

AIRB 2018 Annual Review

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2018 AIRB Annual Review

Agenda

State of the Market

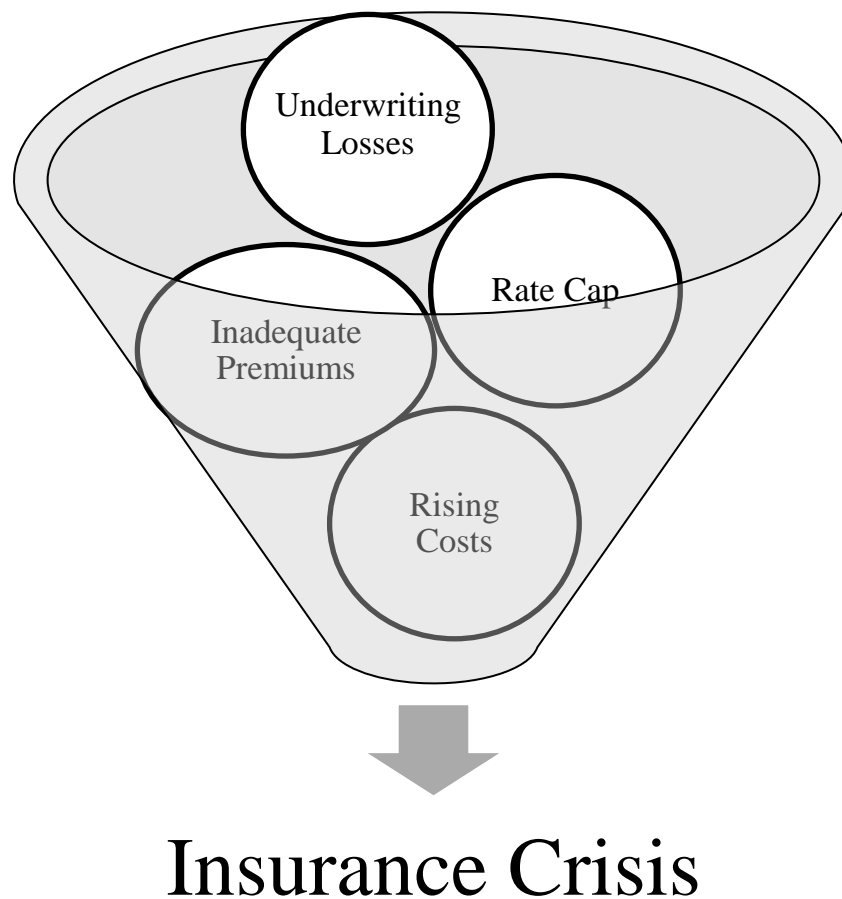
