ACTLA
Alberta Civil Trial Lawyers Association

Submission to the Alberta Automobile Insurance Rate Board:
2024 Annual Review for Private Passenger Vehicles

July 22, 2024

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ACTLA Submission

The Alberta Civil Trial Lawyers Association (ACTLA) appreciates the opportunity to participate in the Alberta Automobile Insurance Rate Board's (AIRB) 2024 Annual review process. ACTLA comprises legal professionals and represents thousands of Albertans across the province who work in the legal services sector. As civil trial lawyers, we are committed to advancing a strong justice system that protects the rights of Albertans. We advocate and work with government in a range of areas including auto insurance, administration of justice issues, and other topics such as legal aid funding.

ACTLA has retained Mr. Craig A. Allen, an independent consulting actuary with extensive experience in the Canadian insurance industry, to conduct a review of the draft Oliver Wyman report and associated historical data. Our submission is comprised of Mr. Allen's technical analysis as an appendix and this summary which provides additional commentary on Mr. Allen's findings from an ACTLA perspective.

ACTLA recognizes that the cost-of-living crisis continues to strain the family budgets of Albertans. We believe Albertans deserve more affordable auto insurance premiums, expanded consumer choices, and a fairer system generally. ACTLA strongly believes that to address the challenge of auto insurance affordability, it is crucial to recognize and understand the actual profitability and cost dynamics within the industry. A clear comprehension of these factors is essential for developing effective policies and reforms that will ensure fair and reasonable premiums for Albertans.

At the same time as Albertans struggle to afford auto insurance premiums, the Oliver Wyman data and our analysis shows auto insurance companies operating in Alberta continue to experience healthy profits in excess of AIRB benchmarks. This reality stands in stark contrast to an ongoing narrative that the private auto insurance sector in Alberta is struggling to make profits due to rising bodily injury loss costs. This narrative is not supported by the data as experience throughout the last number of annual and semi-annual reviews has shown the insurance industry is experiencing profits in the Alberta auto insurance market while bodily injury loss costs for industry continue on a trajectory of stability.

Overall, our review of the 2023 Industry Experience indicates that the auto insurance sector, on an industry-wide basis, continues to be comfortably profitable; that bodily injury loss costs continue their trajectory of stability, while loss costs associated with all other coverages continue to rise, driven primarily by property damage costs; that insurance industry operating costs and commission costs as a share of premium continue to rise; and that Oliver Wyman draft benchmarks continue to underestimate the changed driving patterns of Albertans following the COVID-19 pandemic.

With supporting actuarial data included in Mr. Allen's appended findings, ACTLA wishes to highlight the following findings for the AIRB regarding the most recent review of industry experience from Oliver Wyman:

1. **Both Oliver Wyman and Mr. Allen project healthy pre-tax profits for the auto insurance sector**

Our analysis indicates that the auto insurance industry in Alberta achieved pre-tax profits in 2023 of $459.3 million to $867.1 million, depending on the calculation method used. The $459.3 million projection uses Oliver Wyman's Realized Profit Provision (with the inclusion of projected investment income on capital). The $867.1 million projection is Mr. Allen's and is based on the method employed by J.S. Cheng and Partners Inc. in its 2007 analysis of Alberta auto insurance reform. In addition, Mr. Allen's projections for the value of bodily injury and direct compensation claims differ from those of Oliver Wyman. No matter which method is used, it is clear that Alberta's auto insurance sector, on an industry-wide basis, was profitable and comfortably so in 2023. Furthermore, the profits experienced by the industry exceeded the 6% profit benchmark in 2023 with the industry achieving between 7.1% (Oliver Wyman) and 13.2% (Allen) of pre-tax profits.

Since 2019, we project that industry has achieved profits in four out of five years, and has experienced cumulative profits of somewhere between $2.38 billion and $4.09 billion over that period.

2. **Bodily injury claim costs continue a trajectory of stability**

Since 2019, the costs associated with bodily injury claims per vehicle have declined and stabilized. The onset of the COVID-19 pandemic and the resulting reduction in traffic volumes saw a significant drop in these costs in 2020. As pandemic-related restrictions were lifted, bodily injury compensation levels have remained below their 2019 levels. In inflation-adjusted terms, the costs have stabilized over the period from 2022 to 2023. Specifically, the data shows that bodily injury loss and LAE costs per vehicle have been consistently below the 2019 levels throughout the subsequent years. The implementation of Bill 41 reforms in late 2020, which addressed bodily injury compensation, we believe is also contributing to this trajectory of stability.

Even with inflation dropping from around 6% in 2022 to 3% in 2023, the inflation-adjusted loss cost per vehicle has remained stable, staying nearly 20% below its peak in 2019. This stability suggests that the measures taken during and after the pandemic have had a lasting impact on reducing and stabilizing bodily injury costs.

3. **Acquisition and operating costs of the insurance industry continue to increase**

Over the past decade, operating expenses for the auto insurance industry have seen a significant increase. From 2014 to 2023, total operating expenses rose from $707 million to

$1.306 billion, marking an 85% increase, or $598 million more annually. This rise is partly due to general inflation. When adjusting for inflation to 2019 dollars, the real increase in annual operating costs is 49%, translating to an additional $371 million.

Another factor contributing to the higher costs is the growth in the number of insured vehicles, which went from 2.6 million to 2.9 million during this period. The inflation-adjusted annual operating expenses per vehicle increased by 32%. Because of fixed costs, the increase in operating expenses per additional vehicle, excluding general inflation, ranges from 32% to 49%.

Similarly, acquisition costs, which include commissions and other expenses related to acquiring new customers, also increased from $441 million in 2014 to $775 million in 2023, a 76% rise, or $335 million more annually. Adjusting for inflation, the real increase in annual acquisition costs is 41%, which amounts to an additional $198 million in 2019 dollars.

Understanding these cost increases is crucial for addressing the challenge of making auto insurance premiums more affordable for consumers.

4. **'New normal' driving pattern multipliers are not sufficiently considered with the trend factors when evaluating the state of bodily injury loss costs**

The 'new normal' driving patterns emerged during the pandemic, characterized by reduced commuting and increased remote work, have been seen in the reduced bodily injury loss costs that have persisted since 2020.

Recognizing this fact, Oliver Wyman has put forth multipliers to adjust pre-pandemic claims experience to the level that is expected in this 'new normal' environment. These multipliers provide a steep and permanent reduction in the level of claims costs.

On first glance, an observer of Oliver Wyman's recommended 8.7% loss cost trend for bodily injury will note that the trend is well in excess of general inflation - and may conclude that bodily injury claims costs have made auto insurance premiums unaffordable for many. However, a complete assessment of the situation requires that the trend rate must be considered in tandem with the offsetting sharp reduction provided by the new normal multiplier.

Indeed, even when applying the 8.7% benchmark trend rate over an extended half-decade-plus period from 2019 through 2025, the new normal factor brings inflation-adjusted 2025 claims costs to a level that is reduced from the 2019 level.

5. **Property damage claims costs per vehicle continue to rise**

Both our analysis and Oliver Wyman's supports the assertion that property damage claims costs per vehicle have been the primary driver of cost increases. From 2019 to 2023, the total loss cost per vehicle for coverages other than bodily injury has not only returned to the levels seen in 2019 but has also surpassed them. This trend is evident in both nominal and

inflation-adjusted terms. In contrast, the loss cost for bodily injury coverage remains below the 2019 level. This indicates that the rising costs associated with property damage claims are the main contributors to the overall increase in sector costs, rather than bodily injury claims, which have remained relatively stable.

Understanding this distinction is crucial for accurately addressing the factors influencing affordability challenges within the Alberta auto insurance market.

In the lieu of the above-described trends, ACTLA recommends the following:

1. **That the AIRB review draft benchmarks to account for observed trends in driving patterns, bodily injury loss costs, and property damage loss costs**

Based on our review of industry trends and the findings of both Mr. Allen and the Oliver Wyman report, we recommend that the AIRB re-evaluate and adjust its draft benchmarks. This adjustment should account for the observed trends in driving patterns, bodily injury loss costs, and property damage loss costs. The "new normal" driving patterns post-pandemic, characterized by reduced commuting and increased remote work, together with Bill 41, have resulted in stable bodily injury loss costs that are consistently below pre-pandemic levels. Meanwhile, property damage claims costs per vehicle have continued to rise. To ensure a fair and affordable auto insurance system for Albertans, it is essential for the AIRB to incorporate these current and accurate trends into their benchmark calculations.

2. **That the AIRB conduct a critical assessment of the operating expenses and acquisition costs submitted by insurers to determine if proposed rate filings are justified**

Even when adjusted for inflation and the growth in the number of vehicles in Alberta, operating expenses have risen 32% in the last decade, while acquisition costs have risen 25%, claiming a larger share of household budgets and becoming less affordable.

Thank you for considering our insights and recommendations.

Review of Experience,
Alberta Private Passenger Automobile Insurance,
as at December 31, 2023

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As Part of their Written Submission to the Alberta Automobile Insurance Rate Board 2024 Annual Review

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I. Executive Summary

The following are the findings of the analysis.

Finding 1:

The private passenger auto insurance industry in Alberta remains profitable in 2023, exceeding the benchmark profit margin, and generating total pre-tax income of between $459.3 million and $867.1 million.

Cumulative pre-tax profit since 2019 for the industry is estimated to be between $2.38 billion and $4.09 billion.

Finding 2:

Bodily injury loss and LAE costs per vehicle dropped significantly in 2020, at the same time that the onset of the COVID-19 pandemic brought about a sudden reduction at that time in traffic volumes. Further, the Bill 41 reforms of bodily injury compensation began late in 2020.

As the pandemic-related restrictions have been lifted, it is noted that the level of bodily injury compensation remains below the 2019 level. In inflation-adjusted terms, the level of loss and LAE cost has stabilized over the 2022-2023 period.

Finding 3:

Over the 10-year period 2014 to 2023, operating expenses for the industry have grown 85%, while acquisition costs have grown 76%. These increases are well in excess of both inflation and growth in the number of vehicles. In 2019 dollars, on a per-vehicle basis, operating expenses have risen 32%, while acquisition costs have risen 25%. These increases can be expected to have contributed both to rising premiums for the consumer while reducing profits for the industry.

Finding 4:

'New normal' driving patterns emerged during the pandemic, characterized by reduced commuting and increased remote work. These patterns have been seen in the reduced bodily injury loss costs that have persisted since 2020.

Recognizing this fact, Oliver Wyman has put forth multipliers to adjust pre-pandemic claims experience to the level that is expected in this 'new normal' environment. These multipliers provide a steep and permanent reduction in the level of claims costs.

Oliver Wyman's recommended 8.7% loss cost trend for bodily injury must be considered in tandem with the offsetting sharp reduction provided by the new normal multiplier. A failure to do so will overlook the substantial reduction in bodily injury loss costs experienced in this decade.

Finding 5:

It can be seen that, in nominal dollars, the total loss cost per vehicle for the coverages other than bodily injury has returned to - and surpassed – its pre-pandemic level. In contrast, the loss cost for bodily injury remains below the value for accident year 2019.

II. Introduction

I have prepared this report as actuarial consultant to the Alberta Civil Trial Lawyers Association ("ACTLA").

The report is part of ACTLA's written submission to Alberta's Automobile Insurance Rate Board (AIRB) for the 2024 Annual Review.

This report presents the results of my analysis of private passenger automobile insurance experience for Alberta.

III. Data Sources

I have based my analysis on data published by the General Insurance Statistical Agency (GISA) as at December 31, 2023. I have also reviewed in depth the analysis and conclusions of Oliver Wyman Limited ("Oliver Wyman"), consulting actuary to AIRB, in its 2024 Annual Review of Industry Experience – Preliminary Report as of December 31, 2023, dated June 12, 2024 ("Oliver Wyman 2024 Annual Review").

This report makes reference to my report to AIRB dated July 27, 2023 that was included with ACTLA's submission to the AIRB 2023 Annual Review.

IV. Identification

I am an independent consulting actuary based in New York, NY. I am a fellow of the Canadian Institute of Actuaries and of the Casualty Actuarial Society, and I have provided actuarial services in Canada and the U.S. for 37 years.

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July 22, 2024

V. Commentary

Below are the items of comment in this report.

A. Industry-wide Pre-Tax Profit

Table 1 below presents the projected pre-tax profit (loss) for the industry, for the years 2019 through a projection for the year 2024. Two sets of projected pre-tax profit are shown. For the most recently completed year, projected pre-tax profit ranges from $442.4 million to $715.9 million.

Table 1: Pre-Tax Profit for the Industry, 2019 through 2024

Year	Oliver Wyman Realized Profit Provision, plus Investment Income Earned on Capital, (000s)	Allen, per Cheng Method, (000s)
2019	($15.1 million)	$67.0 million
2020	$715.9 million	$791.2 million
2021	$718,4 million	$1,145.8 million
2022	$60.6 million	$503.0 million
2023	$442.4 million	$715.9 million
Proj 2024	$459.3 million	$867.1 million
Total 2019-2023	**$2,381 million**	**$4,090 million**

The projected pre-profit amounts in the left-hand column are based on

- Oliver Wyman's Realized Profit Provision, shown on p. 23 of its 2024 Annual Review report,
- A projection of investment income on capital required for the business, based on the common assumption cited by Oliver Wyman in Footnote 37, p. 22 of its report, and
- A rate of investment income on capital equal to the discount rate presented by Oliver Wyman on p. 23 of its report.

The projected pre-tax profit in the right-hand column is measured using the method employed by J.S. Cheng and Partners Inc. ("Cheng") in its 2007 analysis of Alberta auto insurance reform[1] and is based on claims projections ("Allen") made below in the Appendix.

Table 2 below shows the Realized Profit Provision for 2019 through 2023, as presented by Oliver Wyman on p. 23 of its 2024 Annual Review, and the Realized Profit Provision for 2019 through 2024 based on Allen claims projections.

Table 2: Realized Profit Provision by Year, 2019 through 2024

Year	Oliver Wyman Realized Profit Provision	Allen Realized Profit Provision
2019	-2.5%	-1.0%
2020	15.5%	16.7%
2021	15.1%	24.2%
2022	1.3%	11.0%
2023	7.1%	13.2%
Proj 2024		15.8%

It can be seen that in three of the five years 2019 through 2023, the Oliver Wyman RPP exceeds the benchmark profit provision of 6.0%. In all five years 2020 through 2024, the projected Allen RPP exceeds the benchmark of 6.0%.

