



# **Alberta Civil Trial Lawyers Association (ACTLA)**

**Submission to the Alberta Automobile  
Insurance Rate Board (AIRB)  
February 23, 2024**



# Submission Summary

## Observations:

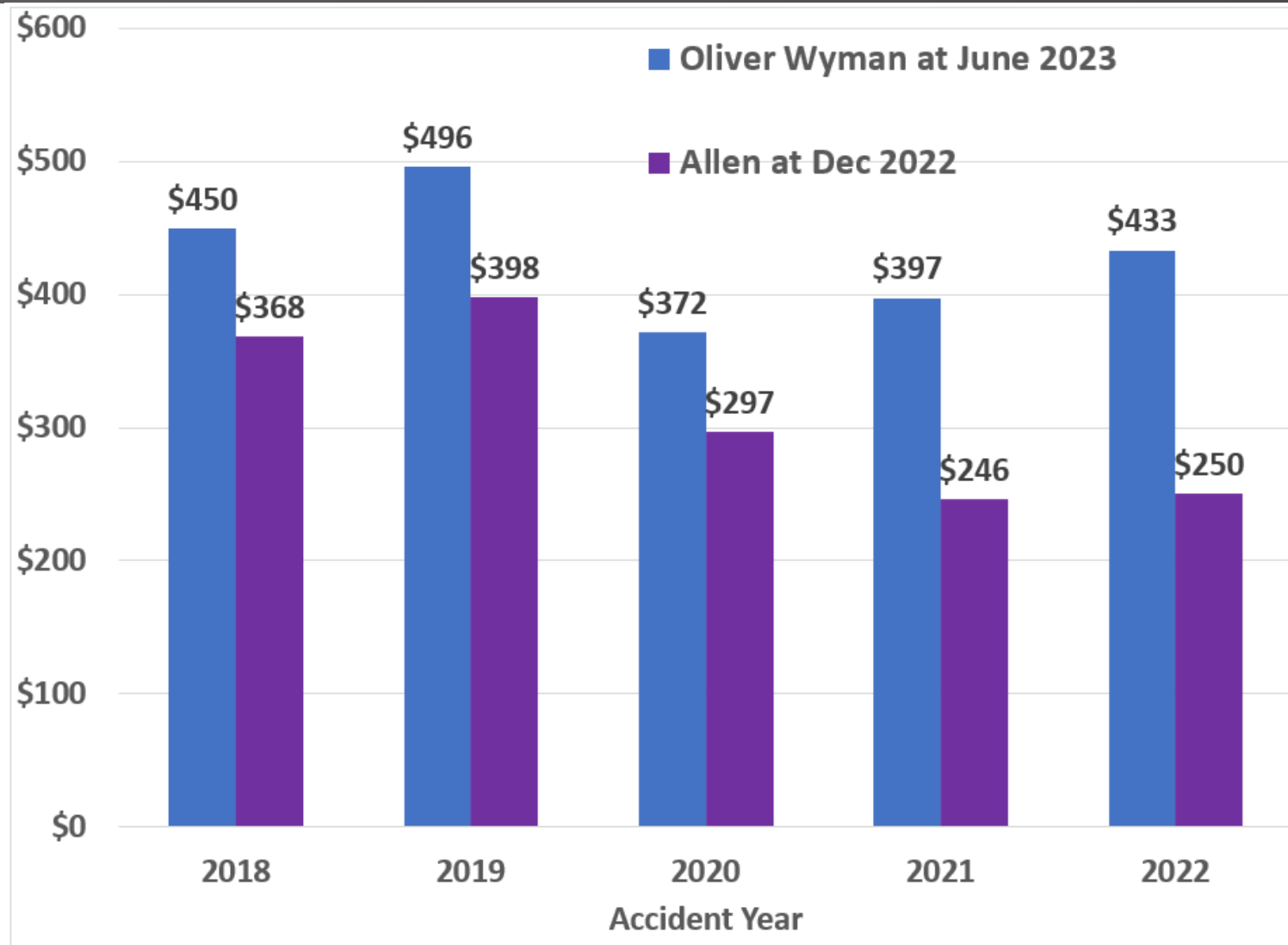
1. Adjustments for changes in claim reporting practices by insurers to GISA and the impact of Bill 41 suggests a lower claims cost per vehicle for Bodily Injury coverage than proposed by Oliver Wyman in the Semi-Annual review as of June 30, 2023.
2. Frequency of Bodily Injury claims has reached a “New Normal” level following the changes brought by the COVID-19 pandemic.
3. ACTLA suggests adding an adjustment factor for Bill 41 to adjust the Bodily Injury claims experience from pre-2021 to the current level, for ratemaking purposes.
4. ACTLA proposes that the trend in Bodily Injury claims costs per vehicle, is **1.2%/1.2%**.
5. With the changes brought by the “New Normal” and Bill 41, Bodily Injury claims costs are below the pre-pandemic level, and are ***not*** the driver of auto insurance premium increases.



