



AIRB Annual Review 2015

Public Hearing
August 18, 2015

Bill Adams
Vice-President, Western & Pacific

Ryan Stein
Director of Policy



Agenda

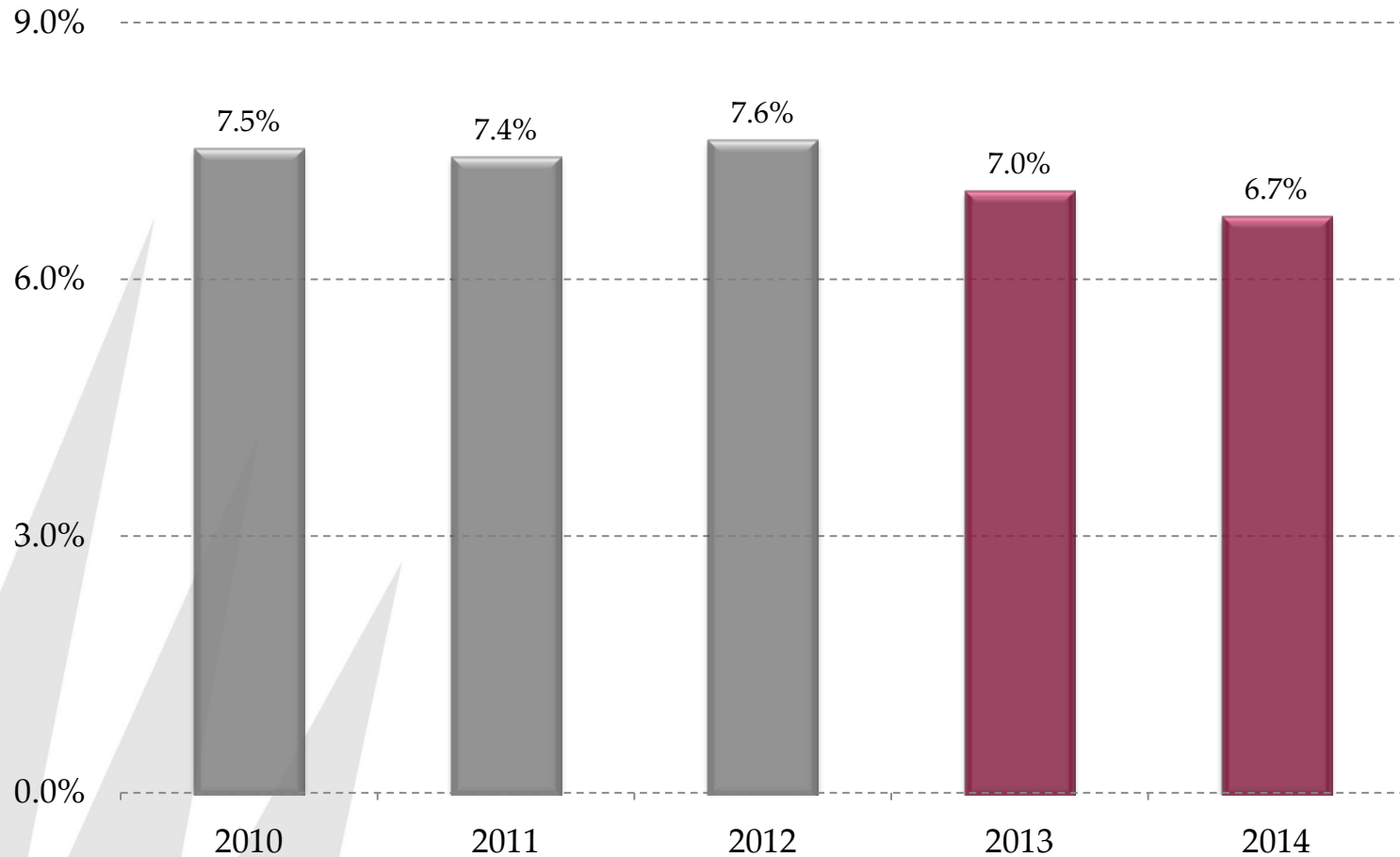
Loss experience of the grid vehicle population