Minor Injury Regulation Reform

Rate Cap Implications

Sustainable Public Policy

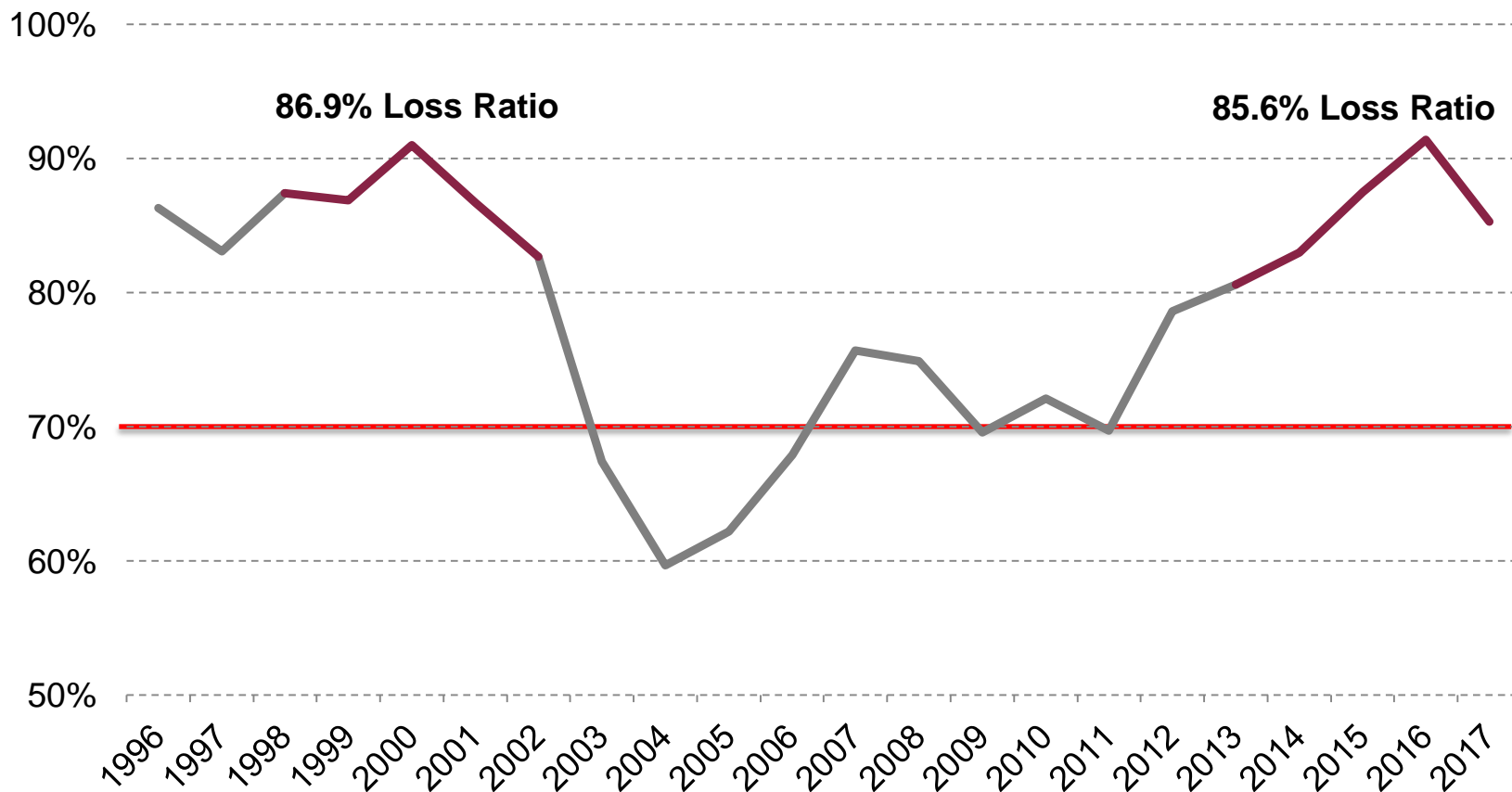
Grid Loss Experience

State of the Market (1/3)



State of the Market (2/3)