[1] "REPORT ON THE REVIEW of Insurance Reform – Premium and Claim Analysis by Gordon G. Smith and Theresa K. Reichert of Deloitte and Touche LLP," J.S. Cheng and Partners, Inc., March 29, 2007

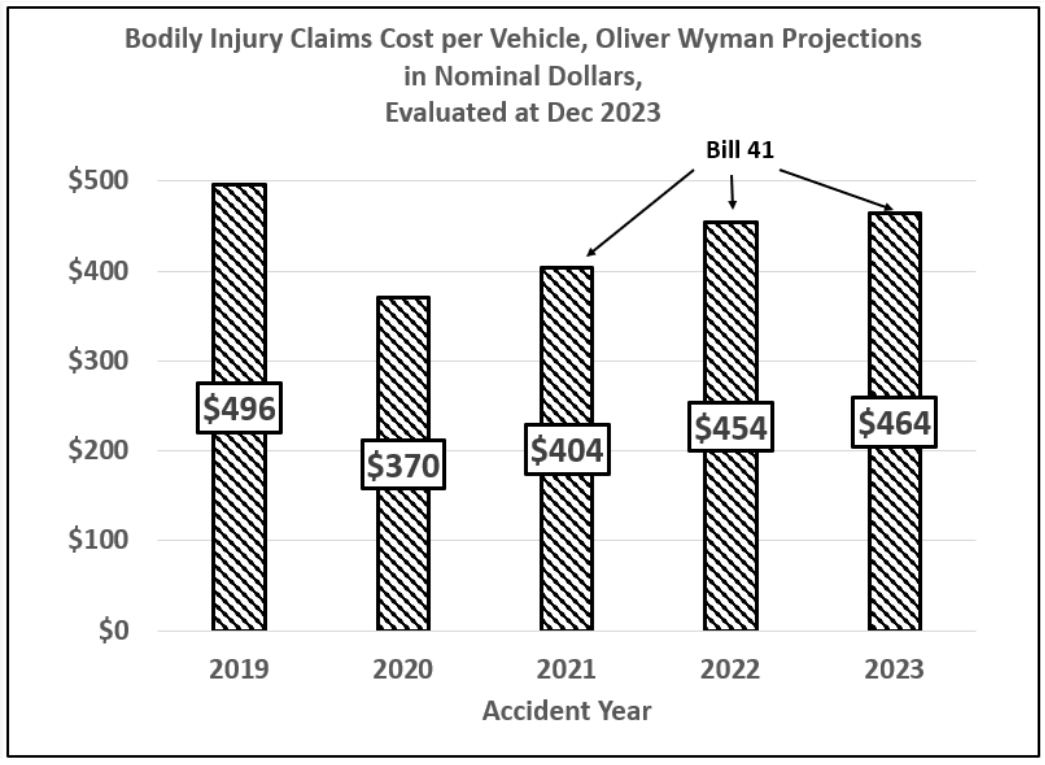
B. Trends in Bodily Injury Loss and LAE Cost per Vehicle Since 2019

Figures 1 through 4 show that bodily injury loss and LAE costs per vehicle dropped significantly in 2020, at the same time that the onset of the COVID-19 pandemic brought about a sudden reduction at that time in traffic volumes. Further, the Bill 41 reforms of bodily injury compensation began late in 2020.

As the pandemic-related restrictions have been lifted, it is noted that the level of bodily injury compensation remains below the 2019 level. In inflation-adjusted terms, the level of loss and LAE cost has stabilized over the 2022-2023 period.

Figure 1 below presents the loss and LAE cost per vehicle for bodily injury coverage, as projected by Oliver Wyman for accident years 2019 through 2023. It can be noted that the loss cost has been below the 2019 level throughout the subsequent period.

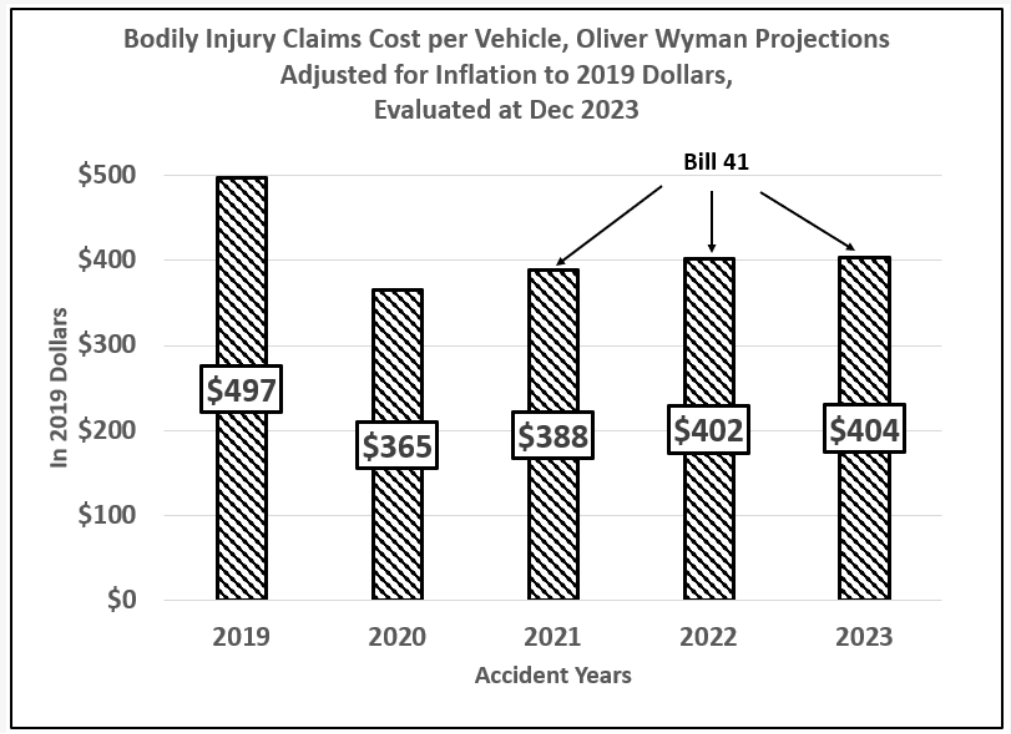
Figure 1: Projected Bodily Injury Loss and LAE per Vehicle, per Oliver Wyman



Source: Oliver Wyman 2024 Annual Review Table 9, p. 31

Figure 2 shows that, in inflation adjusted terms, the loss cost per vehicle has been approximately stable over the years 2022 through 2023, even as inflation dropped from roughly 6% in 2022 to 3% in 2023. The loss cost remains nearly 20% below its peak in 2019.

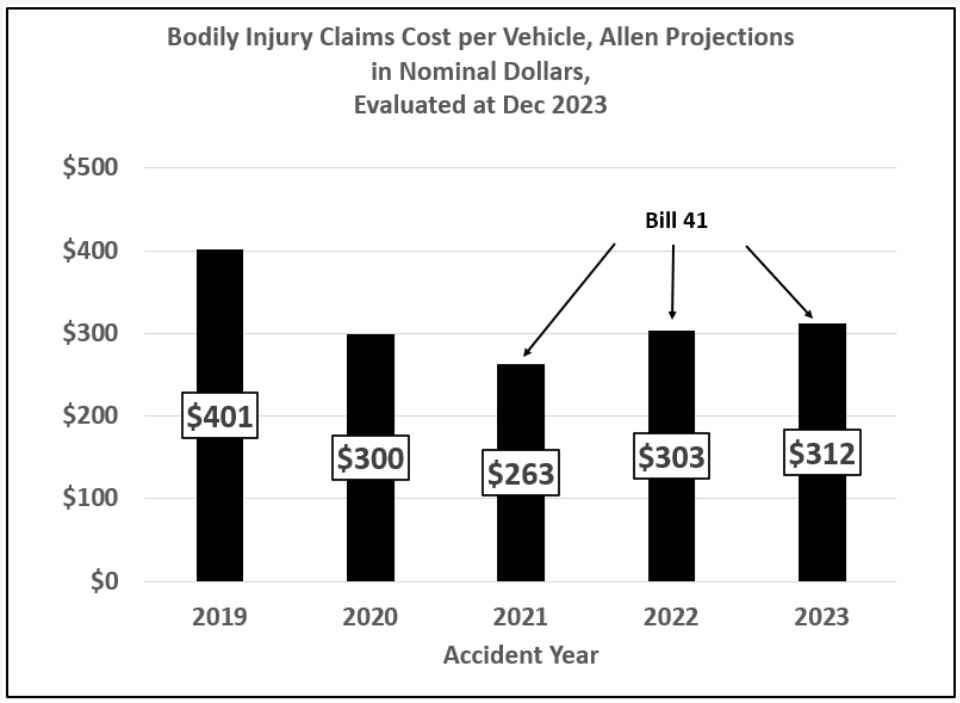
Figure 2 : Inflation Adjusted Bodily Injury Loss and LAE per Vehicle, per Oliver Wyman



Source: Appendix Table A.2.5, Column [6]

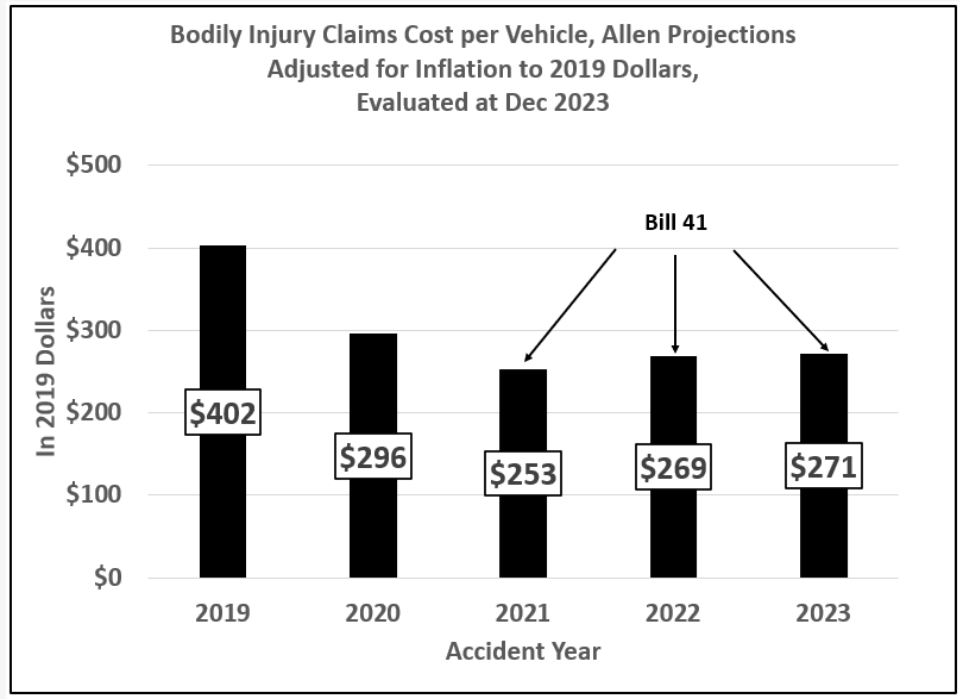
Figures 3 and 4 show projected loss costs as per the Allen claims projections. Similarly, the amounts for 2020 and later are below the peak reached in 2019, and show stability in inflation-adjusted terms.

Figure 3 : Projected Bodily Injury Loss and LAE per Vehicle, per Allen



Source: Appendix Table A.2.5, Column [2]

Figure 4 : Inflation-Adjusted Bodily Injury Loss and LAE per Vehicle, per Allen



Source: Table A2.5, Column [7]

C. Increases in Operating Expenses and Acquisition Costs Since 2014

Operating Expenses

Based on the benchmark provision for operating expenses, and on total earned premium for the industry, total operating expenses have increased from $707 million in 2014 to $1.306 billion in 2023. Thus, over the 10-year period, the percentage increase is 85%, while the annual increase stated in dollars is $598 million.

A portion of the increase in operating expenses is due to general inflation. Removing this impact by stating all amounts in 2019 dollars, the percentage increase in real annual operating costs was 49%. The corresponding 2019-dollar increase in annual operating expenses was $371 million.

An additional portion of the increase in costs is due to growth from 2.6 million vehicles to 2.9 million vehicles. The per-vehicle increase in inflation-adjusted annual operating expenses was 32%. Since there are fixed costs, the rise in the operating expenses, net of general inflation, per additional vehicle, is in the range of 32% to 49%.

Table 3: Growth in Operating Expenses, Ten-Year Period 2014 through 2023

Year	Earned Premium (000s)	No. of Vehicles	Operating Expense Pct	Operating Expenses (000s)	Operating Expenses (000s) 2019$	Operating Expenses per Vehicle 2019$
2014	$2,923,181	2,576,725	24.2%	$707,410	$765,157	$297
2023	$4,731,253	2,907,861	27.6%	$1,305,826	$1,136,640	$391
% Increase				85%	49%	32%
$ Increase				$598,416	$371,483	$94

Acquisition Costs

Based on amounts underlying the benchmark provision for acquisition costs, including direct commissions, contingent commissions and other acquisition expenses and on total earned premium for the industry, total acquisition costs have increased from $441 million in 2014 to $775 million in 2023. Thus, over the 10-year period, the percentage increase is 76%, while the annual increase stated in dollars is $335 million.

A portion of the increase in operating expenses is due to general inflation. Removing this impact by stating all amounts in 2019 dollars, the percentage increase in real annual acquisition costs was 41%. The corresponding 2019-dollar increase in annual operating expenses was $198 million.

An additional portion of the increase in costs is due to growth from 2.6 million vehicles to 2.9 million vehicles. The per-vehicle increase in inflation-adjusted annual acquisition costs was 25%.

Table 4: Growth in Acquisition Costs, Ten-Year Period 2014 through 2023

Year	Earned Premium (000s)	No. of Vehicles	Acquisition Costs Pct	Acquisition Costs (000s)	Acquisition Costs (000s) 2019$	Acquisition Costs per Vehicle 2019$
2014	$2,923,181	2,576,725	15.1%	$441,400	$477,433	$185
2023	$4,731,253	2,907,861	16.4%	$775,926	$675,395	$232
% Increase				76%	41%	25%
$ Increase				$334,525	$197,962	$47

D. The New Normal Factors Must Be an Integral Part of the Trend Recommendation

Since 2015, the AIRB Benchmark trend rate for bodily injury coverage has projected annual increases in loss cost that are significantly higher than general inflation, as expressed by the Alberta Consumer Price Index (CPI). The Oliver Wyman 2024 Annual Review continues to recommend a Benchmark trend rate in excess of increases in the CPI for bodily injury coverage.

As was shown on Figures 1 through 4, estimates of the bodily injury loss and LAE cost per vehicle have been below the 2019 level. This reflects a claims frequency that continues to remain below the level of 2019 and prior. **This fact underscores the necessity for users of the Oliver Wyman 2024 Annual Review to consider and to apply the New Normal factors provided in Table 21 on p. 90 of the Oliver Wyman review.**

The New Normal Factors establish a stable, continued level of frequency, following the social changes brought about by the pandemic, along with the reforms to bodily injury compensation brought about in November 2020 by Bill 41.

Figure 5 below shows visually the magnitude of the New Normal adjustment, in predicting the 2024 bodily injury loss cost, beginning with the data point of the 2019 loss cost.

