at the same time as DCPD)
- Vehicles with higher than average rate group (implementation of VRG rating factor for DCPD premium)
- New drivers (Grid rated)

If you haven't yet attended one of the many DCPD webinar sessions, we encourage you to check the IBAA's website for upcoming broker sessions in January 2022.

Acknowledgments:

This document was prepared in collaboration with the:

Automobile Insurance Rate Board (AIRB), Insurance Bureau of Canada (IBC), and Insurance Brokers Association of Alberta (IBAA)