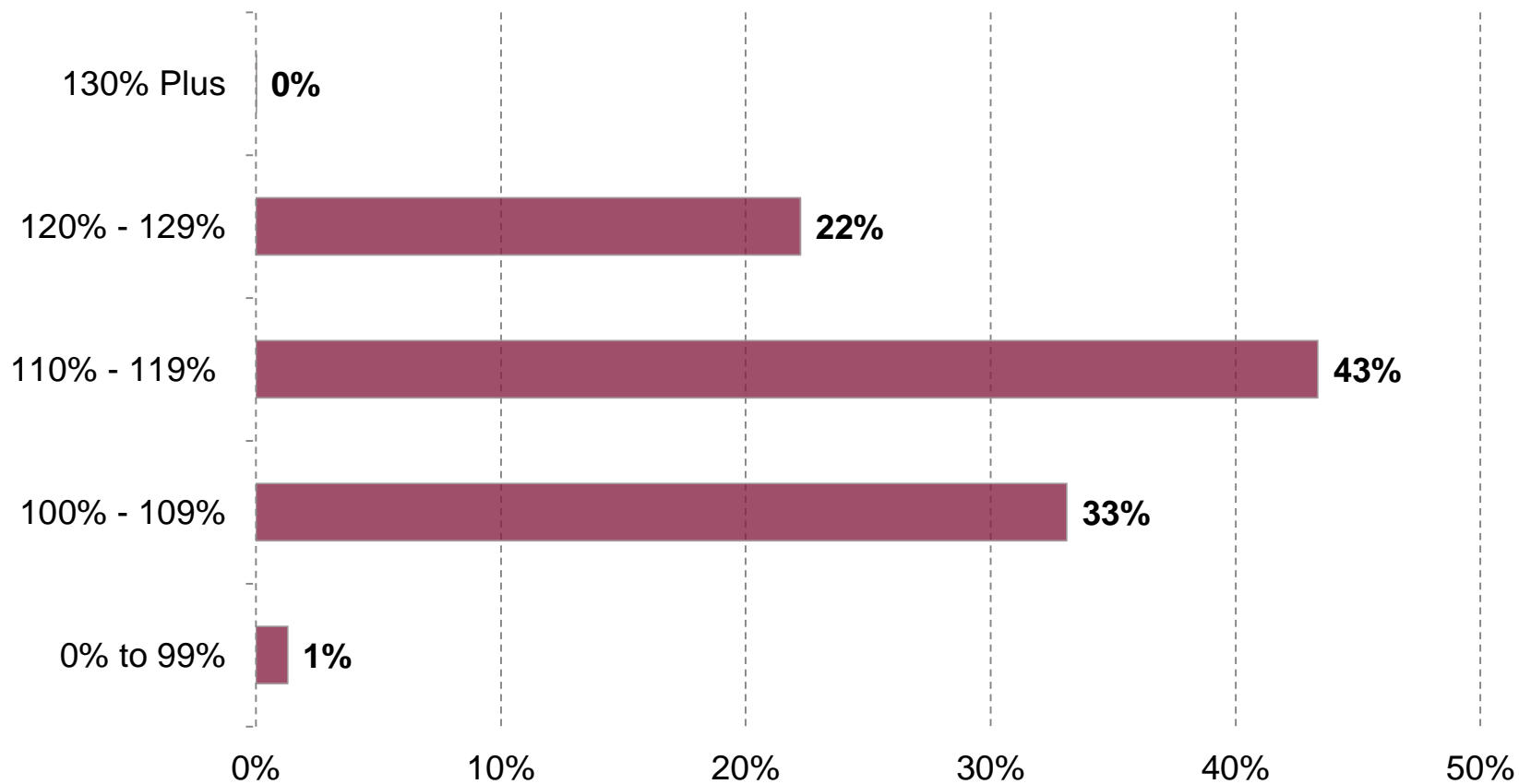
Alberta Private Passenger Vehicle Accident Year Loss Ratio



IBC graph with data from Dr. Ron Miller. Includes the health levy.

State of the Market (3/3)

Financial Year Combined Ratio by Market Share



IBC graph with data from MSA, GISA expense report.

Minor Injury Regulation Reform (1/3)

