



Automobile Insurance Rate Board 2018 Annual Review

The Wawanesa Mutual Insurance Company

Our Mission:

“Earning your trust since 1896”. As a policyholder-owned mutual insurance company, we will continue to earn trust by providing quality products and services at the lowest price which supports long-term growth and financial stability.”

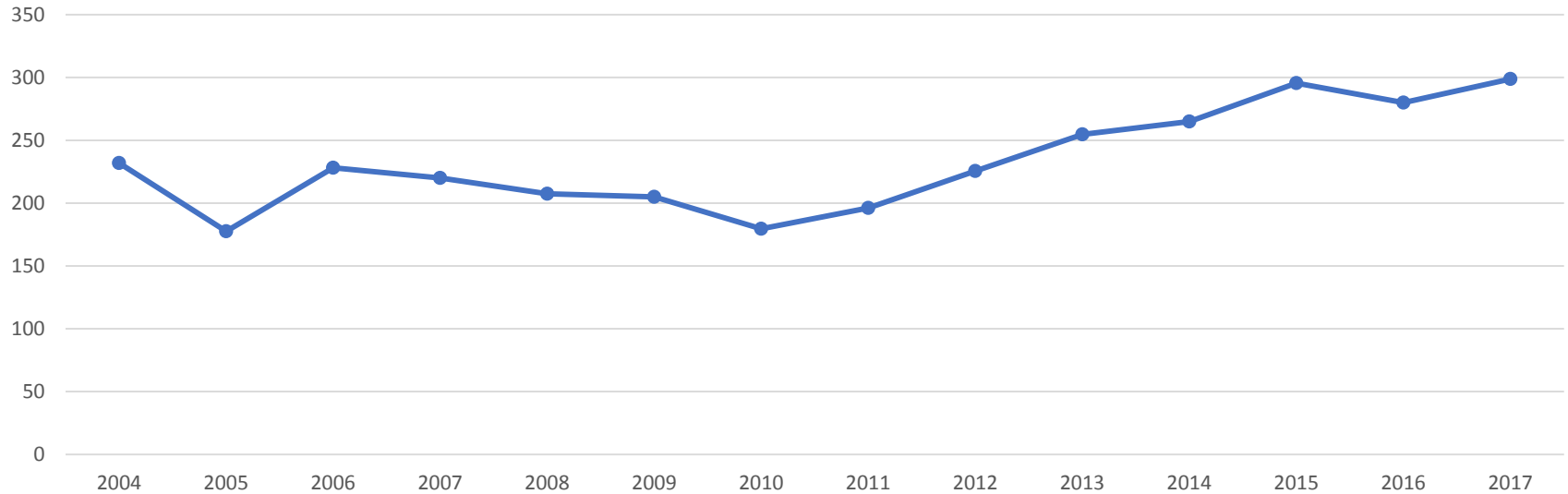
- A proud history of protecting Albertans, with our first mutual policyholder joining us back in 1899. We were protecting Albertans, before Alberta joined confederation in 1905 and have been underwriting insurance across Canada for 122 years.
- Nearly 300 independent insurance broker partners in Alberta, offering Albertans the right risk protection at the right price, for their most significant assets, their cars, their homes and their businesses.