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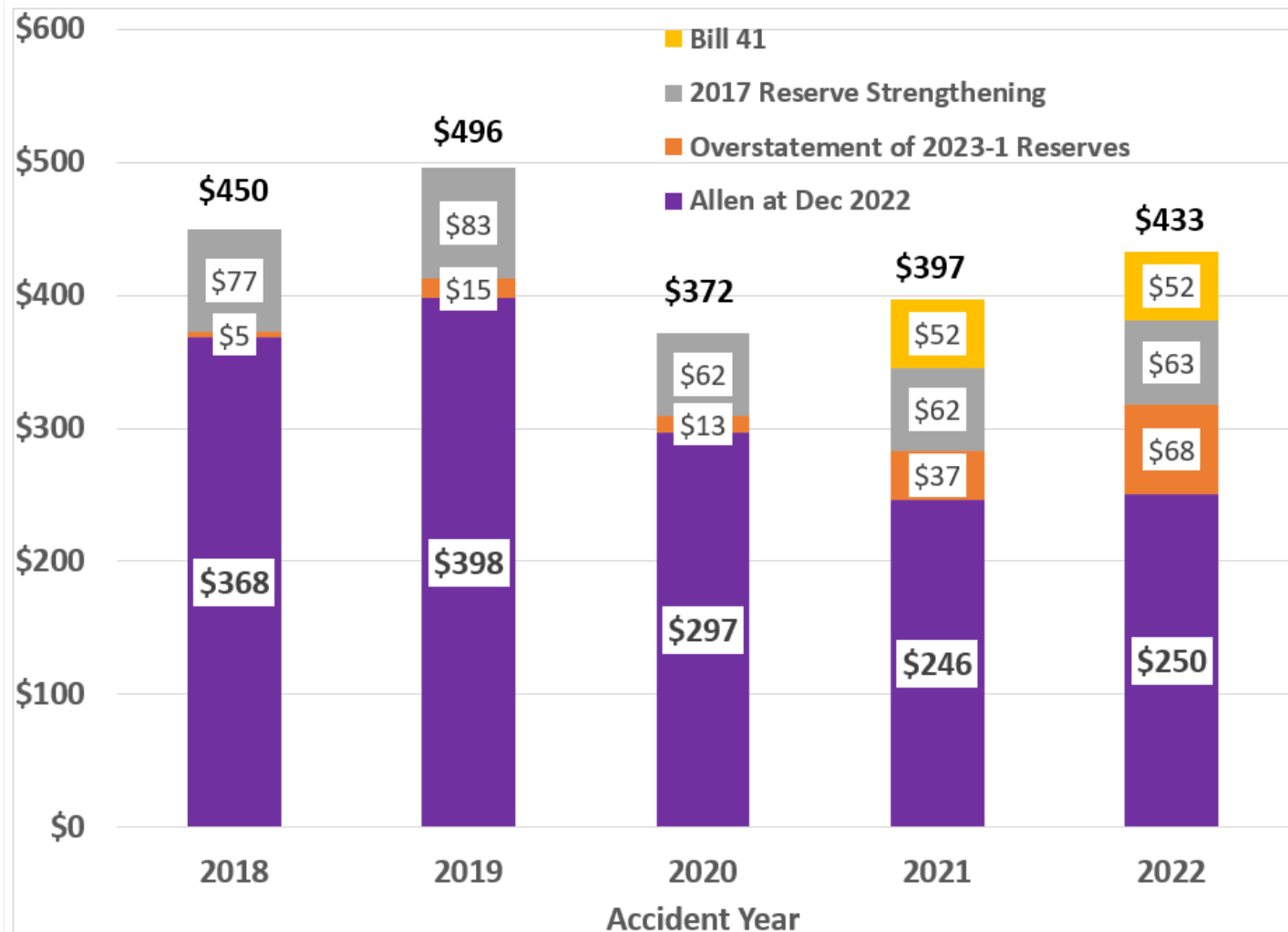
# ACTLA Believes that Bodily Injury Claim Dollar Amounts are Lower than Oliver Wyman Semi-Annual Report Projections at June 30, 2023



Projections of Claim Dollars per Vehicle for the Accident Years 2018 through 2022 as per Craig A. Allen, FCAS are consistently lower than those of the Oliver Wyman Semi-Annual Report at June 2023.



# Three Factors Account for the Discrepancy between the Oliver Wyman and Allen Projections of Bodily Injury Claim Dollars per Vehicle



The discrepancy between the Oliver Wyman and Allen projections is accounted for by three items:

- The impact of Reserve Strengthening beginning in 2017
- Overstatement of Reserves at June 30, 2023
- Loss Cost Reduction from Bill 41 for Accident Years 2021 and 2022



# Reserve Strengthening, beginning in 2017

Aggregate Bodily Injury claims reserves at 2017-1 and later are strengthened, due to the actions of one large insurer. This is noted in the Notes to Users issued by GISA. The Allen projections make an adjustment for this change in reserving procedure.

13. A large writer has strengthened their case reserving practice for Bodily Injury Kind of Loss as of Accident Year 2017-2, resulting in larger than usual case reserve amounts across the 2017-2 and later diagonals of the Bodily Injury amount triangle. Users should exercise caution when using this data.



# Overstatement of Reserves, for June 2023

Claims reserves at 2023-1 are overstated, as per the Notes to Users issued by GISA for the June 2023 Alberta private passenger data. For this reason, the Allen projections are based on the more accurate and consistent December 2022 data.

20. **GISA has been informed that several affiliated insurers, representing a major insurance group in the Alberta Private Passenger market, overstated their 2023-1 Outstanding (Reserve) Loss amounts for most coverages. This over-reporting comprises approximately 5% of the Total Industry Incurred Loss amounts. GISA's Statistical service provider will be working with this major writer in identifying and correcting this reporting error. Users should exercise caution when using this data.**



# Impact of Bill 41, Beginning in November 2020

Bill 41 was introduced in November 2020. The bill

- expanded the definition of minor injury which IBC suggested would save the industry \$76 per vehicle
- reduced the number of medical experts in litigation to one for claims under \$100,000 and three for claims above \$100,000
- Amended PJI to accord with the bank rate which resulted in significant savings up to 2023, projected to be \$15 per vehicle by IBC



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## Oliver Wyman Proposes “New Normal” Frequency Adjustment Multipliers, to Adjust pre-Pandemic Accident Years to 2022-2 Level, and Past-and Future- Claims Cost Trends

Accident Half Year	New Normal Frequency Multiplier
2018-1	0.7432
2018-2	0.7432
2019-1	0.7432
2019-2	0.7432
2020-1	1.0476
2020-2	1.1354
2021-1	1.2714
2021-2	1.0100
2022-1	0.9832
2022-2	1.0000

The table to the left presents the “New Normal” frequency adjustment multipliers.

For claim cost trends, Oliver Wyman proposes annual rates of **8.7%** up to November 1, 2020 and **5.0%** for after November 1, 2020.





