

# AIRB Annual Review

## Intact Financial Corporation

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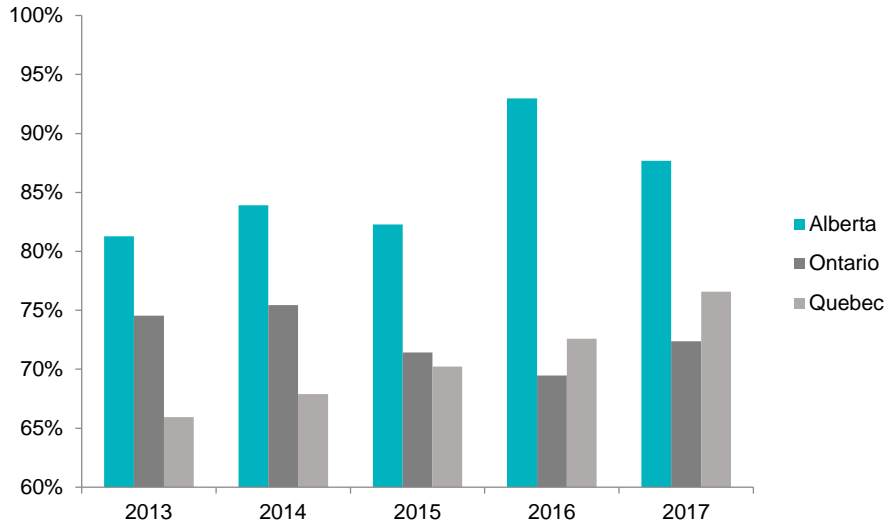
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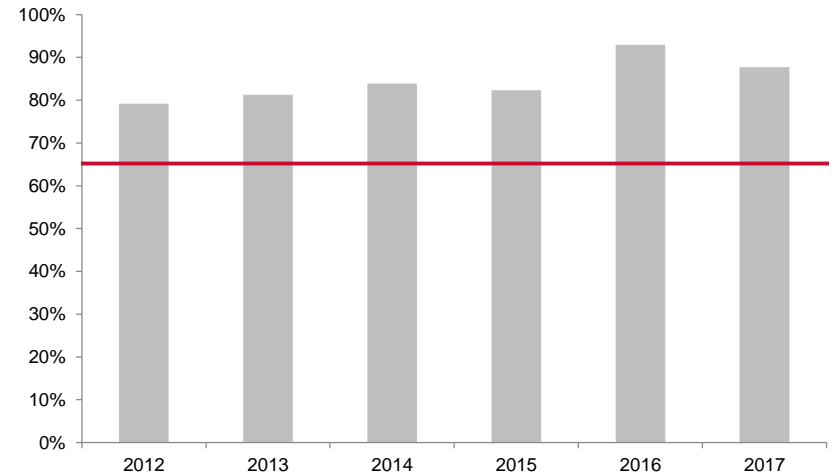
# Unprofitable industry.

Historical Automobile Loss Ratios by Province



*Ratio of losses to gains (e.g. \$60 in claims for every \$100 in premiums equals a loss ratio of 60%.*

