



AIRB Annual Review 2014

Public Hearing
August 19, 2014

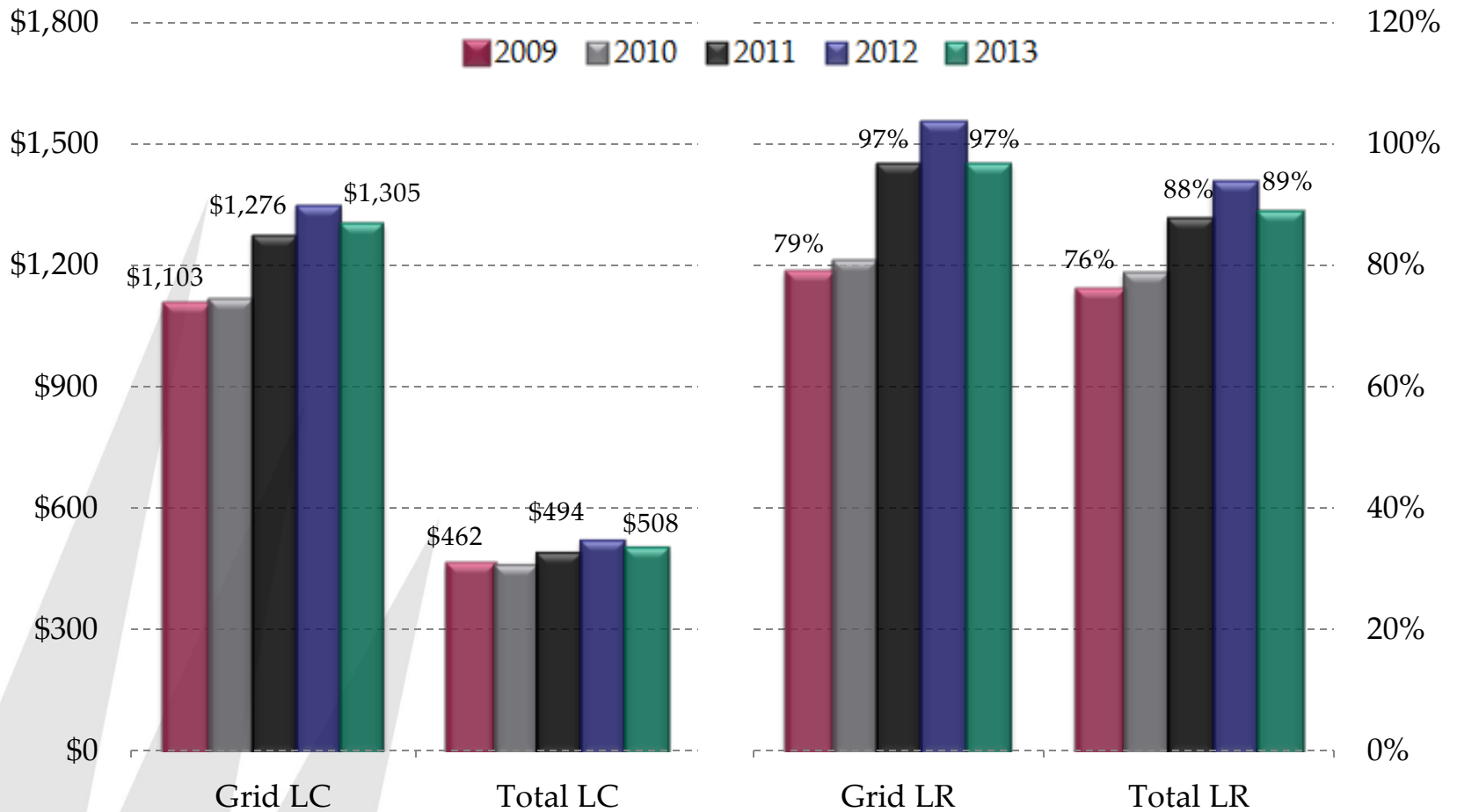
Bill Adams
Ron Miller
Ryan Stein

By moving to this file-and-approve system, companies will be able to apply on an as-needed basis for any rate changes. This will increase the competitiveness of the auto insurance system in Alberta and may mean more choice for consumers.

The Honourable Doug Horner, President of Treasury Board and Minister of Finance
(Legislature, November 7, 2013)

Grid Loss Experience

Loss Costs and Loss Ratios for Basic Coverage



Source: IBC with data from Baron Insurance Services. Includes the Health Levy.

