



Presentation to the Alberta Insurance Rate Board

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August 16th, 2016

Legendary 
Focus. Deliver. Inspire.



Agenda



- TD Insurance – Overview
- TD Bank Group – Overview
- Loss Trends – Bodily Injury
- Loss Trends – Other Coverages
- Conclusion

TD Insurance – Overview



- TD Insurance (“TDI”) is a member of TD Bank Group (“TDBG”), the second largest financial service organization in Canada.
- TDI is the largest direct response home and auto insurer in Canada, with over 2.14 million policies and more than \$3.0 billion in written premiums.
- National leader in group insurance.

TD Insurance – Overview



- Second largest auto insurer in Alberta with over 300,000 active automobile insurance policies and over \$521 million in written premiums for 2015.
- Staff in Alberta and across the country provide a high level of service to our Albertan customers.
- TDI currently holds a 15.5% market share in Alberta auto, an increase of over 50% since 2003.
- TDBG has 146 branches in the province and together with TDI employs more than 4,400 people.
- TDBG community giving in Alberta totalled \$3.5 M, including TDI employee local initiatives such as rebuilding High River's community gardens to repair flood damage, and most recently Fort McMurray.

TD Bank Group – Overview



The TD Bank Group 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 57,300 people in Canada and over 85,200 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 – Bodily Injury



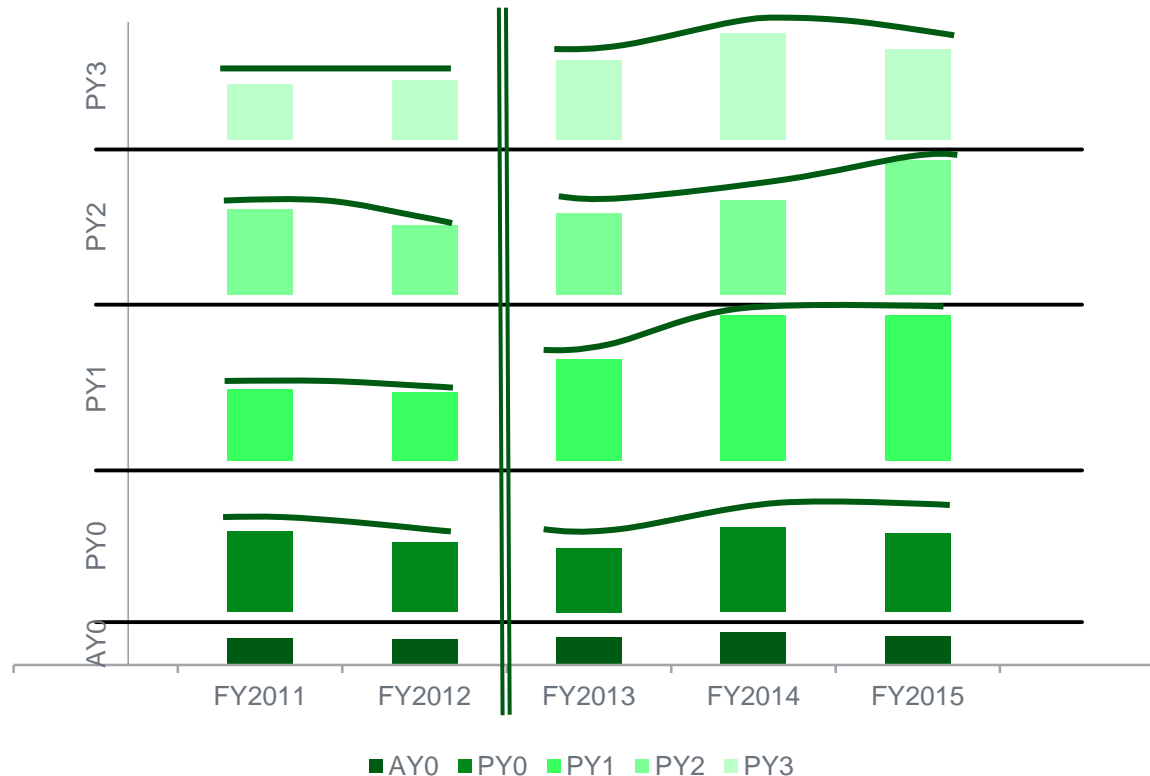
| TPL – Bodily Injury Prospective Trends as at January 2016 | | |
|--|--------------|--------------|
| Trend | Oliver Wyman | TD Insurance |
| Frequency | 0.00% | 0.00% |
| Severity | 7.00% | 8.00% |
| Loss Cost | 7.00% | 8.00% |

- The above table illustrates a flat frequency trend for Bodily Injury claims.
- Both Oliver Wyman and TDI's own internal data analysis show an increase in claim severity trends.
- The increased severity of Bodily Injury claims is a complex issue, that is caused by a combination of factors (including the erosion of the Minor Injury Cap).