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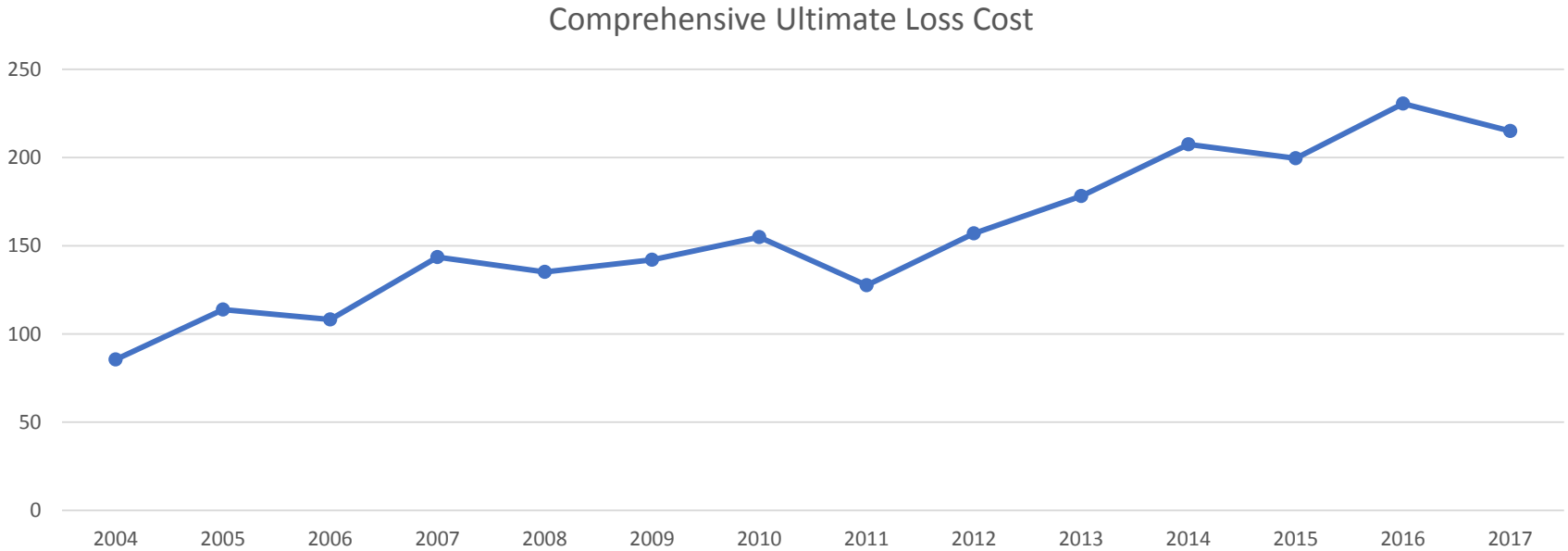
- The second largest property and casualty insurance company in Alberta underwriting nearly \$1 billion of annual premium of which \$575 million is automobile insurance.
- Two Regional offices as well as our local service offices
- We employ 600 people as well as nearly 50 summer students.
- Close to 900,000 policyholders
- Market share in Alberta for 2017 was 10.3%
- Market share in Alberta for 2017 in automobile was at 13.2%.

Bodily Injury Ultimate Loss Cost

TPL-BI Ultimate Loss Cost



Comprehensive Ultimate Loss Cost



Industry Results

- MSA data shows that the Private Passenger automobile book is producing an average earned loss ratio of over 84% and a combined ratio of 114% for the industry.
- Q1 of 2018 results are worse than the results in Q1 of 2017.
- Industry 5-year earned loss ratio average of 81% for years 2012 through 2017.
- Loss ratios are continuing to deteriorate, and we see no indication that the minor change effective June 1, 2018 will make a significant impact in the direction of the Alberta automobile business.

Minor Injury Regulation – May 17 2018

- Goal of clarifying the definition of a minor injury that should be subject to the minor injury cap, coming into effect for injuries sustained after June 1, 2018.
- This applies to temporomandibular joint (TMJ) injuries, and physical and psychological conditions associated with sprains and strains.
- The impact of these changes is very uncertain because the wording of the minor injury definition is different than in other jurisdictions and the fact that there was not corresponding Diagnostic and Treatment Protocols Regulation amendments with the amendments to the Minor Injury Regulation.
- How the judicial system interprets the Minor Injury Regulation amendment will determine if it has an impact of Bodily Injury claim trend.
- The impact required to improve Bodily Injury results is so extreme it is unlikely this amendment will improve results in a material way.

Investments in Alberta

- First, we invested in an Alberta business, Western Financial Group, paying \$775 million and maintaining its head office in High River Alberta, while investing in its growth in Alberta and beyond. Western employs over 1600 people.
- Secondly, we implemented new technology to allow hundreds of local independent brokers in Alberta to meet the challenges of the new distribution entrants into the Alberta insurance space and maintain their presence in local communities.
- Thirdly, we have invested significant time and over \$250 million in resources to help our policyholders rebuild in their community of Fort McMurray.

Conclusions

We ask that the AIRB:

- Consider your Mission, “as an independent body, the AIRB will regulate rating programs for Alberta Auto insurers to ensure premiums are fair and predictable. The Board will also ensure consumers have access to information to facilitate informed choices.” Drivers in Alberta will not feel they are being treated fairly when insurer’s premiums are not fair, and insurers have to implement other options to offset the impact of rate inadequacy.
- Allow for exceptions to company’s that did not increase rates in 2017, other than the mandatory increases to Grid rates.
- Reverse the decision by the Board made in August 2017 to cap the cumulative all coverage total rate increase over any 12-month period at 10% for the foreseeable future.
- Working with government to reverse the Ministerial Order 25/2017 which became effective in December 2017 limiting the cumulative all coverage total Private Passenger rate increase to 5% on filings submitted between January 10, 2018 and November 30, 2018.
- Recommend that the government work with the industry to look for sustainable options in product reform for private passenger automobile insurance in the province to ensure affordability for consumers in the years to come.
- Partner with the government to deliver on your Vision of an “efficient & effective automobile insurance market with fair and predictable rates” operating as an independent entity, that allows the industry to respond with rates that are commensurate with the cost of the product.

Questions?



Wawanesa
Insurance