Rate-Making Guidelines (1/5)

Loss Development Factors

| | OW 2013/1 | BIS 2013/1 | GISA 2013/1 | OW 2013/2 | BIS 2013/2 | GISA 2013/2 |
|-------|-----------|------------|----------------|-----------|------------|----------------|
| BI | 1.731 | 1.874 | 1.895 | 2.106 | 2.211 | 2.305 |
| PD | 1.012 | 1.014 | 1.014 | 1.213 | 1.187 | 1.203 |
| AB-MR | 0.921 | 0.925 | 0.926 | 0.686 | 0.687 | 0.682 |
| AB-DI | 1.187 | 1.186 | 1.169 | 1.599 | 1.619 | 1.550 |
| COLL | 0.848 | 0.841 | 0.841 | 0.615 | 0.616 | 0.614 |
| COMP | 0.987 | 0.978 | 0.980 | 1.000 | 0.982 | 0.989 |

Source: IBC with data from Baron Insurance Services, Oliver Wyman and GISA.

Rate-Making Guidelines (2/5)

BI Loss Development Factors

| | OW | BIS | GISA |
|--------|-------|-------|-------|
| 2012/2 | 1.694 | 1.810 | 1.811 |
| 2012/1 | 1.587 | 1.697 | 1.694 |
| 2011/2 | 1.477 | 1.570 | 1.565 |
| 2011/1 | 1.360 | 1.433 | 1.430 |
| 2010/2 | 1.263 | 1.324 | 1.320 |
| 2010/1 | 1.194 | 1.242 | 1.238 |

Source: IBC with data from Baron Insurance Services, Oliver Wyman and GISA.

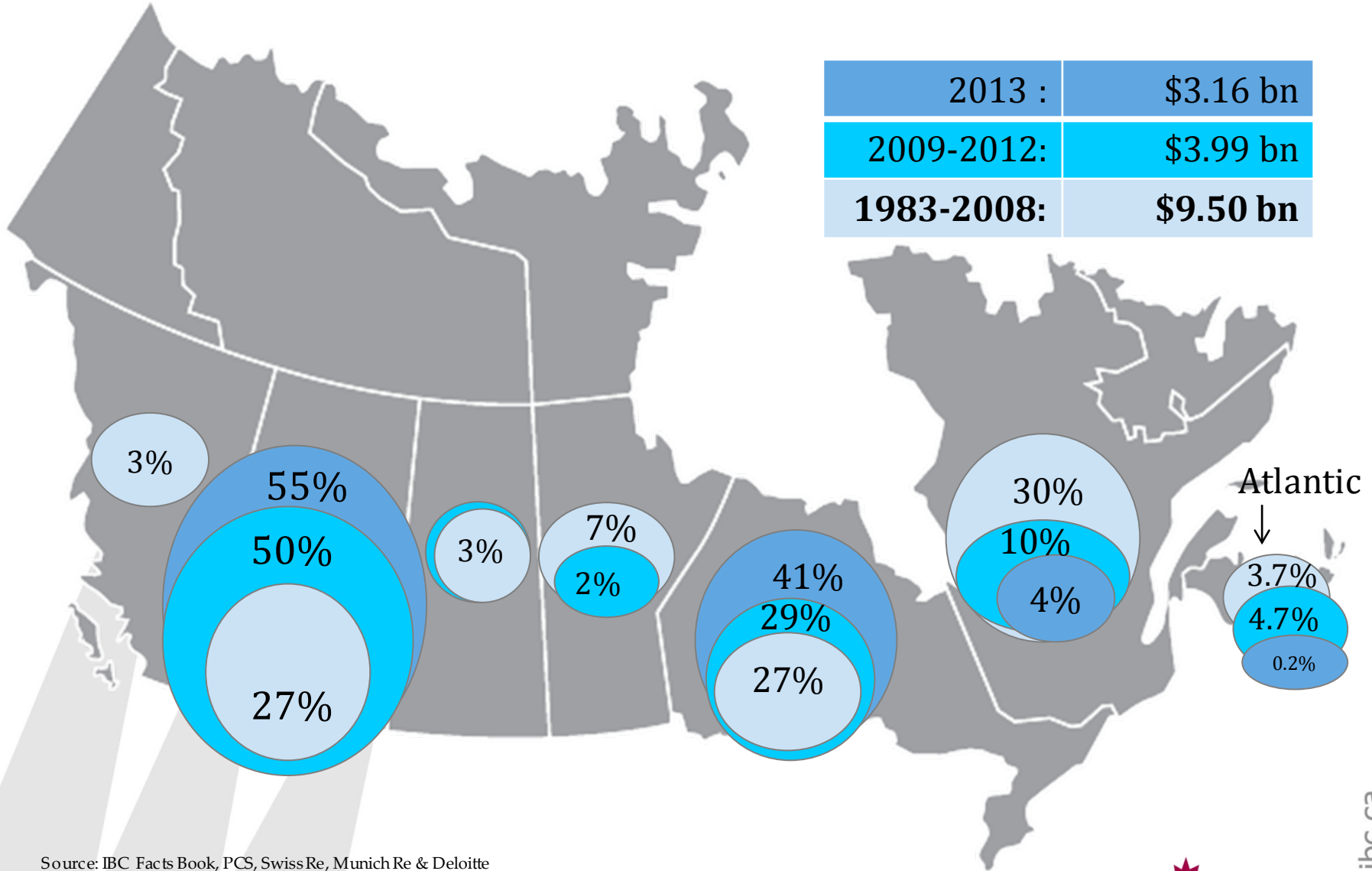
Rate-Making Guidelines (3/5)