Figure 5: Impact of New Normal Adjustment on Prediction of 2024 Bodily Injury Loss and LAE Cost per Vehicle

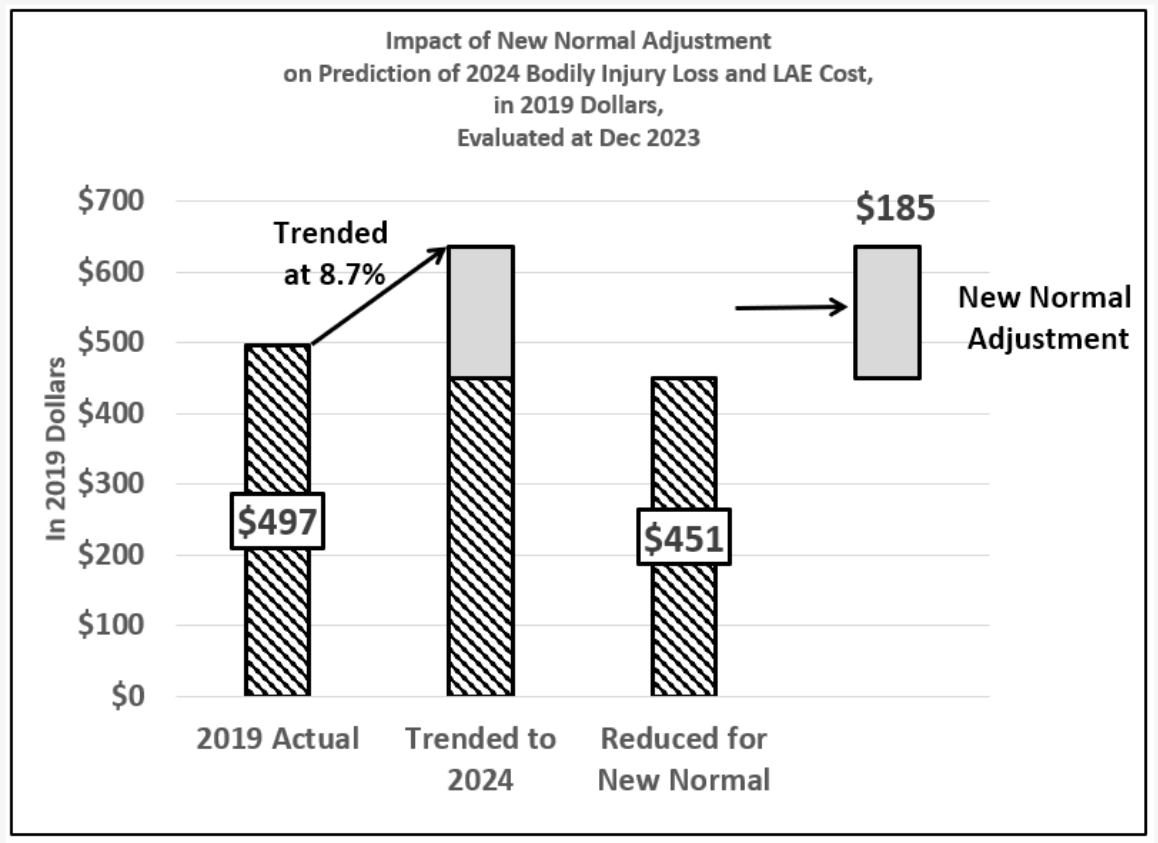
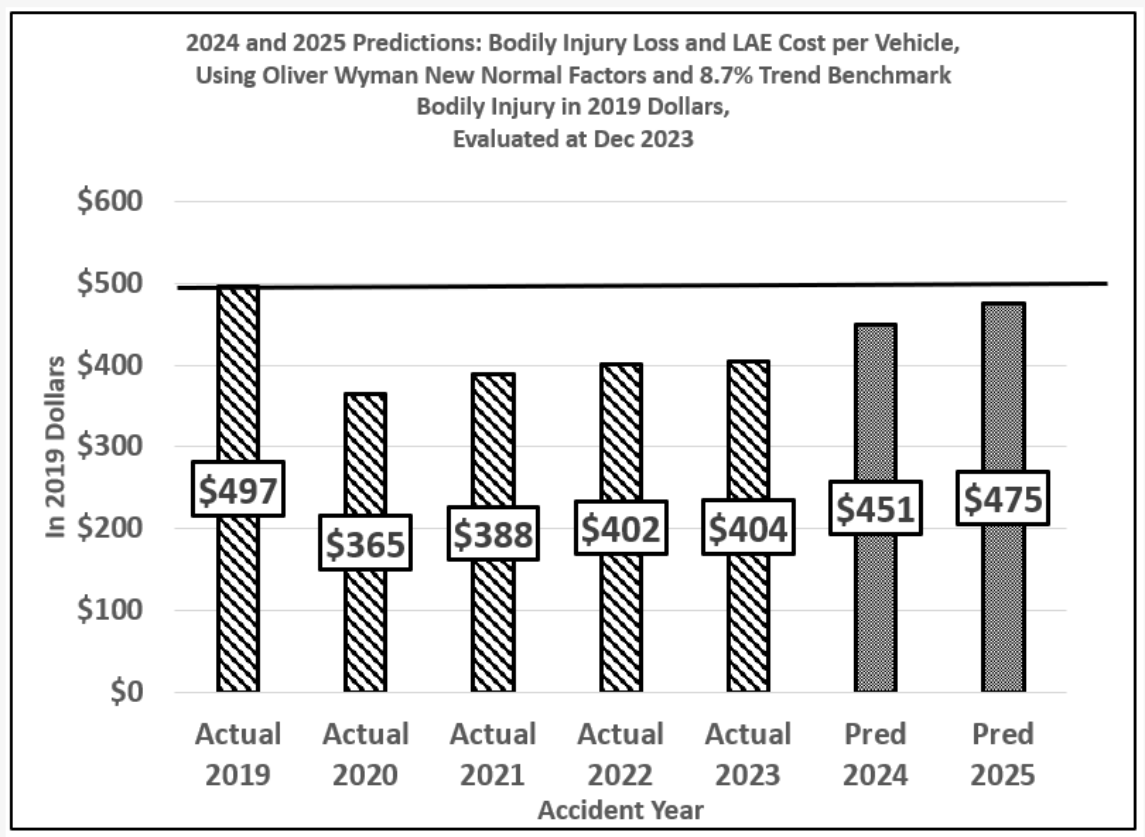


Figure 6 below shows that, in inflation-adjusted terms, the application of the New Normal adjustment, along with the benchmark 8.7% trend results in 2024 and 2025 loss cost predictions that remain below the 2019 level.

Figure 6: Predictions of 2024 and 2025 Bodily Injury Loss and LAE Cost per Vehicle, Using New Normal Adjustment and 8.7% Benchmark Trend

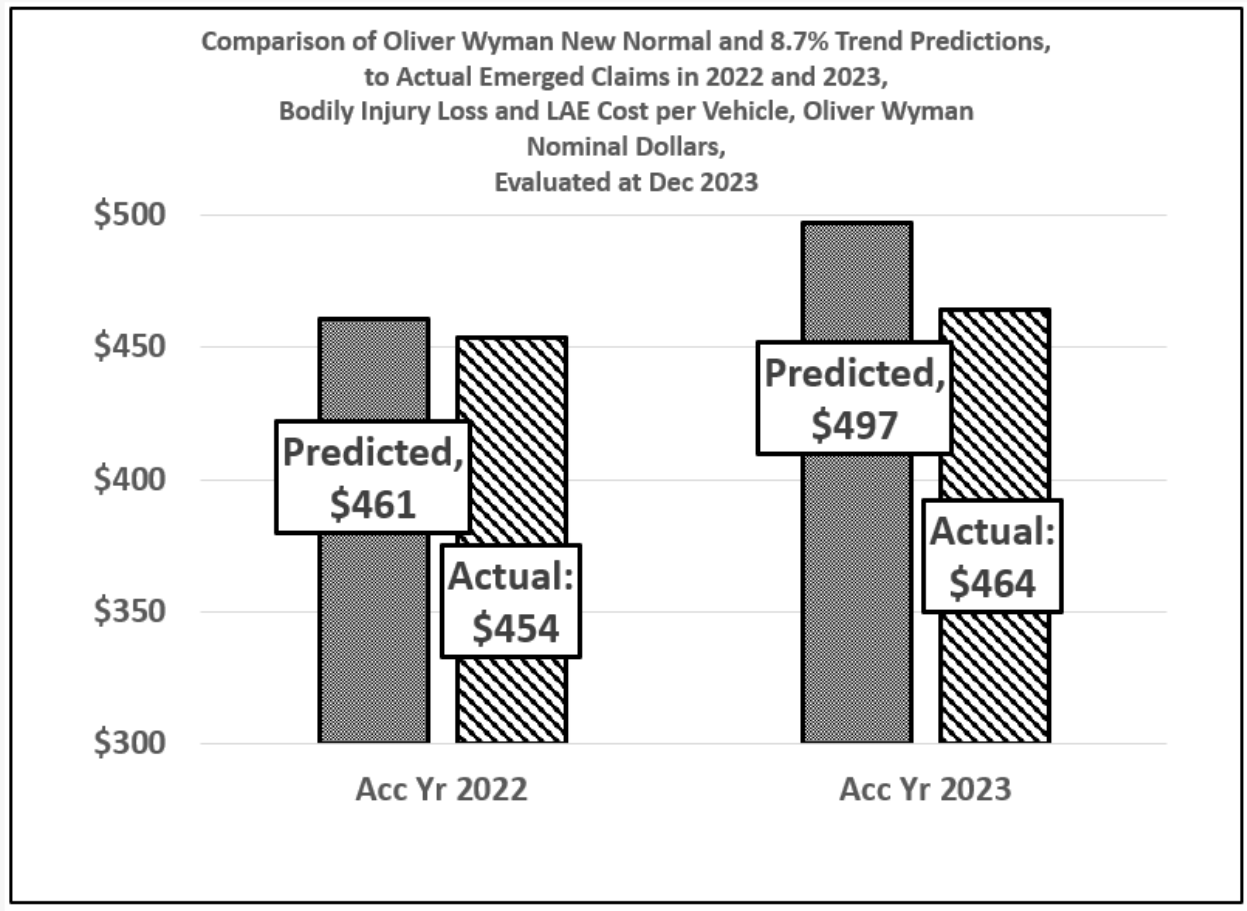


Source: Predicted Loss Costs are 2019 Loss Cost x 8.7% Trend ^ Years x New Normal Factor

As a test of the predictive performance of the New Normal Factors combined with the benchmark trend, Figure 7 below makes predictions for the 2022 and 2023 accident years, made by applying the New Normal and trend factors to results from the 2019 through 2021 accident years. The chart then compares these predictions to the actual results that emerged for the 2022 and 2023 accident years.

It can be seen that the predictions exceed the actual amounts that have emerged.

Figure 7: Comparisons of Predictions of 2022 and 2023 Bodily Injury Loss and LAE Cost per Vehicle to Actual



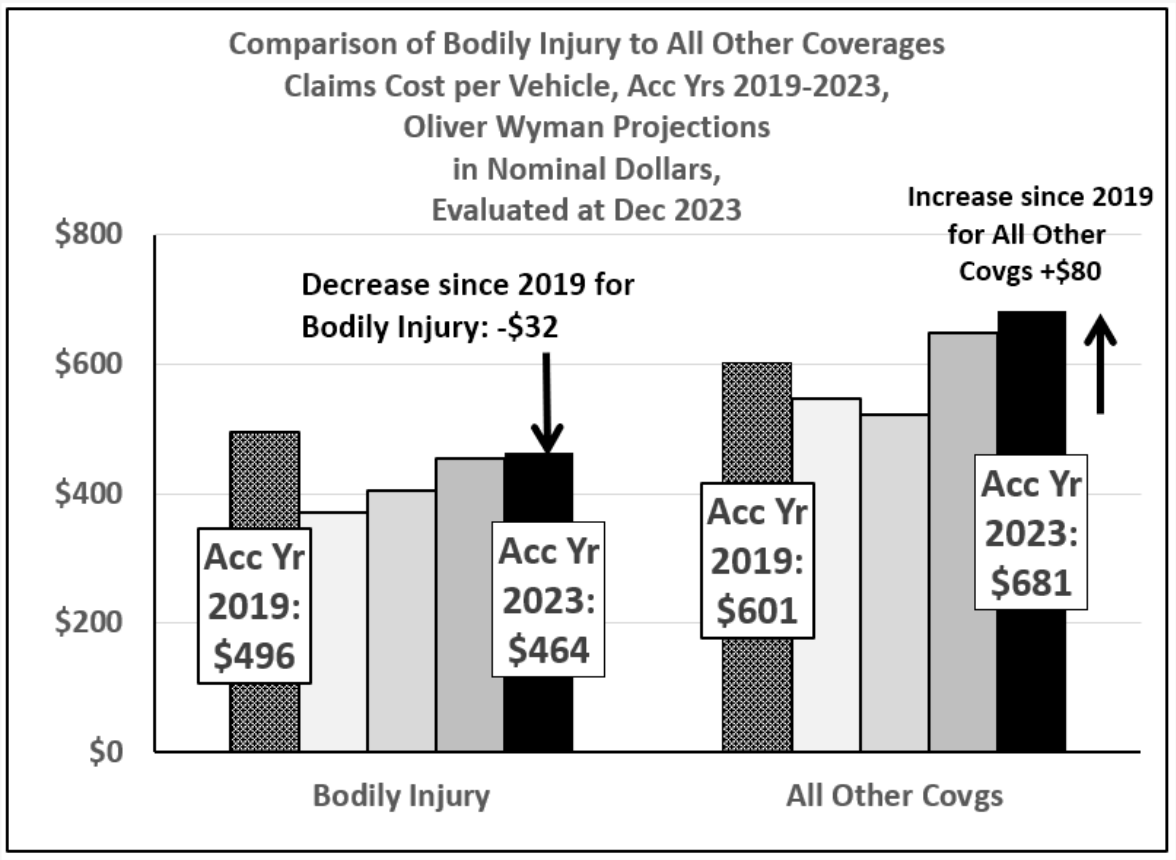
E. Comparison of Bodily Injury to All Other Coverages, Changes in Loss and LAE Cost per Vehicle

Bodily Injury, Compared to All Other Coverages

Figures 8 and 9 below compare the changes in loss and LAE cost per vehicle over the 2019 to 2023 period, between bodily injury coverage and the combined total of all other coverages.

It can be seen that, in nominal dollars, the total loss cost per vehicle for the coverages other than bodily injury has returned to - and surpassed - the value for the 2019 accident year. However, for bodily injury, the loss cost remains below the value for accident year 2019.

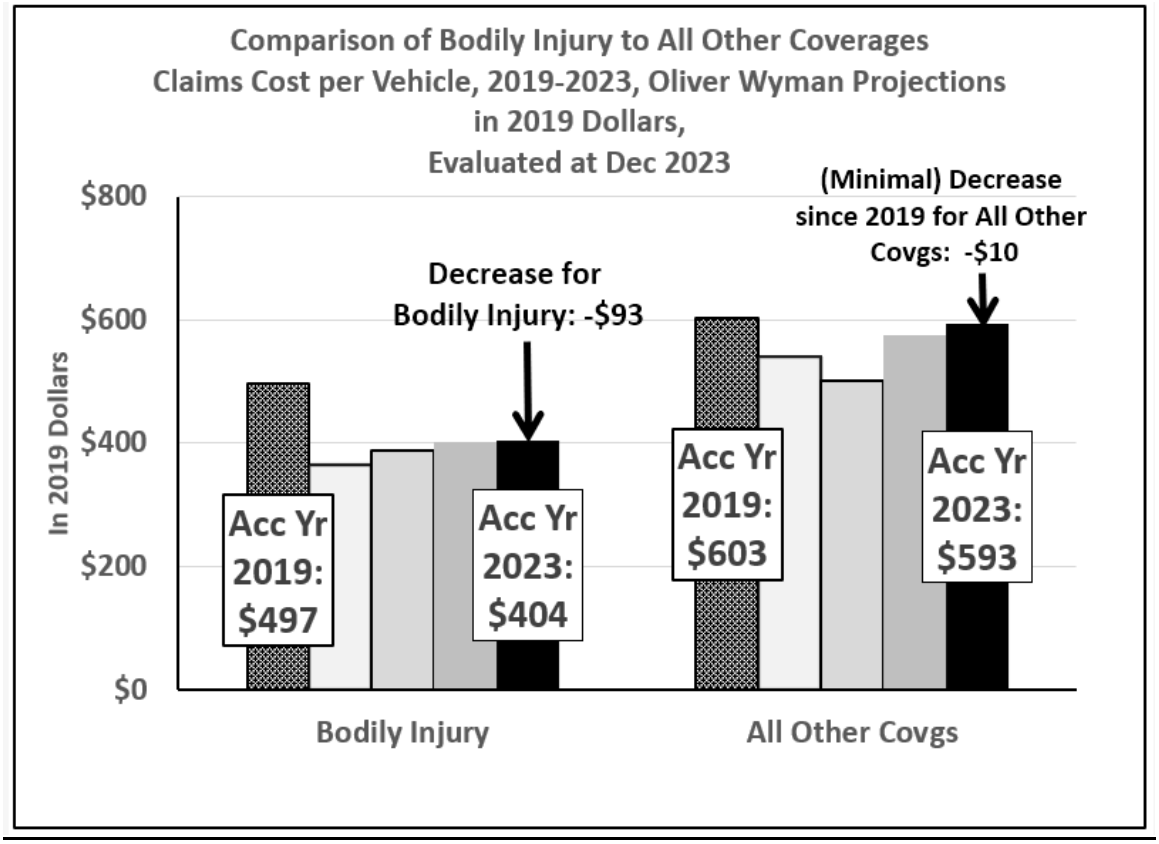
Figure 8: Comparison of Bodily Injury and All Other Coverages, Loss Cost per Vehicle, 2019 to 2023, Nominal Dollars, Oliver Wyman



Source: Appendix Table A.2.5

In 2019 dollars, a similar pattern is seen, with the total non-bodily-injury coverages almost returning to the 2019 level, while the bodily injury loss cost remains noticeably reduced from that of 2019.