Loss Trends – Bodily Injury



Fiscal year indemnity payment by accident year

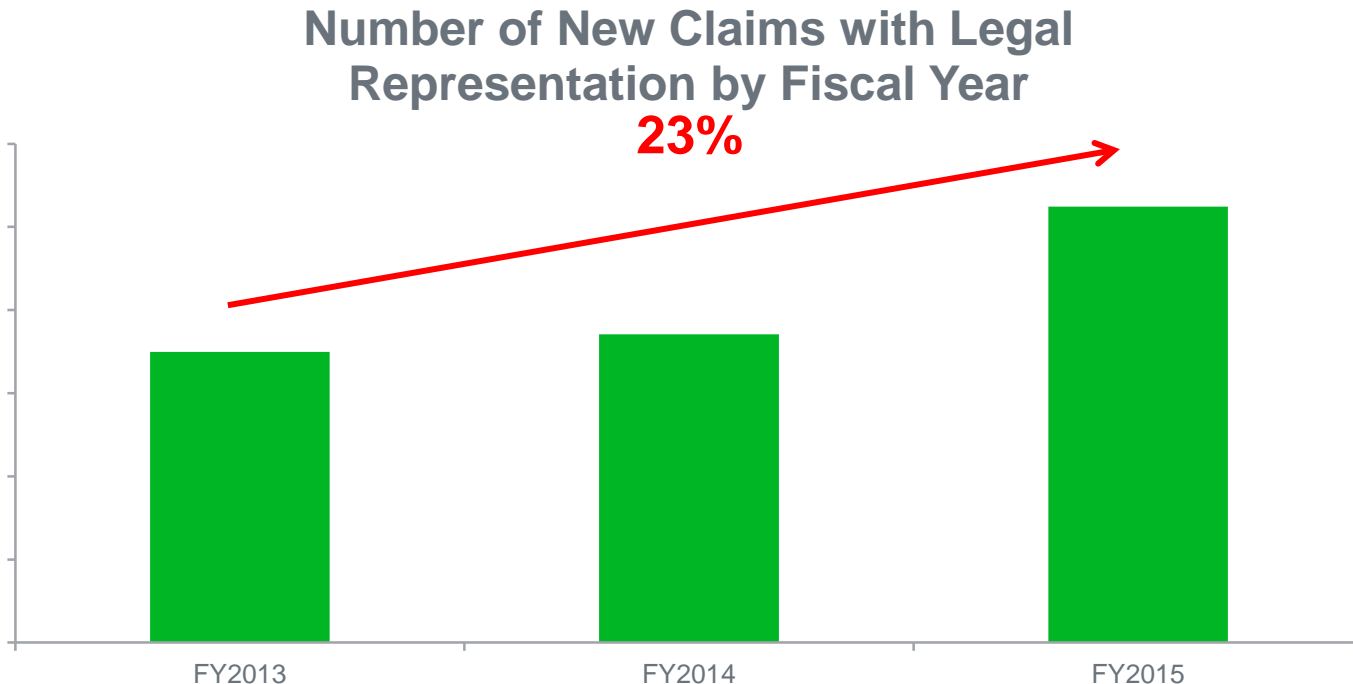


- Strong upward trend in indemnity payments beginning in 2012
- Sparrowhawk v. Zapoltinsky (January 2012) narrowed the definition of "minor injuries" under the Minor Injury Regulation (MIR).
- Average incurred by claim is continuing to trend upwards, indicating that the increase observed above should continue for 2016 and beyond.

Loss Trends – Bodily Injury



- Plaintiff's counsels are using strategies to avoid cap limitations, leading to an increase in psychological impairment and chronic pain (soft tissue injury) claims, which are not capped under the Minor Injury Regulation.