Bodily injury claims trends, specifically claims involving individuals with minor physical injuries

Loss cost trend rates and benchmarks that the AIRB will use when considering rating programs

Loss Experience of the Grid Population (1/4)

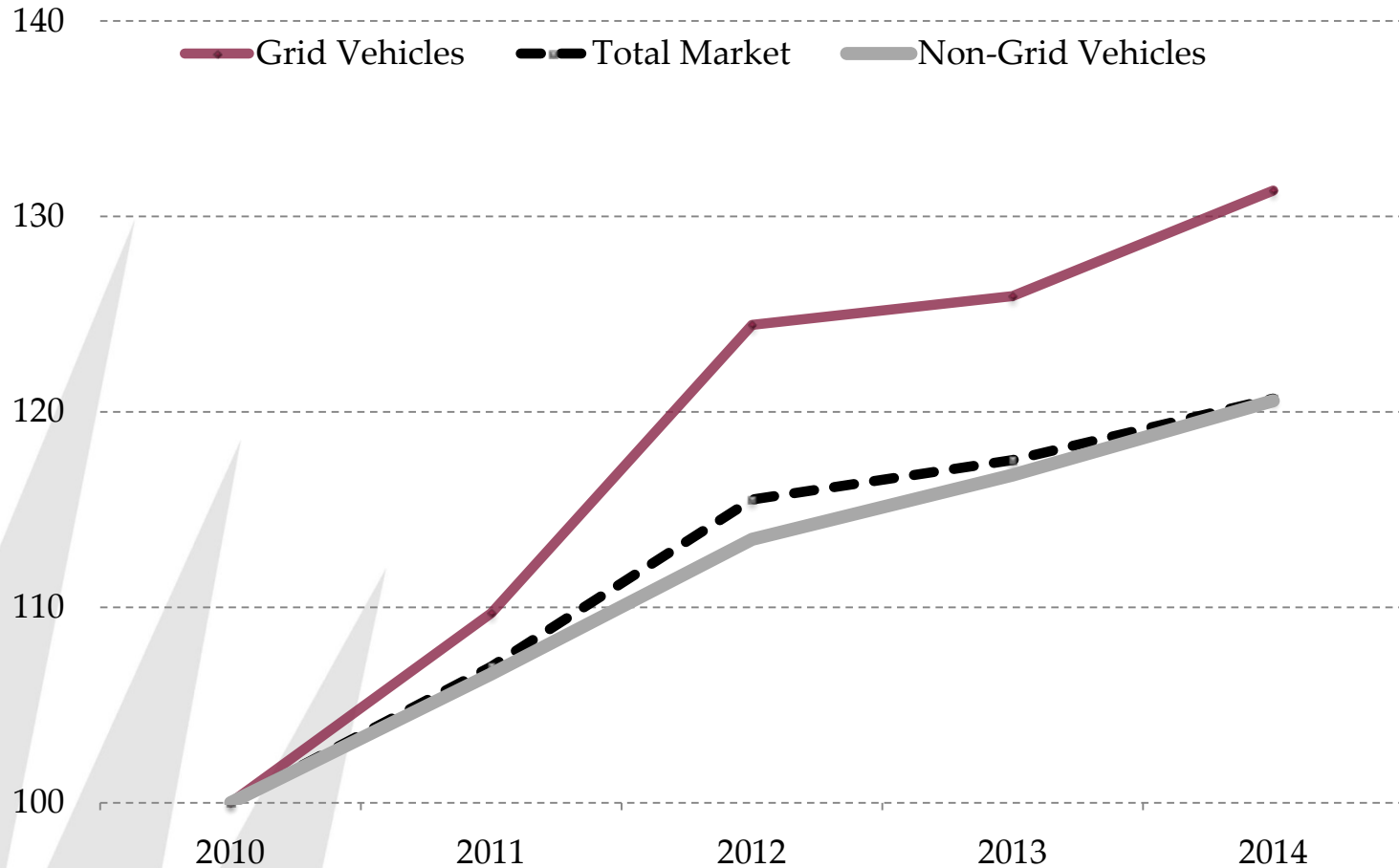
Market Share of Grid Vehicles



Source: IBC with data from Dr. Ron Miller. Based on car-years earned exposure.