# Factors Behind the Lower “New Normal” Frequency

Factors that explain the reduction in Bodily Injury claim frequency in the “New Normal:”

- significant impact on driving patterns
- Increase in work from home
- decreased travel for meetings and functions
- less traffic on the road during typical dangerous periods such as commuting during rush hour



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# ACTLA Proposes Adopting an Additional Adjustment Factor to Account for Bill 41

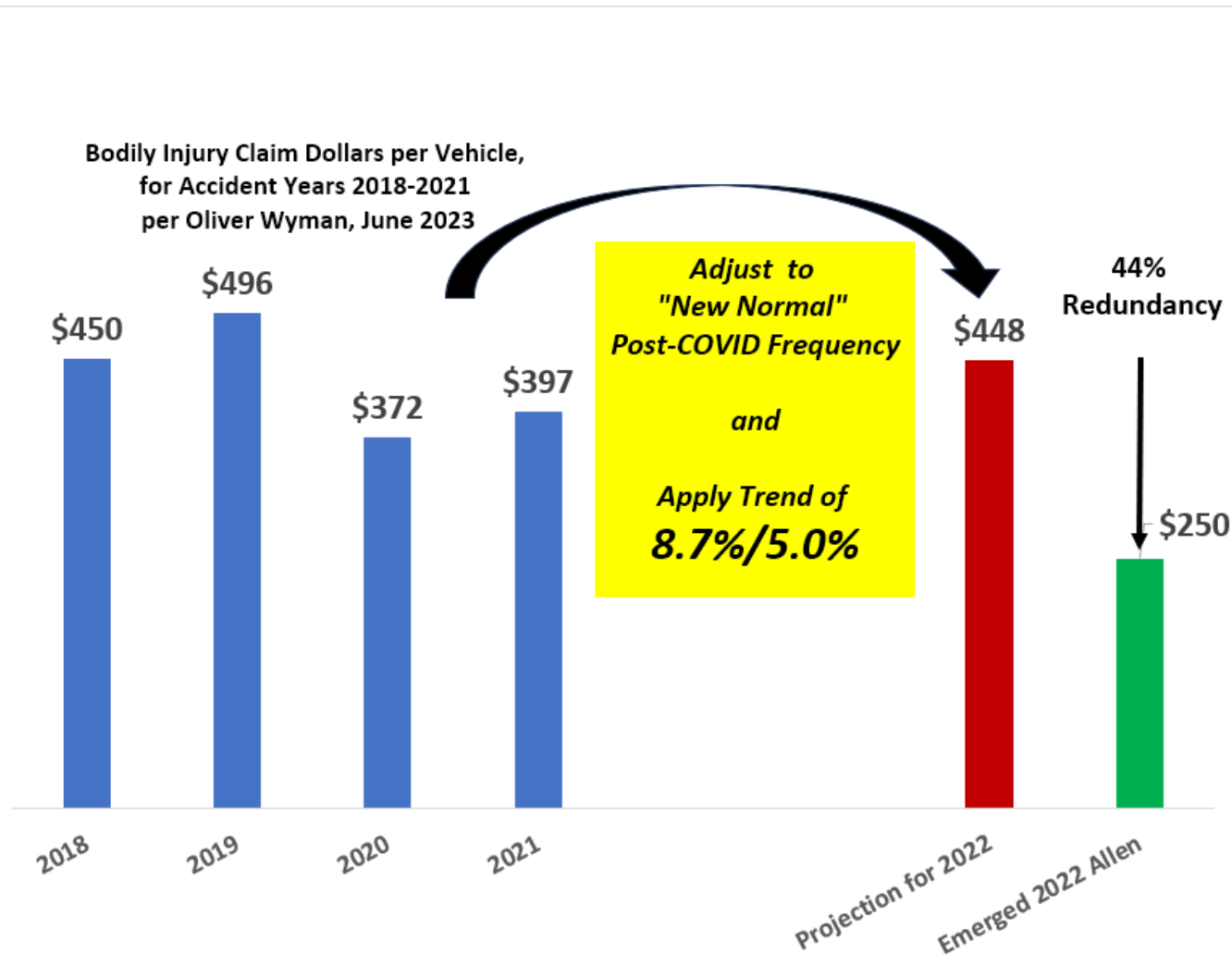
The additional factor adjusts the claims cost for pre-2021 accident years, to account for savings in the claims cost level, brought about by Bill 41.



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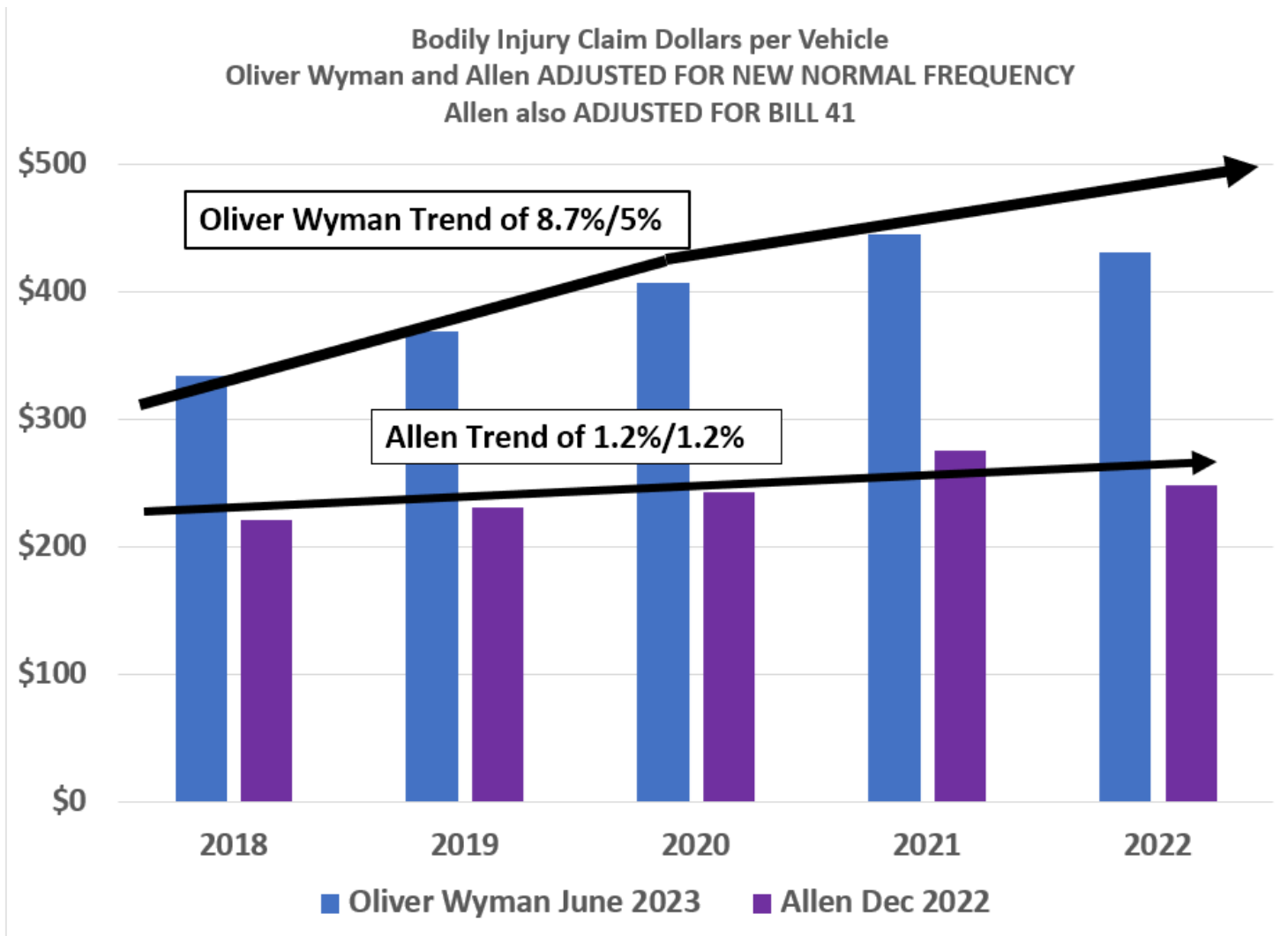
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# Applying the Oliver Wyman Bodily Injury Trend Factors and “New Normal” Frequency Adjustments produces redundant claim dollar predictions



