

Aviva Presentation to the AIRB

2022 Annual Review



About Aviva Canada

- We are Canada's 3rd largest property and casualty insurer with Gross Written Premiums of \$5.93 Billion
- In Alberta, we have Gross Written Premiums of \$344 million in auto insurance and \$200 million in property insurance
- We have two branches in Alberta (Edmonton and Calgary) with dozens of employees
- We have approximately \$100M invested in Alberta government bonds



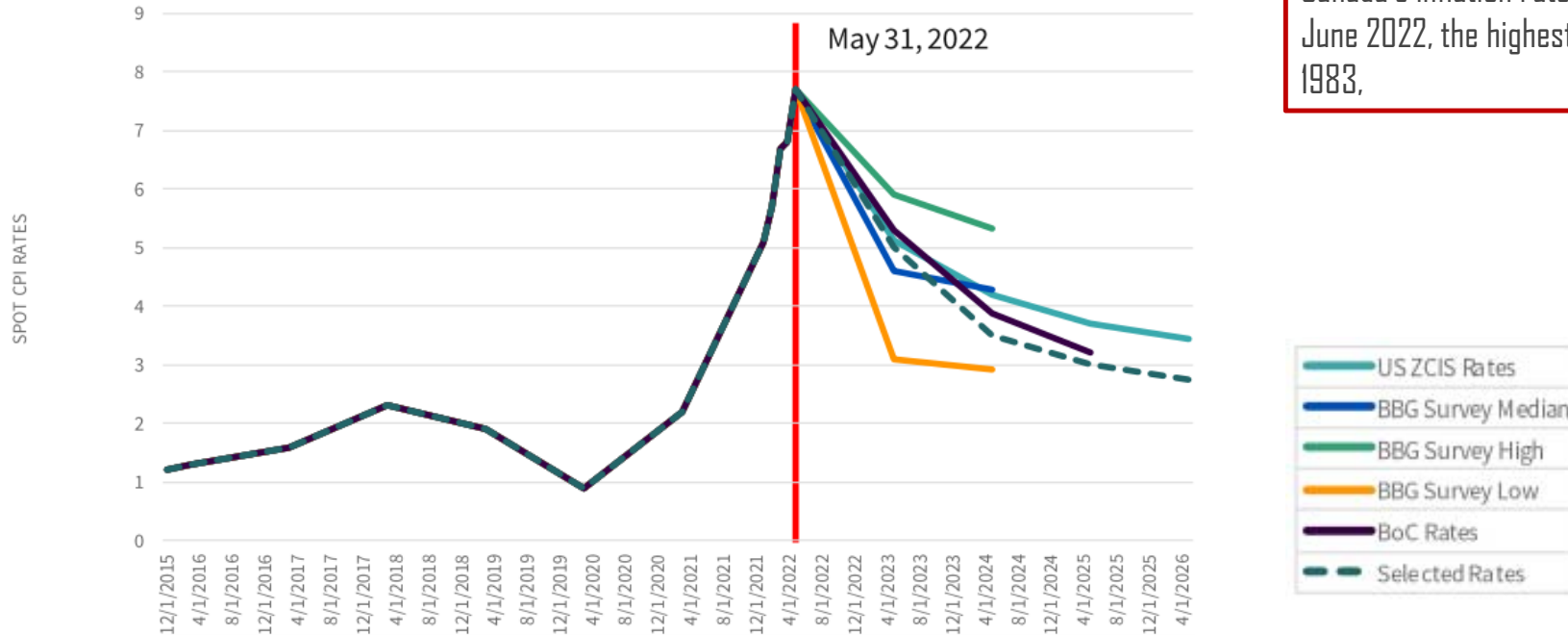
Oliver Wyman Loss Trends

- Aviva believes that Oliver Wyman's loss trends would be appropriate if we were living in a period of stability and certainty but we are not
- OW recognizes that we are in unprecedented times and estimates of future trend are subject to considerable uncertainty due to COVID-19, inflation and 2020 reforms
- OW's future loss trends are understated because they do not include an adjustment for inflation shock (elevated inflation)
- All coverages (PD, BI and AB) will be impacted by inflation shock
- OW's Bodily Injury loss trend is understated because the 2020 reforms are not delivering the projected savings
- The past is not a good indicator of the future
- Board needs to look beyond data and indications and give more weight to opinions of company's actuaries

Canadian Inflation Projections

The inflation projections vary depending on the source. We selected CPI Rate Projections based on inflation-linked securities Market Data. Most sources agree that the inflation will peak in 2022 and gradually reduce by 2026 but remain higher compared to pre-2021 levels.

