

AIRB 2019 Annual Review

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State of the Industry (1/2)

Estimated \$450 million underwriting loss in 2018.

Unsustainable all-industry loss ratio of 86%.

Oliver Wyman and Dr. Miller projected 2018 all-coverage loss trend factors of 5.8% and 6.5%, respectively.

IBC with data from GISA, Dr. Ron Miller and Oliver Wyman.

State of the Industry (2/2)

Legalization of cannabis, and upcoming legalization of edibles, present new challenges to the industry.

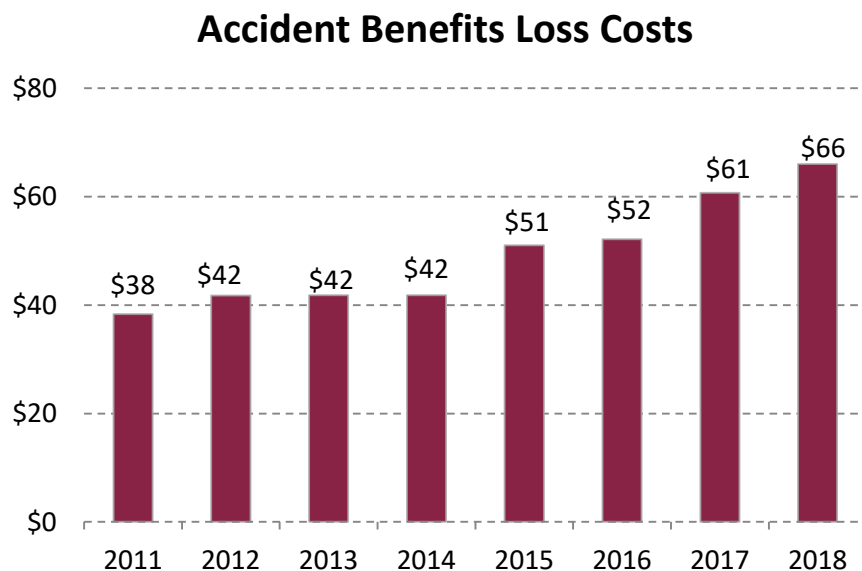
Vehicles are becoming more complex with advanced technology.

There has been an increase in severe weather events in recent years.

Overview of Alberta's Auto Insurance Cost Drivers

Accident Benefits Claims

Accident benefits loss costs have increased, but from a very low base and remain relatively low.



IBC with data from Dr. Ron Miller.

- Between 2011 and 2018, accident benefits loss costs increased by 8.1% per year.
- The average claim size increased by 6.9% per year.
- Claim frequency has been relatively stable.

Property Damage Claims

Property damage loss costs have increased at roughly the rate of inflation.

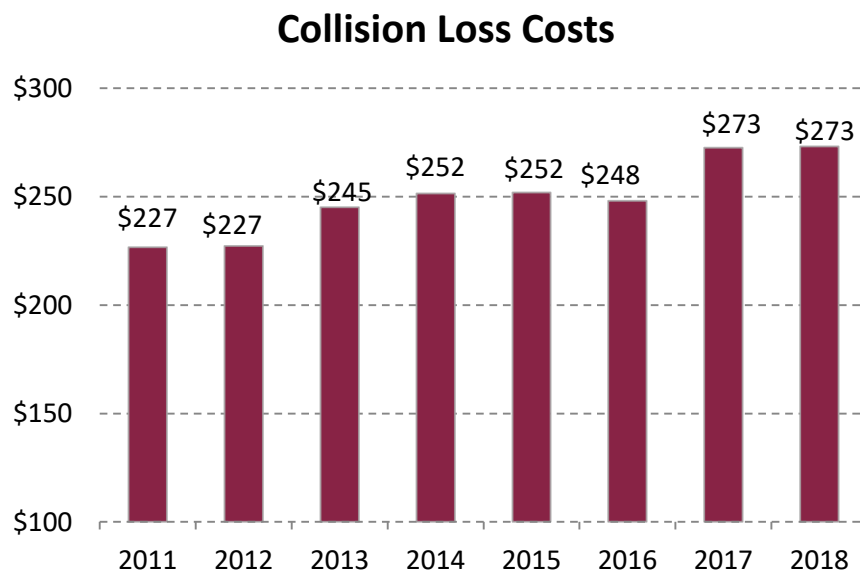


IBC with data from Dr. Ron Miller.