Future Loss Cost Trend Rates

| | OW | BIS | Difference |
|-------|-------|--------|------------|
| BI | +2.5% | +2.6% | 0.1 p/p |
| PD | +2.0% | +1.6% | 0.4 p/p |
| AB-MR | +3.0% | +3.2% | 0.2 p/p |
| AB-DI | -1.5% | +0.3% | 1.8 p/p |
| COLL | +2.5% | -0.02% | 2.52 p/p |
| COMP | +1.0% | +5.5% | 4.5 p/p |

Source: IBC with data from Baron Insurance Services and Oliver Wyman.

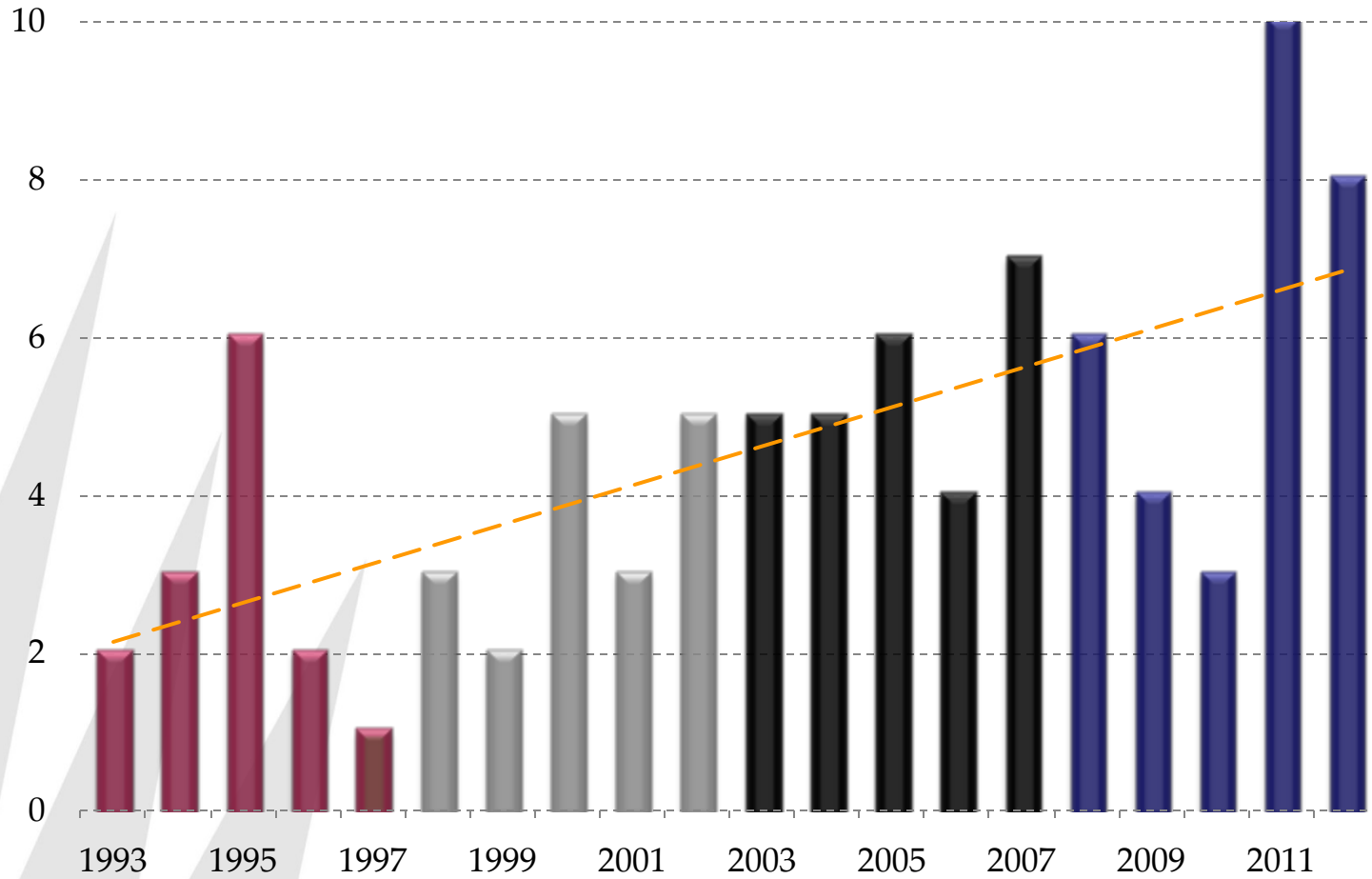
Rate-Making Guidelines (4/5)



Source: IBC Facts Book, PCS, Swiss Re, Munich Re & Deloitte
 Values in 2013 \$ CAN; total population in each province
 *Excludes adjustment expenses

