



July 24, 2015

Mr. Allan Cleiren, CA, ICD.D  
Chair  
Automobile Insurance Rate Board  
2440 Canadian Western Bank Place  
10303 Jasper Avenue,  
Edmonton, Alberta, T5J 3N6

Dear Mr. Cleiren,

We are pleased to provide this submission in response to your notice of June 29, 2015 regarding the annual review of automobile insurance loss experience in Alberta. We thank you for the opportunity to participate in this review.

Desjardins General Insurance Group (DGIG) is part of the Desjardins Group. With the acquisition of the Canadian operations of State Farm, along with our Western Financial company, we are now Alberta's 10<sup>th</sup> largest Property and Casualty insurer with almost 400,000 policies in the Province. We have over 120 employees in Alberta, and a network of over 40 local, exclusive agents, who, in turn, employ approximately 178 people in their offices across the Province.

We have reviewed the report prepared by Oliver Wyman regarding automobile insurance experience in Alberta. In addition, we have reviewed the report prepared by Ron Miller on behalf of the Insurance Bureau of Canada (IBC).

We have also reviewed the IBC submission to the Board, and are in agreement with the analysis and conclusions presented. We would provide comment as follows:

## Loss Trends

In general, we see similar loss trends as those noted in the Oliver Wyman report. For bodily injury claims, our experience suggests that the 10% selection for increased 2011-12 severity noted by Oliver Wyman is reasonable. The cost of bodily injury claims will remain the key uncertainty in the Alberta market, and we support the IBC's comments that without specific action to control costs we will continue to see high inflation in this coverage.

With respect to experience related to catastrophe, we feel strongly that the Board should consider the most recent 5 years as the most reflective of the true exposure for these losses. Our own analysis for this time frame shows that frequency and severity were significantly higher in the last 5 years than the prior 5 years. With changing climate patterns, we do not expect this trend to stop.

## Provision for ULAE

We agree with the IBC's suggestion that Oliver Wyman continue to include ALAE and ULAE within the trend analysis of costs. While we feel that, theoretically, ULAE would not trend in the same way as indemnity costs, in practice the transference of costs by insurers from ALAE to ULAE and vice versa makes it impractical to split ULAE out separately.

## General

As noted in the IBC submission, the current GRID rates show a deficiency of approximately 20%, and will need to be reviewed in order to bridge this gap. We agree with the IBC proposal and strongly support a GRID increase at a minimum in line with claims trends, but ideally greater to reflect the poor performance of GRID business.

We agree with the IBC suggestion that insurers should be able to project future Health Care Levy costs as part of rating submissions. We also agree with the IBC that the investment income used was too high, and will be further impacted by recent changes to the Bank of Canada rate that will serve to lower this amount in the future.

We thank you once again for the opportunity to provide this submission, and look forward to working with the Board to ensure that Alberta consumers are served by an insurance product that looks after their needs for adequate coverage at an affordable price.

Yours sincerely,

A handwritten signature in black ink, appearing to read "L. Doddington". The signature is fluid and cursive, with a long horizontal stroke at the end.

Laura Doddington  
Vice President, Automobile and Business Solutions