- Property damage loss costs increased by 2.1% per year.
- The average claim size increased by 3.1% per year.
- Property damage claim frequency declined.

Collision Claims

Collision loss costs have increased only slightly faster than the rate inflation.

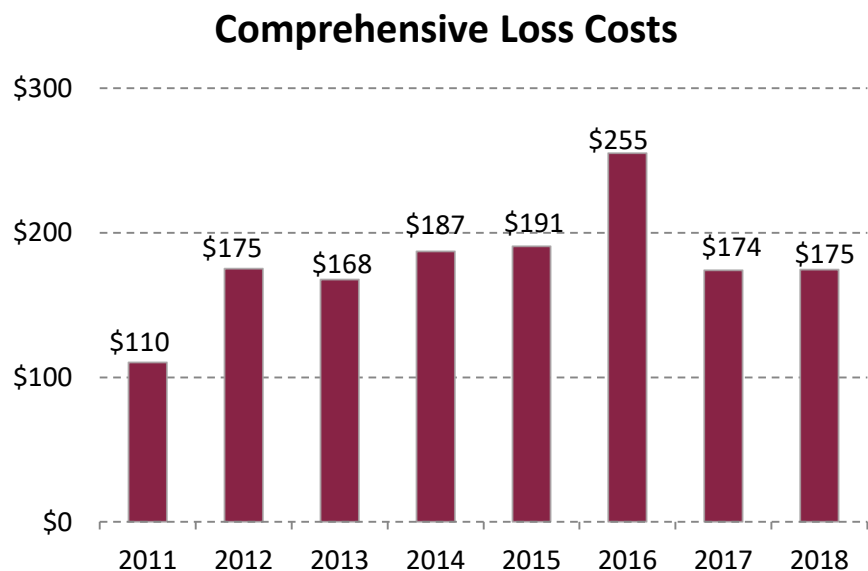


IBC with data from Dr. Ron Miller.

- Collision loss costs increased by 2.7% per year.
- The average claim size increased by 3.3% per year.
- Claim frequency was stable.

Comprehensive Claims

Comprehensive loss costs fluctuate primarily due to severe weather events, having hit a peak in 2016 due to the Fort McMurray wildfires.

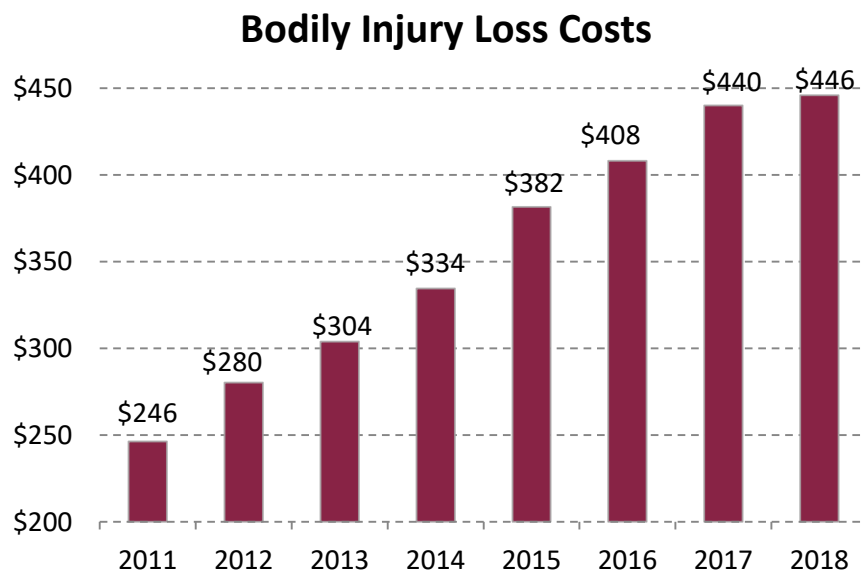


IBC with data from Dr. Ron Miller.