Rate-Making Guidelines (5/5)

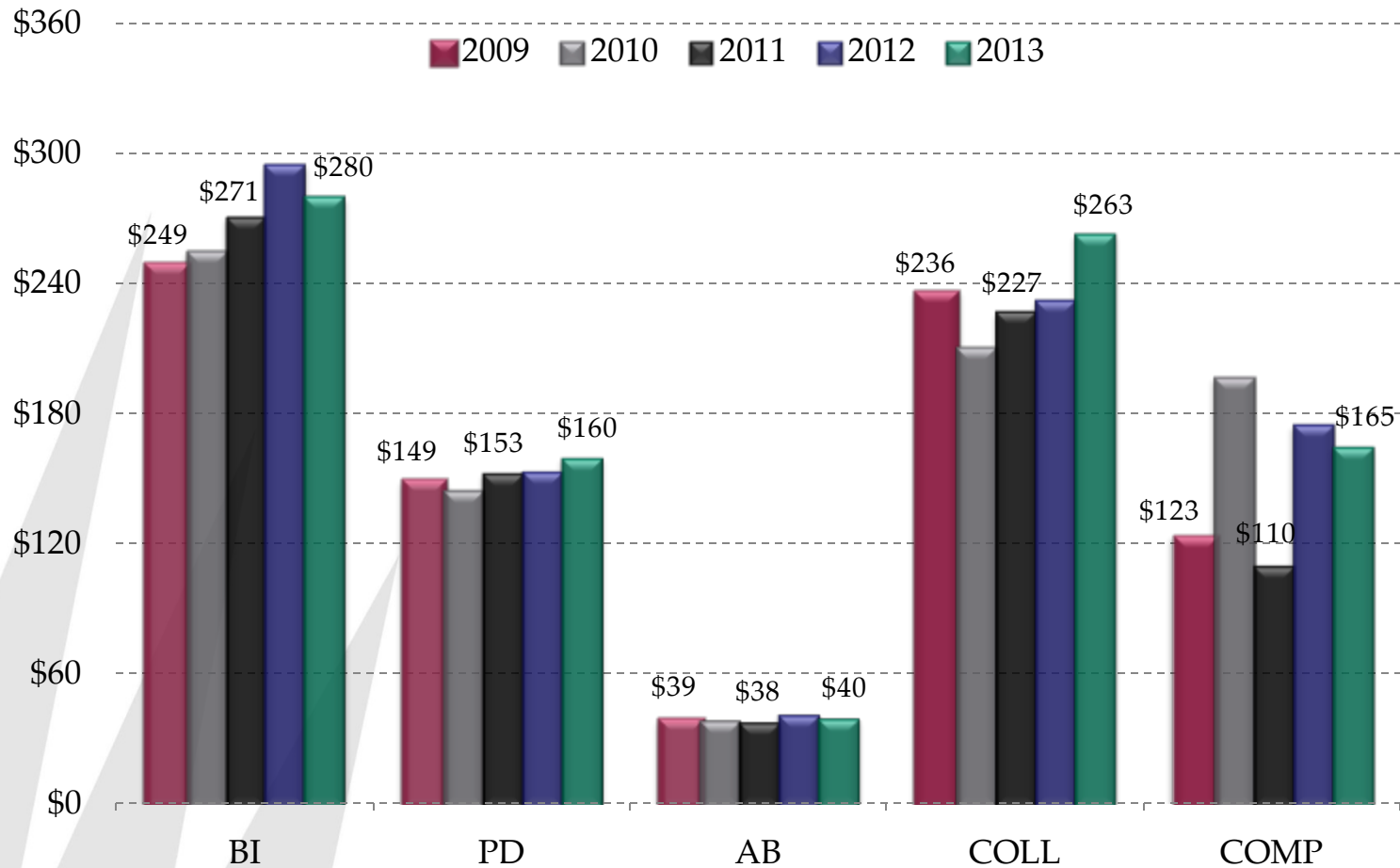
Total Number of Catastrophe Events



Source: IBC with data from GISA.

Claims Cost Experience (1/7)