Historical Alberta Automobile Loss Ratios

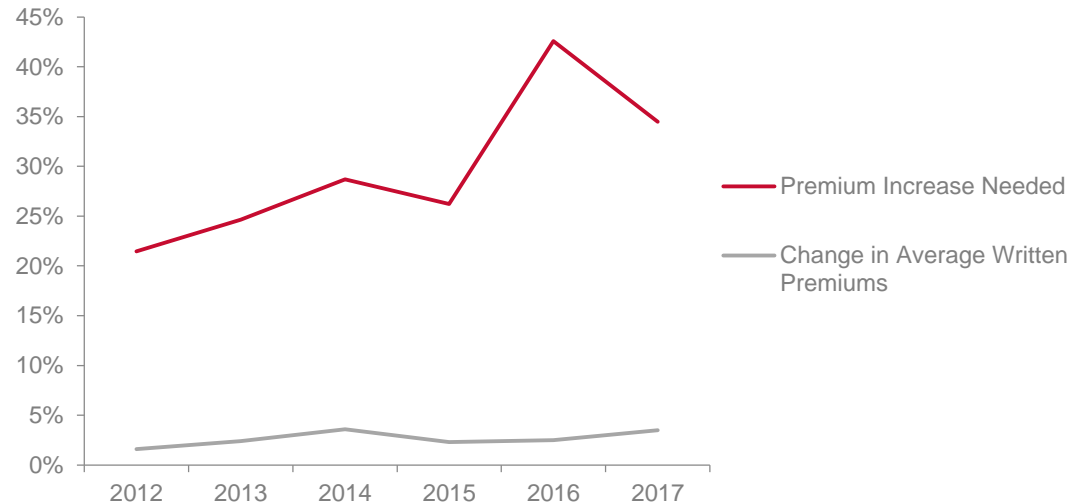


— Permissible loss ratio based on benchmark expense ratio (27.8%) and AIRB profit provision (7%), excluding investment income

# Less access & Unpredictable rates

Without change, profitability will continue to decline. For Albertans, this could result in reduced coverage and sustained rate increases in the future.

Premium Increase Needed

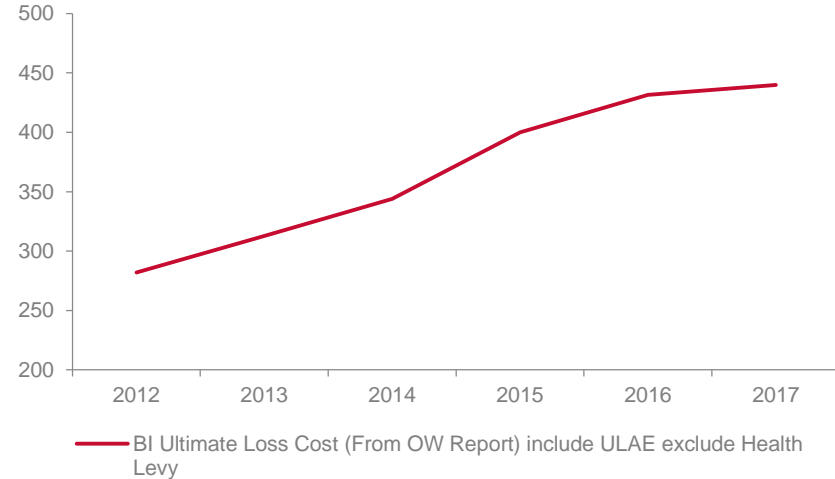


# Claim amount development factors

## Third party liability – bodily injury

Aligning development factors closer to recent bodily injury claims settlements would lead to a more realistic estimate of ultimate bodily injury losses.

**Bodily Injury Ultimate Loss Cost**



# Comprehensive loss trend benchmarks

## Theft

A higher theft trend (rather than the selected 11% theft trend) should be used to project the overall comprehensive future trend.

Comprehensive Incurred Theft Frequency



Comprehensive Incurred Theft Loss Cost

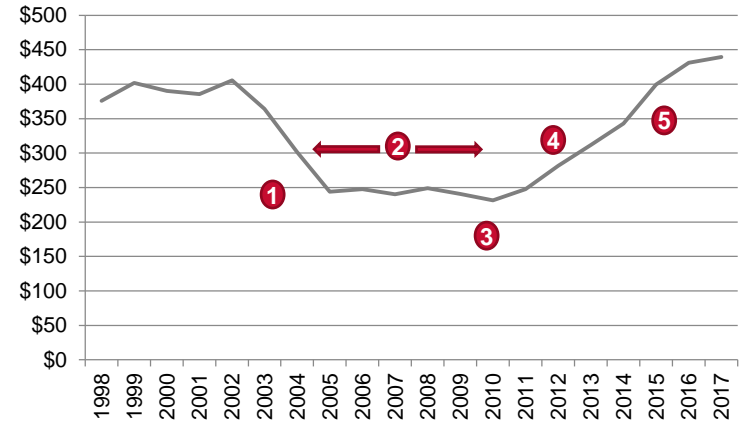


# Minor injury regulation

## Recent reforms

MIR clarifications of TMJ and psychological conditions will likely help, but more time and data are needed to assess the impact.