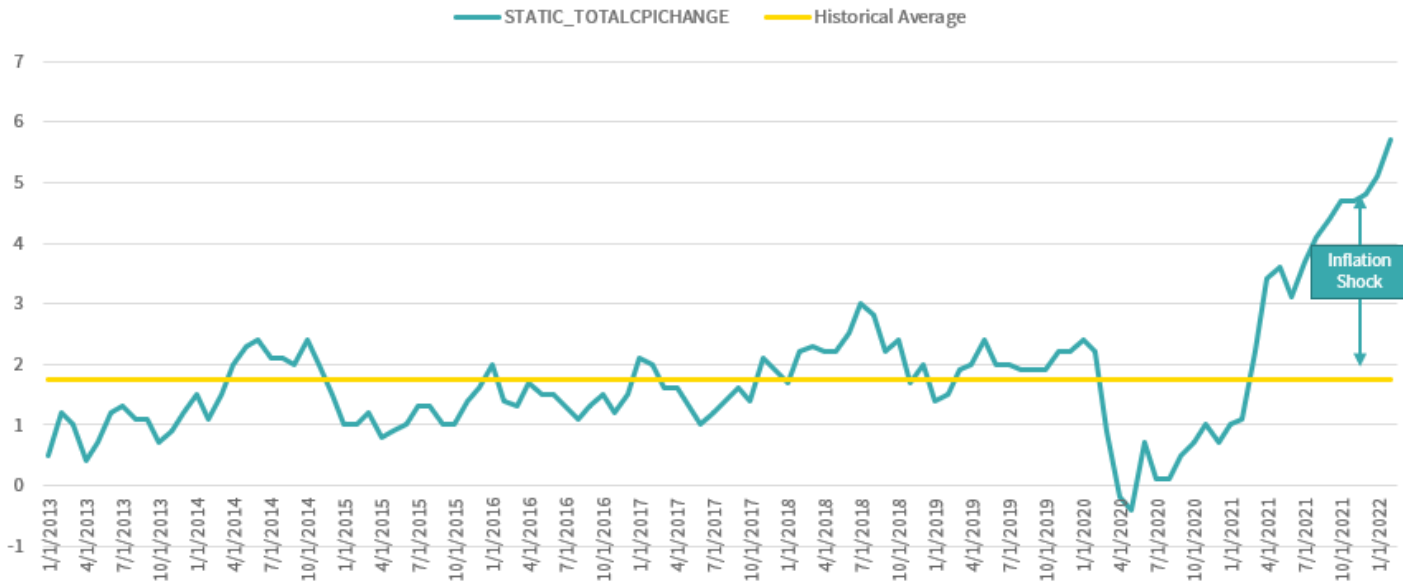
Comparison of Canadian CPI Rate Projections (May Data)