Loss Experience of the Grid Population (2/4)

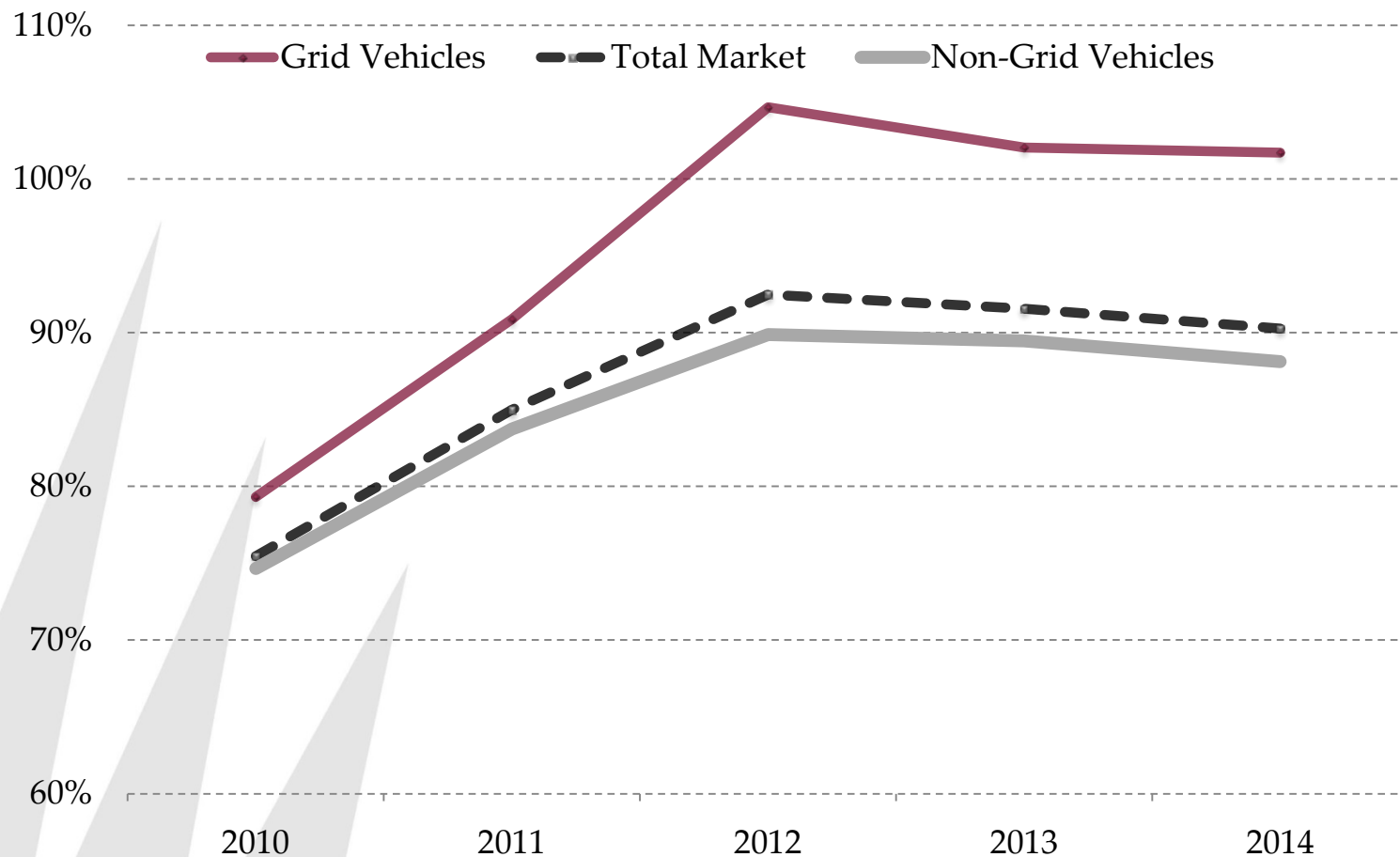
Loss Cost Movement for Basic Coverage, Indexed to 2010