Figure 9: Comparison of Bodily Injury and All Other Coverages, Loss Cost per Vehicle, 2019 to 2023, in 2019 Dollars, Oliver Wyman



Source: Appendix Table A.2.5

The Shift in Frequency from Collision to DCPD

In 2022, Alberta implemented direct compensation coverage, to compensate not-at-fault drivers for damage to their vehicles. Previously, this coverage was provided by third-party property damage coverage.

As reported in Table 10 on p. 31 of the Oliver Wyman 2024 Annual Review, there in growth in the loss cost and frequency for the second consecutive year for the DCPD coverage. The loss cost is reported at $223.44, compared to $187.03 in 2022 and $135.00 in 2021, and the frequency is reported at 26.88 claims per 1,000 vehicles, compared to 25.38 in 2022 and 20.48 in 2021. Indeed, the loss cost is reported to exceed the pre-pandemic level reported for 2019 ($169.47), and the frequency is approaching the 2019 level (28.69).

I have made a lower projection of the 2022 and 2023 loss costs and frequencies for DCPD, as shown in Appendix Table A 2.2 and Table A 2.3. This approach is to separate the third party property damage claims remaining under the PD coverage (i.e. for damage to other than vehicles) from the direct compensation claims. And then to apply development factors from the long-established DCPD system in New Brunswick to the respective DC and PD amounts.

As shown below in Table 5, the result of this adjustment, combined with restating the loss cost in 2019 dollars, mutes somewhat the uptick in frequency and loss cost, though the pattern remains that both the frequency and loss cost are approaching pre-pandemic levels.

Table 5: Frequency per 1,000 Vehicles and Loss and LAE Cost per Vehicle, Direct Compensation-Property Damage, Collision, Bodily Injury

Accident Year	Direct Compensation – Direct Compensation		Collision		Bodily Injury	
	Frequency per 1000 Vehicles	Loss and LAE Cost per Vehicle, 2019 Dollars	Frequency per 1000 Vehicles	Loss and LAE Cost per Vehicle, 2019 Dollars	Frequency per 1000 Vehicles	Loss and LAE Cost per Vehicle, 2019 Dollars
2015	31.56	$180	40.77	$268	6.39	$383
2016	29.46	$166	39.39	$261	6.28	$348
2017	30.76	$181	42.08	$287	6.56	$353
2018	30.25	$179	43.14	$288	6.36	$371
2019	28.69	$170	42.26	$274	6.43	$402
2020	19.42	$114	27.66	$185	4.29	$296
2021	20.48	$130	25.95	$188	4.54	$253
2022	25.36	$164	26.55	$226	4.55	$269
2023	25.93	$175	21.58	$189	4.58	$271
% Change between 2019 and 2023	-10%	+3%	-49%	-31%	-29%	-33%

Source: Appendix Table A 2.2 and A 2.3

Also in Table 5, it can be seen that the frequency before the pandemic was higher for collision than for PD (perhaps reflecting the effect of adverse selection, where those with greater value vehicles, more susceptible to damage, are more likely to purchase the optional coverage).

Timed with the onset of the pandemic and the change to direct compensation, the frequency for collision has fallen below that of DCPD, possibly indicating that claims involving physical damage to the vehicle are being shifted to the DCPD coverage away from the optional collision coverage.

The effect of this change on pre-tax profits by coverage can be seen in the Realized Profit Provision results in Table 6. There it can be seen that the profitability of collision coverage has grown rapidly and remained high, even with no net increase in premium rates since 2019.

Table 6: Realized Profit Provision by Coverage

Year	Basic Coverage (BI, DCPD, AB, UM)	Collision	All Coverages
2019	-7.2%	7.5%	-1.0%
2020	21.4%	26.9%	16.7%
2021	26.5%	26.2%	24.2%
2022	13.0%	7.8%	11.0%
2023	14.7%	19.4%	13.2%
2024	15.7%	25.1%	15.8%
% Increase in Premium per Vehicle, between 2019.2 and 2023.2	+26%	0%	+19%

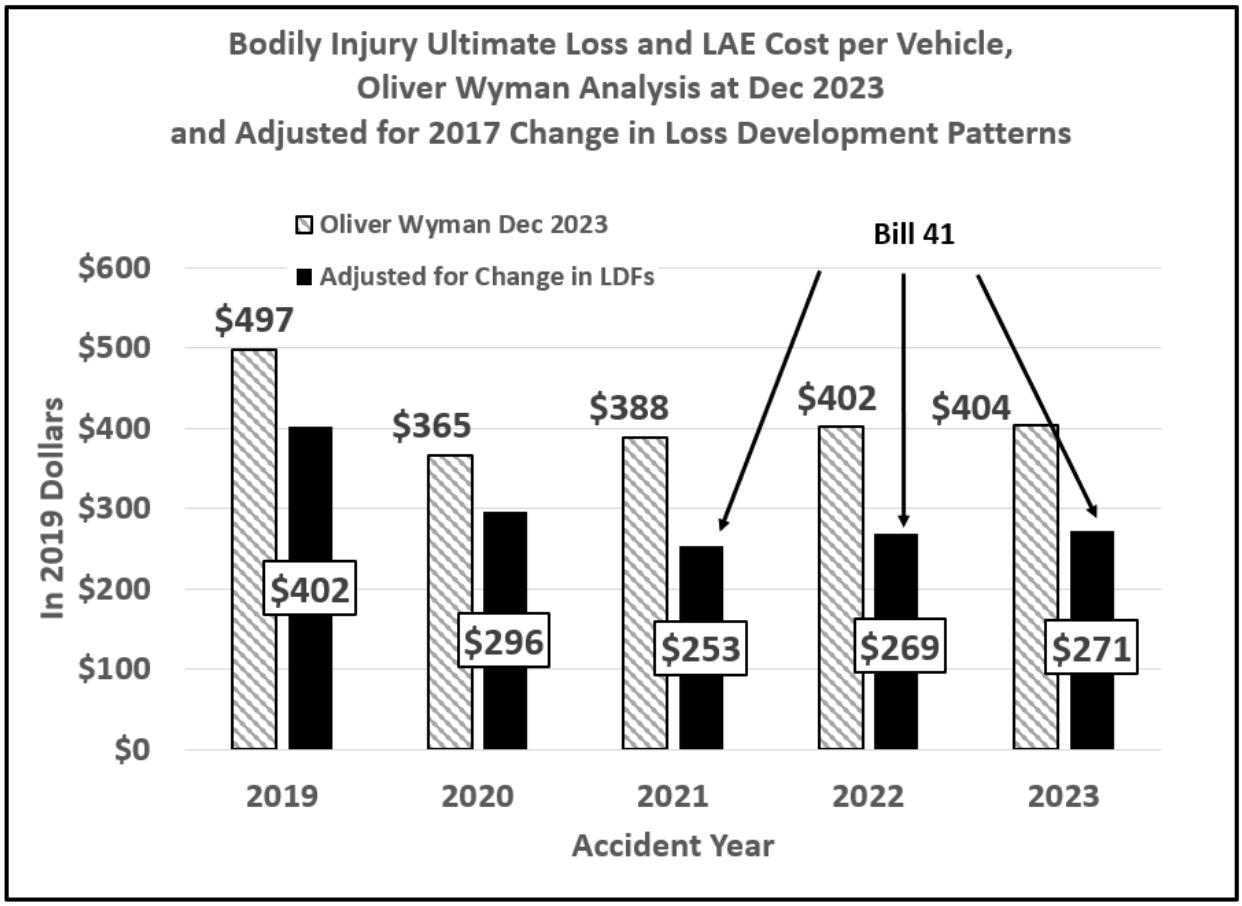
Source: Appendix Tables A 9.1, A 9.2, and A 9.3

VI. In-Depth Analysis of the Bodily Injury Loss Cost Projections

Figure 10 below illustrates the difference in the level of bodily injury loss and LAE cost per vehicle between the results of my analysis and the amounts published by Oliver Wyman in its 2024 report.

In addition to affecting the measure of pre-tax profits for the industry, the higher level of loss and LAE in these recent accident years contributes to Oliver Wyman's selection of an 8.7% trend rate for past and for future loss and LAE. This trend is substantially higher than the rise in the consumer price index, as seen below in Tables 7 and 8.

Figure 10: Bodily Injury Loss Cost, Oliver Wyman as at December 31, 2023



Source: Appendix Table A 2.5, Columns [6], [7]

In light of the differing loss and LAE cost findings between Oliver Wyman's analysis and my analysis, the next sections examine the bases for my findings.

The primary reason that my projections differ from those of Oliver Wyman is the adjustment I make for a change in the development pattern of case incurred claim values, beginning in 2017. The distinct and continuing change in the actuarial development pattern is seen below in Figure 13 and Figure 14.

This change in the development pattern occurs at the same time as an advisory by GISA that large insurers had changed their claims handling and reserving practices. My adjustment makes the assumption that the change in pattern reflects a change in the timing of recognition of claims costs, not a change in the claims' ultimate settlement values.

Table 7: Benchmark Trend Rates for Bodily Injury, Compared to Increase in Consumer Price Index for Alberta

Effective Date	Past Trend Rate	Future Trend Rate	12-Month Increase in CPI[2]
April 1, 2015	+2.0%	+2.0%	1.7%
Oct. 1, 2015	+4.5%	+4.5%	1.5%
April 1, 2016	+6.0%	+6.0%	1.3%
Oct. 1, 2016	+6.0%	+6.0%	1.0%
April 1, 2017	-1.0%	+7.5%	0.4%
Oct. 1, 2017	+7.5%	+7.5%	2.0%
April 1, 2018	+7.5%	+7.5%	2.8%
Oct. 1, 2018	+8.5%	+7.5%	2.1%
April 1, 2019	+8.5%	+7.5%	1.4%
Oct. 1, 2019	+8.5%	+7.5%	2.3%
April 1, 2020	+8.0%	+7.0%	1.6%
Oct. 1, 2020	+7.0%	+6.0%	0.8%
April 1, 2021	+7.0%	+5.0%	2.7%
Oct. 1, 2021	+7.0%	+5.0%	4.8%
April 1, 2022	+6.5%	+5.0%	8.4%
Oct. 1, 2022	+7.0%	+5.0%	6.0%
April 1, 2023	+7.0%	+5.0%	1.9%
Oct. 1, 2023	+8.0%	+5.0%	3.0%
April 1, 2024	+8.7%	+5.0%	3.0%
Oliver Wyman 2024 Recommendation	+8.7%	+8.7%	

[2] For the twelve months ending 3 months after effective date (e.g. for Effective Date Oct. 1, 2020, the CPI increase over the period Jan. 1, 2020 to Dec. 31, 2020)

Table 8: Cumulative Increase Over the Period 2015 through 2024

	Past Trend Rate of +8.7%, Oliver Wyman 2024 Annual Review	Increase in CPI, May 2015 to May 2024
Accumulated Over 9 Years 2015 to 2024	+111.9%	+26.6%

A. Distribution of Policy Limits

Consistent with the steady rise in severity shown in Table 9, p. 31, and on Column (10) of Appendix B, Page 1 of Oliver Wyman's 2024 Annual Review is a shift toward higher policy limits in the Alberta private passenger portfolio. For a given size of loss, higher limits will have higher average severity, reflecting losses that are in excess of the former policy limits, that are less truncated by the higher policy limits.

Table 9: Number of Earned Vehicles by Third Party Liability Policy Limit

Year	$200K/ $200K	$300K/ $300K	$500K/ $500K	$1MM/ $1MM	$2MM/ $2MM	Between $2MM and $5MM	Over $5MM	All Other Limits	Total	Pct of Vehicles with TPL Limit of $2 Million or More
2011	2,957	24,537	21,028	1,880,374	373,489	4,811	4	29	2,307,229	16%
2012	3,054	23,549	18,117	1,911,876	429,933	5,398	2	36	2,391,965	18%
2013	3,138	22,731	15,415	1,949,343	483,581	6,112	7	29	2,480,356	20%
2014	3,143	21,824	13,309	1,989,268	542,356	6,754	22	49	2,576,725	21%
2015	3,225	20,786	11,466	1,992,955	616,448	7,171	35	132	2,652,217	24%
2016	2,915	18,721	9,330	1,960,544	679,699	7,347	42	110	2,678,709	26%
2017	2,532	16,950	7,578	1,919,460	738,641	7,305	109	52	2,692,627	28%
2018	2,256	15,748	6,452	1,909,839	805,337	7,802	167	56	2,747,657	30%
2019	1,986	14,960	5,945	1,866,970	883,758	7,833	1,212	58	2,782,721	32%
2020	2,028	14,175	5,155	1,787,482	963,429	7,360	429	68	2,780,126	35%
2021	1,980	13,202	4,669	1,769,803	1,008,513	8,414	52	89	2,806,721	36%
2022	1,886	12,316	4,209	1,740,871	1,072,388	8,598	67	102	2,840,438	38%
2023	1,713	11,619	3,682	1,694,018	1,187,864	8,787	60	117	2,907,861	41%

Source: AUTO 7001-AB-2023 for Dec. 2023, General Insurance Statistical Agency (GISA)

The rise in claim severity due to an increase in policy limits is not generally accompanied by a reduction in insurer net income, since increased limits premium offsets the absorption of the higher-severity losses.

B. Favorable Development in Oliver Wyman's Projected Bodily Injury Loss and LAE Costs

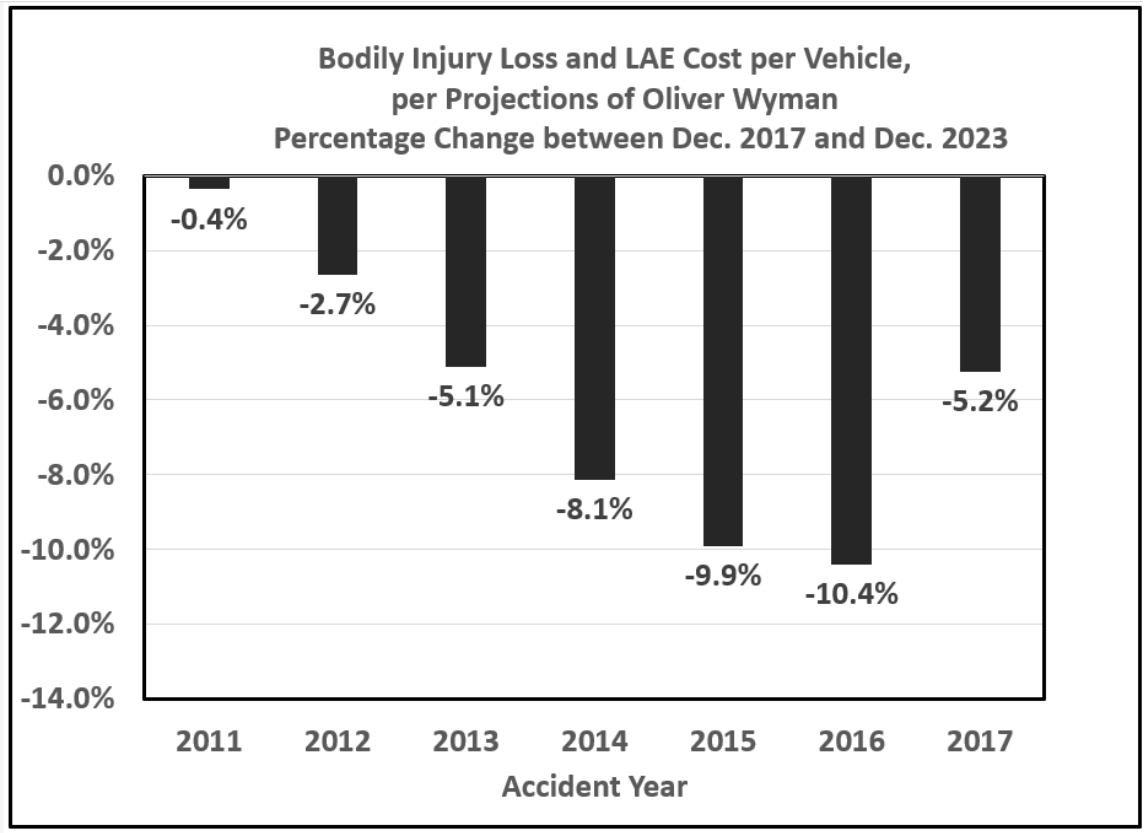
Successive analyses by Oliver Wyman, for the bodily injury coverage, have shown a mix of favorable and unfavorable changes in the estimated ultimate loss and LAE cost per vehicle.