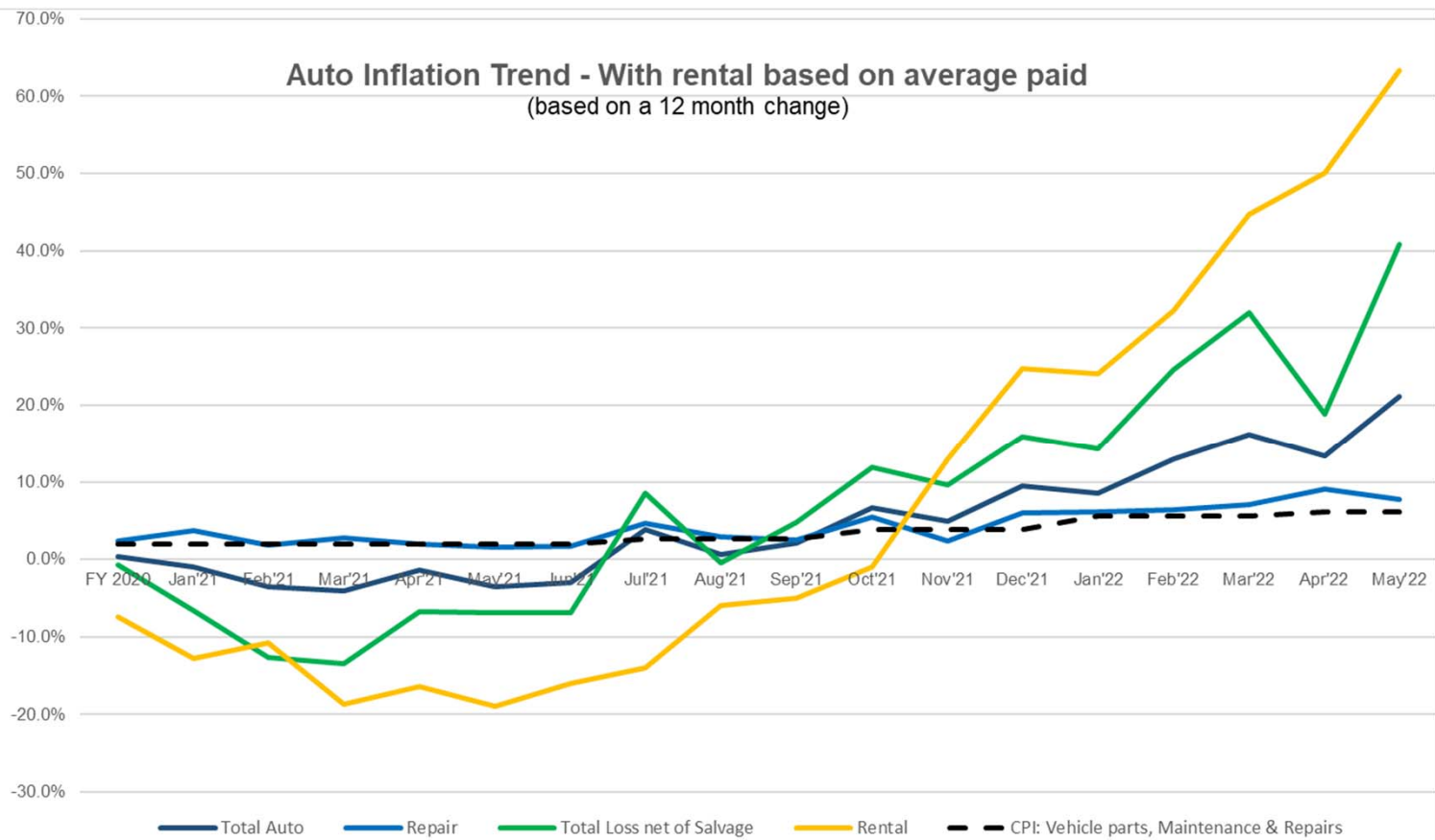
Canada's inflation rate rose to 8.1% in June 2022, the highest since January 1983,

Inflation Shock Impact

Inflation Shock (also known as elevated inflation) is the difference between the CPI Rate Projection and the normal average CPI in the historical years. Inflation Shock represents the increase we expect to see above the regular inflation / loss trend.



Claims View - Auto PD Inflation Trends



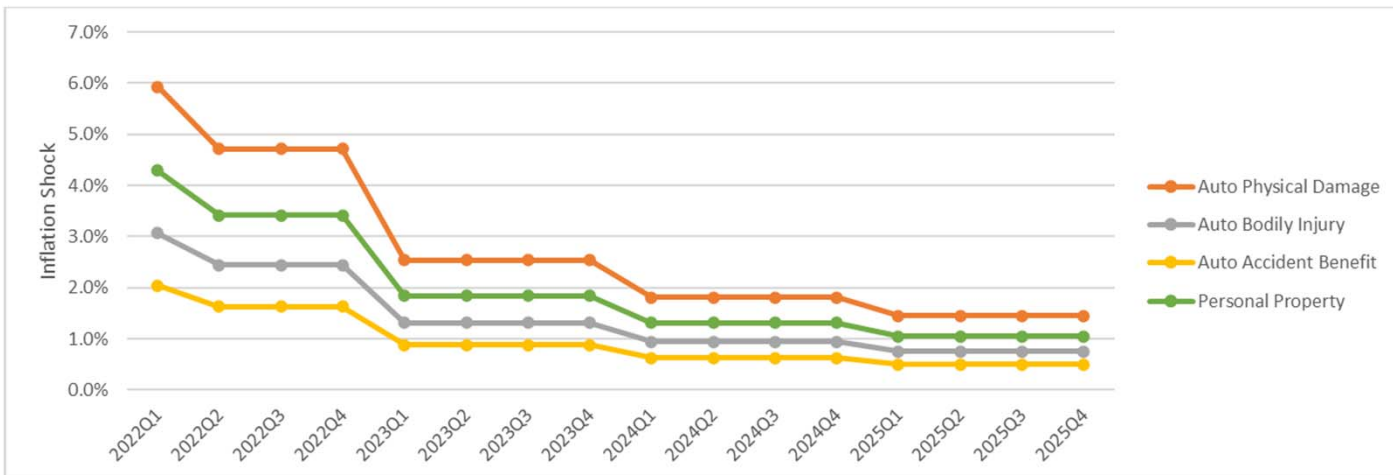
Supply chain issues continue to impact the availability of parts which will impact both parts costs and used vehicle prices. Total Auto Physical Damage inflation 13% or higher every month since February. Estimates of inflation using data prior to 2022 would **grossly understate** current trends.