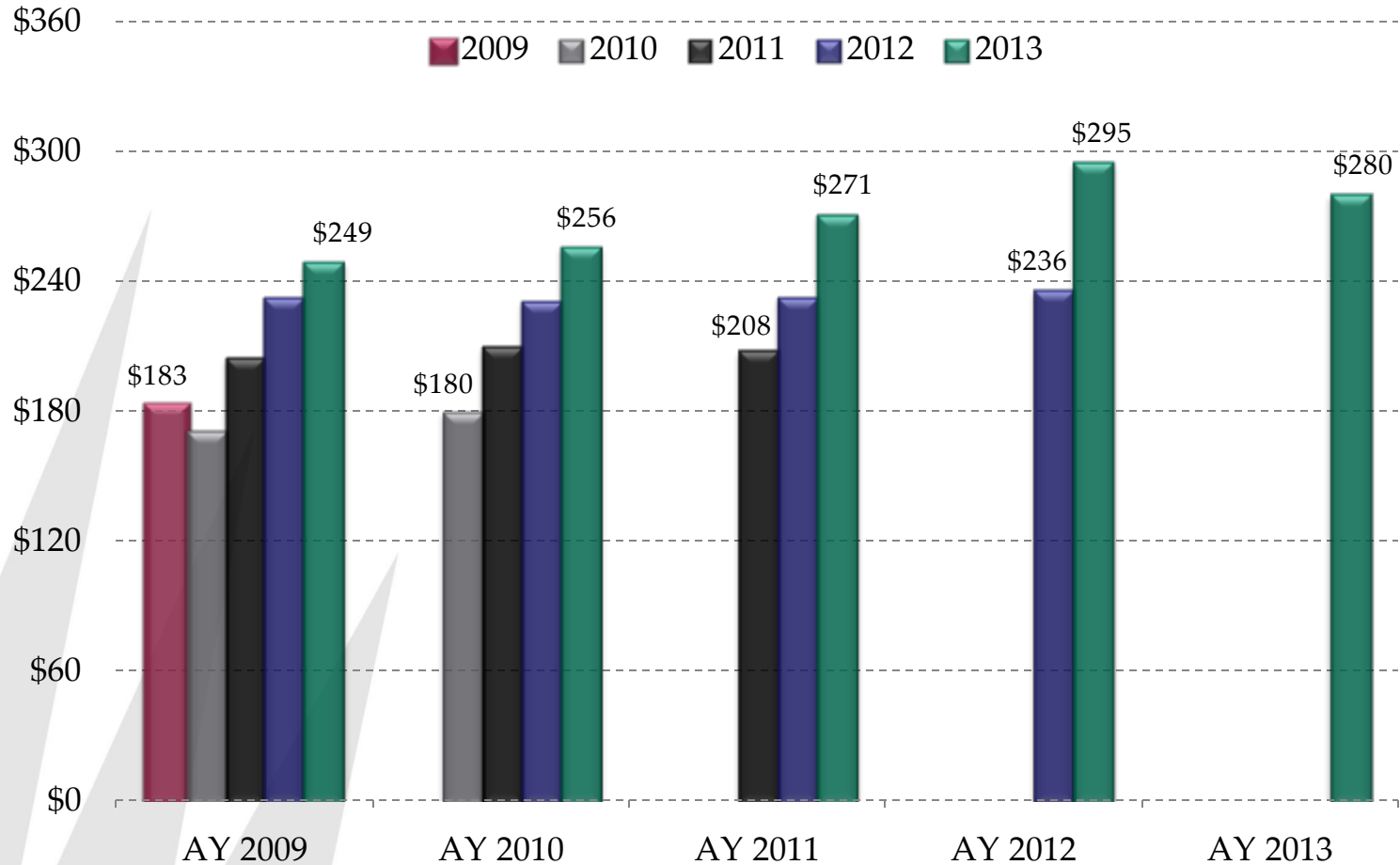
Loss Costs by Sub-Coverage



Source: IBC with data from Baron Insurance Services (BI/PD excludes the Health Levy) and GISA.

Claims Cost Experience (2/7)