- Comprehensive loss costs increased by 6.8% per year.
- The average claim size increased by 4.6% per year.
- Claim frequency increased by 2.1% per year.

Bodily Injury Claims

Bodily injury loss costs continue to skyrocket due to an increase in the average claim size.

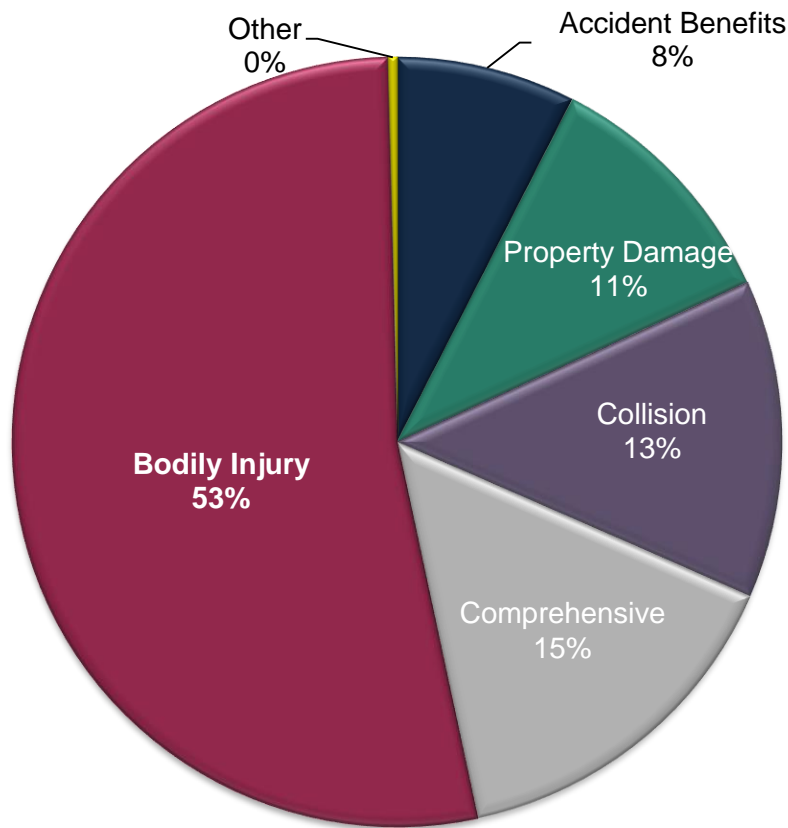


IBC with data from Dr. Ron Miller. Excludes the health levy.

- Bodily injury loss costs increased significantly by 81.0%, or 8.8% per year.
- The average claim size spiked by 84.2%, or 9.1% per year.
- Claim frequency was stable over the period.

Total Claims Increases

Percentage of Total Claims Increases Attributable to Each Sub-Coverage, 2011 - 2018



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

Consumers Need: Available and Affordable Auto Insurance

Improving Affordability (1/2)

Option A Status Quo

- Rate Cap Expires
- On-Going Premium Hikes
- Less Availability
- Fewer competitors
- Continued market and broker issues