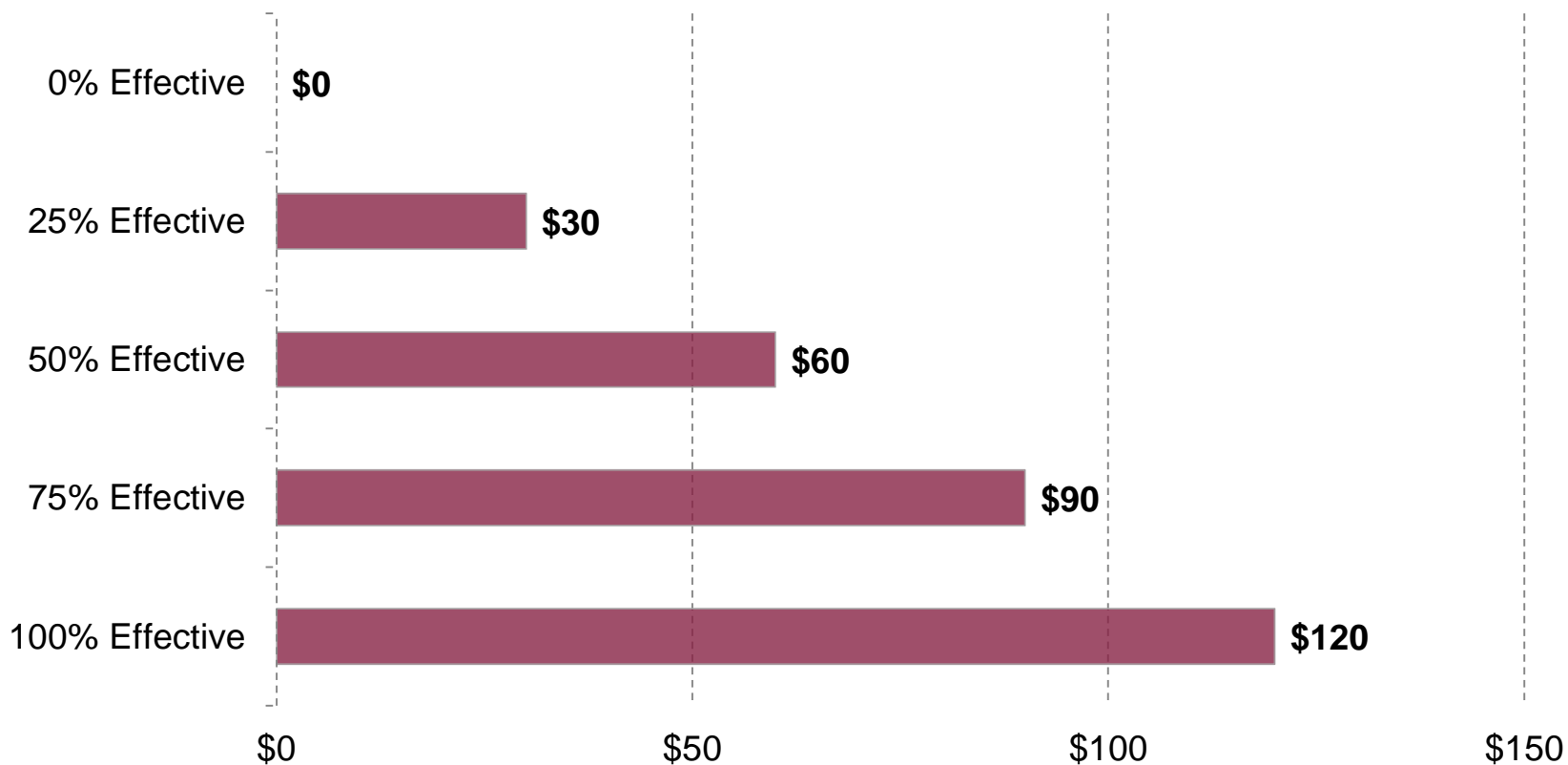
Bodily Injury Claims Experience by Accident Year

	Claims per 100 Vehicles	Average Claim Cost	Loss Cost
2013	0.63	\$49,002	\$310
2014	0.63	\$54,174	\$342
2015	0.63	\$63,218	\$398
2016	0.61	\$68,904	\$422
2017	0.60	\$70,572	\$423
Annual Change	(1.37%)	9.55%	8.05%

IBC table with data from Dr. Ron Miller. Excludes the health levy.

Minor Injury Regulation Reform (2/3)

**Potential Bodily Injury Loss Cost Savings
Based on Reform Effectiveness**



IBC graph with data from Dr. Ron Miller. Includes the health levy.

Minor Injury Regulation Reform (3/3)