Source: IBC with data from Dr. Ron Miller. Includes ULAE and the health levy.

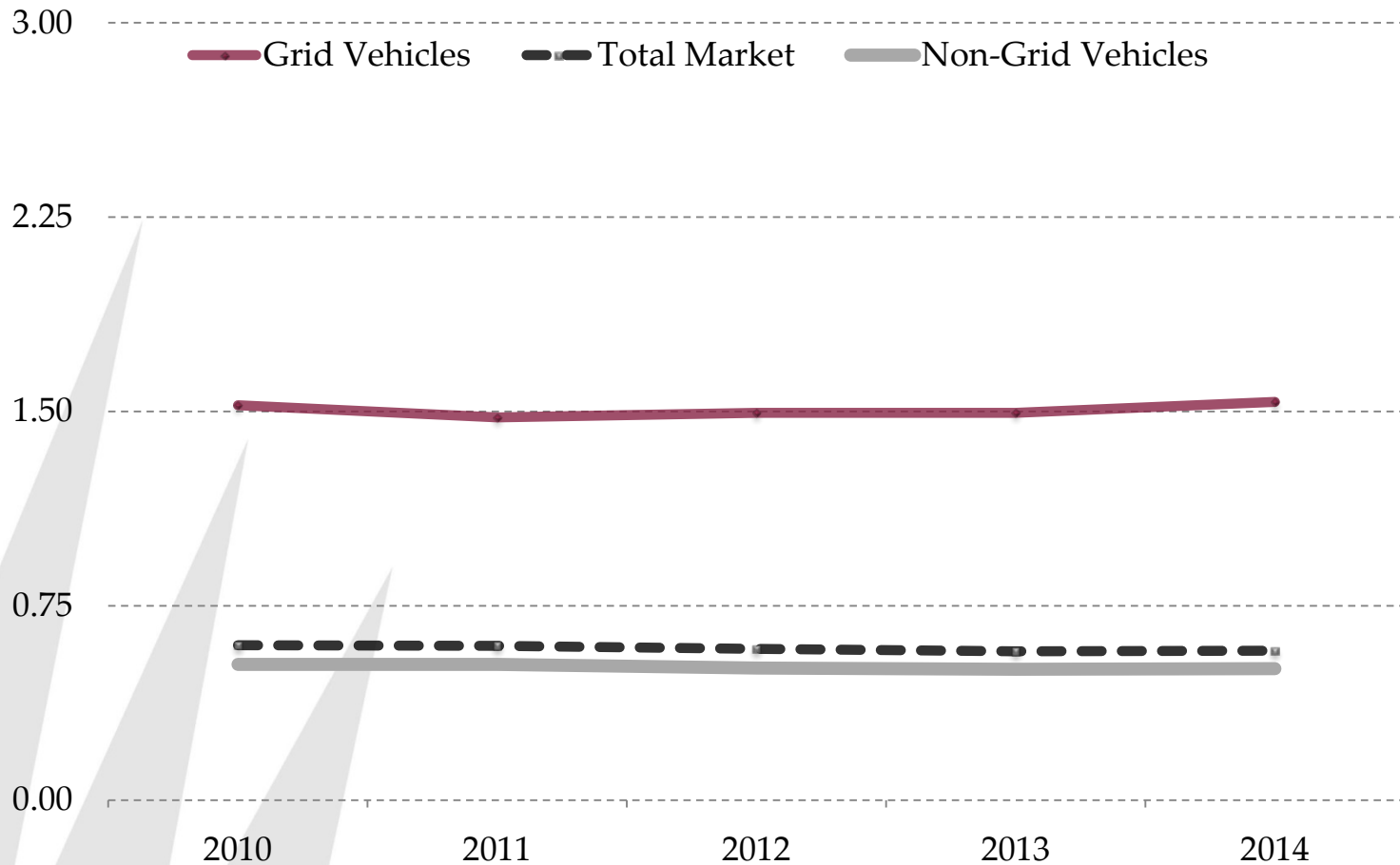
Loss Experience of the Grid Population (3/4)