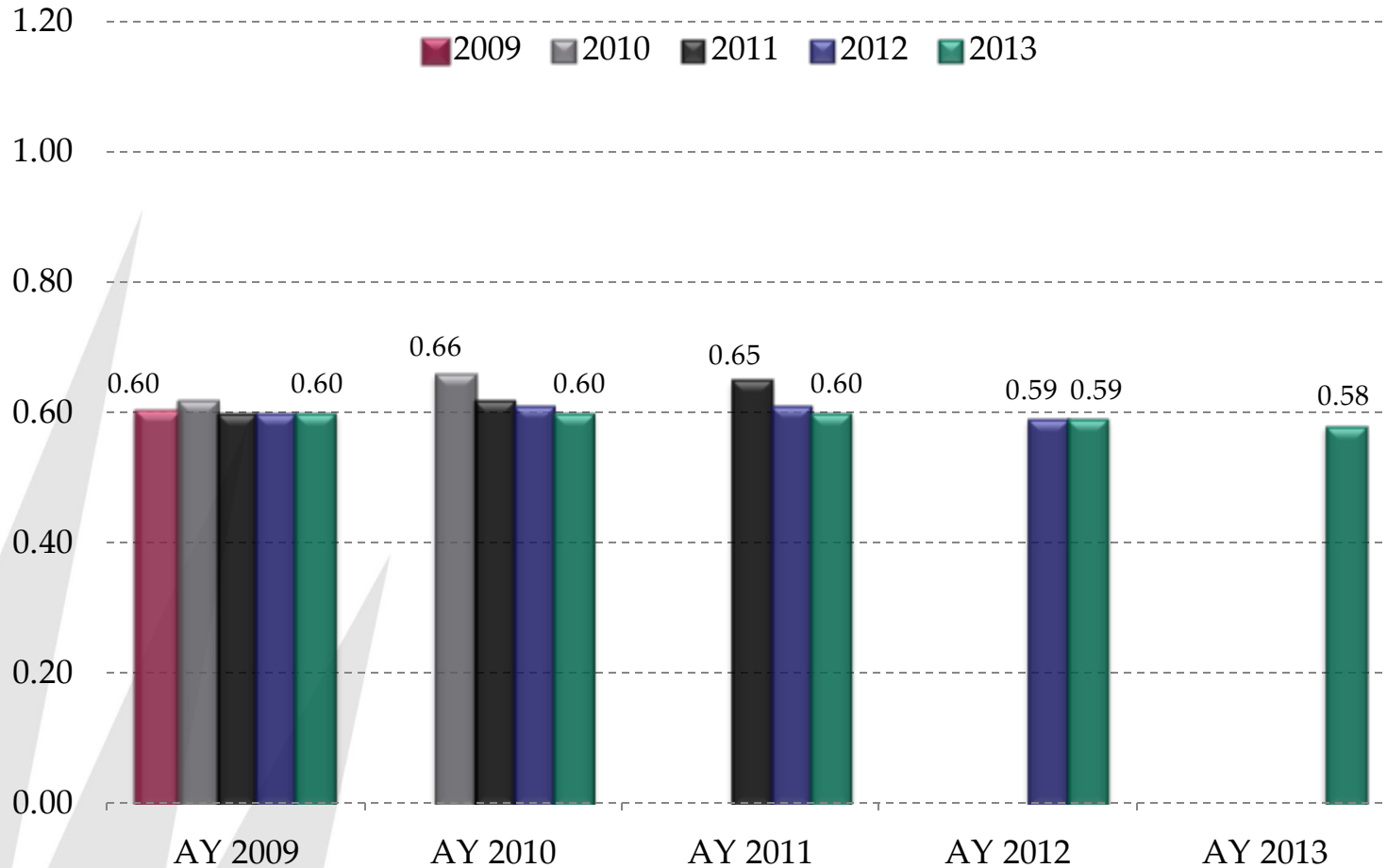
BI Loss Costs for Different Reporting Periods



Source: IBC with data from Baron Insurance Services.

Claims Cost Experience (3/7)

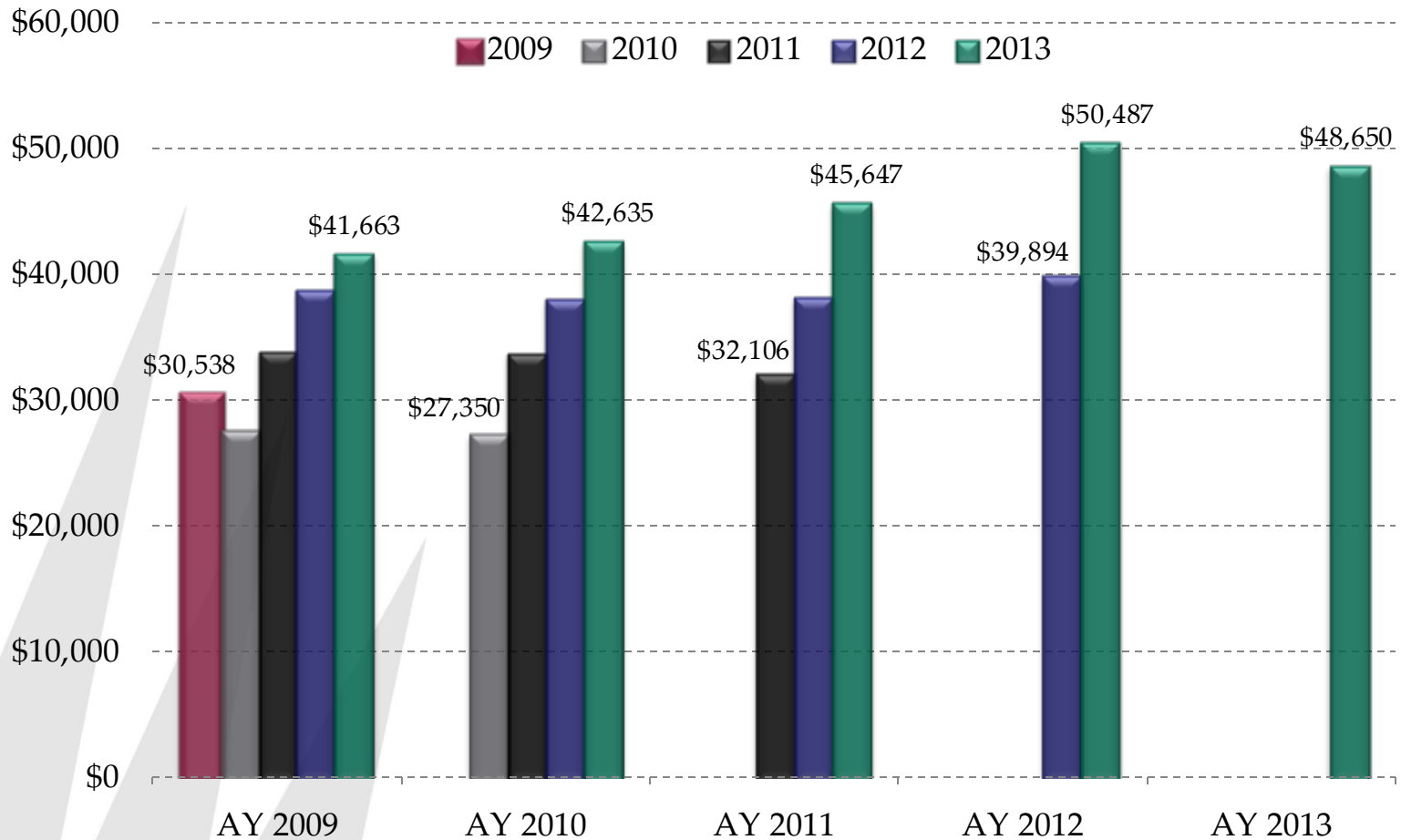
BI Claims Frequency for Different Reporting Periods



