



**Desjardins**  
**Insurance**

July 22, 2016

Automobile Insurance Rate Board  
2440 Canadian Western Bank Place  
10303 Jasper Avenue,  
Edmonton, Alberta, T5J 3N6

Dear Board Members,

Thank you for the opportunity to provide comments regarding the annual review of private passenger automobile insurance loss experience in Alberta.

Desjardins General Insurance Group (DGIG) is a subsidiary of Desjardins Group, the leading cooperative group in Canada owned by its 7 million members and clients. With the acquisition of the Canadian operations of State Farm, along with Western Financial Group, we are now Alberta's 10<sup>th</sup> largest Property and Casualty insurer with almost 400,000 policies in the province. We have approximately 136 employees in Alberta, and a network of 42 local, exclusive agents, who employ over 170 people in their offices. In addition, Western Financial Group employs almost 700 Albertans through 45 broker offices.

We have reviewed the report prepared by Oliver Wyman regarding automobile insurance experience in Alberta and the letter submitted by the Insurance Bureau of Canada (IBC) based on Dr. Miller's review of Oliver Wyman's report. We are in agreement with the analysis and conclusions presented by IBC. We have provided our own comments below.

#### Loss Trends

We see similar loss trends as those noted in the IBC submission for bodily injury and property damage coverage. The cost of bodily injury claims continue to be the key uncertainty in the Alberta market. It is an important issue for Albertans given the impact on the cost of the product. We have encouraged the government to restore the original intent of the Alberta Minor Injury Regulation (MIR) by updating the definition to avoid further pressure on premiums.

With respect to the comprehensive coverage experience related to catastrophe, we feel strongly that the Board should consider the most recent five 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 five years than the prior five years. With changing climate patterns, we expect this trend to continue.

General

Dr. Miller forecasts that in 2017 GRID rates show a deficiency of 24%. We strongly support a GRID increase to better reflect this deficiency and to lessen the need for cross-subsidization by lower risk drivers.

We agree with the IBC suggestion that insurers should be able to account for a higher levy in 2018 in their filings for policies written after 2017 at rates approved during 2017. We also agree that the expense ratio based on direct earned premium is more appropriate than an expense ratio based on direct written premium. Lastly, we agree that the investment income forecasts used in Oliver Wyman's report are unrealistically high.

For all benchmarks, we believe individual insurers' experience could differ significantly from industry, and as such the AIRB should continue to allow insurers to deviate from the benchmark when their experience supports it.

We thank you once again for the opportunity to provide our commentary. We look forward to working with the Board to ensure that Alberta consumers are served by an insurance product that meets their coverage needs at an affordable price.

Yours sincerely,



Laura Doddington  
Vice President, Automobile and Business Solutions