* Please note the values above are subject to change depending on timing of salvage recovery posting. Total Loss and Salvage includes 2.0% of commercial insurance data. Other data are personal insurance only. CPI is from Stats Canada



Alberta Inflation Shock Impact

Inflation Shock by Coverage (Year over year increase by quarter)



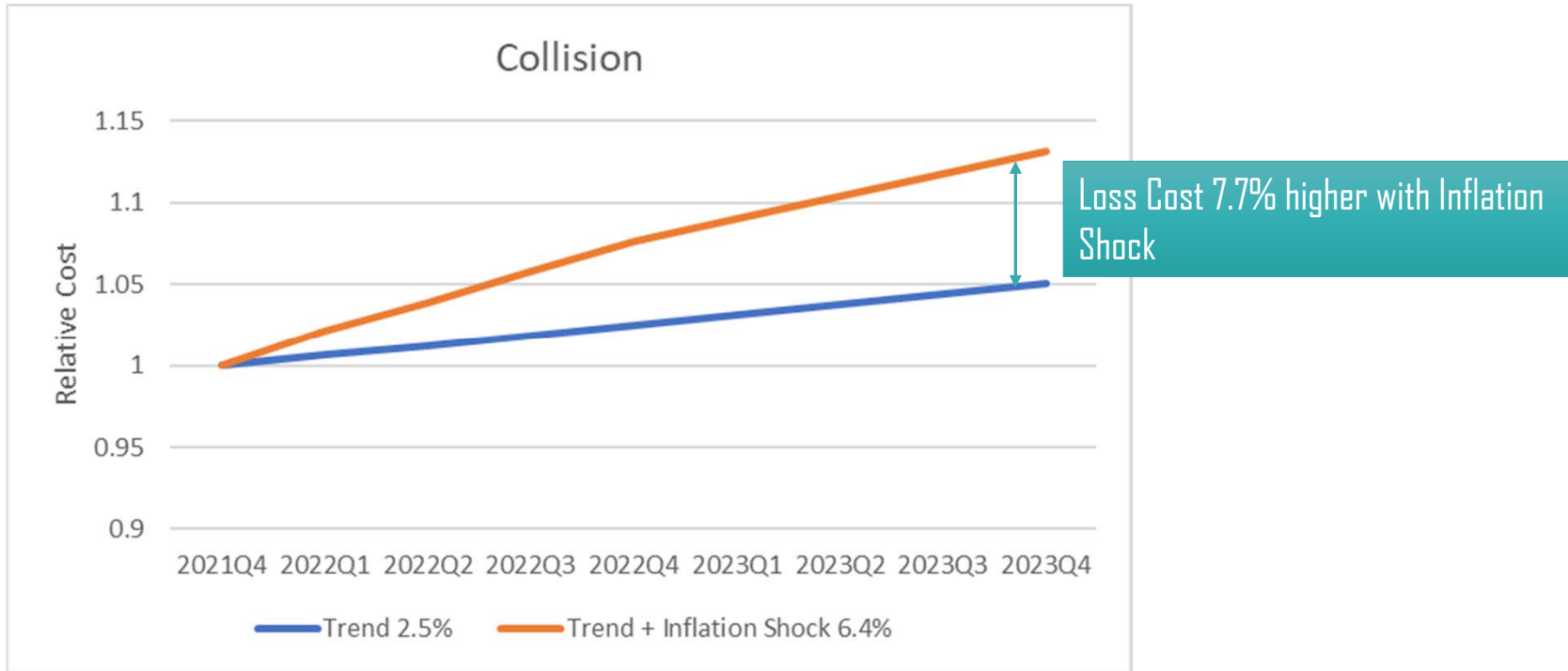
Using the data and expert opinion, we estimated the degree to which the inflation shock will impact each coverage. We expect the inflation shock to be greatest for PD/Property and lowest for BI/AB. By overlaying the expected change in CPI over time (slide 3), we estimated the impact of the inflation shock in the future for each coverage.

