

AIRB Annual Review

Intact Financial Corporation

Presented By:

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Director
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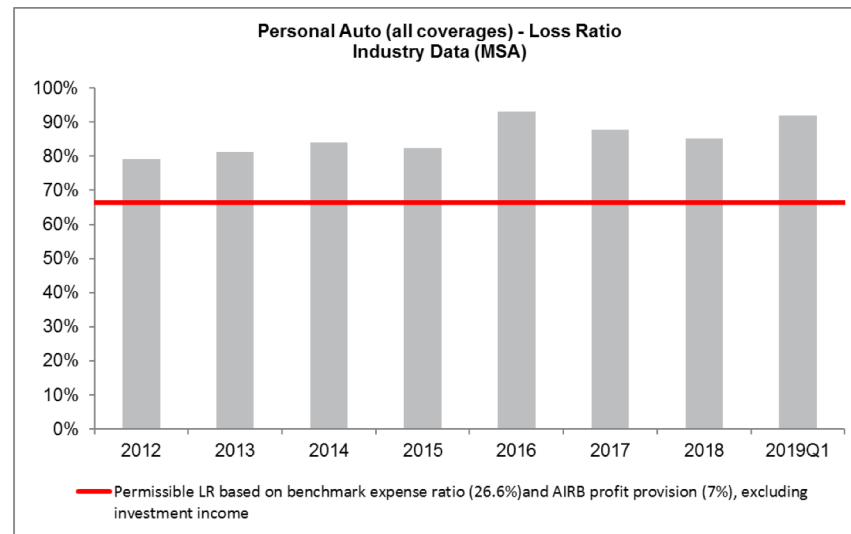
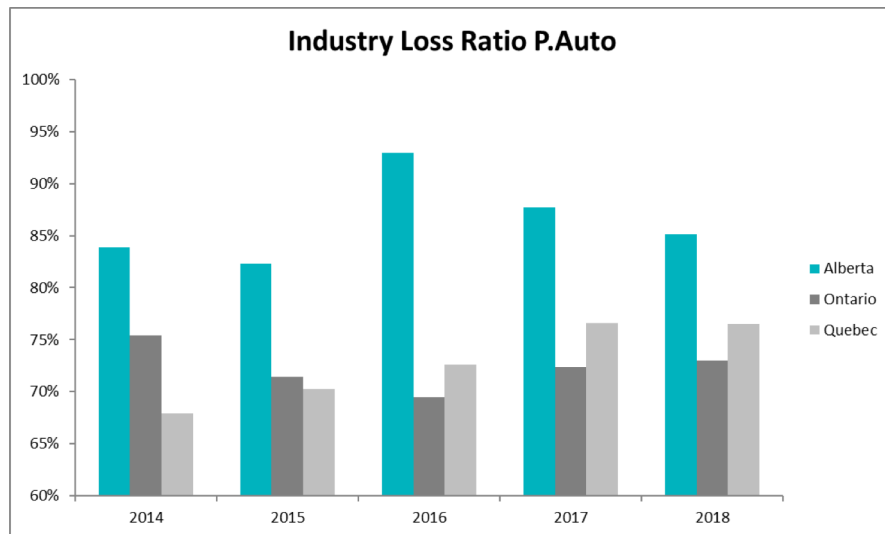
Patrick Magnusson