Application of the frequency and claims cost trend factors to the June 30, 2023 Oliver Wyman Bodily Injury claims cost per vehicle to Accident Years 2018 through 2021 produces a projected (red) 2022 claims cost of **\$448**. The actual (green) claims cost that emerged for 2022, per Allen, is 44% lower, at **\$250**.

# The Allen Claims Cost Projections, and the Addition of a Bill 41 Adjustment Factor Reduces the Indicated Bodily Injury Trend



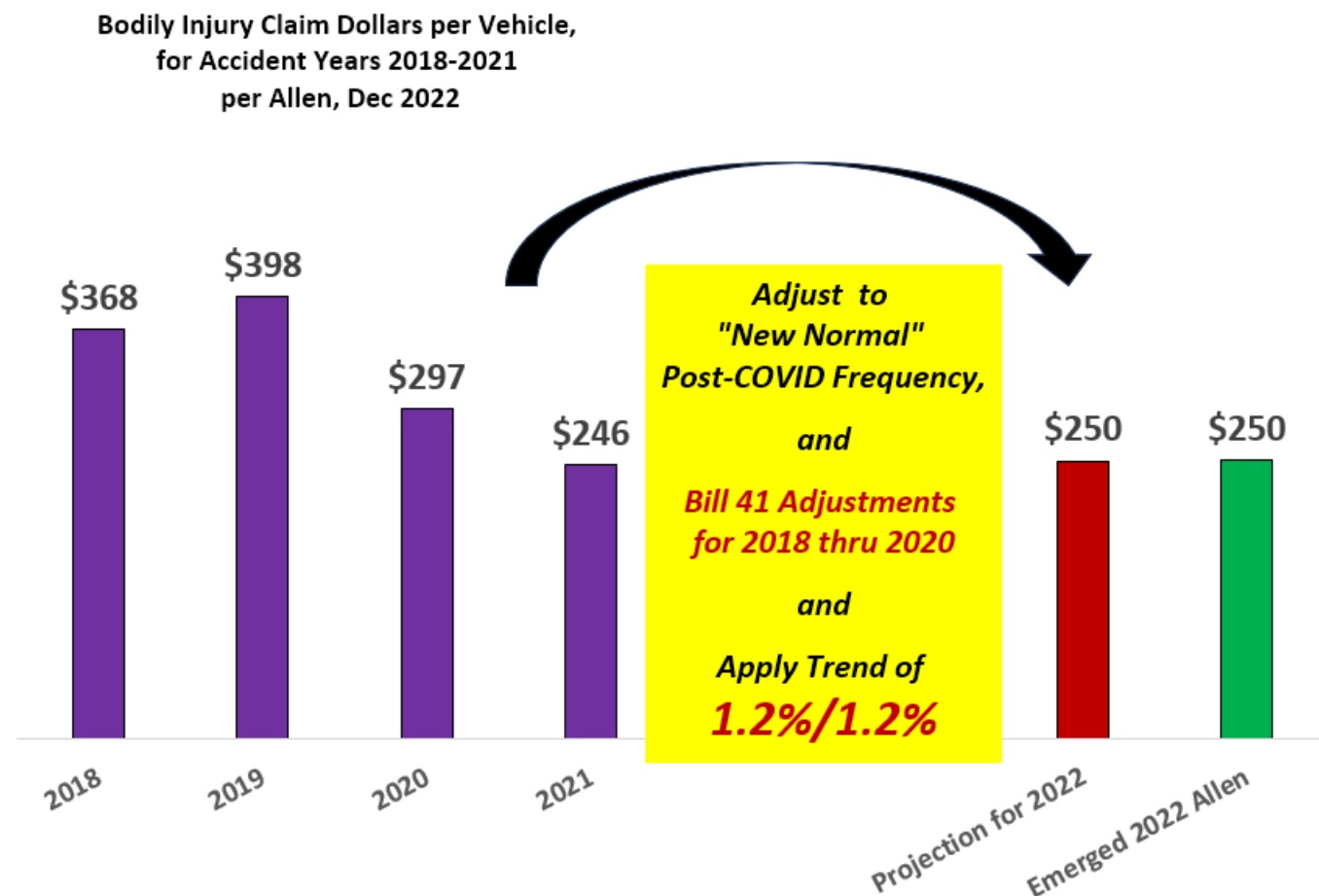
Using the Oliver Wyman claims cost projections, along with the “New Normal” frequency adjustments indicates the Oliver Wyman proposed trend factors of **8.7%/5.0%**.

