



July 21, 2017

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

RE: ANNUAL REVIEW OF AUTOMOBILE INSURANCE LOSS EXPERIENCE

Dear Mr. Cleiren,

In response to Notice 03-2017: Annual Review of Private Passenger Automobile Insurance Loss Experience, Economical Insurance would like to comment on the trends observed in its own loss experience, in particular with regards to loss development and loss trends.

Loss Development

Economical is experiencing significant prior accident year incurred loss development for both Bodily Injury and Accident Benefits in Alberta. Potential causes of the recent adverse loss development include:

- Economic trends contributing to an increase in Section B claims overlap into Casualty/BI claims. Such trends include the current economic climate, with increasing unemployment and decreasing gasoline and natural gas prices. Additionally, steadily increasing health care costs and the rising inflation rate of medical services, which is increasing at a faster rate than the overall inflation rate
- The erosion of the MIR legislation (Sparrowhawk v Zapoltinsky and McLean v Parmar decisions) meaning the plaintiff bar is pushing the client to exhaust available Section B benefits in order to build the quantum on the tort side
- Distracted driving claims are proving to contribute to adverse loss development (e.g. cell phone usage/texting while driving, etc.)
- The majority of the claims in Accident Benefits are for those who are "not at fault" and have a tort claim to pursue
- Legal representation not allowing direct Accident Benefit contact with policyholder/claimant in an attempt to maximize the Accident Benefit coverage.

Loss Trends

Regarding the continued increases in BI claim severity, several potential causes that have been identified through claims settlement are:

- Plaintiff counsel is pushing to move claims out of the MIR cap by alleging a number of factors and refusing to consider WAD I and WAD II diagnoses
- Consistent and regular allegations of:
 - chronic pain
 - mild traumatic brain injury
 - psychological issues

- Future capacity claims are now the norm (separate and apart from future wage loss heads of damage)
- Experts are being required on a more frequent basis, including:
 - Engineering reports/reconstructions
 - Rebuttal reports
 - Forensic reports

Regarding the continued increase in medical claims severity, potential causes that have been identified through claims settlement are:

- A marked increase in the use of traditional rehabilitation (physiotherapy, chiropractic, and other passive modes of treatment) as well as alternative treatment modalities
- Increased treatments being taken outside of established protocols, again with diagnoses of WAD III or worse
- Where the injuries have been treated in the protocols and are subsequently taken out of the protocols for recurring of injuries or onset of TMJ & a diagnosis of concussion/mild traumatic brain injury, trending of representation by legal counsel to pursue the tort claim
- Challenges by legal counsel of determinations by independent medical examinations (IMEs) for ongoing treatment

Regarding the continued increase in disability claims severity, potential causes that have been identified through claims settlement are:

- A marked increase in the advancement of total disability claims due to plaintiff counsel involvement and the push to move any injury diagnosis out of protocols and into pre-protocol legislation thereby increasing the amounts being paid out and the length of time any particular file remains open
- Challenges by legal counsel of the definition of total disability and discontinuance based upon IME

Regarding the rise in theft claims, after an initial spike from 2014 to 2015, the frequency of theft claims flattened out in 2016, but now it seems to be on the rise again in 2017, and is projected to sustain a year over year increase by the end of 2017.

If you have any questions, please do not hesitate to contact me at (514) 875 – 5790 ext. 58052

Sincerely,



Steven Caluori
Pricing Manager, Alberta and the Prairies
Economical Insurance