Loss Ratio for Basic Coverage



Source: IBC with data from Dr. Ron Miller. Includes ULAE and the health levy.

Bodily Injury Claims Frequency per 100 Vehicles



Source: IBC with data from Dr. Ron Miller.

Bodily Injury Claims Trends (1/6)

Loss Cost by Sub-Coverage by Accident Year

	BI	PD	AB	COLL	COMP
2010	\$237	\$145	\$39	\$210	\$197
2011	\$252	\$153	\$39	\$227	\$110
2012	\$285	\$155	\$42	\$228	\$175
2013	\$291	\$164	\$40	\$247	\$167
2014	\$307	\$164	\$41	\$253	\$183
Annual Change	6.7%	3.1%	1.3%	4.8%	(1.8%)

Source: IBC with data from GISA. Includes ULAE but excludes the health levy.

Bodily Injury Claims Trends (2/6)

Average Cost of a Bodily Injury Claim



Source: IBC with data from GISA. Includes ULAE but excludes the health levy.



Bodily Injury Claims Trends (3/6)

IBC Claims Study

Participation from 84.1% of the Alberta market

Sample of 2,460 closed bodily injury claimant files

Claimant files from collisions in 2005 and 2012

Claimant files closed in 2013 and 2014

Bodily Injury Claims Trends (4/6)

Average Settlement for Claimants with a Minor Physical Injury

	Claimant Count	Non-Pecuniary	Total Settlement
Minor Injury Only	1,210	\$3,603	\$5,419
Minor Injury with Ancillary Condition (MIR)	24	\$4,678	\$8,439
Minor Injury with Ancillary Condition (Non-MIR)	186	\$23,658	\$42,432

Source: IBC Closed Claims Study.

Bodily Injury Claims Trends (5/6)