Impact on the Loss Cost at 2023Q4

Line of Business	Impact of Inflation Shock on Loss Cost
Personal Auto	7.4%
Physical Damage	7.7%
Bodily Injury	7.4%
Accident Benefit	4.5%
Personal Property	6.3%

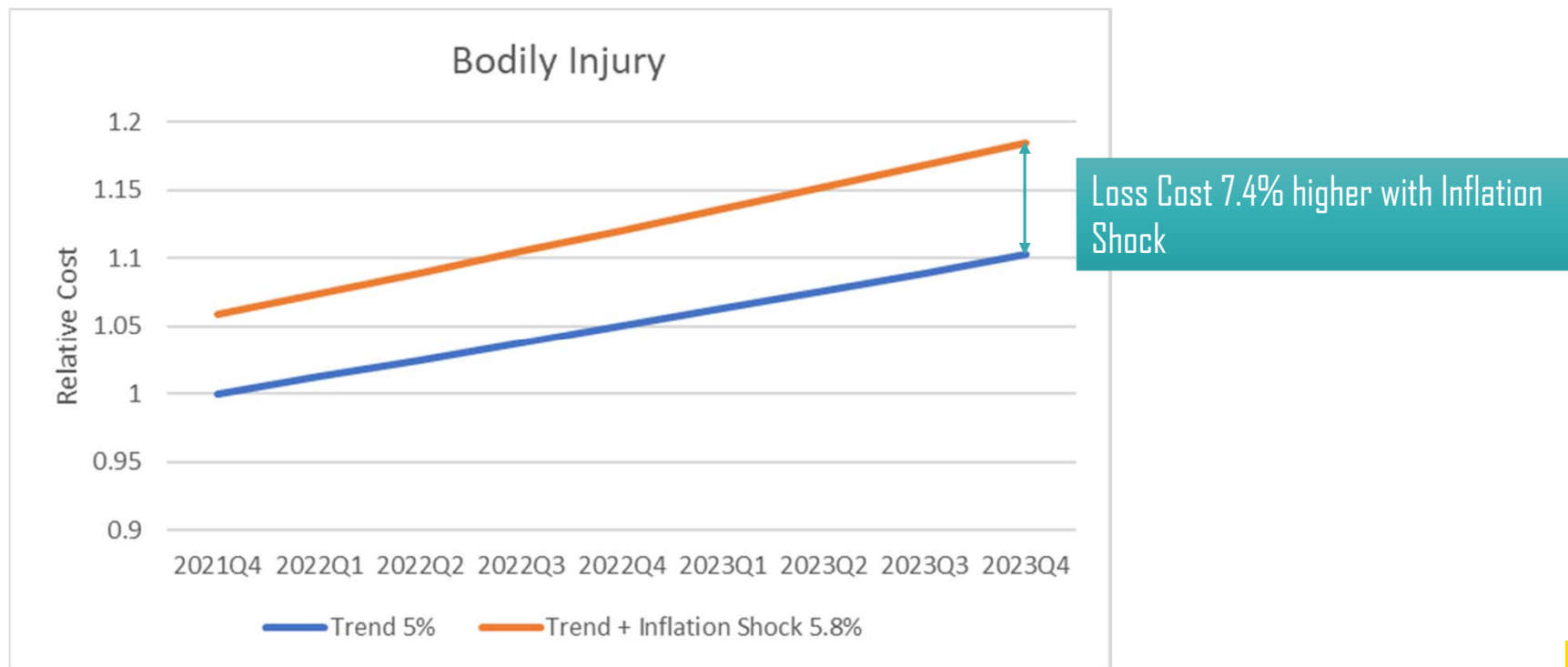
Shock Impact - Collision

Data prior to 2022 is insufficient to accurately predict the future loss trend. Inflation Shock must be added to the regular loss trend in order to capture the emerging trends in claims.