Source: IBC with data from Baron Insurance Services.

Claims Cost Experience (4/7)

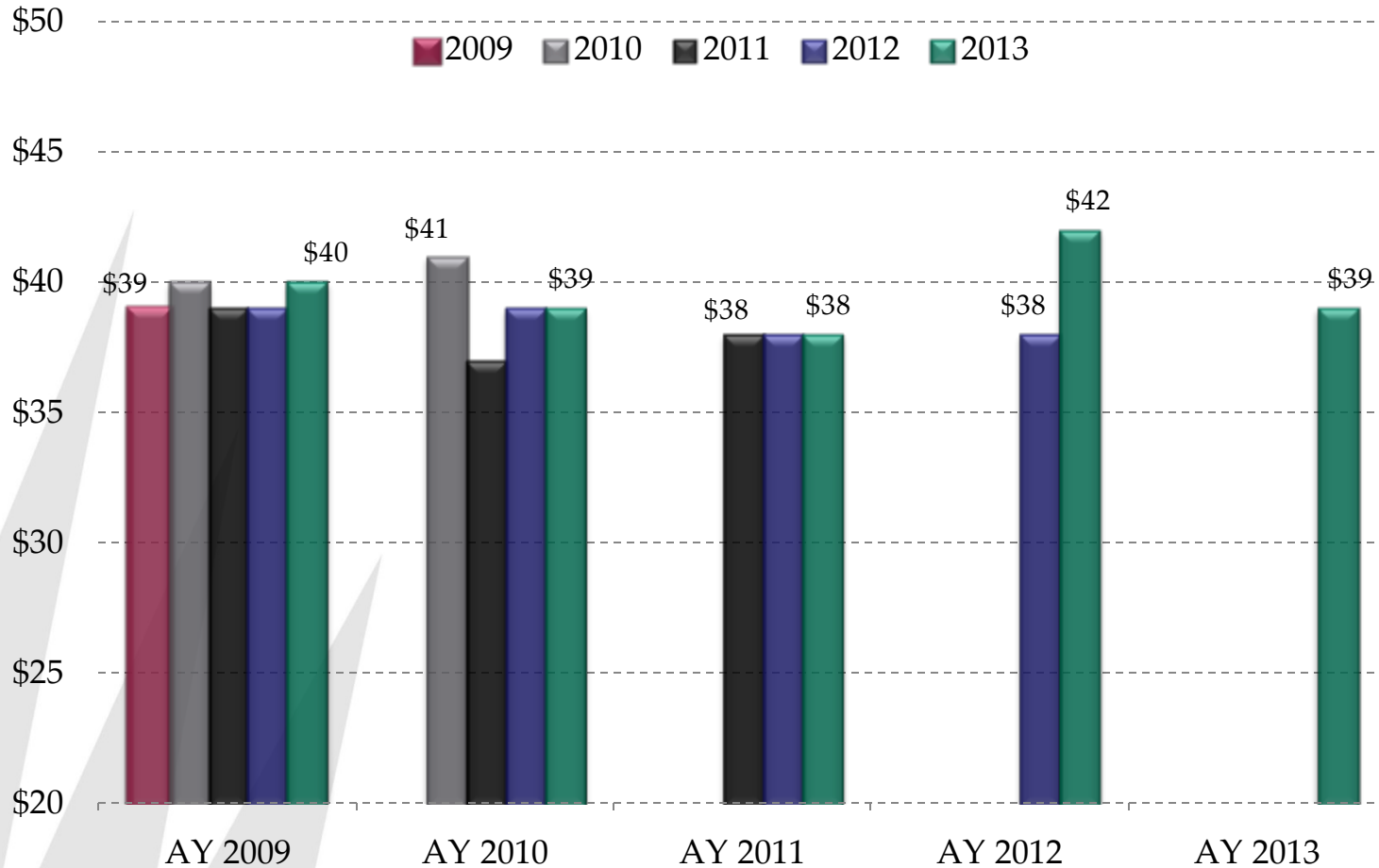
BI Claims Severity for Different Reporting Periods



Source: IBC with data from Baron Insurance Services.

