

Alberta Automobile Insurance Rate Board Annual Review - Open Meeting

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 **Desjardins**

Agenda

1. Key Findings – Industry Experience
2. Heightened Uncertainty
3. Consumer Experience

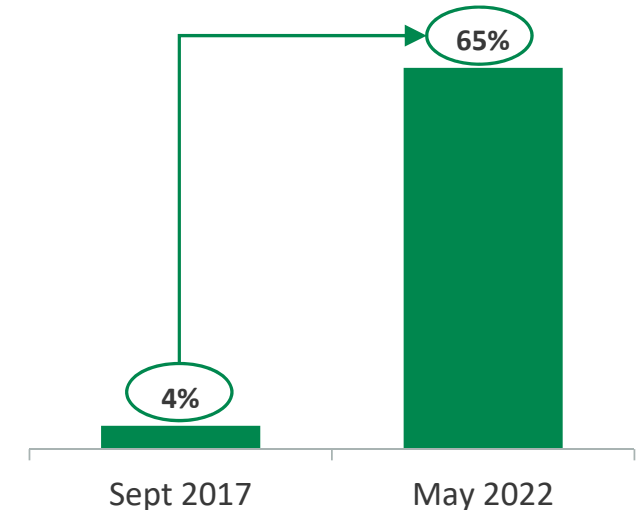


Key Findings – Industry Experience

Physical Damages

- Rising claim cost concerns existed prior to the current inflationary pressures
 - Technological advancement in vehicles had been driving strong severity trends
- Climbing inflation to exacerbate existing cost pressures
 - ✓ In alignment with Oliver Wyman's proposed method to account for inflation

% of repairs requiring diagnostic scans



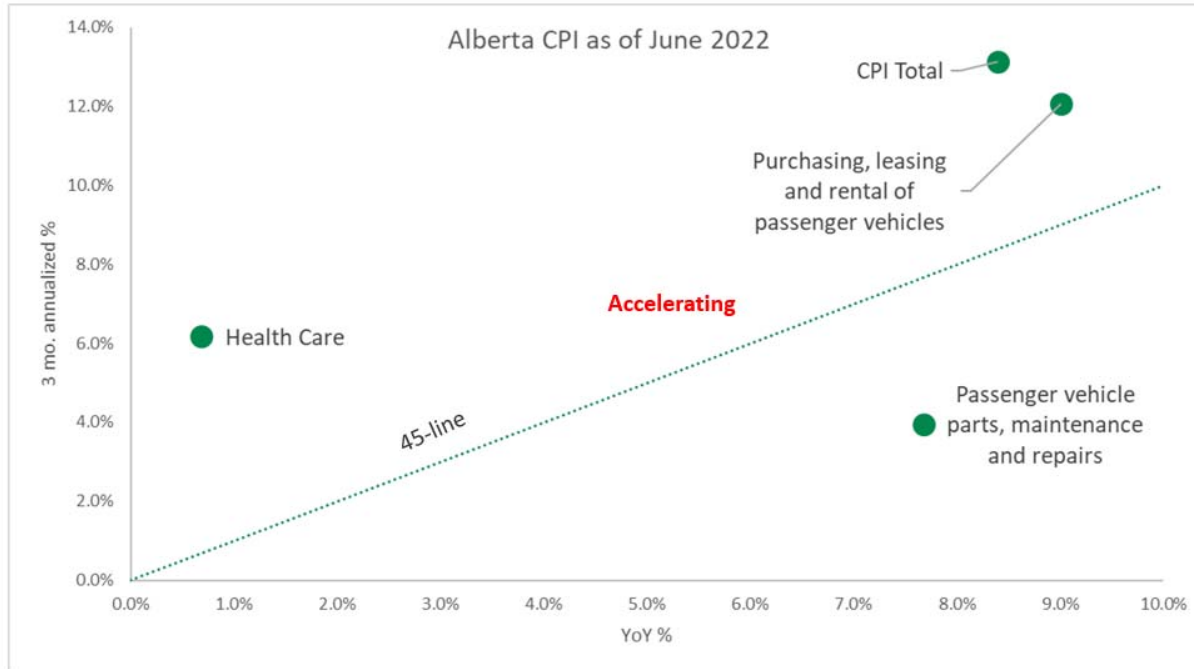
Vehicle repairs growing in complexity

Key Findings – Industry Experience

Non Physical Damage

- No recommended method to augment existing trends for inflation
- Inflation expected to impact the broad economy and all coverages
- Future trend selections do not allow for the possibility of inflationary pressure
 - Bodily Injury future trend selection assumes slow down in cost trends
 - Accident Benefit future trends leave no room for increases beyond the currently identified trend