Using the lower Allen claims costs, and adding the Bill 41 adjustment for pre-2021 accident years reduces the indicated trend to **1.2%/1.2%**





# The Lower Allen Claims Costs Projections, Trend Factor, and the Additional Bill 41 Adjustment Factor is Consistent with Actual Emerged Claims Cost

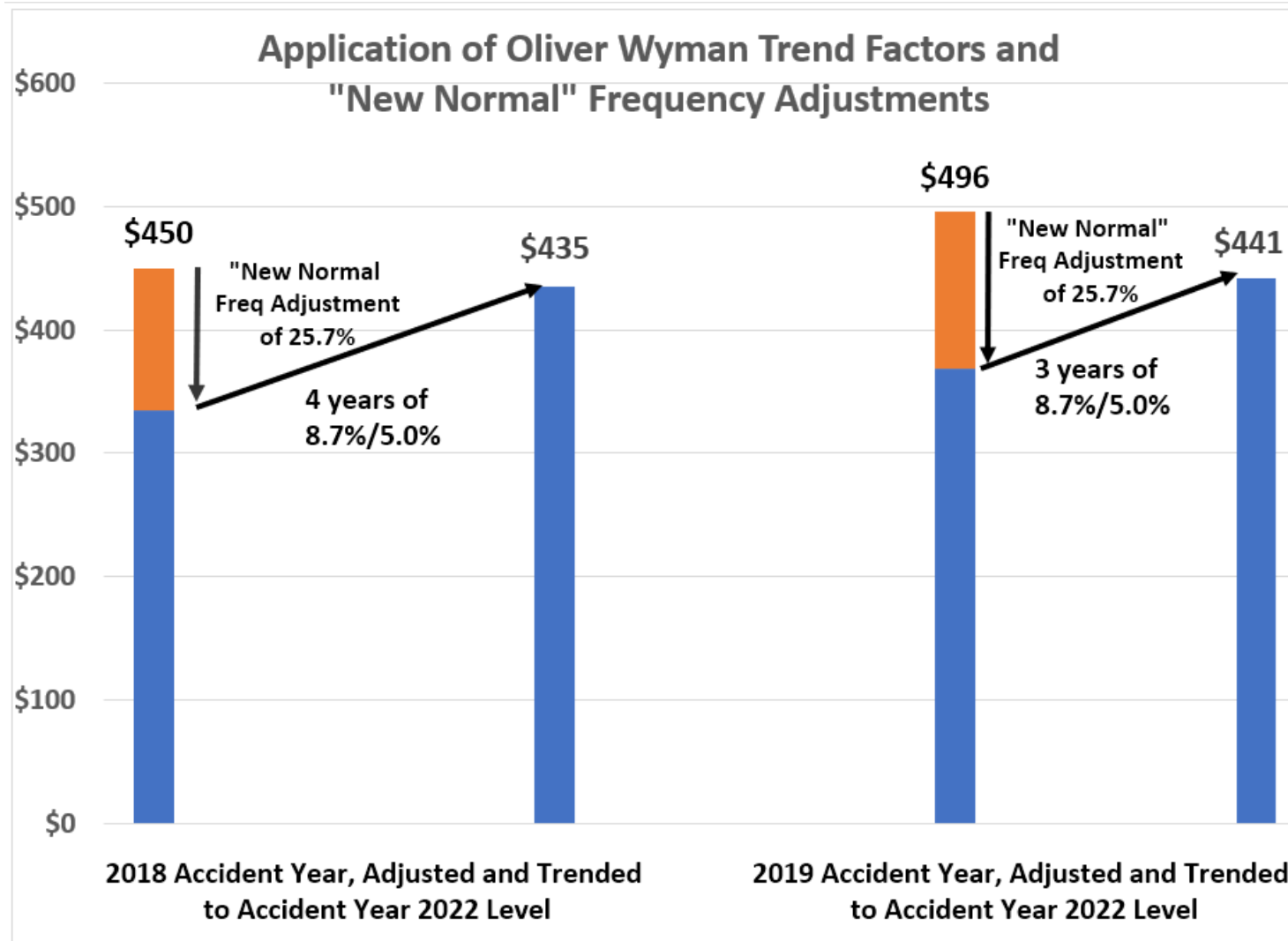


- Applying the lower Allen trend factors of **1.2%/1.2%**,
- making the Oliver Wyman "New Normal" frequency adjustments, and
- adding the Bill 41 adjustment

leads to the (red) projection for the 2022 accident year of **\$250** – which is consistent with the actual emerged (green) claims cost.



