

## **AIRB 2020 Annual Review**

Celyeste Power, Vice-President, Western  
Trevor Foster, Manager, Policy

August 20, 2020

ibc.ca



# Oliver Wyman Report - Bodily Injury Costs Have Increased Sharply

# State of the Industry

---

According to Oliver Wyman's public report, bodily injury loss costs have increased by 25% since 2015 alone

---

The average bodily injury claim size increased by 32% over the same time

---

Bodily injury costs per vehicle will increase by an additional 6% over the next year

*IBC with data from Oliver Wyman*

# Grid Vehicles (1/4)

---

Increased market share of 6.5% of vehicles capped by grid premiums in 2019

---

Grid vehicle compulsory coverage loss ratio of 90%

---

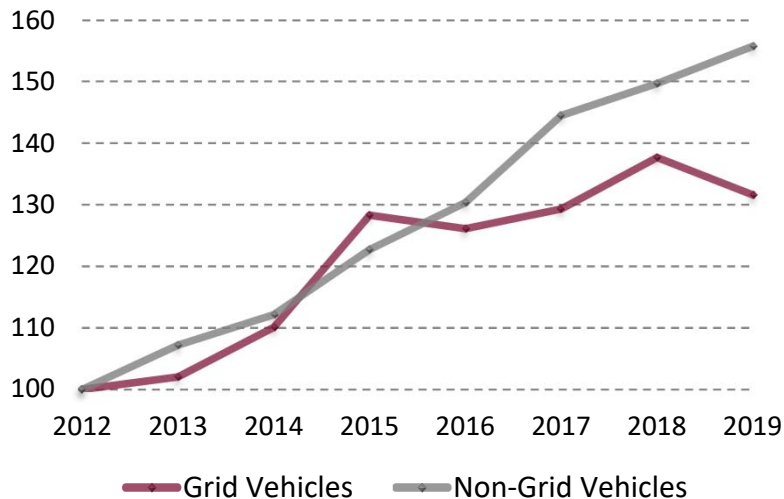
Compulsory coverage loss costs have increased by 32% since 2012

*IBC with data from Dr. Ron Miller*

# Grid Vehicles (2/4)

Grid vehicle loss ratios improved due to an unexpected improvement in grid costs. This was not seen in the non-grid population.

Compulsory Coverage Loss Costs, Index



IBC with data from Dr. Ron Miller

- Between 2018 and 2019, grid vehicle compulsory coverage loss costs decreased by 4.4%
- Non-grid compulsory coverage loss costs *increased* by 4.1%

# Grid Vehicles (3/4)

---

During the 2018 Annual Review, grid vehicle costs were projected to decrease between the 2016 and 2017 accident years

---

IBC cautioned that due to the very small number of grid claims and reliance on reserves, this decrease could prove inaccurate

---

Subsequent claims development showed that between 2016 and 2017, costs actually increased by nearly 10%.

# Grid Vehicles (4/4)

---

Grid vehicle underwriting losses remain in the tens of millions of dollars per year, though last year's 15% increase may mitigate these losses

---

IBC recommends that the AIRB increase the grid base premiums by greater than 5% to facilitate a decrease in the grid vehicle market share

---

IBC recommends that the AIRB review the current grid steps to see if they are still appropriate

*IBC with data from Dr. Ron Miller*

# Overview of Alberta's Auto Insurance Loss Trend Factors



# Loss Trend Factors (1/2)

Oliver Wyman projects steep increases for several coverages including bodily injury, accident benefits, comprehensive, and all-coverages

## Oliver Wyman Selected Trend Factors

TPL-BI	6.0%
TPL-PD	1.5%
AB	8.5%
COLL	1.5%
COMP	6.5%
TOTAL	4.89%

- Bodily injury costs will continue to increase at rates well above inflation
- This is the primary cost driver leading to an all-coverages increase of nearly 5%
- Dr. Miller also projected claims cost increases, though at a slightly lesser rate

*IBC with data from Oliver Wyman*

# Loss Trend Factors (2/2)

---

Oliver Wyman selected property damage and collision trend factors of +1.5%

---

Much higher vehicle damage trend factors are projected in Ontario due to more new vehicles on the road with expensive collision-avoidance technology

---

As Albertans replace older vehicles, IBC anticipates that vehicle damage claims costs will increase at a faster pace

*IBC with data from Oliver Wyman*

# Catastrophe Provision

---

Oliver Wyman selected a reasonable catastrophe provision of 57%

---

2020 has already seen a number of severe weather events, including a hail storm with insured losses of over \$1.0 billion

---

IBC recommends that the AIRB consider these 2020 severe weather events when selecting a catastrophe provision

*IBC with data from Oliver Wyman, PCS*

# Conclusion

---

Bodily Injury claims costs continue to be the primary cost driver and are expected to increase further over the next year

---

Grid vehicle claims costs continue to increase. IBC recommends a base premium increase of greater than 5% to reduce market share

---

Vehicle damage claims costs are stable, but expected to increase in the near future