



Presentation to the Alberta Insurance Rate Board

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Agenda



- TD Insurance Overview
- TD Insurance & TD Bank Group
- Loss Trends
- Severity Changes
- Input on the Provision for ULAE not to be Reflected in the Trend Rate Analysis
- Comments on Oliver Wyman (“OW”) Report
- Conclusion



TD Insurance - Overview



- TD Insurance (“TDI”) is a member of TD Bank Group (“TDBG”), the second largest financial service organization in Canada.
- Largest direct response insurer and third largest auto and home insurer in Canada.
- National leader in group insurance



TD Insurance – Overview



- Offices in Calgary and Edmonton employ more than 580 personnel, who together with staff across the country provide a high level of service to our customers in Alberta.
- Second largest auto insurer in Alberta with over 299,500 active automobile insurance policies and over \$507 million in written premiums for 2014.
- TDI currently holds a 15.45% market share in Alberta auto, an increase of 50% since 2003.
- TDBG employs more than 4,700 people and maintains 144 branches in Alberta.
- TDBG community giving in Alberta totalled \$3.4 M, including TDI employee local initiatives such as rebuilding High River's community gardens to repair flood damage.



TDI is part of the TD Bank Group



TD is...

- The 6th largest bank in North America by branches
- Focused on delivering legendary customer service to its 24 million customers in four key businesses, including insurance
- Employing more than 56,000 people in Canada and over 86,000 worldwide
- Known for delivering strong financial results while effectively managing risk
- The “safest bank” in North America according to Global Finance Magazine*
- TD was the first bank to use social media to provide customer service

*Global Finance, World's 50 Safest Banks: April 2014



Loss Trends



Summary of Frequency and Severity changes Nov 2014 to April 2015		
Coverage	Frequency Change	Severity Change
TPL – Bodily Injury	+3.9%	+1.9%
TPL – Property Damage	+6.2%	+4.8%



Severity Changes



Increasing severity of bodily injury claims resulting from increased incidence of claims being settled outside the minor injury cap

Severity increase of 1.9% was influenced by the following factors:

- 'Sparrowhawk' decision, which specifically held that certain types of injuries (i.e. TMJD) are not included in the minor injury cap
- Heads of damage being systematically presented (i.e. housekeeping)
- Plaintiffs' counsel strategies with respect to cap limitations
- Increase in pre-judgment interest awards, general damage awards, and cost/disbursements for plaintiffs' counsel



INPUT ON THE PROVISION FOR ULAE NOT TO BE REFLECTED IN THE TREND RATE ANALYSIS



The Unallocated Loss Adjustment Expenses (ULAE) provision is as much a part of the cost of settling claims as Allocated Loss Adjustment Expenses (ALAE).

- Balance between the two comes from individual company decisions and ability to internalize certain aspect of the claims adjustment process.
- Choice between the two relates to providing a more controlled experience for the customer and the potential to deliver cost savings which contribute to premiums remaining at an affordable level.
- Specialization of the insurer, market share, dispersion of their customer base, investment in sophisticated claims system contribute to the ability of insurers to be able to internalize more claims.
- As insurers invest further in systems and gain market share, we should expect the percent of ULAE to grow without necessarily changing the overall costs.

Comments on Oliver Wyman Report



- Overall, the assumptions made seem reasonable;
- We agree with the board consultant's analysis indicating a step increase in costs for bodily injury coinciding with the Sparrowhawk decision, and that future loss costs trends are positive for all coverages.

Coverage	Trends
Bodily Injury	+4.5%
Property Damage	+3.0%
AB – Medical	+2.0%
AB – Disability	-2.5%
Collision	+5.0%
Comprehensive	+1.0%

However, the uncertainty in the estimated loss costs and trends, suggest prudence in anticipating long term trends



Conclusion



- TDI supports a balanced approach to changes in premium levels for automobile insurance. A gradual approach to rate increases would be easier on the consumer and would align with public policy goal of keeping auto insurance broadly available and affordable.
- Additional rate increases are required to keep rates aligned with the continuing increase in claims costs and labor expenses.
- When reviewing insurer's rate filings, we recommend prudence in anticipating the long term trends and the impact on the consumer. A reasonable rate increase this year may prevent more significant increases in the next few years, which may have a serious and negative view on Albertans.





Thank you!