Claims Cost Experience (5/7)

AB Loss Costs for Different Reporting Periods



Source: IBC with data from GISA.

Claims Cost Experience (6/7)

Company Experience

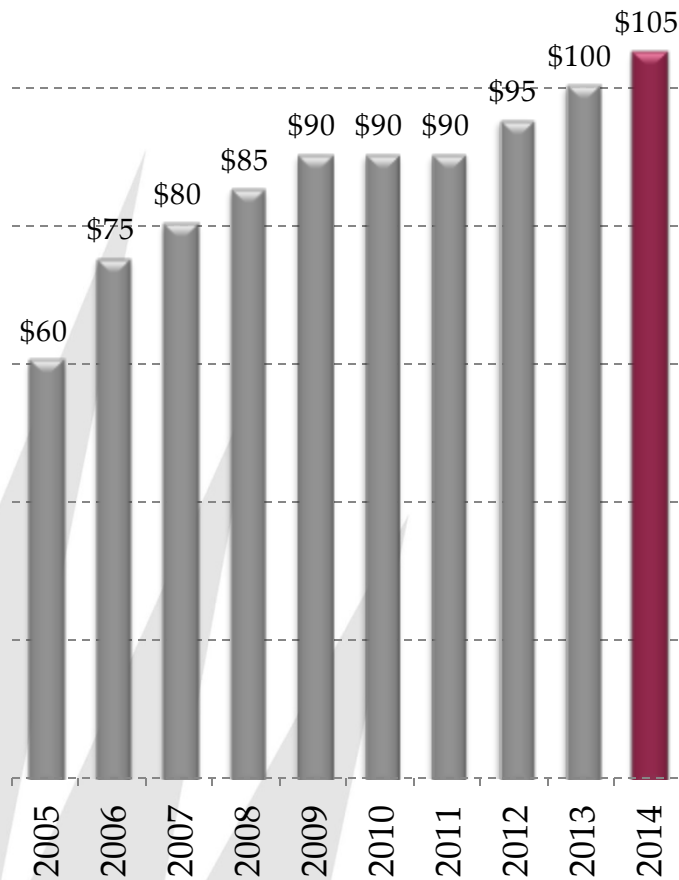
More litigation with minor sprain/strain claims

More claims for difficult-to-prove impairments

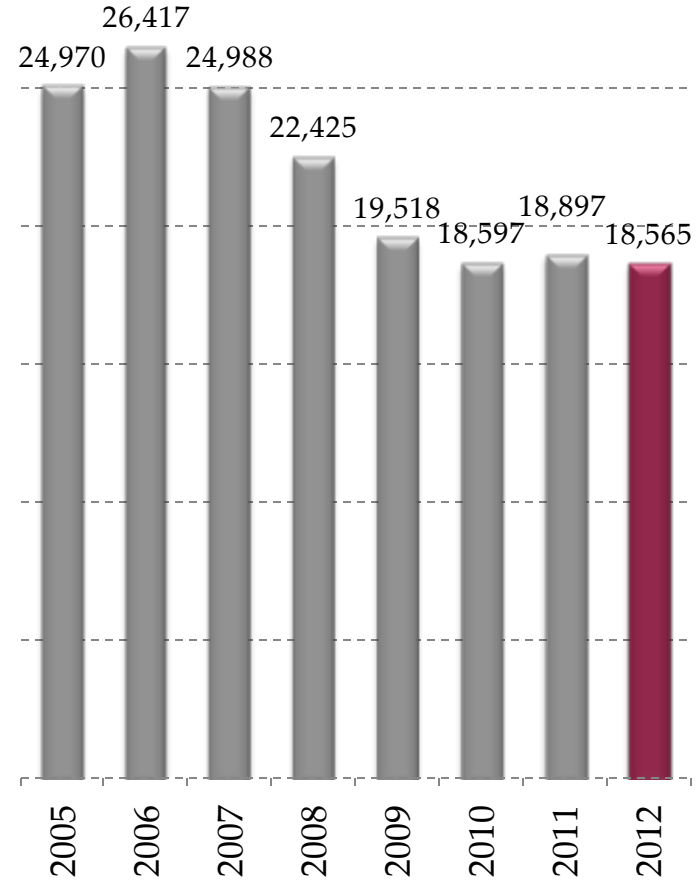
Adverse legal and regulatory developments

Claims Cost Experience (7/7)

Health Levy (millions)



Total Traffic Collision Casualties



Source: IBC with data from Alberta Ministry of Transportation.

Conclusion

Adjust the Grid ceiling price

Use industry-wide trend factors as guidance

Continue monitoring cost pressures