Reform

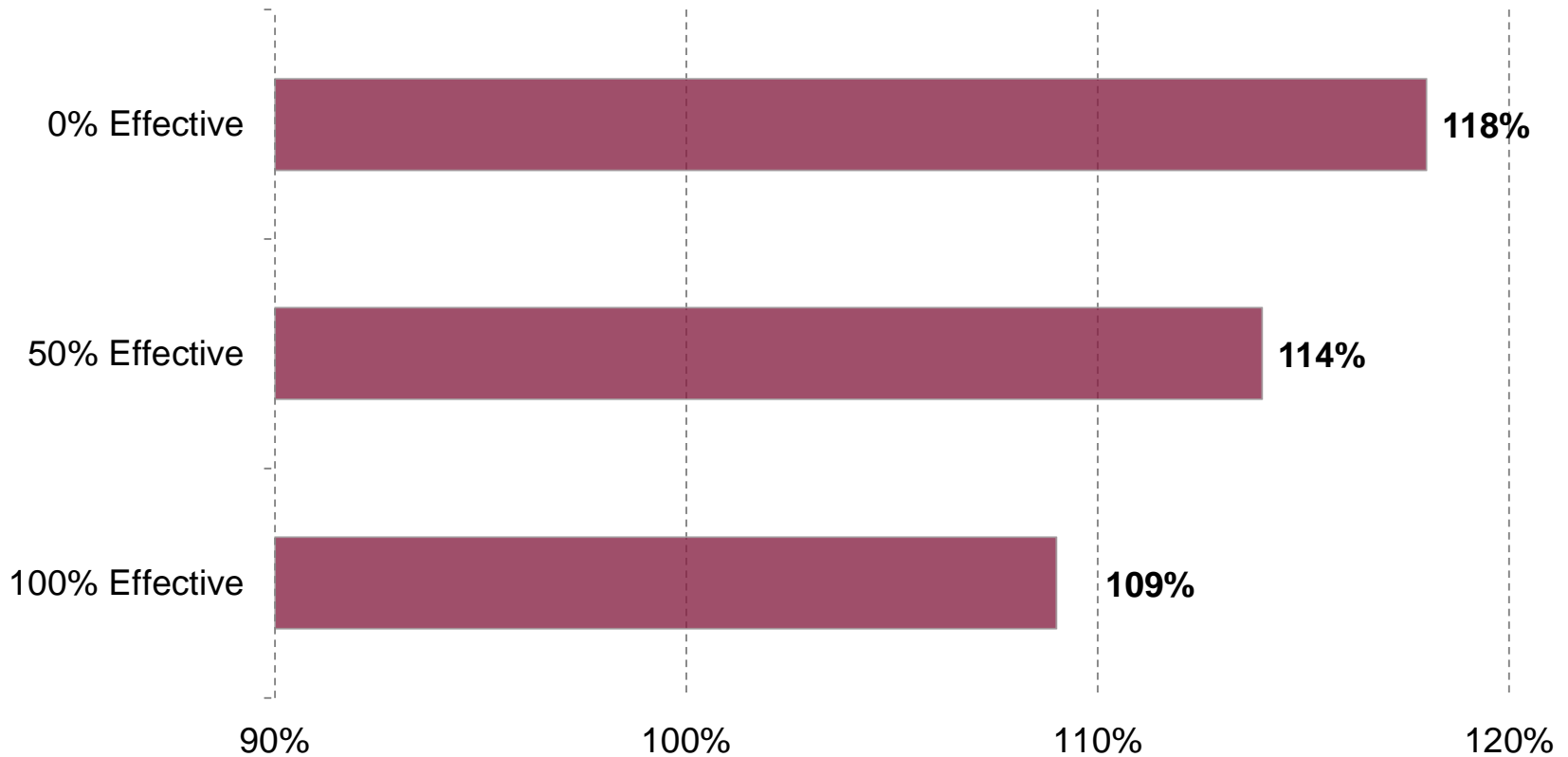
- A TMJ injury can be a sprain or strain, *unless there is damage to bone or teeth or damage or displacement of articular disc.*
- A physical or psychological condition could be part of a sprain or strain if it *arises from and resolves with the sprain or strain.*

Vulnerabilities

- New and un-tested regulatory language.
- No corresponding *Diagnostic and Treatment Protocols Regulation* reform.
- Delay in reform introduction.

Rate Cap Implications

Projected Combined Ratios for 2019
Based on Range of *Minor Injury Regulation* Reform Effectiveness



IBC graph with data from Dr. Ron Miller. Assumes a 28.2% expense ratio, an all-coverages loss cost of \$1,239 including the health levy, and that all insurers increase their rates by 5% in 2018 and 5% in 2019.