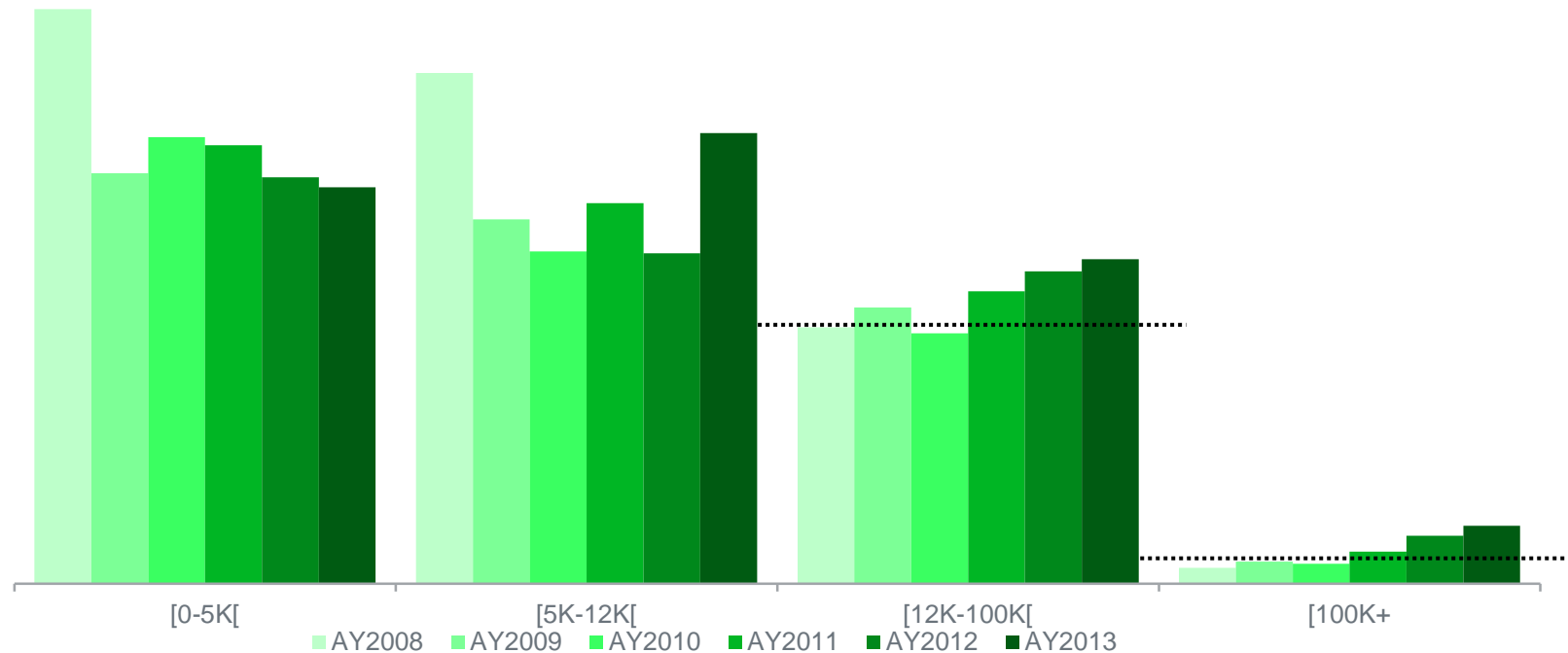
- Even though 2015 was an exceptionally high year, we do expect the 2016 fiscal year to end up materially higher than 2014.

Loss Trends – Bodily Injury



- Increased occurrence of complex claims with significant indemnities (i.e. those over \$100,000), which is affecting the bodily injury trend seen over the past few years.

Closed claim count by indemnity range between 24 and 36 months of development



Loss Trends – Bodily Injury



- Going forward, we expect the bodily injury loss trend to remain high, as the causes identified above are expected to keep putting pressure on claim severity.
- In particular, the increase in legal representation and counsel strategies to avoid cap limitations are expected to be significant drivers of cost increases in the future.
- The McLean v. Parmar (February 2015) decision held that certain Whiplash Associated Disorders (WAD) lasting more than three months can be classified as "chronic". This decision, while fairly recent, is expected to drive up costs in the future.

Loss Trends – Other Coverages



| Prospective Loss Cost Trends as at January 2016 | | |
|---|--------------|--------------|
| Coverage | TD Insurance | Oliver Wyman |
| Property Damage | 4.50% | 3.50% |
| Accident benefits | 4.50% | 2.00% |
| Collision | 5.00% | 4.00% |
| Comprehensive | 2.00% | N/A |