AB PPV - BI ultimate annual loss cost (incl LAE)



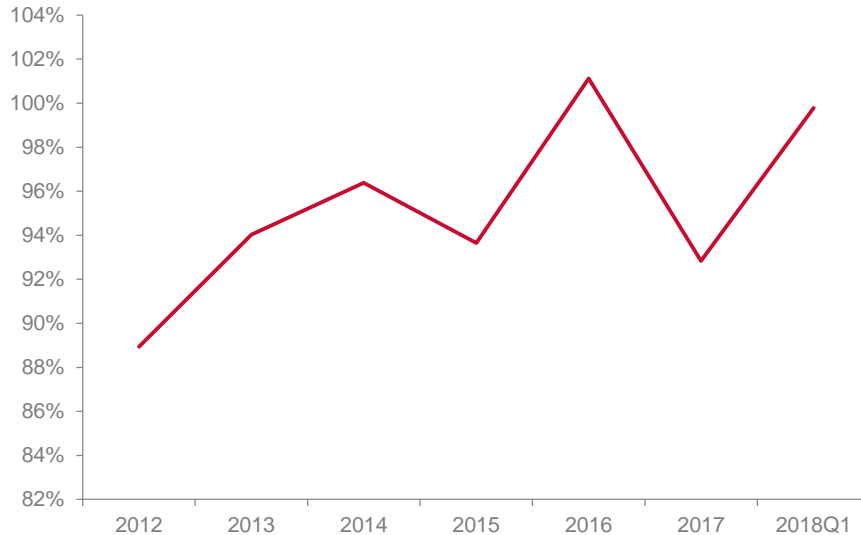
- 1 Initial MIR introduced
- 2 Legal challenges to MIR
- 3 Morrow v Zhang
- 4 Sparrowhawk
- 5 McLean v Parmar

But.

More **is needed.**

# Continue MIR reform

Personal Auto Liability - Loss Ratio  
Industry Data (MSA)



## Rising costs of TPL reinforce the need for clarification on:

- Diagnosis and treatment protocols for TMJ injuries, physical or psychological conditions/symptoms related to minor injuries
- Specialized medical professionals (including dentists) and the impact on the definition of “minor”
- Ambiguity related to damage to cartilage
- The interpretation for the terms “serious impairment” or “substantial inability”
- Consistency in determining causation for related physical or psychological conditions or symptoms





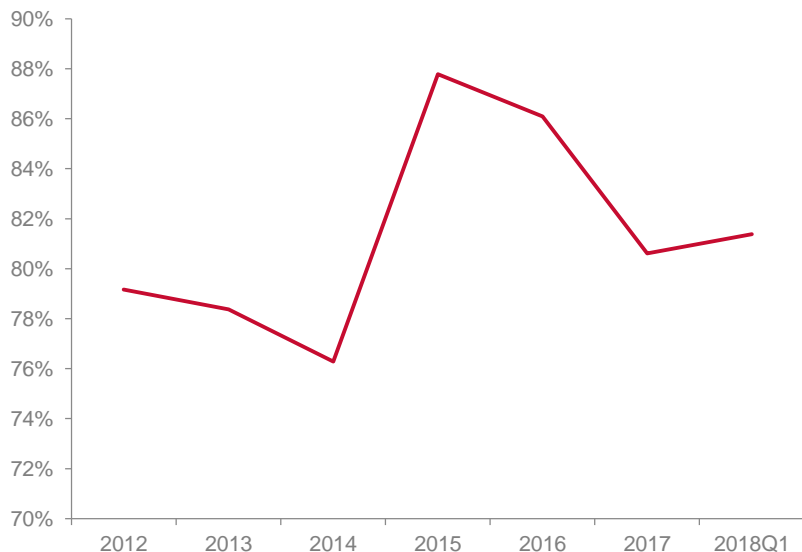
Adopt

## Bank of Canada interest rate for PJI

- Pre-judgment interest rate is one lever we have to help control bodily injury claims costs.
- Adopting the Bank of Canada rate for PJI balances the needs of Albertans and rate predictability.

# Remove Ministerial 5% Cap

Personal Auto (all coverages) - Loss Ratio  
IFC (From MSA)



Extension of the capping beyond November 30, 2018 will reduce coverage, options and availability for Albertans.


Removing the cap will give insurers more flexibility to adapt to emerging rate pressures and stabilize rating for Albertans.



**Rating pressures will continue to emerge.**

# Innovative solutions can **help.**





We must focus on leveraging opportunities and mitigating challenges to ensure **Albertans benefit** from sustainable, affordable and predictable insurance rates.



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