Sustainable Public Policy

Proposal

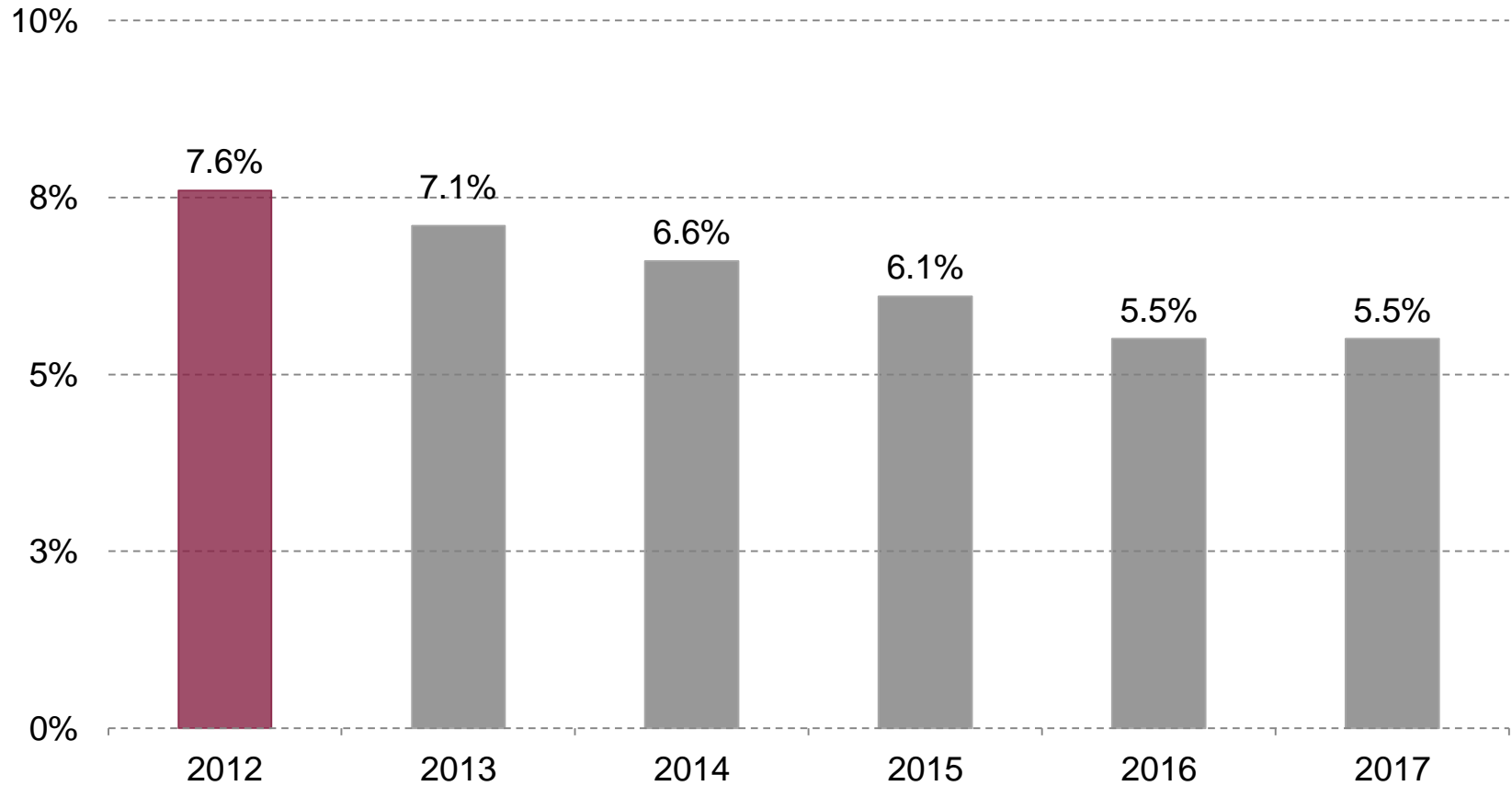
End the 5% rate cap

Address adverse court decisions affecting the *Minor Injury Regulation*

Reform prejudgment interest

Grid Loss Experience (1/5)

Market Share of Grid Vehicle Population



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

Grid Loss Experience (2/5)