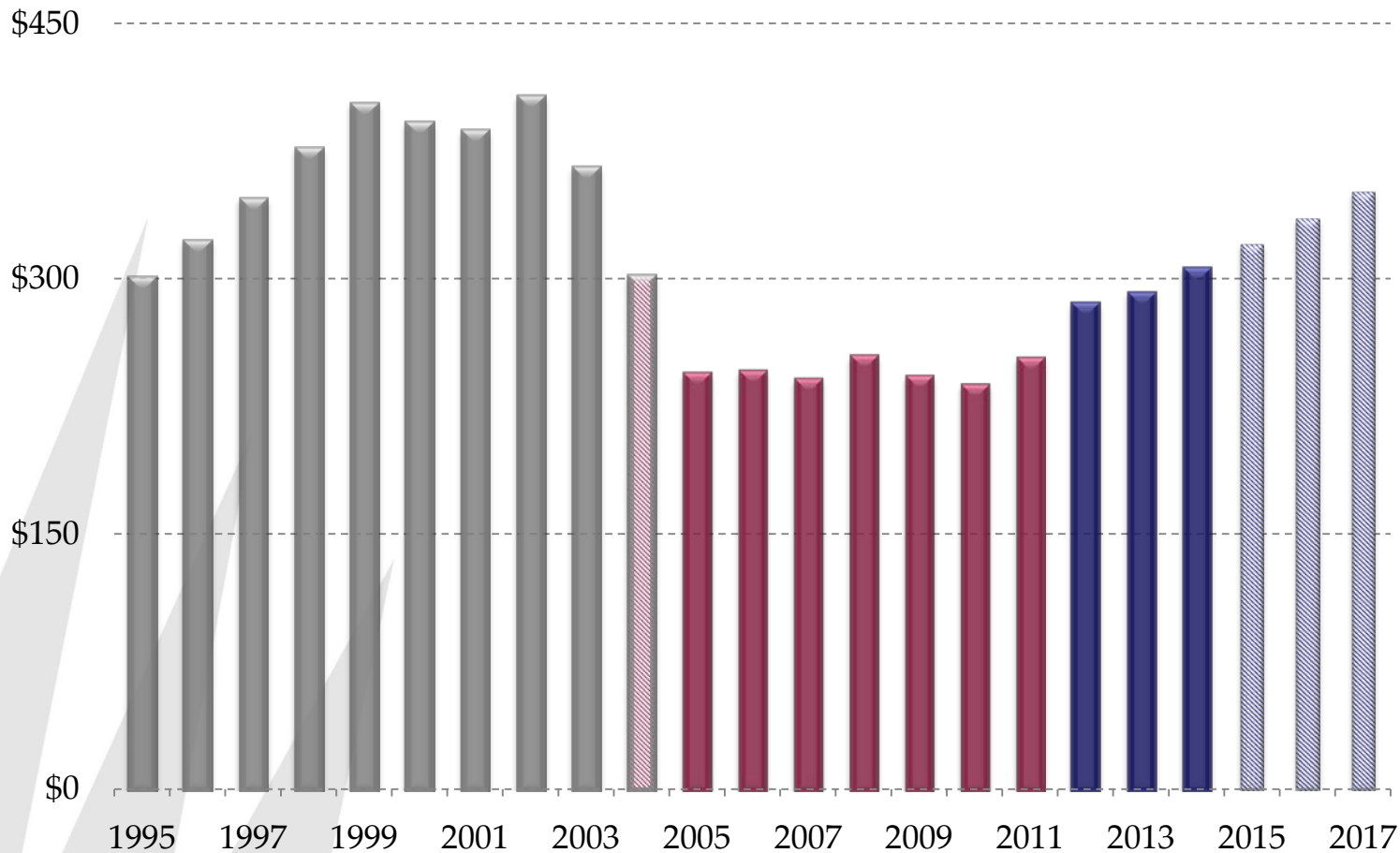
Total Loss Cost by Province

	AB	ON	NB	NS	PE	NL
2010	\$792	\$1,244	\$525	\$470	\$410	\$750
2011	\$754	\$980	\$514	\$522	\$451	\$748
2012	\$854	\$953	\$478	\$518	\$381	\$815
2013	\$863	\$1,035	\$505	\$543	\$416	\$870
2014	\$900	\$1,057	\$560	\$533	\$408	\$819
Annual Change	3.2%	(4.0%)	1.6%	3.2%	(0.1%)	2.2%

Source: IBC with data from GISA. Includes ULAE and the health levy.

Bodily Injury Claims Trends (6/6)

Loss Cost for Bodily Injury Claims



Source: IBC with data from Dr. Ron Miller. Includes ULAE but excludes the health levy.