Figure 11 below illustrates the net total magnitude of favorable development in Annual and Semi-Annual Reviews for accident years 2011 through 2017 since Dec. 2017.

The development seen here demonstrates the uncertainty that continues in the projected values of bodily injury coverages for these accident years. It also indicates that the coverage has been more profitable than was indicated in many previous Annual and Semi-Annual Reviews.

Further, the decreases seen since 2017 in Figure 11 reversed previous **increases** made between year-end 2016 and year-end 2017. The presence of decreases, after increases, across several accident years, points to the uncertainty about the remaining trajectory of the claim value projections.

Figure 11 – Development on Ultimate Loss and LAE Projections between Dec. 2017 and Dec. 2023



Source: Appendix Table A 3.1, Column [7]

C. The Demonstrated Potential for Favorable Development in Case Incurred Loss and LAE

The loss development factors presented on Appendix A, Page 3 of the 2024 Oliver Wyman report show a projection of continuous increases in the case incurred amounts for loss and ALAE for the bodily injury coverage, for groupings of claims up to 180 months in age. This may suggest that once the case amounts for a given accident year reach a given level, that this level is a new floor for the accident year.

In actuality, the case amounts are subject to later adjustment, that can bring about decreases as well as increases.

Table 10 shows a marked decrease in case incurred amounts reported eighteen months ago, at June 2022. Those amounts have since been revised upward - which does not diminish the point that the amounts reported are estimates of future payments and thus are inherently uncertain. They are the accumulation of estimates made by claims staff, independently, while guided by

operational procedures in a number of different insurers. Further, the estimate for any given claim is subject to regular revision up to the point of settlement of the claim.

Table 10: Reported Case Incurred Loss and ALAE, at Four Reporting Periods

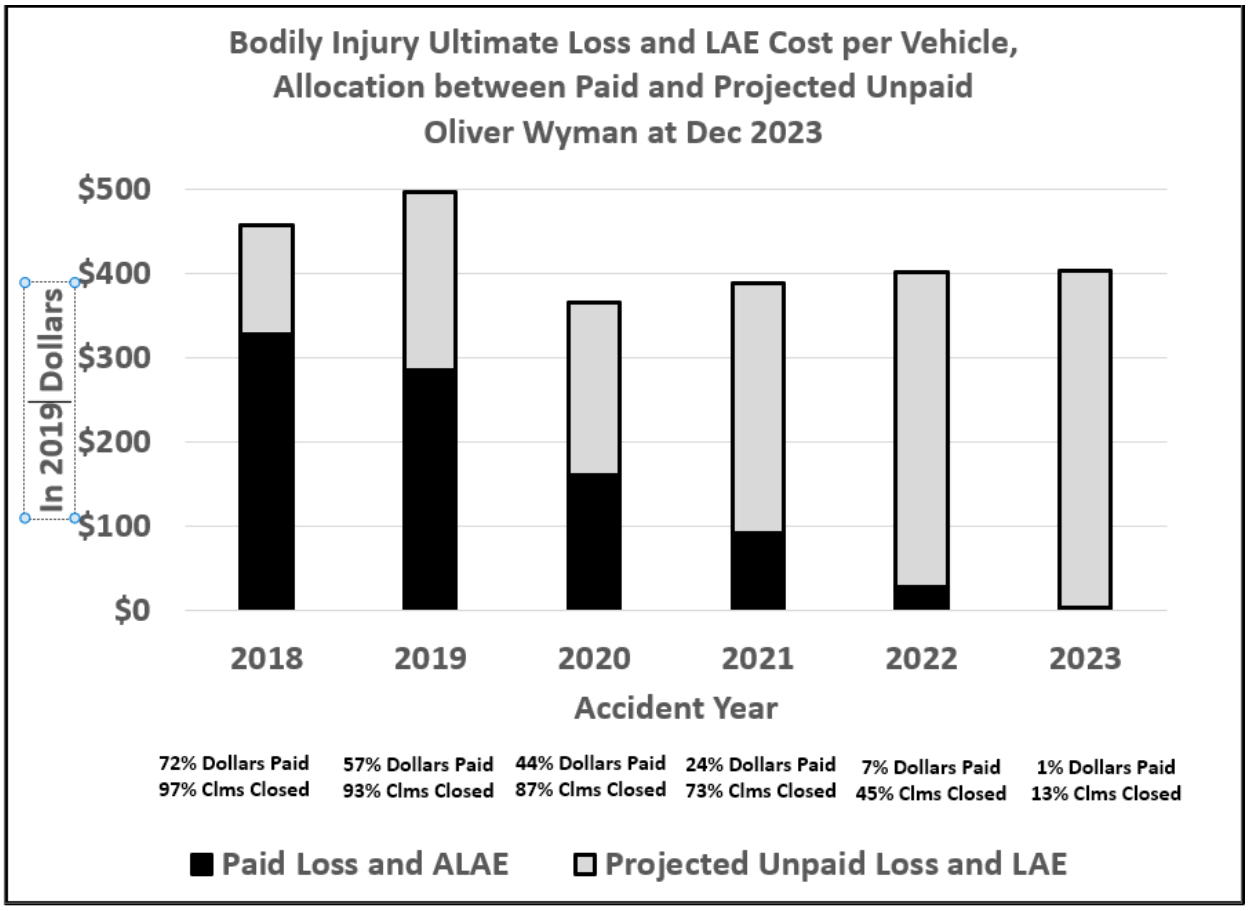
Accident Half Year	Case Incurred Loss and ALAE (000s)				
	Reported at Dec. 2020	Reported at Dec. 2021	Reported at June 2022 :	Reported at Dec. 2022	Reported at Dec. 2023
2013.02	$369,579	$369,325	$366,926	$369,869	$370,847
2014.01	$312,325	$315,355	$312,002	$315,757	$317,071
2014.02	$423,616	$419,364	$417,967	$420,759	$422,371
2015.01	$373,624	$377,730	$374,179	$381,657	$381,813
2015.02	$462,509	$469,877	$464,977	$473,624	$476,604
2016.01	$411,400	$418,376	$409,856	$418,722	$418,992
2016.02	$491,645	$511,231	$506,572	$519,836	$524,896
2017.01	$434,059	$451,274	$440,802	$462,581	$466,439
2017.02	$483,880	$519,576	$507,658	$537,539	$545,631
2018.01	$422,497	$477,506	$469,967	$505,459	$513,358

Source:
Exhibit AUTO 7001-AB-2020 for Dec. 2020,
Exhibit AUTO 7001-AB-2021 for Dec. 2021,
Exhibit AUTO-7501-AB-2022 for June 2022,
Exhibit AUTO 7001-AB-2022 for Dec. 2022,
Exhibit AUTO 7001-AB-2023 for Dec. 2023,
General Insurance Statistical Agency (GISA)

D. Unpaid Amounts Dominate, in the Last Six Accident Years

Figure 12 below illustrates that unpaid amounts continue to dominate Oliver Wyman's projected loss costs for the accident years 2020 and later. Even for the accident year 2019, at five years of age, unpaid amounts remain more than 40% of projected loss costs. Thus, there is a significant proportion of dollars that remains open to change in either direction.

Figure 12: Bodily Injury Loss Cost, Balance between Paid and Projected Unpaid Amounts, as at December 2023



Source: Appendix Table A 4.2, Columns [4], [7]; Appendix Table A 4.3, Columns [5], [6]

Note that the percentage of claims closed for each accident year is much higher than the percentage of dollars finalized. This pattern is common among insurance claims, as smaller claims are generally settled more quickly than larger claims. It also is consistent with Alberta's Minor Injury Regulation working as intended – in streamlining the resolution of minor injury claims.

E. 2017 Changes in Claims Handling Practices, per GISA Notes to Users

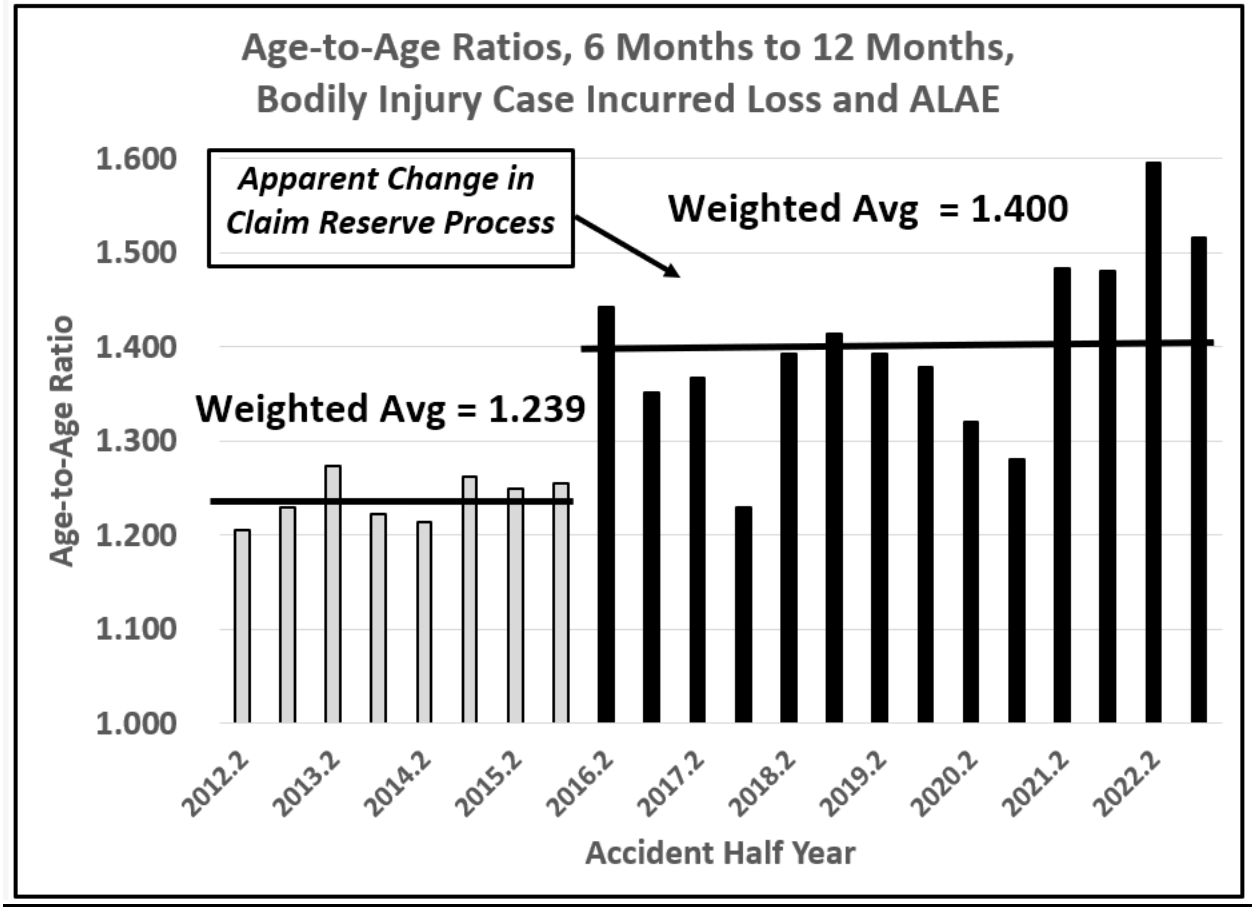
In publishing the private passenger automobile experience data for Alberta, GISA issued a bulletin of Notes to Users. These notes advise users of where to exercise caution in using the GISA exhibits.

- Note 12 advises that a large insurer has changed its claims handling practices for BI claims, increasing the rate at which it closes claims, beginning in the first half of 2017 and continuing in later calendar periods.
- Note 13 advises that a large insurer has strengthened its case reserving practice for BI claims, beginning with accident semester 2017-2, yielding increased case reserve amounts in calendar periods 2017-2 and later.

Evidence of changes in claims handling practices that coincide with these advisories can be seen in the ratios of case incurred loss and LAE at successive age intervals (i.e. age-to-age ratios in the loss development "triangle.")

Figure 13 below presents the age-to-age ratios in the 14 half-year intervals beginning in calendar year 2017, and compares them to those for the 8 half-year intervals ending at calendar year 2016. It can be seen that there is a marked and persistent shift from an average ratio of 1.239 in the pre-2017 period to an average of 1.400 in calendar year 2017 and later.

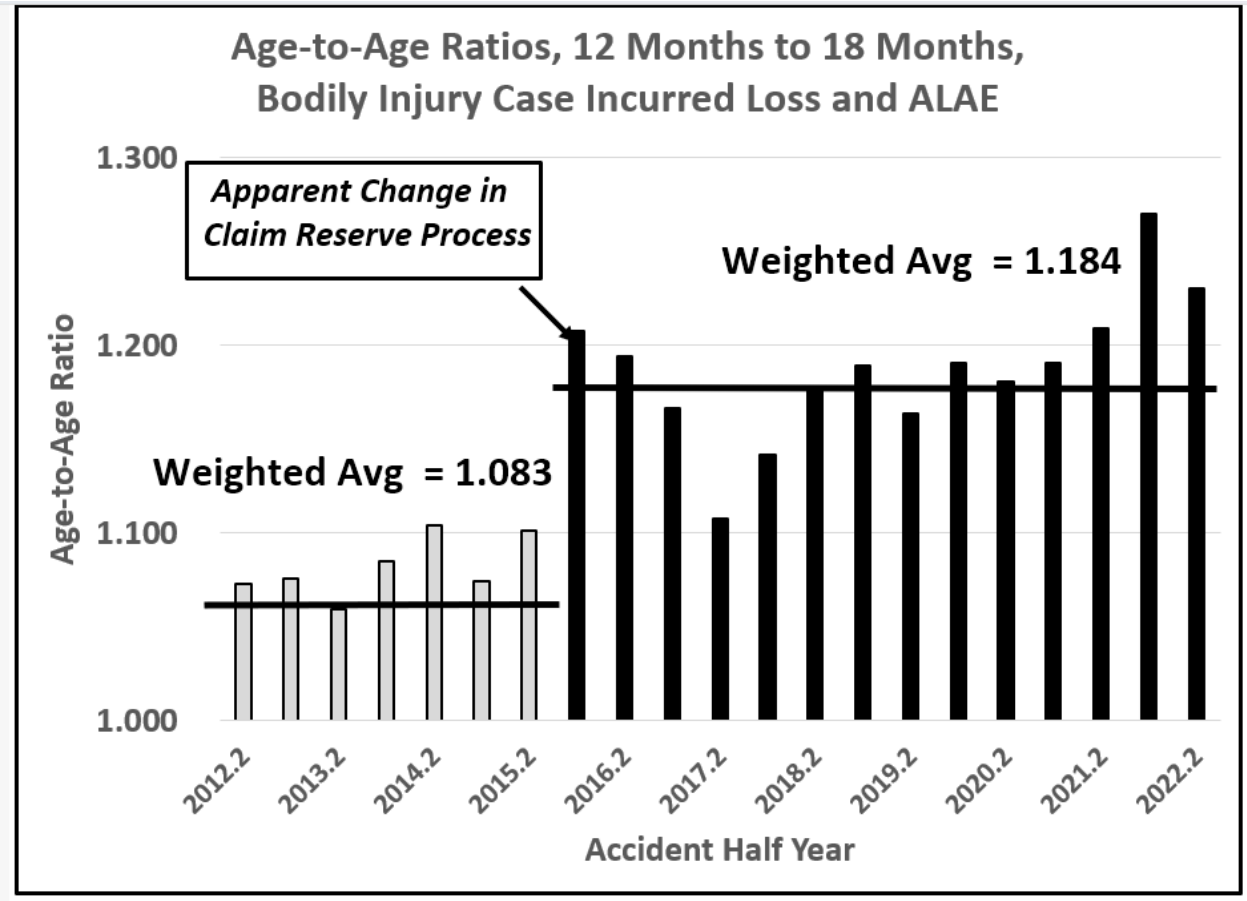
Figure 13: Age-to-Age Ratios, 6 Months to 12 Months



Source: Appendix Table A 5.1

Figure 14 shows a similar discontinuous and ongoing shift for the ratios from 12 months to 18 months, from an average ratio of 1.083 in the pre-2017 period to an average of 1.184 in the latter period.