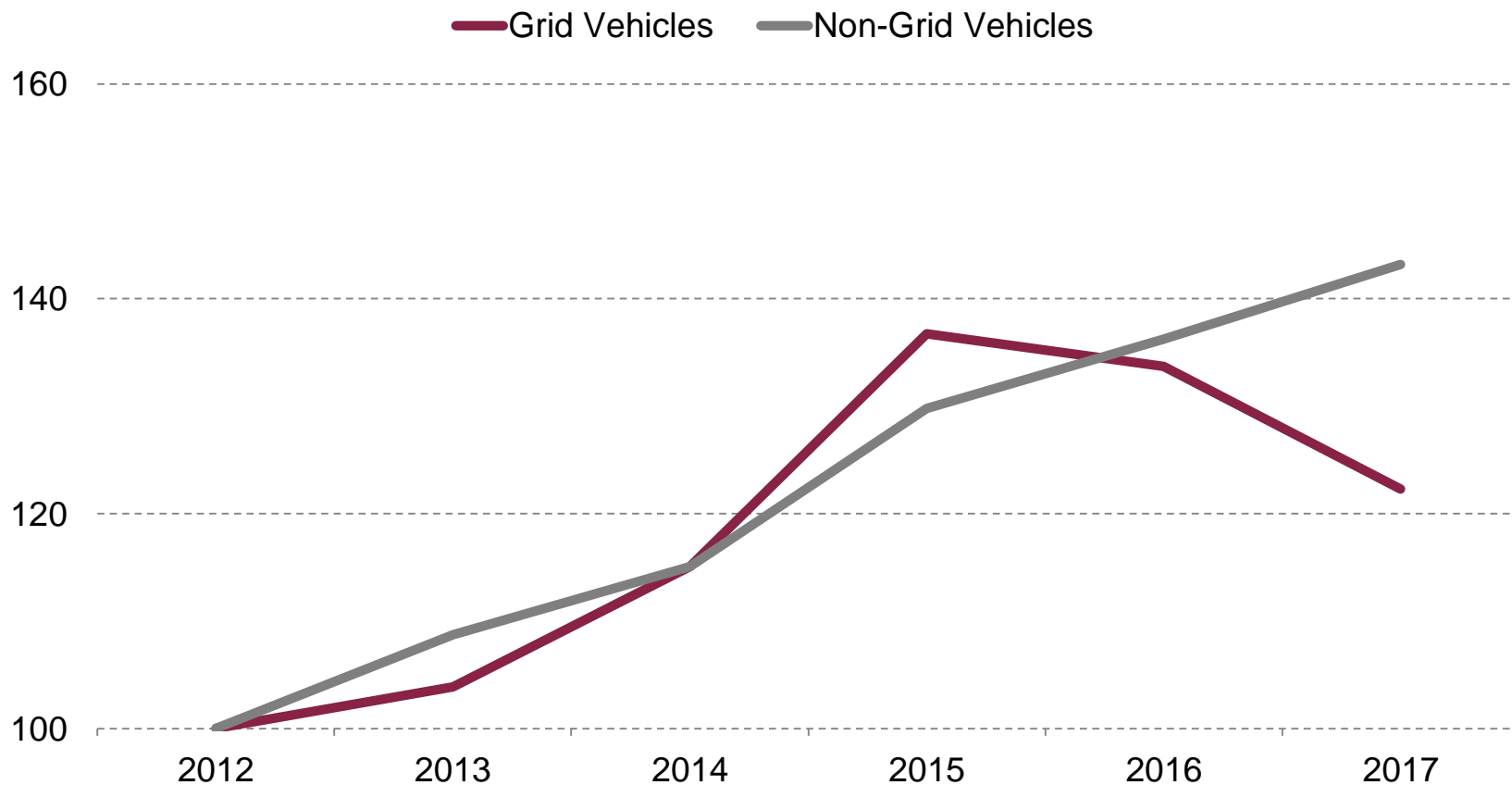
Grid Loss Costs and Loss Ratios by Accident Year

	Grid Loss Cost	Grid Loss Ratio
2012	\$1,294	100%
2013	\$1,345	100%
2014	\$1,490	106%
2015	\$1,770	119%
2016	\$1,731	108%
2017	\$1,583	93%

IBC table with data from Dr. Ron Miller. Includes the health levy.