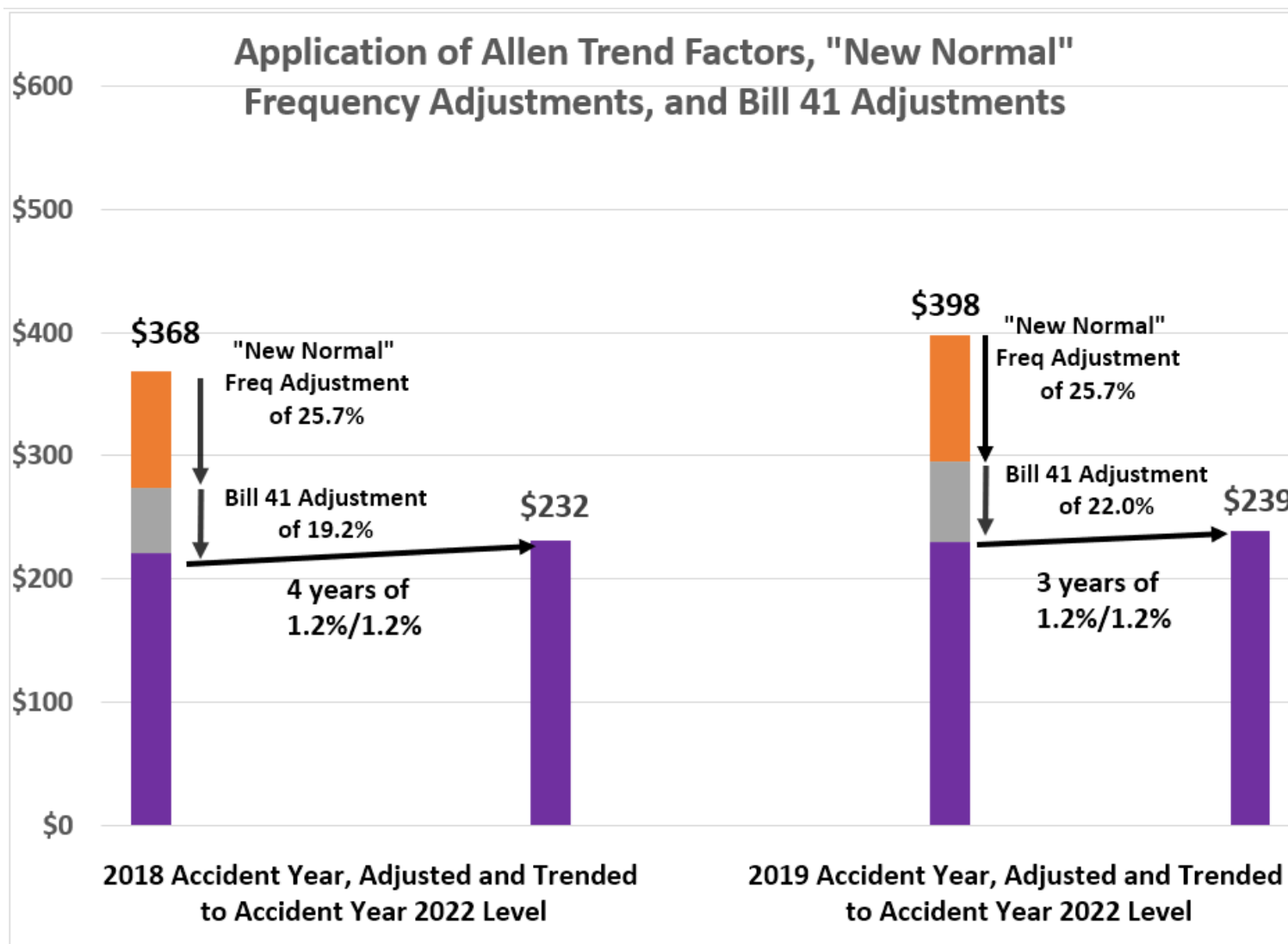
# Illustration of the Application of the Oliver Wyman Trend Factor and "New Normal" Frequency Factors



The relatively high trend factors proposed by Oliver Wyman cancel the effect of the reduced frequency seen in the post-pandemic "New Normal"

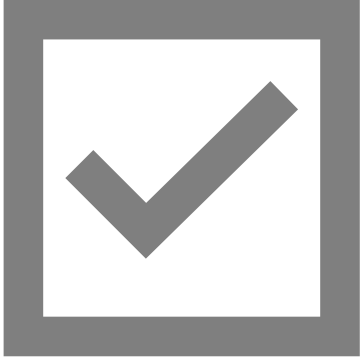


# Illustration of the Application of the Allen Trend Factors, the "New Normal" Frequency Factors, and the Proposed Bill 41 Adjustment Factors



With the lower trend and the additional adjustment for Bill 41, it is seen that the claims cost per vehicle is significantly lower than the pre-pandemic.

# Conclusions



- 1. Adjustments for changes in claim reporting practices by insurers to GISA and the impact of Bill 41 suggests a lower claims cost per vehicle for Bodily Injury coverage than proposed by Oliver Wyman in the Semi-Annual review as of June 30, 2023.**
- 2. Frequency of Bodily Injury claims has reached a “New Normal” level following the changes brought by the COVID-19 pandemic.**
- 3. ACTLA proposes adding an adjustment factor for Bill 41 to adjust the Bodily Injury claims experience from pre-2021 to the current level, for ratemaking purposes.**
- 4. ACTLA proposes that the trend in Bodily Injury claims costs per vehicle, is 1.2%/1.2%.**
- 5. With the changes brought by the “New Normal” and Bill 41, Bodily Injury claims costs are below the pre-pandemic level, and are not the driver of auto insurance premium increases.**



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**Thank you!**

**Submission to the Alberta Automobile  
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# Appendix



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Table 1 – Oliver Wyman Ultimate Loss and LAE, Bodily Injury, June 2023

	[1]	[2]	[3]	[4]
Accident Half Year	No of Vehicles June 2023	Ultimate Loss & LAE June 2023 (000s)	Semi Annual Loss Cost June 2023	Annual Loss Cost June 2023
2018-1	1,348,573	\$579,053	\$429	
2018-2	1,399,088	\$656,663	\$469	\$450
2019-1	1,372,058	\$650,721	\$474	
2019-2	1,410,665	\$728,377	\$516	\$496
2020-1	1,371,294	\$481,215	\$351	
2020-2	1,408,844	\$551,815	\$392	\$372
2021-1	1,380,630	\$464,395	\$336	
2021-2	1,426,143	\$650,946	\$456	\$397
2022-1	1,395,406	\$509,438	\$365	
2022-2	1,445,287	\$721,251	\$499	\$433
Total	13,957,988	\$5,993,874	\$429	

[1]: Oliver Wyman June 2023, Appendix B, Page 1, Column (3)

[2]: Oliver Wyman June 2023, Appendix B, Page 1, Column (7)

[3]: [2] / [1]



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Table 2 – Ultimate Loss and LAE, Bodily Injury, Dec 2022

	[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]
Accident Half Year	No of Vehicles Dec 2022	Ultimate Loss & LAE Oliver Wyman Dec 2022 (000s)	Semi Annual Loss Cost, Oliver Wyman Dec 2022	Annual Loss Cost, Oliver Wyman, Dec 2022	Ult Loss & LAE, Adjusted for Reserve Strengthening, Allen, Dec 2022 (000s)	Annual Loss Cost, Adj for Reserve Strengthening, Allen Dec 2022	Ult Loss & LAE, Adjusted for Reserve Strengthening and Bill 41, Allen, Dec 2022 (000s)	Annual Loss Cost, Adj for Reserve Strengthening and Bill 41 Allen Dec 2022
2018-1	1,348,575	\$581,906	\$431		\$481,314		\$481,314	
2018-2	1,399,092	\$641,366	\$458	\$445	\$530,496	\$368	\$530,496	\$368
2019-1	1,372,063	\$629,364	\$459		\$520,568		\$520,568	
2019-2	1,410,672	\$708,558	\$502	\$481	\$586,072	\$398	\$586,072	\$398
2020-1	1,371,302	\$473,817	\$346		\$391,910		\$391,910	
2020-2	1,408,857	\$523,836	\$372	\$359	\$433,283	\$297	\$433,283	\$297
2021-1	1,380,646	\$431,900	\$313		\$357,239		\$285,446	
2021-2	1,426,182	\$580,600	\$407	\$361	\$480,234	\$298	\$406,073	\$246
2022-1	1,395,504	\$447,933	\$321		\$370,501		\$297,934	
2022-2	1,446,075	\$590,923	\$409	\$366	\$488,773	\$302	\$413,577	\$250
Total	13,958,968	\$5,610,203	\$402					