Figure 14: Age-to-Age Ratios, 12 Months to 18 Months



Source: Appendix Table A 5.2

These shifts could indicate a change in claims handling practices, in particular rules and policies that lead claims staff to set case reserves at a higher level with a given set of facts having emerged. Such a shift would not imply a change in the nature of the underlying claims costs – rather it would indicate a change in the *estimates* and *predictions* of those claims costs, as made by claims staff and management.

The following are the reasons that suggest to me that the shift in pattern is a matter of reserving practice, rather than an increase in the underlying loss cost.

- First is that the shift has occurred at precisely the time that the GISA advisories in Notes 12 and 13 note a shift in claims handling practice. The term "strengthening" is used in Note 13, which often suggests a one-time disruption in the level of reserves, and a later return to "normal." However, in this case, the rise in the age-to-age factors takes hold in new cohorts of claims. It is possible for a change in claims handling policy to roll out over the life cycle of the claims – since certain facts that interact with the new procedures may take time to emerge. The pattern observed in Figures 7 and 8 would be consistent with this change.

- Second, the shift in the pattern happened some two years after the major court decision *McLean v. Parmar* in 2015, suggesting that the change did not arise from that decision.

- As will be seen in the next section, the rise in the reserve level hasn't been accompanied by a rise in claim dollars paid.

Once a new process for setting case reserves has been established, has been applied to all open claims, and has been in operation *throughout the life cycle* of several accident-year cohorts of claims, the unadjusted actuarial process for determining ultimate loss costs will operate satisfactorily. Where the new pattern increases the age-to-age ratio at an earlier age, the age-to-age ratios at later ages will be expected to *decrease* from the previous pattern. In effect, the growth cycle is shifted to an earlier age.

In the case of the Alberta 2017 shift, the second phase, the decrease in age-to-age ratios at a later age, has not yet been observable. For the accident years 2016 and later, "the other shoe hasn't dropped." There has not been a shift in the pattern at later ages i.e. a decrease to offset the higher ratios seen at the 6-12 month and 12-18 month intervals. Thus, the unadjusted chain-ladder method applies age-to-age factors drawn from accident years that follow the old pattern (2015 and prior) to claims cohorts (accident years 2016 and later) that fall under the new pattern.

In the sections that follow, I make adjustments to case incurred losses and loss development ratios that are designed to re-establish consistency between accelerated case incurred amounts for accident years 2016 and later, and loss development factors drawn from accident years 2015 and earlier.

F. The Test of Increasing Case Reserves against Payments to Date

As stated in the previous section, the change in loss development patterns at the 6-12 month and 12-18 month intervals, toward higher levels of case reserves at an earlier age, may indicate a change in case reserving practices that is only a procedural change, not a sign of an increase in the underlying loss cost. The alternative would be for the transitions to higher case incurred amounts to signal an increase in the underlying loss cost.

In my reports for the 2020 through 2023 Annual Reviews, my finding in the tests below indicated a change in reserving practices, and not an increase in the underlying loss amount. However, this year, the test does not have the same indication.

For this test, the tables below compare case incurred loss costs with corresponding paid loss costs for accident years at ages 48, 60, and 72 months.

One caveat about this test is that the amounts paid through those intervals represent only a small portion of the ultimate dollars paid for an accident year, and also represent the smaller and less involved claims.

Table 11 below, at age 48 months, shows a steady increase in the average case incurred loss and LAE per vehicle (in 2016 dollars) between accident years 2016 and 2019. In contrast, the average paid loss and LAE per vehicle (2016 dollars) for the same accident years does not increase consistently.

That the increase in average inflation-adjusted case incurred amounts is not mirrored by a consistent increase in inflation-adjusted paid amounts is in support of the hypothesis that there is only a change in reserving practices, and not an increase in the underlying loss amount.

Table 11: Case Incurred and Cumulative Paid Loss and LAE, Age 48 Months, Accident Years 2016 through 2020

Accident Year	Case Incurred Loss and LAE (000s), Age 48 Months	Cumulative Paid Loss and LAE (000s), Age 48 Months	Case Incurred Loss and LAE per Vehicle, Age 48 Months, 2016 Dollars	Cumulative Paid Loss and LAE per Vehicle, Age 48 Months, 2016 Dollars	Percentage of Reported Claims Closed, Age 48 Months
2016	$839,250	$464,262	$329	$182	90.0%
2017	$917,939	$500,104	$356	$194	88.9%
2018	$980,031	$502,915	$363	$186	86.3%
2019	$1,069,778	$550,232	$386	$198	85.3%
2020	$818,672	$455,095	$291	$162	85.5%

Table 12 below shows a leveling off of average paid loss and LAE per vehicle between the 2017 and 2018 accident years (even though average case incurred amounts show an increase). However, the 2019 accident year shows an increase in the average paid amount per vehicle.

Table 12: Case Incurred and Cumulative Paid Loss and LAE, Age 60 Months, Accident Years 2016 through 2019

Accident Year	Case Incurred Loss and LAE (000s), Age 60 Months	Cumulative Paid Loss and LAE (000s), Age 60 Months	Case Incurred Loss and LAE per Vehicle, Age 60 Months, 2019 Dollars	Cumulative Paid Loss and LAE per Vehicle, Age 60 Months, 2019 Dollars	Percentage of Reported Claims Closed, Age 60 Months
2016	$902,907	$612,392	$354	$240	94.1%
2017	$970,974	$664,894	$377	$258	93.7%
2018	$1,051,214	$704,674	$389	$261	92.5%
2019	$1,172,268	$792,363	$422	$286	92.1%

At age 72 months, Table 13 below shows an increase in average paid amounts between the 2017 and 2018 accident years.

Table 13: Case Incurred and Cumulative Paid Loss and LAE, Age 72 Months, Accident Years 2016 through 2018

Accident Year	Case Incurred Loss and LAE (000s), Age 72 Months	Cumulative Paid Loss and LAE (000s), Age 72 Months	Case Incurred Loss and LAE per Vehicle, Age 72 Months, 2019 Dollars	Cumulative Paid Loss and LAE per Vehicle, Age 72 Months, 2019 Dollars	Percentage of Reported Claims Closed, Age 72 Months
2016	$930,345	$739,670	$365	$290	96.6%
2017	$1,000,670	$801,318	$388	$311	96.6%
2018	$1,093,969	$888,705	$405	$329	96.4%

Since this test is showing a result different from that seen in 2020 through 2023, and also is based on the results for smaller claims, caution is urged in interpreting the test, based on a single year's outcome. This test stands to be further monitored as claims progress.

G. Specific Adjustments Made for the Change in Loss Development Patterns

An acceleration in loss development patterns has a double, reinforcing effect, amplifying both the current case incurred amounts, and the loss development factors that are calibrated from the new development patterns.

Thus, the process of adjusting the loss development process to a consistent basis throughout the life cycle of the accident year requires two adjustments. The first is an adjustment to the case incurred amounts for the affected accident years to a level of adequacy consistent with the later age-to-age intervals. The second adjustment is to the loss development factors for earlier ages – to undo the "front-loading" of loss development.

1. Adjustments to Case Incurred Amounts

As seen in Figure 13, the average age-to-age ratio for the interval 6-12 months has increased from 1.239 to 1.400 for accident semesters from 2016.2 through 2023.1. Thus, an adjustment to the case incurred amounts for these accident semesters, by the multiplier 1.239/1.400 = 0.885 is applied. This multiplier will partially restore the level of adequacy of the case incurred loss and LAE amounts to the levels seen prior to the shift that took place in calendar year 2017.

Similarly, a multiplier of 1.083/1.184 = 0.915, taken from Figure 14, is applied for accident semesters 2016.1 through 2022.2 to provide the remaining restoration to the level of adequacy that existed prior to calendar year 2017.

Table 14 below calculates the adjustment factors to case incurred amounts, by accident semester.

Table 14: Adjustment Factors for Case Incurred Loss and ALAE

Accident Semester	[1] Adjustment Factor for Age 6-12 Months	[2] Adjustment Factor for Age 12-18 Months	[3] Total Adjustment Factor [1] x [2]
2015.1	1.000	1.000	1.000
2015.2	1.000	1.000	1.000
2016.1	1.000	0.915	0.915
2016.2	0.885	0.915	0.810
2017.1	0.885	0.915	0.810
2017.2	0.885	0.915	0.810
2018.1	0.885	0.915	0.810
2018.2	0.885	0.915	0.810
2019.1	0.885	0.915	0.810
2019.2	0.885	0.915	0.810
2020.1	0.885	0.915	0.810
2020.2	0.885	0.915	0.810
2021.1	0.885	0.915	0.810
2021.2	0.885	0.915	0.810
2022.1	0.885	0.915	0.810
2022.2	0.885	0.915	0.810
2023.1	0.885	1.000	0.885
2023.2	1.000	1.000	1.000

Source: Appendix Tables A 5.1, A 5.2

2. Adjustments to Loss Development Factors

The only two development factors to ultimate that are affected by the shift in the intervals from 6-12 months and from 12-18 months are the factors from 6 months to ultimate and from 12 months to ultimate.

Table 15 below calculates the adjustment factors to case incurred amounts, by accident semester.

Table 15: Adjustment Factors for Loss Development Factors

Accident Semester	[1] Adjustment Factor for Age 6-12 Months	[2] Adjustment Factor for Age 12-18 Months	[3] Total Adjustment Factor [1] x [2]
2015.1	1.000	1.000	1.000
2015.2	1.000	1.000	1.000
2016.1	1.000	1.000	1.000
2016.2	1.000	1.000	1.000
2017.1	1.000	1.000	1.000
2017.2	1.000	1.000	1.000
2018.1	1.000	1.000	1.000
2018.2	1.000	1.000	1.000
2019.1	1.000	1.000	1.000
2019.2	1.000	1.000	1.000
2020.1	1.000	1.000	1.000
2020.2	1.000	1.000	1.000
2021.1	1.000	1.000	1.000
2021.2	1.000	1.000	1.000
2022.1	1.000	1.000	1.000
2022.2	1.000	1.000	1.000
2023.1	1.000	0.915	0.915
2023.2	0.885	0.915	0.810

Source: Appendix Tables A 5.1, A 5.2

3. Calculation of Ultimate Bodily Injury Loss and LAE Cost per Vehicle, Using Adjustments

Table 16 below illustrates the complete process for the affected accident semesters, of adjusting both the case incurred loss and LAE amounts, and the loss development factors to which they are applied. The result, at the right-hand column, is the series of inflation-adjusted loss costs seen in Figures 1 and 2.

Table 16: Calculation of Ultimate Bodily Injury Loss and LAE Cost per Vehicle, with Adjustments for Change in Loss Development Pattern

Accident Semester	Earned Vehicles	Oliver Wyman Ultimate Loss and LAE at Dec. 2023 (000s)	Adjustmt Factor for Case Incurred Loss and ALAE	Adjustmt Factor for LDFs	Adjusted Ultimate Loss and LAE at Dec. 2023 (000s)	Additional Impact of Bill 41 (000s)	Loss and LAE Cost per Vehicle	Alberta CPI (June)	Loss and LAE Cost per Vehicle in 2019 Dollars (CPI 143.1)
2015.1	1,302,828	$424,655	1.000	1.000	$424,655				
2015.2	1,349,389	$531,225	1.000	1.000	$531,225		$360	134.5	$383
2016.1	1,324,192	$459,616	0.915	1.000	$420,549				
2016.2	1,354,517	$575,840	0.810	1.000	$466,301		$331	136.3	$348
2017.1	1,323,271	$516,885	0.810	1.000	$418,561				
2017.2	1,369,356	$605,633	0.810	1.000	$490,426		$338	136.9	$353
2018.1	1,348,572	$577,836	0.810	1.000	$467,917				
2018.2	1,399,086	$659,477	0.810	1.000	$534,028		$365	140.7	$371
2019.1	1,372,057	$650,928	0.810	1.000	$527,105				
2019.2	1,410,664	$728,326	0.810	1.000	$589,780		$401	142.7	$402
2020.1	1,371,291	$472,976	0.810	1.000	$383,004				
2020.2	1,408,836	$555,930	0.810	1.000	$450,178		$300	145.0	$296
2021.1	1,380,614	$475,743	0.810	1.000	$385,245	$88,359			
2021.2	1,426,107	$658,606	0.810	1.000	$533,323	$91,271	$263	148.9	$253
2022.1	1,395,329	$527,226	0.810	1.000	$426,934	$89,301			
2022.2	1,445,109	$761,040	0.810	1.000	$616,271	$92,487	$303	161.4	$269
2023.1	1,425,692	$616,421	0.885	0.915	$499,162	$91,244			
2023.2	1,482,169	$733,177	1.000	0.810	$593,708	$94,859	$312	164.4	$271

Source: Appendix Tables A 2.1, A 2.4 and A 2.5

H. Bill 41 and its Impact

In November of 2020, the Government passed a series of reforms (Bill 41) reducing the level of compensation for bodily injuries in auto accidents in Alberta.

IBC Estimates of Claims Cost Reduction

The IBC, in its report "Driving Change: Auto Insurance that Works," [3] published a projection that changes to the definition of a minor injury in the Minor Injury Regulation (MIR) would reduce claims costs by $76 per earned vehicle. Further, the report also provided that the reduction in prejudgment interest (PJI) for non-pecuniary damages would reduce costs by $15 per earned vehicle. The publication does not provide an estimate of the further savings to arise from the limitation in the number of expert reports under Bill 41.

For accident years 2021 through 2023, reductions in claims costs due to Bill 41 are based on these amounts. For accident years 2024 and beyond, reductions in claims costs due to Bill 41 are based on the Oliver Wyman New Normal reductions in frequency.

Remaining Accident Year 2021 through 2023 Impact

When the IBC published its estimate, there was no recorded claims experience under the new legislation. For accident years 2021 and 2022, the combined impact of Bill 41 was estimated by the IBC to be $76 plus $15 per earned vehicle, totalling $91.

However, as of December 2023, there are claims that have been reported under the Bill 41 regime, and case estimates of their value have been made. The analysis below estimates the remaining impact of Bill 41 not yet recognized in the case estimates.

Tables A.6.1 and A.6.2 in the Appendix estimate that $27 per vehicle has already been recognized in the estimated loss and LAE cost for accident years 2021 through 2023. Thus, there remains $64 per vehicle in savings for accident years 2021 through 2023 for Bill 41.

[3] "Driving Change: Auto Insurance that Works," Insurance Bureau of Canada, March 6, 2020, p. 6.

Accident Year 2024 Impact on New Normal Adjustment for Bodily Injury, Including Severity

As reported by Oliver Wyman, the New Normal factor for frequency, applied to 2019 experience for bodily injury, is 0.712. Since the projected 2024 loss and LAE is built from the 2019 loss and LAE, this New Normal factor is considered to be an appropriate estimate of the impact of Bill 41 on accident year 2024.

VII. In-Depth Analysis of the Profitability of the Alberta Private Passenger Automobile Insurance Industry

Throughout the analyses below, profit for the industry is measured using the method employed by J.S. Cheng and Partners Inc. ("Cheng") in its 2007 analysis of Alberta auto insurance reform.[4]

Other methods of calibrating the industry profit are cited in Oliver Wyman's 2024 report. These methods include the "Realized Profit Provision," applying to the whole industry the formula used by AIRB in assessing whether rate applications meet the benchmark profit margin of 6%. (The Realized Profit Provision measure does not include investment income earned on insurance company capital). They also include the profit report AUTO9501-AB prepared by GISA. Sections below will find some consistency between the results of the Cheng method and the Realized Profit Provision. They will also cite the differences that account for lower profit amounts reported in the GISA Profit Report.