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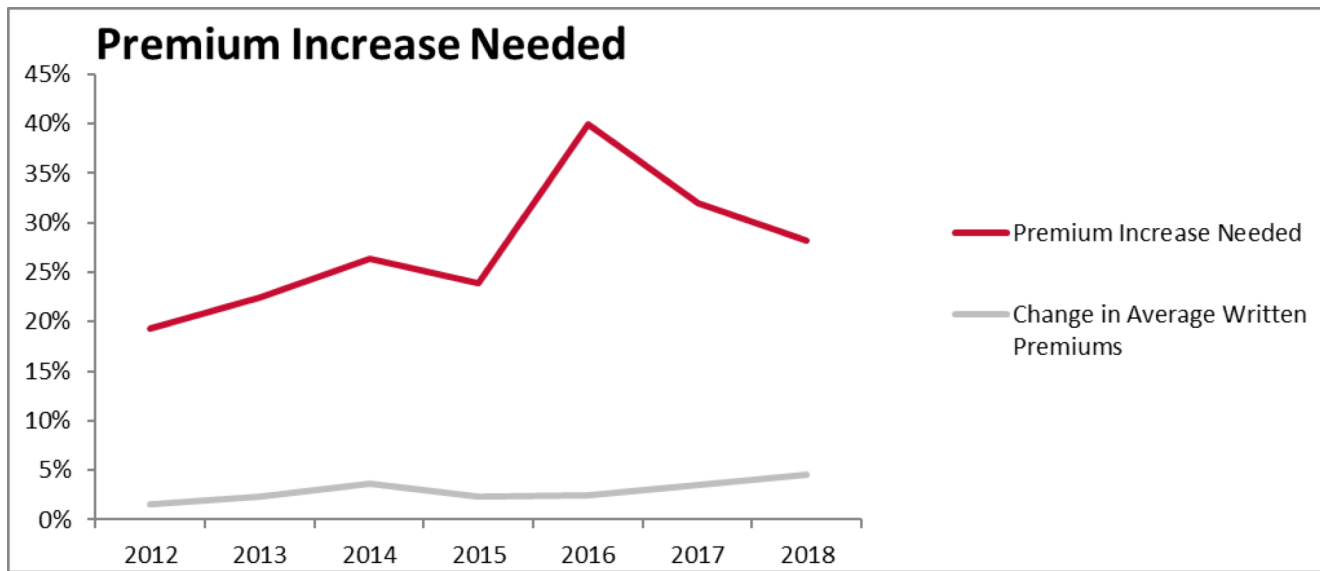
Director, Claims
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Unprofitable Industry



Less access and unpredictable rates

Without change, loss ratios will continue to be unsustainable. For Albertans, this could result in reduced coverage and sustained rate increases in the future.



Development factors and loss trend benchmarks

As per the request of the AIRB, we found that our loss trends and selected claim development factors are generally consistent with the findings of Oliver Wyman's Annual Report.

Short-term actions

- Upon expiry of the 5% rate cap
 - Minor Injury Regulation
 - Pre-judgement Interest
 - Introduction of increasingly robust telematics models

Evolve

Evolve Regulatory Framework

One of the most onerous rate regulation systems in North America

Consumers are experiencing **limited competition and innovation** under the current rate regulation processes for filing private passenger rates in Alberta, which results in less choice and higher premiums for consumers.

Evolve Regulatory Framework

Reduce regulatory burden on industry and Alberta consumers

Our recommendations

Replace current *Prior Approval* rate regulation with *File-and-Use*, then *Use-and-File* frameworks.

- Enable insurers to decrease or increase rates using a “*use-and-file*” process, which facilitates the ability of insurers to adjust pricing quickly.
- Reduce the restrictions on filings for the introduction of new innovative products such as usage-based insurance or telematics, which benefit Alberta consumers.
- Reduce the restrictions on filings for the introductions of new rating variables

Introduce

Introduce DCPD

Albertans frequently wait an inordinate amount of time for compensation

The wait to determine fault delays customers' ability to get back on track, and limits the industry's ability to predict claim costs by actively managing all of their customers' property damage claims.

Introduce DCPD

Compensate Albertans faster, minimize strain on resources

Our recommendations

Introduce Direct Compensation Property Damage (DCPD).

- Customers receive compensation faster
- Minimizes time and costs of pursuing at-fault driver's insurance company
- Reduces burden on legal system
- Increased efficiency and cost predictability in claims and premiums

Adaptation

Climate **Adaptation**

Changes in our weather are impacting Albertans

In 2017, six of Canada's 15 events impacted the province. Two of Canada's biggest catastrophic events also occurred in Alberta – the Fort McMurray fire in 2016 and the Calgary flood in 2013.

Climate Adaptation

Climate resilience is economic resilience

Our recommendations

Develop a Climate Change Adaptation Strategy to ensure preparedness and resiliency in facing changing and increasingly extreme weather patterns and events.

- Reduce burden on Albertans and the Alberta economy
- Improve affordability and availability of insurance

Rating pressures will continue to emerge

- **Cannabis**
- **Gender X**
- **Theft**
- **Health levy**
- **Distracted Driving**
- **Pre-judgment interest**
- **Autonomous vehicles**
- **MIR**

Innovative solutions can help

- UBI
- Legislation reform
- Telematics
- Product reform
- Technology
- Education

As an industry, we must focus on leveraging opportunities and mitigating challenges that these and other emerging trends create to ensure Albertans benefit from responsive, balanced and fair insurance.

Thank you.

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