Heightened Uncertainty - Inflation



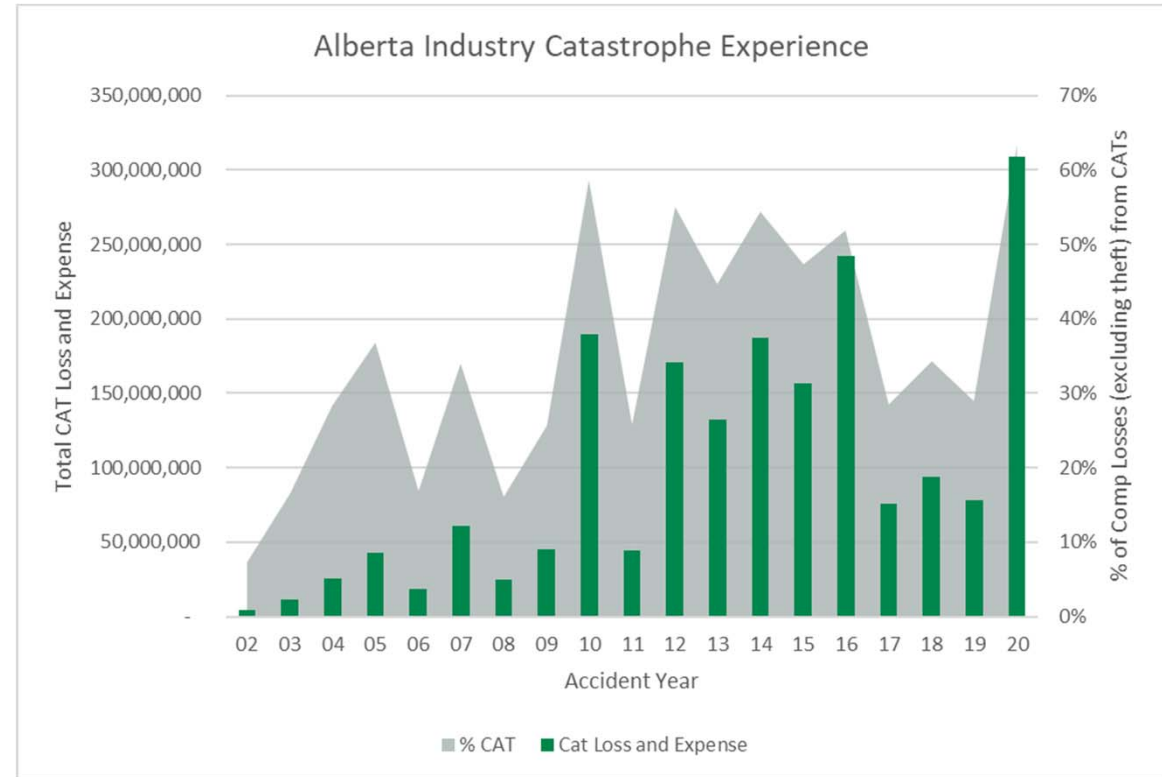
- Passenger vehicle costs display high YoY increases as of June
- Health Care firmly in acceleration territory – likely to exhibit high YoY increase in the next several months

Breadth and Persistence of Inflation a Pressing Concern

Graph Data Source: Statistics Canada

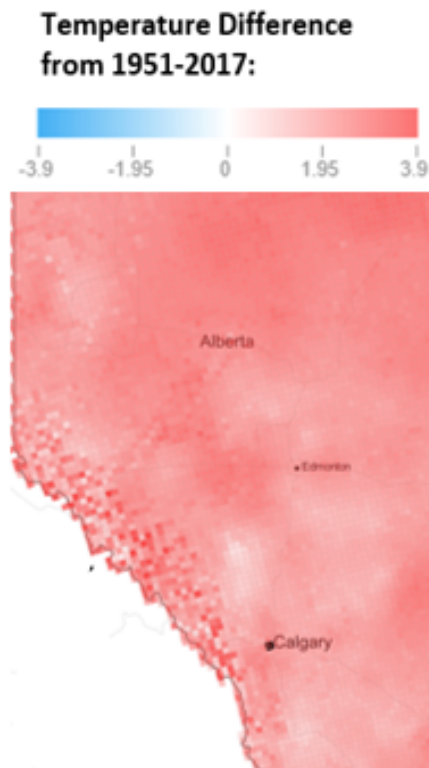
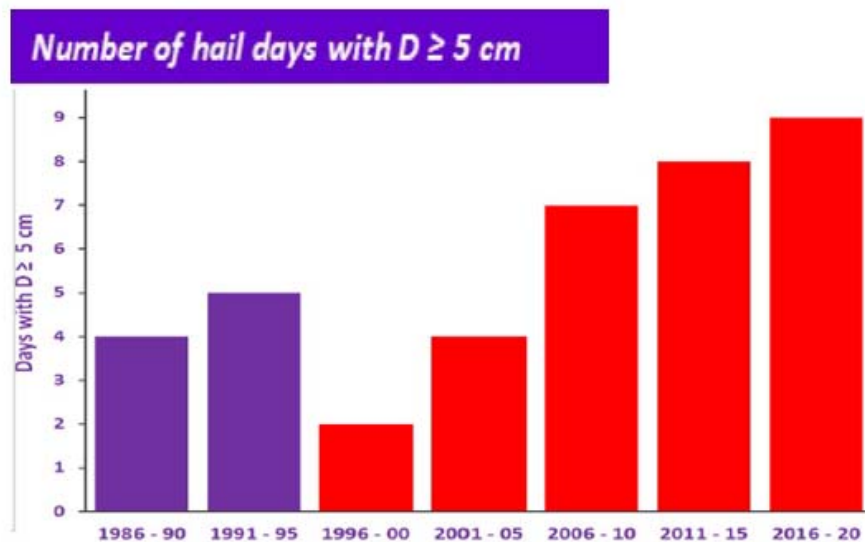
Heightened Uncertainty – Natural Catastrophes