[1]: Oliver Wyman Dec. 2022, Appendix B, Page 1, Column (3)

[2]: Oliver Wyman Dec. 2022, Appendix B, Page 1, Column (7)

[3]: [2] / [1]

[5]: Review of Experience, Alberta Private Passenger Auto Insurance as at Dec. 31, 2022, Craig A. Allen, FCIA, ("Allen Dec. 2022"), Table A2.1, Column [8]

[6]: [5] / [1]

[7]: Allen Dec. 2022, Table A2.1, Column [10]

[8]: [7] / [1]



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Table 3 – Items of Reconciliation, between Oliver Wyman June 2023 and Allen Dec. 2022

Accident Year	[1] Loss Cost, Oliver Wyman, June 2023	[2] Loss Cost, Oliver Wyman, Dec. 2022	[3] Loss Cost, Adj for Res Str., Allen Dec. 2022	[4] Loss Cost, Adj for Res Str. And Bill 41	[5] Impact of Reserve Overstate- ment	[6] Impact of Reserve Strengthg	[7] Impact of Bill 41
2018	\$450	\$445	\$368	\$368	\$5	\$77	\$0
2019	\$496	\$481	\$398	\$398	\$15	\$83	\$0
2020	\$372	\$359	\$297	\$297	\$13	\$62	\$0
2021	\$397	\$361	\$298	\$246	\$37	\$62	\$52
2022	\$433	\$366	\$302	\$250	\$68	\$63	\$52

[1]: Table 1, Column [4]

[2]: Table 2, Column [4]

[3]: Table 2, Column [6]

[4]: Table 2, Column [8]

[5]: [1] – [2]

[6]: [2] – [3]

[7]: [3] – [4]



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Table 4 – Oliver Wyman June 2023 Ultimate Loss and LAE, Adjusted for “New Normal” Frequency

	[1]	[2]	[3]	[4]	[5]	[6]
Accident Half Year	No. of Vehicles, June 2023	Ult Loss & LAE, Oliver Wyman, June 2023 (000s)	Loss Cost, Oliver Wyman, June 2023	“New Normal” Freq Adj Factor	Ult Loss & LAE, Adj for “New Normal” Freq (000s)	Loss Cost Adj to 2022+ Freq Level
2018-1	1,348,573	\$579,053		0.7432	\$430,352	
2018-2	1,399,088	\$656,663	\$450	0.7432	\$488,032	\$334
2019-1	1,372,058	\$650,721		0.7432	\$483,616	
2019-2	1,410,665	\$728,377	\$496	0.7432	\$541,330	\$368
2020-1	1,371,294	\$481,215		1.0476	\$504,121	
2020-2	1,408,844	\$551,815	\$372	1.1354	\$626,531	\$407
2021-1	1,380,630	\$464,395		1.2714	\$590,432	
2021-2	1,426,143	\$650,946	\$397	1.0100	\$657,455	\$445
2022-1	1,395,406	\$509,438		0.9832	\$500,879	
2022-2	1,445,287	\$721,251	\$433	1.0000	\$721,251	\$430
Total	13,957,988					

[1]: Oliver Wyman June 2023, Appendix B, Page 1, Column (3)

[2]: Oliver Wyman June 2023, Appendix B, Page 1, Column (7)

[3]: [2] / [1]

[4]: Oliver Wyman June 2023, p. 78, Table 15

[5]: [2] x [4]

[6]: [5] / [1]

Table 5 – Allen Dec 2022 Ultimate Loss and LAE, Adjusted for “New Normal” Frequency and Bill 41

	[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]	[9]
Accident Half Year	No. of Vehicles, Dec 2022	Ult Loss & LAE, Adjusted for Reserve Strength and Post-2020 Bill 41, Allen, Dec 2022 (000s)	Loss Cost Allen Dec. 2022	“New Normal” Freq Adj Factor	Ult Loss & LAE, Further Adj for “New Normal” Freq (000s)	Loss Cost Adj to 2022+ Freq Level	Bill 41 for Pre-2021 Adjustment (000s)	Ult Loss & LAE, Further Adj for Bill 41 (000s)	Loss Cost Adj to 2021+ Bill 41 Level
2018-1	1,348,575	\$481,314		0.7432	\$357,713		\$69,355	\$288,358	
2018-2	1,399,092	\$530,496	\$368	0.7432	\$394,265	\$274	\$75,650	\$318,615	\$221
2019-1	1,372,063	\$520,568		0.7432	\$386,886		\$68,186	\$318,701	
2019-2	1,410,672	\$586,072	\$398	0.7432	\$435,569	\$296	\$112,951	\$322,618	\$230
2020-1	1,371,302	\$391,910		1.0476	\$410,565		\$95,388	\$315,177	
2020-2	1,408,857	\$433,283	\$297	1.1354	\$491,950	\$325	\$133,092	\$358,858	\$242
2021-1	1,380,646	\$285,446		1.2714	\$362,916			\$362,916	
2021-2	1,426,182	\$406,073	\$246	1.0100	\$410,134	\$275		\$410,134	\$275
2022-1	1,395,504	\$297,934		0.9832	\$292,929			\$292,929	
2022-2	1,446,075	\$413,577	\$250	1.0000	\$413,577	\$250		\$413,577	\$250
Total	13,958,968								

[1]: Oliver Wyman Dec. 2022, Appendix B, Page 1, Column (3)

[2]: Allen Dec. 2022, Table A2.1, Column [10]

[3]: [2] / [1]

[4]: Oliver Wyman June 2023, p. 78, Table 15

[5]: [2] x [4]