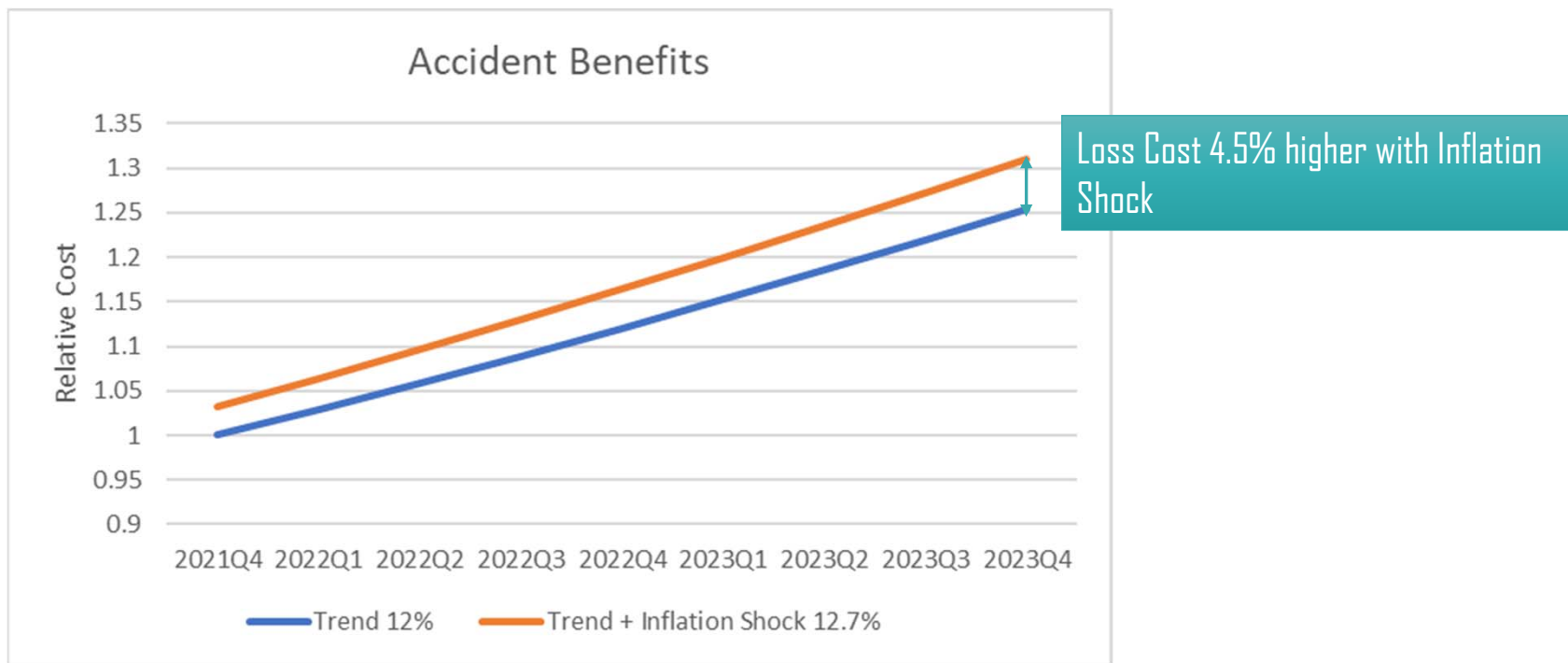
Shock Impact – Bodily Injury

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Shock Impact – Accident Benefits

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Bill 41 – November 2020 Reforms

Too early to fully understand impact of reforms but there are early indications

- Early indications:
 - Pre-judgment interest change has reduced costs
 - Expanded income replacement benefit and increased health care fees have added costs
 - Minor Injury definition change is not delivering savings – expected reform factor of -18% will not materialize
- Less claims going into Minor Injury than anticipated. Definition is not capturing:
 - Injuries that last longer than 6 months because of the McLean v. Parmar decision
 - Psychological injury or Post Traumatic Stress Disorder (PTSD) because these are not clinical sequelae of a minor soft tissue injury



Thank you

Insurance – Home | Auto | Leisure & Lifestyle | Business | Surety