Loss Cost Trend Rates and Benchmarks (1/3)

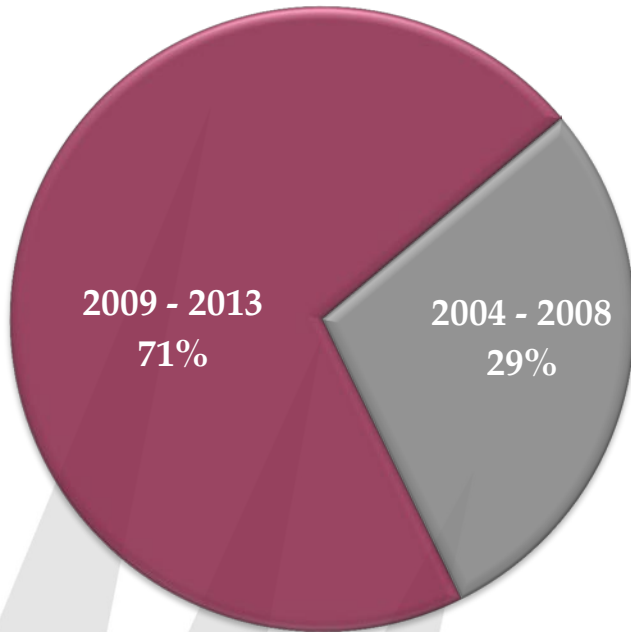
Loss Cost by Sub-Coverage by Accident Year

	OW 2014	GISA 2014	OW 5-Year Change	GISA 5-Year Change	OW Future Trend Rates
BI	\$309	\$307	31.0%	29.5%	+4.5%
PD	\$164	\$164	12.9%	13.2%	+3.0%
AB-MR	\$27	\$28	5.9%	6.5%	+2.0%
AB-DI	\$9	\$10	(5.9%)	(3.6%)	-2.5%
COLL	\$257	\$253	22.1%	20.3%	+5.0%
COMP	\$184	\$183	(6.6%)	(7.2%)	+1.0%

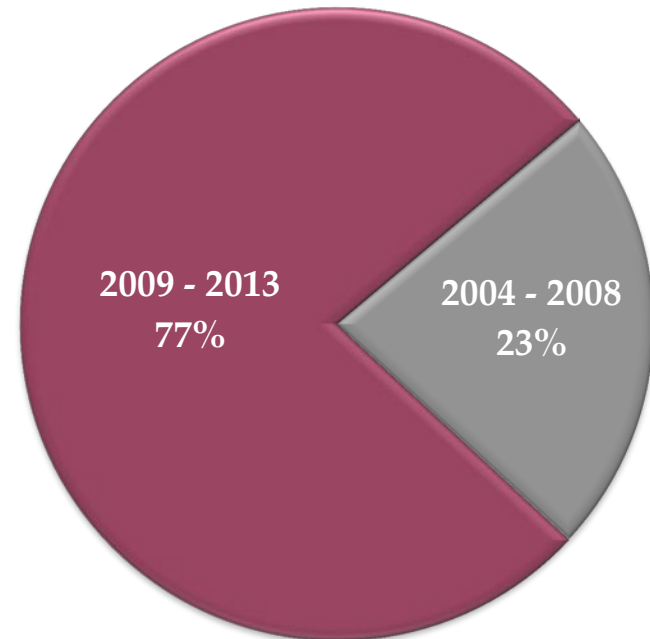
Source: IBC with data from GISA and Oliver Wyman. Includes ULAE but excludes the health levy.