- Climate change limits our ability to predict costs using historical claim experience
- Historical average likely to underpredict the future



Heightened Uncertainty – Natural Catastrophes

“The number of large hail events is increasing and with a warming climate, the projections for mid-century is that the number of severe hail days will increase...” – ICLR 2020



Map Source: Alberta Climate Records (albertaclimaterecords.com)

- Classification Project – ICLR Assessing the Impact of Cloud Seeding on Hail Damage in Alberta

Consumer Experience – Knowledge Gap

- Consumer survey highlights the need for better communication between insurers, brokers, agents and consumers
- We need to do a better job of sharing information and bridging the divide in knowledge



Consumer Experience – Knowledge Gap

- In 2021, we started sending our clients renewal emails providing personalized opportunities to save and improve on their coverage
- We plan to improve upon these renewal emails to provide personalized explanations of claim increases

Ways to save

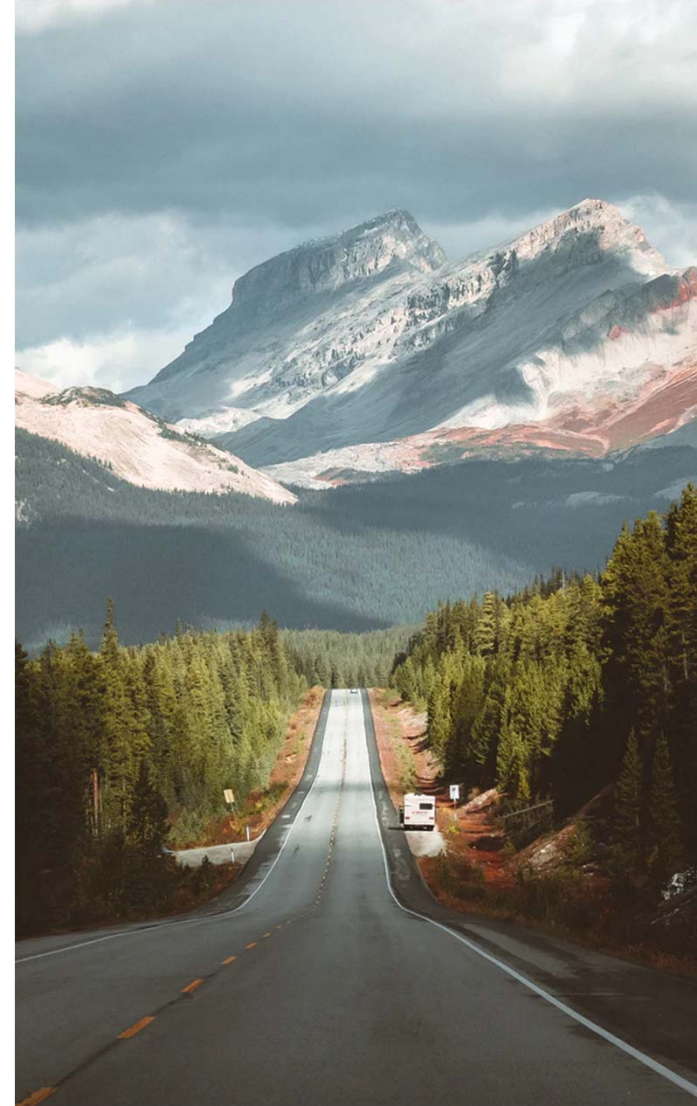
Maximize your savings with these tips.

- Pay less when you stay claims and conviction free.
- You currently have the optional [Accident Rating Waiver \(SEF 39\)](#) on your policy. Removing this coverage will save you approximately \$x per year, however, your premium may go up in the event of an at fault claim.
- Save upto x% all year long when you change all four "All Season Tires" for four ["Winter Tires"](#) during winter months.



Consumer Experience - UBI

- Consumer survey shows declining interest in UBI over the past 5 years
- UBI should be positioned as an opportunity to improve behaviours as well as premiums
 - Reward safe drivers
 - Unsafe drivers - feedback for improvement
 - Societal benefit goes beyond pricing benefits



Conclusion

- Current proposal does not allow for inflationary spill over into non-physical damage coverages
- Heightened uncertainty - creates need for adaptability
- Insurers can continue to improve consumer experience via communication and openness