[6]: [5] / [1]

[7]: \$91 x ([1] / [2]) x [5]

[8]: [5] + [7]

[9]: [8] / [1]



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Table 6 – Oliver Wyman June 2023 Ultimate Loss and LAE, Adjusted for “New Normal” Frequency, Trended to 2022

Accident Half Year	[1] No. of Vehicles, June 2023	[2] Ult Loss & LAE, Adj for “New Normal” Freq (000s)	[3] No of “Past Years” to 2022	[4] No of “Future Years” to 2022	[5] Past Trend, Oliver Wyman	[6] Future Trend, Oliver Wyman	[7] Total Trend Multiple	[8] Trended, Adjusted Loss & LAE, Oliver Wyman (000s)	[9] Loss Cost at 2022 Level, Oliver Wyman
2018-1	1,348,573	\$430,352	2	2	8.7%	5.0%	1.303	\$560,611	
2018-2	1,399,088	\$488,032	2	2	8.7%	5.0%	1.303	\$635,749	\$435
2019-1	1,372,058	\$483,616	1	2	8.7%	5.0%	1.198	\$579,574	
2019-2	1,410,665	\$541,330	1	2	8.7%	5.0%	1.198	\$648,739	\$441
2020-1	1,371,294	\$504,121	0	2	8.7%	5.0%	1.103	\$555,793	
2020-2	1,408,844	\$626,531	0	2	8.7%	5.0%	1.103	\$690,750	\$448
2021-1	1,380,630	\$590,432	0	1	8.7%	5.0%	1.050	\$619,953	
2021-2	1,426,143	\$657,455	0	1	8.7%	5.0%	1.050	\$690,328	\$467
2022-1	1,395,406	\$500,879	0	0	8.7%	5.0%	1.000	\$500,879	
2022-2	1,445,287	\$721,251	0	0	8.7%	5.0%	1.000	\$721,251	\$430
Total	13,957,988							\$6,203,629	\$444
Total 2018-2021	11,117,295							\$4,981,498	\$448

[1]: Oliver Wyman June 2023, Appendix B, Page 1, Column (3)

[2]: Table 4, Column [5]

[3]: Years to Nov. 2020

[4]: Years from later of Nov. 2020 and Accident Half-Year to 2022

[5], [6]: Oliver Wyman June 2023, Page 1, Table 1

[7]:  $(1 + [5])^{[3]} \times (1 + [6])^{[4]}$

[8]:  $[2] \times [7]$

[9]:  $[8] / [1]$



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Table 7 – Allen Dec. 2022 Ultimate Loss and LAE, Adjusted for “New Normal” Frequency and Bill 41, Trended to 2022

	[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]	[9]
Accident Half Year	No. of Vehicles, Dec 2022	Ult Loss & LAE, Adj for “New Normal” Frg and Bill 41, Allen Dec 2022 (000s)	No of “Past Years” to 2022	No of “Future Years” to 2022	Past Trend, Allen	Future Trend, Allen	Total Trend Multiple	Trended, Adjusted Loss & LAE, Allen (000s)	Loss Cost at 2022 Level, Allen
2018-1	1,348,575	\$288,358	2	2	1.2%	1.2%	1.049	\$302,450	
2018-2	1,399,092	\$318,615	2	2	1.2%	1.2%	1.049	\$334,186	\$232
2019-1	1,372,063	\$318,701	1	2	1.2%	1.2%	1.036	\$330,312	
2019-2	1,410,672	\$322,618	1	2	1.2%	1.2%	1.036	\$334,372	\$239
2020-1	1,371,302	\$315,177	0	2	1.2%	1.2%	1.024	\$322,787	
2020-2	1,408,857	\$358,858	0	2	1.2%	1.2%	1.024	\$367,522	\$248
2021-1	1,380,646	\$362,916	0	1	1.2%	1.2%	1.012	\$367,271	
2021-2	1,426,182	\$410,134	0	1	1.2%	1.2%	1.012	\$415,055	\$279
2022-1	1,395,504	\$292,929	0	0	1.2%	1.2%	1.000	\$292,929	
2022-2	1,446,075	\$413,577	0	0	1.2%	1.2%	1.000	\$413,577	\$250
Total	13,958,968							\$3,480,461	\$249
Total 2018-2021	11,117,389							\$2,773,955	\$250

[1]: Oliver Wyman Dec 2022, Appendix B, Page 1, Column (3)

[2]: Table 5, Column [8]

[3]: Years to Nov. 2020

[4]: Years from later of Nov. 2020 and Accident Half-Year to 2022

[5], [6]: Trend that sets Column [9] for “Total 2018-2021” to \$250 i.e. to Column [9] for 2022

[7]:  $(1 + [5])^{[3]} \times (1 + [6])^{[4]}$

[8]: [2] x [7]

[9]: [8] / [1]



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Table 8 – Magnitude of Adjustments for Oliver Wyman “New Normal” Frequency and Trending to 2022 Level

	[1]	[2]	[3]	[4]
Accident Year	Loss Cost, Oliver Wyman, June 2023	Loss Cost Adjusted to “New Normal” Freq Level	Adjustment for “New Normal” Frequency	Loss Cost at 2022 Level, Oliver Wyman
2018	\$450	\$334	\$116	\$435
2019	\$496	\$368	\$127	\$441

[1]: Table 4, Column [3]

[2]: Table 4, Column [6]

[3]: [1] – [2]

[4]: Table 6, Column [9]



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Table 9 – Magnitude of Adjustments for Oliver Wyman “New Normal” Frequency and Trending to 2022 Level

	[1]	[2]	[3]	[4]	[5]	[6]
Accident Year	Loss Cost, Allen, Dec 2022	Loss Cost Adjusted to “New Normal” Freq Level	Loss Cost Further Adjusted for Bill 41	Adjustment for “New Normal” Frequency	Adjustment for Bill 41	Loss Cost at 2022 Level, Allen
2018	\$368	\$274	\$221	\$95	\$53	\$232
2019	\$398	\$296	\$230	\$102	\$65	\$239

[1]: Table 5, Column [3]

[2]: Table 5, Column [6]

[3]: Table 5, Column [9]

[4]: [1] – [2]

[5]: [2] – [3]

[6]: Table 7, Column [9]



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