Grid Loss Experience (3/5)

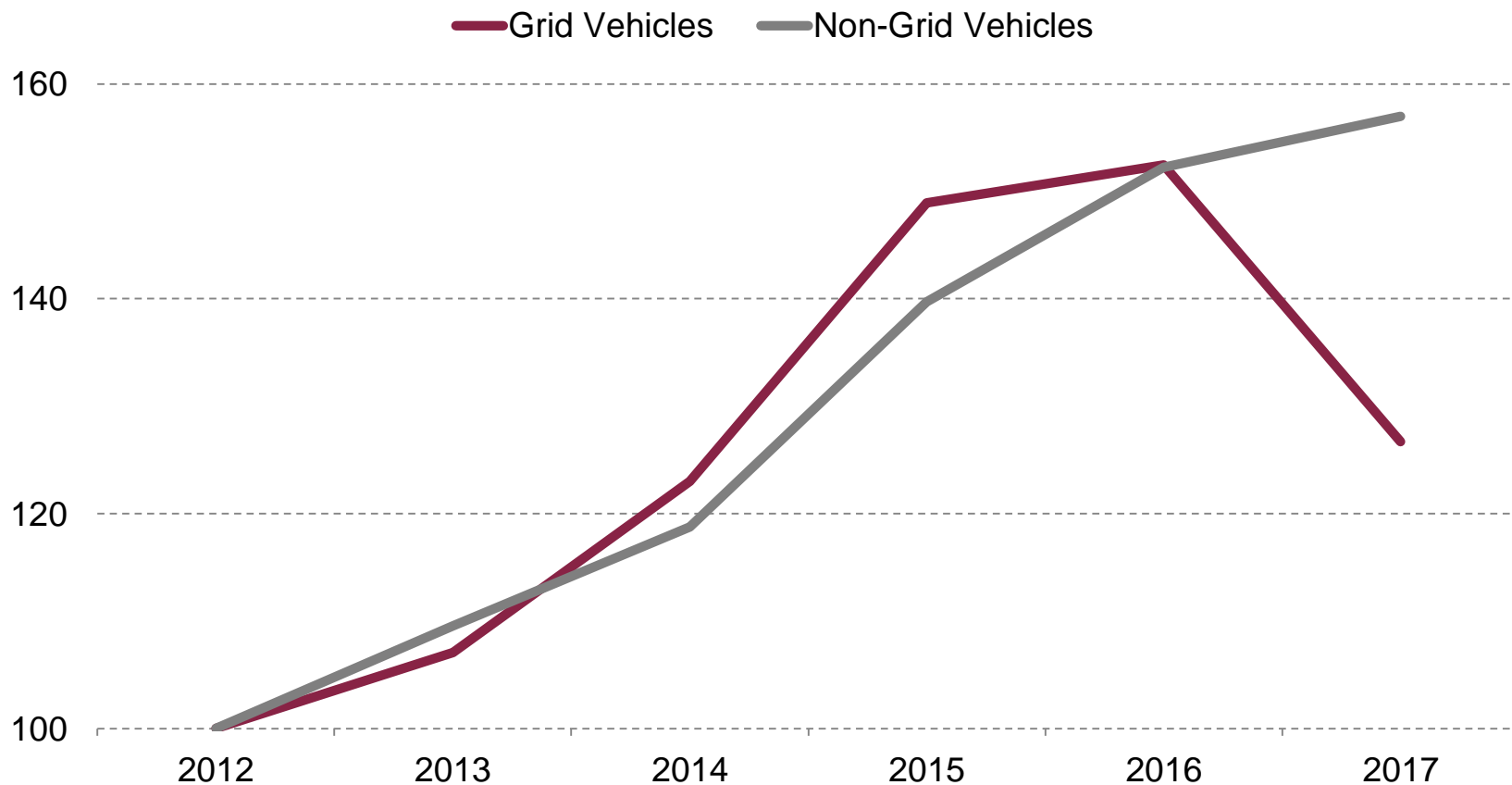
Loss Cost Movement for Basic Coverage, Indexed to 2012



IBC graph with data from Dr. Ron Miller. Includes the health levy.

Grid Loss Experience (4/5)

Loss Cost Movement for Bodily Injury Claims, Indexed to 2012



IBC graph with data from Dr. Ron Miller. Includes the health levy.

Grid Loss Experience (5/5)

Analysis

Grid market share was stable between 2016 and 2017

Other than in 2017, basic coverage loss costs have been increasing at a high rate

A 10% increase to grid base premiums is warranted

Government and industry should establish a target grid measurement metric

Conclusion

Overview

The auto insurance market is in crisis, hurting a local industry and its customers

The *Minor Injury Regulation* reform is vulnerable to adverse court decisions

The rate cap could cause insurers to re-evaluate their Alberta operations