The Realized Profit Provision in this analysis is calculated slightly differently than Oliver Wyman's method, in that it uses estimates of calendar year investment income on reserves (as is done in the Cheng method), in place of discounting of the loss and LAE ratio. However, this approach is approximately equivalent.

A. Results by Year, 2019, through 2023 and Projections for 2024

Table 17 below presents projected pre-tax profit for the industry for 2019 through 2023, using Cheng's method, with adjustments for the 2017 loss development pattern change made to claims costs and trends from the Oliver Wyman Dec. 2023 analysis.

The projection for 2024, is largely based on a continuation forward of premium components from the 2023 year, and claims amounts from the pre-pandemic 2019 accident year, with the following adjustments:

- The projected earned premium for 2024 partially captures premium rate increases taken through late 2023. This done by adjusting the 2023 earned premium upward to the level of written premium in the second half of 2023. This approach is an approximation of the premium to be earned in 2024.

- Claims trends from the Dec. 2023 Oliver Wyman analysis are replaced by increases in the Alberta CPI from June 2019 through June 2024, to reflect general inflation, across all

[4] "REPORT ON THE REVIEW of Insurance Reform – Premium and Claim Analysis by Gordon G. Smith and Theresa K. Reichert of Deloitte and Touche LLP," J.S. Cheng and Partners, Inc., March 29, 2007

coverages. This is consistent with the stability seen (in 2019 dollars) in loss and LAE cost per vehicle for all coverages combined. This makes the conservative assumption that the high rate of general inflation seen in the 12 months ending June 2022 (8.4%) will be transmitted fully to claims costs.

- Claims costs between the 2019 level and the 2023 level are increased by the growth in the number of earned exposures between 2019 and 2023. As with the projected 2024 premium, no change is forecast in the number of earned exposures between 2023 and 2024

- Claims costs for the comprehensive, all perils and specified perils coverages are increased for a catastrophe loading. The loading is derived by reducing the 2019 claims experience by the 2019 catastrophe factor of 1.272 and then increasing the provision by the catastrophe factor for the last 5 years of 1.459, as reported on p. 83 of the Oliver Wyman 2024 Annual Review report. The net effect is to increase the 2019 claims by 14.7%.

- Projected claims costs for the 2023 accident year are adjusted, for the moving coverages bodily injury, DCPD, accident benefits, uninsured motorists, collision and all perils, by the New Normal loss cost factors shown in Tables 21 to 24 on pp. 90-93 of the Oliver Wyman 2024 Annual Review.

- Projected claims costs for the 2021 and 2022 accident years are reduced by $49 per earned vehicle for changes to the definition of a minor injury in the Minor Injury Regulation (MIR), enacted in Bill 41. (It is approximated that this change takes effect on Jan. 1, 2021.) A saving of $76 per vehicle is provided by IBC in its report "Driving Change: Auto Insurance that Works" issued on March 6, 2020.[5] I have estimated that savings of $27 per vehicle are already incorporated in my projections of bodily injury claims costs for accident years 2021 through 2023. For the 2024 accident year, I have assumed that the reduction for Bill 41 is provided for by the New Normal factor.

- Projected claims costs for the 2021 through 2023 accident years are reduced by $15 per earned vehicle for changes to the prejudgment interest rate for non-pecuniary damages. (It is approximated that this change takes effect on Jan. 1, 2021.) The saving of $15 per vehicle is also provided by IBC in its report "Driving Change: Auto Insurance that Works" issued on March 6, 2020.

[5] "Driving Change: Auto Insurance that Works," Insurance Bureau of Canada, March 6, 2020, p. 6.

- Projected claims costs for the 2021 through 2024 accident years can be expected to be reduced for the restriction in Bill 41 on the number of expert reports. An estimate of the magnitude of savings has not been made, but additional savings can be expected.

Table 17: Projected Annual Profit, 2020-2024, Alberta Private Passenger Auto Insurance, Using Claims Amounts per Oliver Wyman Analysis as at December 2023, Adjusted for 2017 Loss Development Pattern Change

(Dollar Amounts in Thousands)

	Actual 2019	Actual 2020	Actual 2021	Actual 2022	Actual 2023	Projected 2024*	Total
Premium	$3,782,800	$4,067,600	$4,366,900	$4,491,300	$4,731,300	$4,912,200	
Less: Claims Costs	$2,789,900	$2,355,500	$2,202,600	$2,699,100	$2,822,400	$2,797,900	
Less: Operating Expenses	$1,010,000	$1,057,600	$1,135,400	$1,217,100	$1,305,800	$1,365,600	
Less: Health Cost Recovery	$146,400	$115,500	$75,600	$91,800	$80,300	$83,700	
Plus: Investment Income on Reserves	$127,000	$138,500	$103,400	$10,500	$103,900	$108,600	
Plus: Investment Income on Capital	$103,500	$113,800	$89,100	$9,200	$89,300	$93,400	
Total Profit, Pre-Tax	**$67,000**	**$791,300**	**$1,145,800**	**$503,000**	**$716,000**	**$867,000**	**$4,090,100**
"Realized Profit Provision" as Pct of Premium	-1.0%	16.7%	24.2%	11.0%	13.2%	15.8%	

Source: Appendix Table A 9.1

B. Results by Coverage, 2019 through 2024

Table 18: Pre-Tax Profit (000s) by Coverage, 2019 through 2024

	Basic Coverages (BI, DCPD, AB, UM)	Collision	All Other	Total
Actual 2019	($104,300)	$83,600	$87,700	$67,000
Actual 2020	$627,600	$257,100	($93,500)	$791,300
Actual 2021	$813,200	$224,200	$108,400	$1,145,800
Actual 2022	$387,700	$64,300	$51,000	$503,000
Actual 2023	$513,000	$176,600	$26,400	$716,000
Projected 2024	$566,900	$231,700	$68,500	$867,000
Total 2019-2024	$2,804,100	$1,037,500	$248,500	$4,090,100

Table 19: Realized Profit Provision (which Excludes Investment Income on Capital), as Percentage of Premium, 2019 through 2024

	Basic Coverages (BI, DCPD, AB, UM)	Collision	All Other	Total
Actual 2019	-7.2%	7.5%	11.0%	-1.0%
Actual 2020	21.4%	29.6%	-16.5%	16.7%
Actual 2021	26.5%	26.2%	12.9%	24.2%
Actual 2022	13.0%	7.8%	6.5%	11.0%
Actual 2023	14.7%	19.4%	1.4%	13.2%
Projected 2024	15.7%	25.1%	6.4%	15.8%

Table 20: Average Earned Premium by Earned Vehicle by Coverage, 2019.2 and 2023.2

	Basic Coverages (BI, DCPD, AB, UM)	Collision	All Other	Total
2019.2	$859	$395	$267	$1,382
2023.2	$1,081	$396	$330	$1,647
Pctge Increase	+26%	0%	+24%	+19%

Detailed calculations used to determine the amounts in Tables 18 through 20 are shown in the Appendix Tables A 9.1, A 9.2, A 9.3, and A 9.4.

C. Other Methods of Calibrating Profit

Oliver Wyman cites two methods of calculating insurance industry profit: the "Realized Profit Provision" and the GISA profit report (AUTO9501-AB). While these methods have similar objectives to the Cheng method, the methods capture different financial components, with data compiled in different groupings.

1. "Realized Profit Provision" as per AIRB Benchmarks – as Calculated by Oliver Wyman

The "Realized Profit Provision" is the actual pre-tax profit, calculated by the formula that is used in benchmark rate filings to determine whether the rates meet the 6% profit provision approved by AIRB in the benchmarks.

As described by Oliver Wyman in 2022, applying this formula provides "a hindsight high level review of the realization of the 7% premium profit target insurers may include in their rate setting models during the last five years for private passenger vehicles in Alberta."[6]

The formula, as stated on p. 23 of the Oliver Wyman 2024 Annual Review report, is as follows:

Realized Profit Provision = 1 – Discounted Loss & LAE Ratio – Expense Ratio (including health levy)[7]

As stated by Oliver Wyman, "if the actual loss amounts are higher or lower than expected, the realized profit provision as a percentage of premium will be higher or lower than the target 6%."[8]

Oliver Wyman tabulates the realized profit provision percentages, presented below in Table 21 for each of the calendar years 2014 through 2023. By multiplying the Realized Profit Provision percentages by earned premium for each accident year, a dollar amount of pre-tax profit can be estimated.

Note, as stated by Oliver Wyman, that this realized profit provision does not include investment income earned on capital supporting the private passenger vehicle policies.[9] By contrast, the pre-tax profit as calculated by the Cheng method ***includes*** investment income earned on capital supporting the private passenger vehicle policies.

[6] p. 19, Oliver Wyman 2022 Annual Review
[7] p. 23, Oliver Wyman 2024 Annual Review
[8] p. 23, Oliver Wyman 2024 Annual Review
[9] p. 22, Oliver Wyman 2024 Annual Review

Table 21: Realized Profit Provision by Year from 2019 to 2023

Year	Realized Profit Provision Percentage, per Oliver Wyman	Earned Premium (000s)	Realized Profit Provision, per Formula in Benchmark, in Dollars (000s)
2019	-2.5%	$3,782,827	($94,571)
2020	15.5%	$4,067,561	$630,472
2021	15.1%	$4,366,937	$659,407
2022	1.3%	$4,491,310	$58,387
2023	7.1%	$4,731,253	$335,919

Source of Realized Profit Percentages: Oliver Wyman 2024 Annual Review report, Table 6, p. 23

Footnote 37 on p. 22 of the Oliver Wyman 2024 Annual Review suggests a common rule of thumb, used by insurers in rate applications, to add investment income earned on capital. That rule of thumb attributes $1 of capital to every $2 of premium. Investment income is then earned on that level of capital at the discount rate shown on Table 6 on p. 23 of the Oliver Wyman 2024 Annual Review.

Table 22: Realized Profit Provision, Plus Investment Income on Capital, 2019-2023

Year	Assumed Pre-tax Return on Capital	Realized Profit Provision , plus Rule-of-Thumb Investment Income Earned on Capital, per Oliver Wyman	Realized Profit Provision , plus Rule-of-Thumb Investment Income Earned on Capital, in Dollars (000s)
2019	4.2%	-0.4%	($15,131)
2020	4.2%	17.6%	$715,891
2021	2.7%	16.5%	$718,361
2022	0.1%	1.4%	$60,633
2023	4.5%	9.4%	$442,372

Source: Appendix Table A 10.1

2. Comparison of the Three Profit Measures

The second compilation of private passenger auto insurance industry profits described by Oliver Wyman is the GISA profit report, AUTO9501-AB_2022.

Table 25 below compares the pre-tax profits of the Realized Profit Provision (including investment income on capital) and of the Cheng method to those compiled by the GISA profit

report. All three results shown in Table 23 include an estimate of investment income earned on capital.

Table 23: Pre-tax Profit - Realized Profit Provision, Cheng Method, and GISA Profit Report AUTO9501

Year	Realized Profit Provision, plus Rule-of-Thumb Investment Income Earned on Capital, in Dollars (000s)	Cheng Method, Pre-Tax Profit in Dollars (000s)	GISA Pre-Tax Profit in Dollars (000s)
2019	($15,131)	$67,000	($140,031)
2020	$715,891	$791,300	$69,985
2021	$718,361	$1,145,800	$518,693
2022	$60,633	$503,000	$300,110
Total	**$1,479,754**	**$2,507,100**	**$748,757**

Table 23 shows results for the Realized Profit Provision (plus Investment Income on Capital) that are not exactly equal to, but show consistent movement from year to year, as those of the Cheng method.

It is logical that the Realized Profit Provision as used for the benchmark will produce estimates of profit parallel to that of the Cheng method. Both methods are based on an approach that Oliver Wyman describes as follows:

Using accident year events that are "based on incurred loss amounts as reported by insurers through the automobile statistical plan (ASP) to GISA and a provision for loss development. Adjustment factors supplied by GISA are applied to the loss amounts to include internal claims handling expenses."[10]

It can be seen from Table 23 that the GISA pre-tax profit amounts total an amount much lower than those of the Realized Profit Provision (plus Investment Income on Capital) and of the Cheng method.

As described by Oliver Wyman, and as analyzed in my reports for the 2020 through 2023 Annual Reviews, the GISA profit report compiles a different picture of the industry's profitability than that of the Realized Profit Provision, and also that of the Cheng method. **This makes it difficult to directly compare the GISA profit report to the other two measures of profit.**

[10] p. 25, Oliver Wyman 2024 Annual Review

In addition to the difficulty in directly comparing these sources of information, GISA advises in its Notes to Users for its profit report that the report "should not be used to assess whether current rates are adequate to cover future costs."[11]

3. Oliver Wyman's Description of Key Characteristics of the GISA Profit Report

Oliver Wyman lists the following key characteristics of the GISA Profit Report[12] that differ from those that underlie its calculation of the Realized Profit Provision (and which also underlie the Cheng method that I have used).

- Losses are presented on a ***calendar year basis***. This "represents the amount paid during the year plus the change in the held loss reserve amounts between the end and the beginning of the year."[13] Thus, in the GISA Profit report, the claims costs reported in a given year will combine results for current-year accidents and changes to prior-year accidents, ***combining results for accidents of several years***.
- Loss amounts, premiums and expenses are reported net of reinsurance. In contrast, the Realized Profit Provision calculations and the Cheng method calculations are performed gross of reinsurance.
- The GISA Profit Report "includes all investment income, including from supporting capital and cash flow." As stated previously, the Realized Profit Provision does not include this income. However, this is a point of consistency between the GISA Profit Report and the calculations in the Cheng method.

For discount rates, provisions for adverse deviation (PFAD) and loss adjustment expenses, Oliver Wyman explains that the GISA profit report does not explicitly disclose these amounts. They are specific to individual insurers, and are embedded in amounts submitted by those insurers to GISA, and are then aggregated with other insurers.

Oliver Wyman provides the following detail around that point:[14]

- Discount rates specific to each insurance company underlie the loss data provided to GISA to be compiled into the GISA Profit Report. As stated by Oliver Wyman, "the discount rate used by each insurer is not stated by the insurer in the … submission to GISA, and therefore the impact of the discount factor cannot be stated…." In contrast, the Discount

[11] p. 7, Item 4, Notes to Users, Automobile Insurance Financial Information Profit and Loss Report, Private Passenger Automobile, Alberta, 2022, AUTO9501-AB_2022
[12] p. 25, Oliver Wyman 2024 Annual Review
[13] p. 25, Oliver Wyman 2024 Annual Review
[14] p. 26, Oliver Wyman 2024 Annual Review

Factor for the Realized Profit Provision is disclosed on Table 6 on p. 23 of the Oliver Wyman 2024 Annual Review. The losses used in the Cheng method are not discounted.

- The provision for adverse deviation (PFAD) amount included by each insurer in its submission for the GISA Profit Report "is not separately submitted to GISA, and therefore the PFAD included in the AUTO9501 Exhibit is not explicitly stated or provided." No PFAD is used for the Realized Profit Provision or the Cheng method.
- Loss adjustment expenses for the GISA Profit Report "are included with the loss amounts submitted by each insurer and are not separately stated. By contrast, for the Realized Profit Provision (and the Cheng method), the provision for unallocated loss adjustment expenses, is explicitly "included by a factor determined by GISA based on aggregated submissions by insurers."

The above factors listed by Oliver Wyman may contribute to the anomalous result seen in the GISA Profit Report in Table 24 below: Table 24 below shows that net claims and adjustment expenses reported for 2020 are ***higher*** than those for 2019, even though it is known that the sharp reduction in traffic in that year brought about many fewer accidents. This suggests that the claims amounts combine various changing reinsurance agreements, and may include changes in projected loss amounts in a number of different accident years besides 2020.