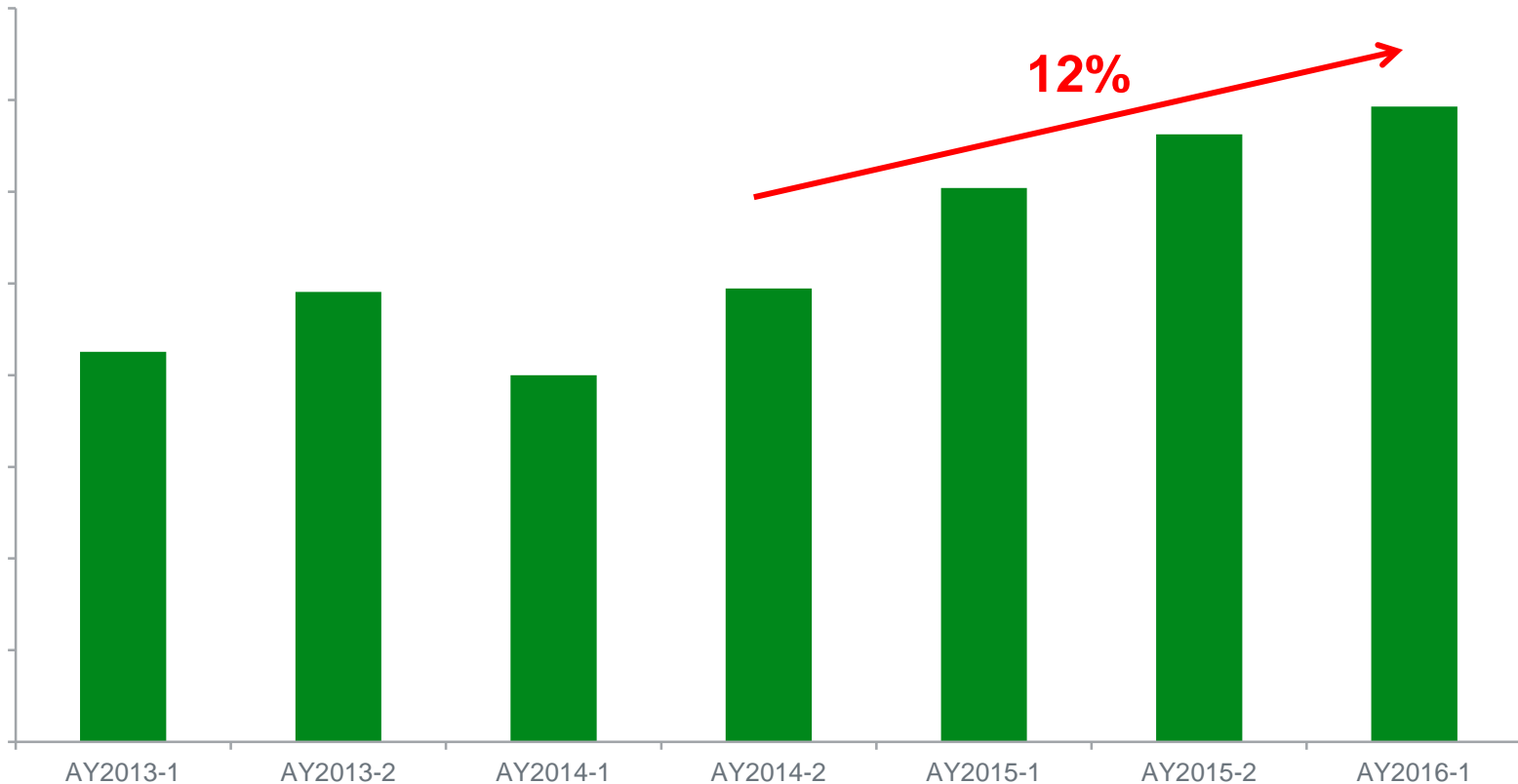
- Both Oliver Wyman's industry analysis and TDI's internal data clearly show positive loss trends for all coverages.

Loss Trends – Other Coverages



- TDI observes a sharp increase in the frequency of theft claims. This trend is continuing into 2016, which is expected to put upward pressure on the comprehensive loss trends for the next years.

Theft claim frequency by accident half-year



Conclusion



- TD Insurance agrees with Oliver Wyman report that the prospective Bodily Injury loss trend is expected to be very high and that it is driven by a severity increase.
- The increase in Bodily Injury claim costs has steadily trended upwards since the 2012 "Sparrowhawk" ruling. Increased prevalence of claim representation and the higher occurrence of very large losses are potential explanations for this phenomenon.
- TDI also expects the high loss trend to persist as the "MacLean v. Parmar", which is a very plaintiff-friendly decision, is expected to lead to an increase in claim severity.
- Loss trends for all coverages other than Bodily Injury are also clearly positive, which will cause an increase in the loss costs.
- When reviewing insurer's rate filings, we recommend prudence in anticipating the long term trends and the impact on the consumer. Reasonable rate increases each year may prevent more significant increases in future years, which may have a serious and negative impact on Albertans.