Comprehensive Catastrophe Provision

Total Number of Claims from Natural Catastrophes
2004 - 2013



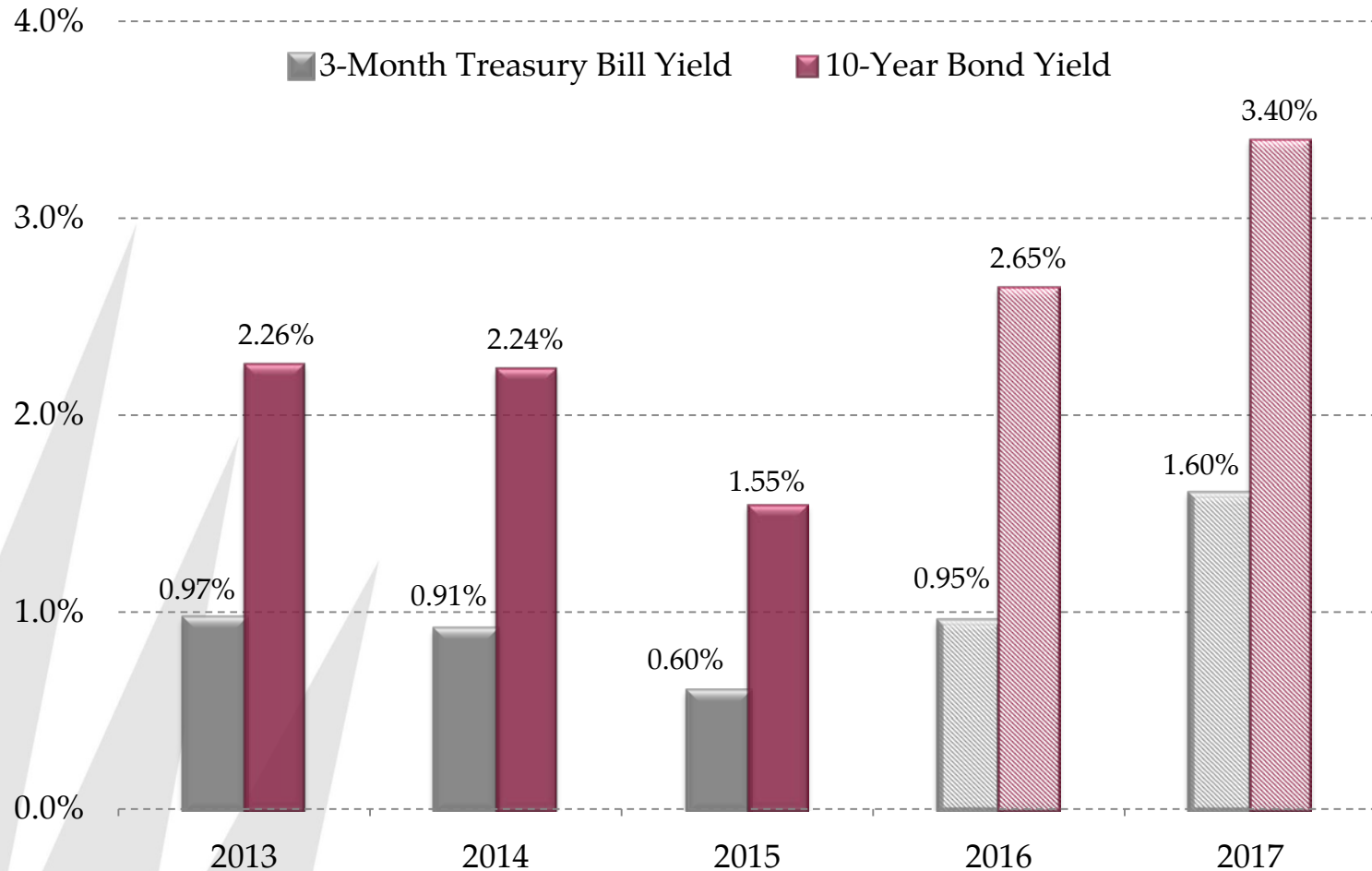
Total Value of Claims Costs from Natural Catastrophes
2004 - 2013



Source: IBC with data from GISA.

Loss Cost Trend Rates and Benchmarks (3/3)

Investment Income on Cash Flow



Source: IBC with data from Bank of Canada (2013 to 2015) and Oliver Wyman (2016 and 2017).

Conclusion

Overview

The grid base premiums require an increase

Without action to fix the MIR, the cost of bodily injury claims will continue to rise

Insurers may use reasonable trend rates and assumptions that differ from Oliver Wyman

The changing climate supports a catastrophe provision based on five years of experience

Current returns and economic projections justify using a lower investment return rate