Option B Two-Step Approach

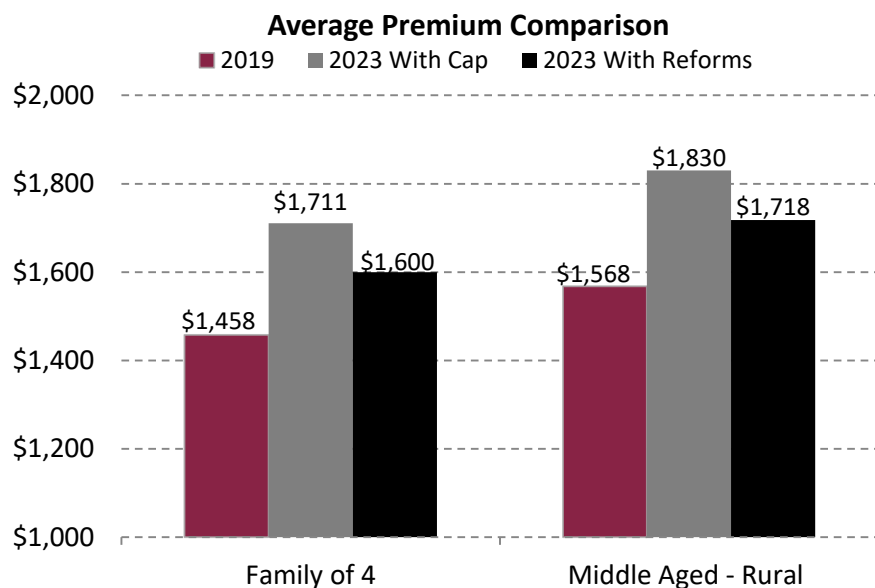
- Rate Cap Expires
- Implement quick reforms to stabilize BI costs
- Design transformational product with Costs & Claims Study data
- Introduce an affordable product with more choice/innovation in 2020

Option C Transformational Change

- Rate Cap Expires
- Transformational change
- More choice
- More innovation
- Stabilize the market

Improving Affordability (2/2)

In the long run, reforming Alberta's auto insurance system will improve affordability for Alberta drivers.



IBC with data from MNP.

- By 2023, average quoted premiums for a family of 4 are estimated to be \$111 lower with reforms than without reforms.
- Average quoted premiums for a middle-aged rural driver are estimated to be \$112 lower with reforms than without reforms.

Regulatory Framework

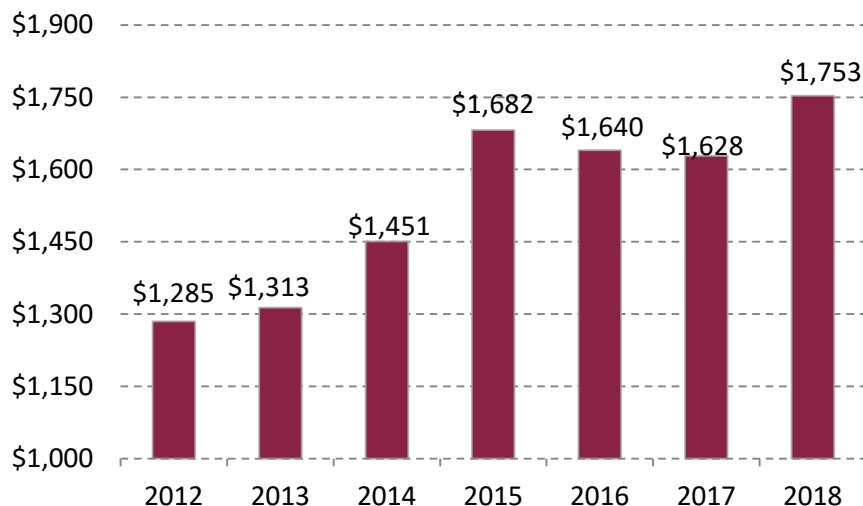
Regulatory improvements are needed to create a healthy market.

The current regulatory framework needs to be reviewed.

Grid Vehicle Loss Experience

Grid vehicle compulsory coverage loss costs have increased at a rate far exceeding the rate of inflation

Grid Compulsory Coverage Loss Costs



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

- Between 2012 and 2018, grid loss costs increased by 36.4%, or 5.3% per year
- Loss ratios averaged over 100%
- Good drivers should not have to pay more to subsidize bad drivers.
- The rate regulation framework needs to be reviewed to determine how to deliver the best outcomes for Albertans.

Conclusion

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

Bodily injury costs are the main driver and must be fixed.

With the rate cap expiring, affordability needs to be improved.

Consumers deserve affordable and available auto insurance, as well as more choice and innovation.

The industry is ready to work on transformational change to improve the auto insurance system for Alberta's 3 million drivers.