

Monday, July 18, 2016

Automobile Insurance Rate Board  
2440 Canadian Western Bank Place  
10303 Jasper Avenue  
Edmonton, AB T5J 3N6  
[airb@gov.ab.ca](mailto:airb@gov.ab.ca)

**Subject: Annual Review of Automobile Insurance Loss Experience**

The Co-operators is pleased to participate in the Alberta Automobile Insurance Rate Board's annual consultation process regarding loss experience for private passenger vehicles. We remain committed to working with the government of Alberta to achieve common objectives that will benefit consumers.

This letter will address the following:

1. **Loss trends;**
2. **Causes for increasing severity of bodily injury claims resulting from increased incidence of claims being settled outside the Minor Injury Cap; and**
3. **Causes for increasing severity of physical damage claims.**

**About The Co-operators**

The Co-operators philosophy regarding the delivery of the automobile insurance product to the consumers of Alberta is based on the following fundamental guiding principles:

- **Security:** At its most basic level, insurance provides peace of mind. Consumers should have adequate coverage that ensures an appropriate measure of financial protection.
- **Affordability:** Insurance must be affordable for a compulsory insurance system to work.
- **Availability:** Insurance consumers have the right to expect reasonable access to a variety of providers who can meet their coverage needs.
- **Simplicity:** Insurance consumers have a right to understand the product they are purchasing and the benefits to which they are entitled.

Our 43 members include co-operatives and credit union centrals representing a combined membership of millions of Canadians. As one of Canada's most prominent financial services organizations we are proud to provide insurance and financial services to more than two million Canadians. We are even prouder that we provide financial security to Canadians in their communities while staying true to our co-operative values.

In Alberta we employ approximately 608 staff, 105 Advisors and insure 348,804 private passenger vehicles, 117,262 homes, 19,148 farms, and 22,779 businesses. In 2015, we contributed \$537,000 to Alberta charities, non-profits and community organizations.

At The Co-operators we are not full members of the Insurance Bureau of Canada as we prefer to contribute to the policy development process directly. We are a co-operative as well as an insurance company and believe that we bring a uniquely Canadian and co-operative perspective to public policy consultations.

### **Loss Trends**

Using internal claims data as of December 31, 2015, we note the following trends of Bodily Injury (BI) and Accident Benefit (AB) claims costs.

BI loss costs have risen consistently, with 2015 contributing to this trend. BI Frequency has remained stable. The BI loss costs are therefore being driven by an increasing BI severity average which is above the long term average for the past three years. As we noted the same trend in our 2012, 2013, 2014 and 2015 AIRB submissions, we are now alerted to a trend emerging from the claims results which warrants attention.

### **Causes for Increasing Severity of Bodily Injury Claims Resulting from Increased Incidence of Claims Being Settled Outside the Minor Injury Cap**

We continue to experience an increase in our average paid both within the Cap amount and outside of the Cap amount for Bodily Injury claims. The recent decision of [McLean v. Parmar](#), where the judge was of the opinion that a whiplash-associated disorder (WAD) injury lasting three to six months is chronic, has resulted in plaintiff counsel not accepting what was formerly considered to be Cap claim and has also encouraged counsel to take on injured claimants as clients who have relatively small claims.

This has resulted in plaintiff counsel alleging psychological and post-concussion syndrome then hiring more experts on smaller claims to try to move the injury outside the Cap as well as looking for, and making applications for, advance payments.

This trend is ongoing and a reversal is unlikely until other trial level or appellate decisions contradict the findings in the McLean case.

## Causes for Increasing Severity of Physical Damage Claims

The Co-operators continues to experience severity increases in auto physical damage, driven by several factors:

- Ongoing increases in collision repair costs;
- An unregulated towing & storage industry;
- Natural disasters; and
- Ongoing increases in vehicle theft.

The cost of collision repair continues to increase as vehicles becomes more technologically complex. Alberta body shop labour rates are on average 30% higher in Alberta compared to other provinces. A lack of regulation or market controls of the towing and storage industry is leading to more confrontation over the reasonableness of towing charges.

In 2015, our auto theft and fire losses showed 60 per cent and 77 per cent growth over our 2013 loss experience. Our 2016 YTD auto theft losses have already exceeded our 2013 full year experience.

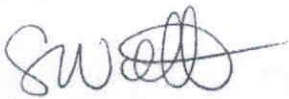
We encourage the AIRB, in their role representing the drivers of Alberta, to introduce a Direct Compensation - Property Damage (DC-PD) system as the method of resolving auto physical damage claims. The current Tort based model is costly, rife with delays, and adversarial. The DC-PD system will reward Alberta motorists with a client service focused system free of the unnecessary excess baggage that the Tort system requires.

## Concluding Remarks

The marketplace in Alberta for mandatory automobile insurance continues to be competitive and insurance availability is a non-issue. The most recent developments in the economy and jurisprudence create more uncertainty and therefore command some prudence and caution. As always, we are eager to work collaboratively with the AIRB and the Alberta government to ensure that long-term solutions are put in place to ensure that Alberta consumers continue to have an automobile insurance product that provides security, is accessible, and is affordable.

As noted, we are not full-members of the Insurance Bureau of Canada so we ask that you contact our Director of Government Relations Maya Milardovic, at 519-824-4400 ext. 302244 or [maya\\_milardovic@cooperators.ca](mailto:maya_milardovic@cooperators.ca) should you have any questions or to advise of any future consultations or reviews.

Sincerely,



Sylvain Nolet  
Vice-President, Actuarial Services  
The Co-operators