Table 24: Net Claims and Adjustment Expenses, per GISA Profit Report, 2013-2022

Year	Net Claims and Adjustment Expenses (000s)
2019	$2,725,545
2020	$2,888,031
2021	$2,362,214
2022	$2,418,839

Source: GISA Profit Report AUTO9501 – AB-2022

Section 11 of the Appendix provides a detailed description of the differences between the Cheng method and the attributes of the GISA Profit Report. This description was previously provided in my reports that were submitted by ACTLA to the 2020, 2021, 2022 and 2023 Annual Reviews.

VIII. In -Depth Analysis of Expenses

A. Operating Expenses

The analyses below show that operating expenses per vehicle for the industry have been increasing at the relatively high rate of between 6.4% and 7.8% in most years. And further that such percentage increases are higher than the corresponding increases for loss and LAE.

Operating expenses include

- premium tax,
- general administrative expenses, including head office costs, and
- commissions and other acquisition costs.

Below, in Table 25, is the operating expense provision, with each accident year's provision assigned the benchmark for the following April. For the purposes of estimating pre-tax profit for the industry, the operating expense provision from the benchmarks is applied to each year's earned premium.

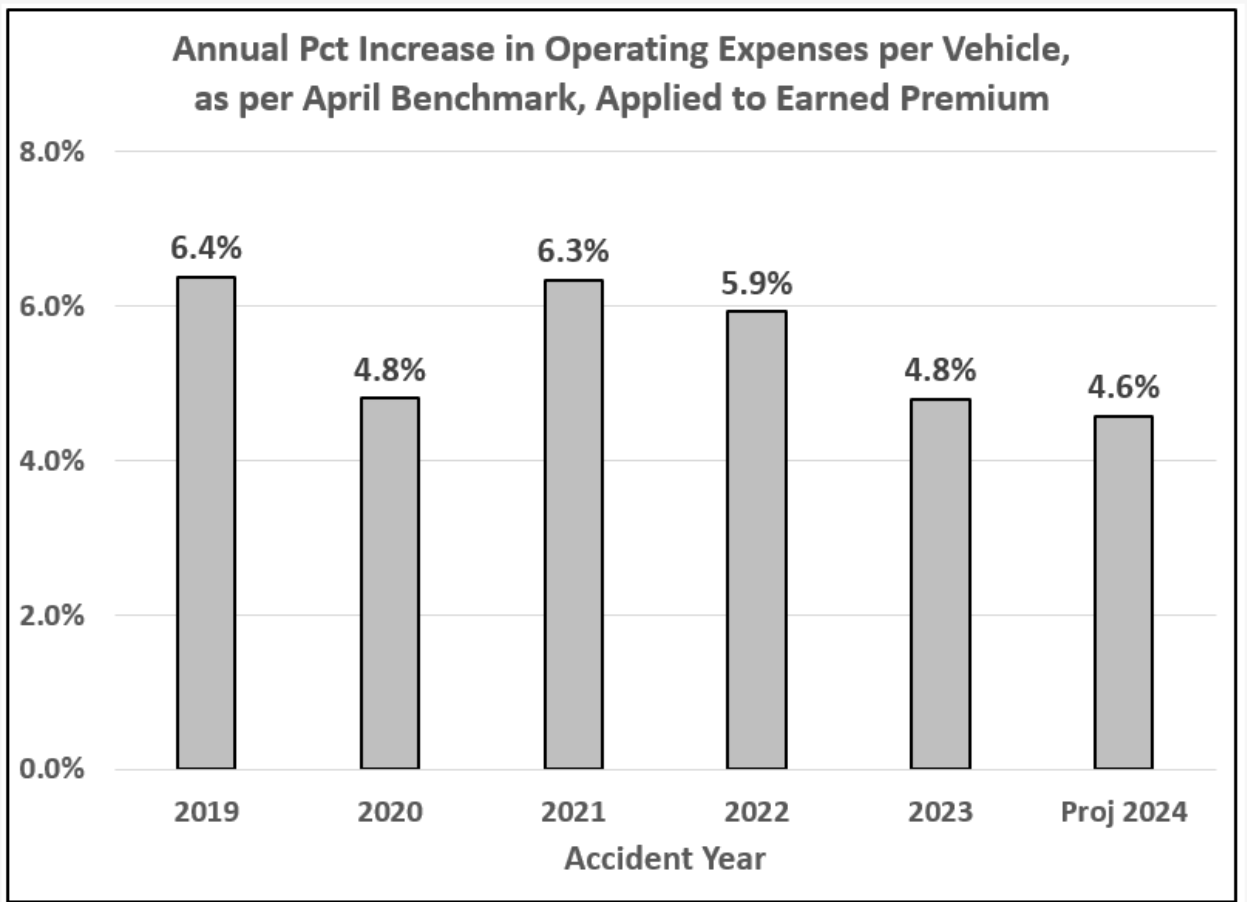
Table 25: Operating Expense Provision by Accident Year

Accident Year	Earned Premium per Earned Vehicle	Operating Expense Pct	Operating Expense per Earned Vehicle	Pct Increase in Oper Exp per Vehicle	Commission and Other Acqn Expense per Earned Vehicle	Increase in Com-mission and Other Acqn Expense per Earned Vehicle	General Expense per Earned Vehicle	Pct Increase in General Exp per Vehicle
2014	$1,134	24.2%	$275		$171		$71.47	
2015	$1,165	25.4%	$296	7.8%	$176	2.7%	$73.38	2.7%
2016	$1,189	26.7%	$318	7.3%	$187	6.2%	$83.26	13.5%
2017	$1,229	27.8%	$342	7.6%	$197	5.3%	$95.84	15.1%
2018	$1,283	26.6%	$341	-0.1%	$194	-1.5%	$96.20	0.4%
2019	$1,359	26.7%	$363	6.4%	$207	6.7%	$101.95	6.0%
2020	$1,463	26.0%	$380	4.8%	$221	6.9%	$105.34	3.3%
2021	$1,556	26.0%	$405	6.3%	$236	7.0%	$110.47	4.9%
2022	$1,581	27.1%	$429	5.9%	$250	5.6%	$118.59	7.4%
2023	$1,627	27.6%	$449	4.8%	$267	6.8%	$122.03	2.9%
Proj 2024	$1,689	27.8%	$470	4.6%	$272	1.9%	$131.77	8.0%

Source: Appendix Table A 7.1, Table A 7.2

Figure 15 below shows each accident year's increase in operating expense per vehicle.

Figure 15: Annual Percentage Increase in Operating Expenses per Vehicle

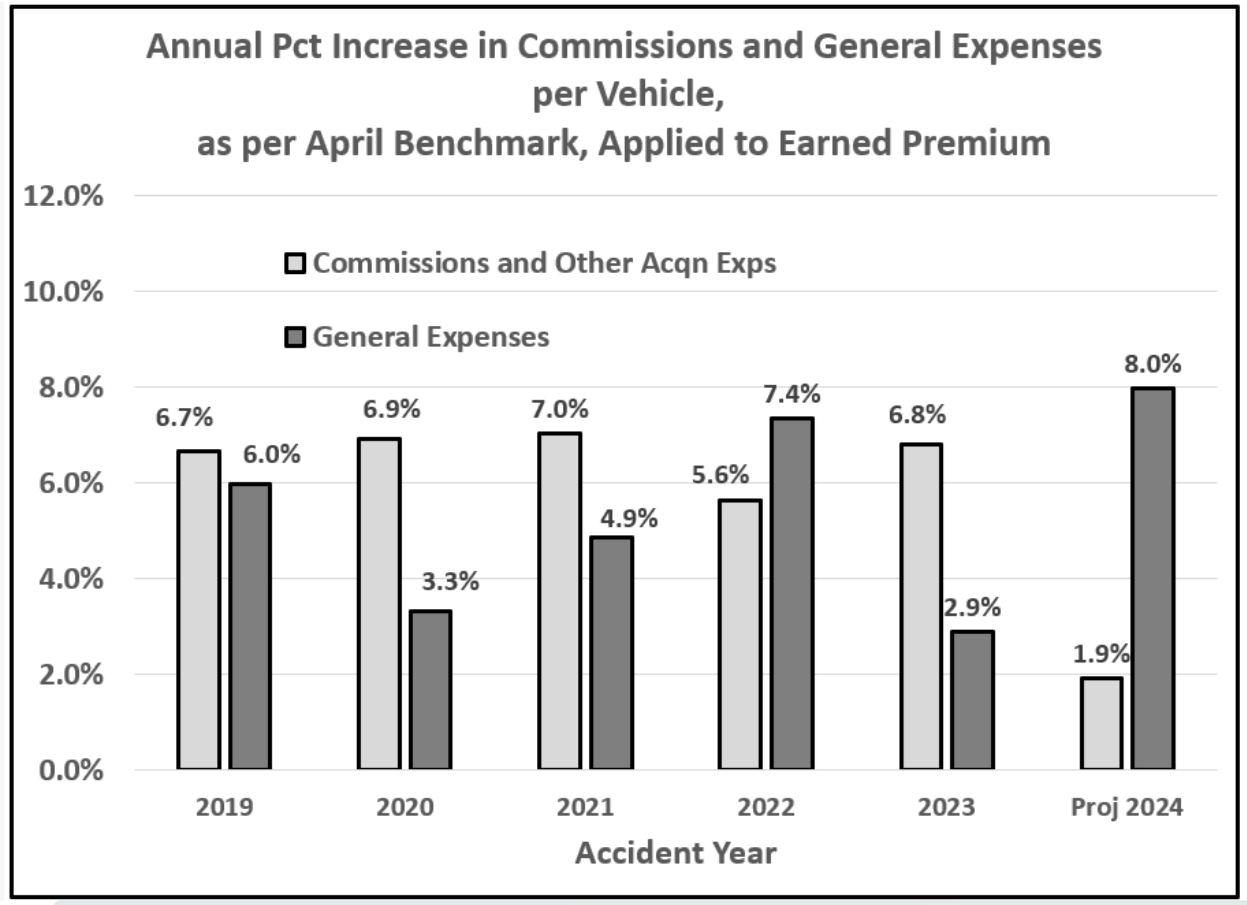


Source: Table 25

It can be seen from Figure 15 that the annual percentage increase in operating expenses per vehicle since 2019 has been significantly greater than 4%.

Figure 16 below shows each accident year's increase in operating expense per vehicle, broken down into commissions/other acquisition expenses and general expenses. Both categories of expense have increased in most years at well above the rate of general inflation.

Figure 16: Annual Percentage Increase in Commissions and Other Acquisition Expenses, and in General Expenses, per Vehicle



Source: Table 25

B. Health Cost Recovery

The analysis below finds that since 2020, the Alberta Government has significantly reduced the total amount of Health Cost Recovery levied to the industry, which has contributed to the increase in the pre-tax profits of the industry.

Table 26 shows the Health Cost Recovery assessment factors, as set out by the Alberta Government, and applied to written third party liability premium, between 2011 and 2024.

Table 26: Health Cost Recovery by Year

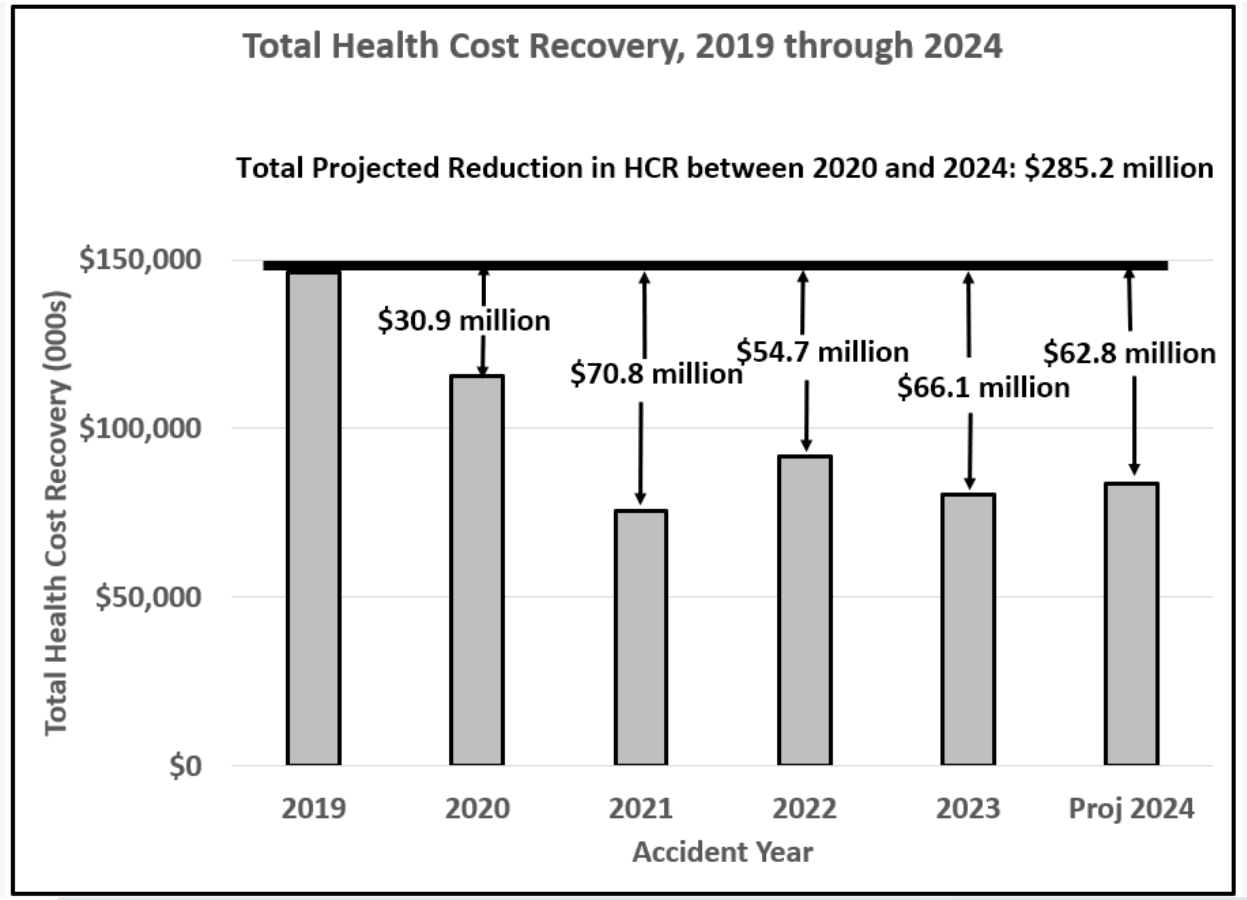
Accident Year	Health Cost Recovery Assessment Factor	Third Party Liability Written Premium (000s)	Health Cost Recovery (000s)
2011	6.99%	$1,174,169	$82,074
2012	6.10%	$1,240,429	$75,666
2013	4.80%	$1,329,347	$63,809
2014	5.00%	$1,454,717	$72,736
2015	6.44%	$1,574,986	$101,429
2016	5.90%	$1,696,686	$100,104
2017	5.67%	$1,815,062	$102,914
2018	7.04%	$1,977,259	$139,199
2019	6.70%	$2,185,462	$146,426
2020	4.74%	$2,437,243	$115,525
2021	2.94%	$2,571,557	$75,604
2022	3.55%	$2,584,753	$91,759
2023	2.86%	$2,807,336	$80,290
2024	2.94%	$2,845,851	$83,668

Source: Appendix Table A.8.1

It can be seen that the assessment factor for 2020, which was announced in December 2019, was set at a lower level than in most of the previous decade. And that the assessment factors for 2021 through 2024 were set at levels significantly below that.

Figure 17 below shows that since 2019 and projected through 2024, the total amount of Health Cost Recovery cost borne by the private passenger auto insurance industry in Alberta has declined by $285.2 million. This reduction has increased the pre-tax profits of the industry from what they would have otherwise been.

Figure 17: Projected Reduction in Total Health Cost Recovery 2019 through 2024



Source: Table 26

C. Industry Costs, Compared to Rising Premiums, 2011 through 2023

Figure 18 below shows yearly revenues (premium and investment income) and costs (loss and LAE, Health Cost Recovery and operating expenses) for the industry from 2011 through 2023.

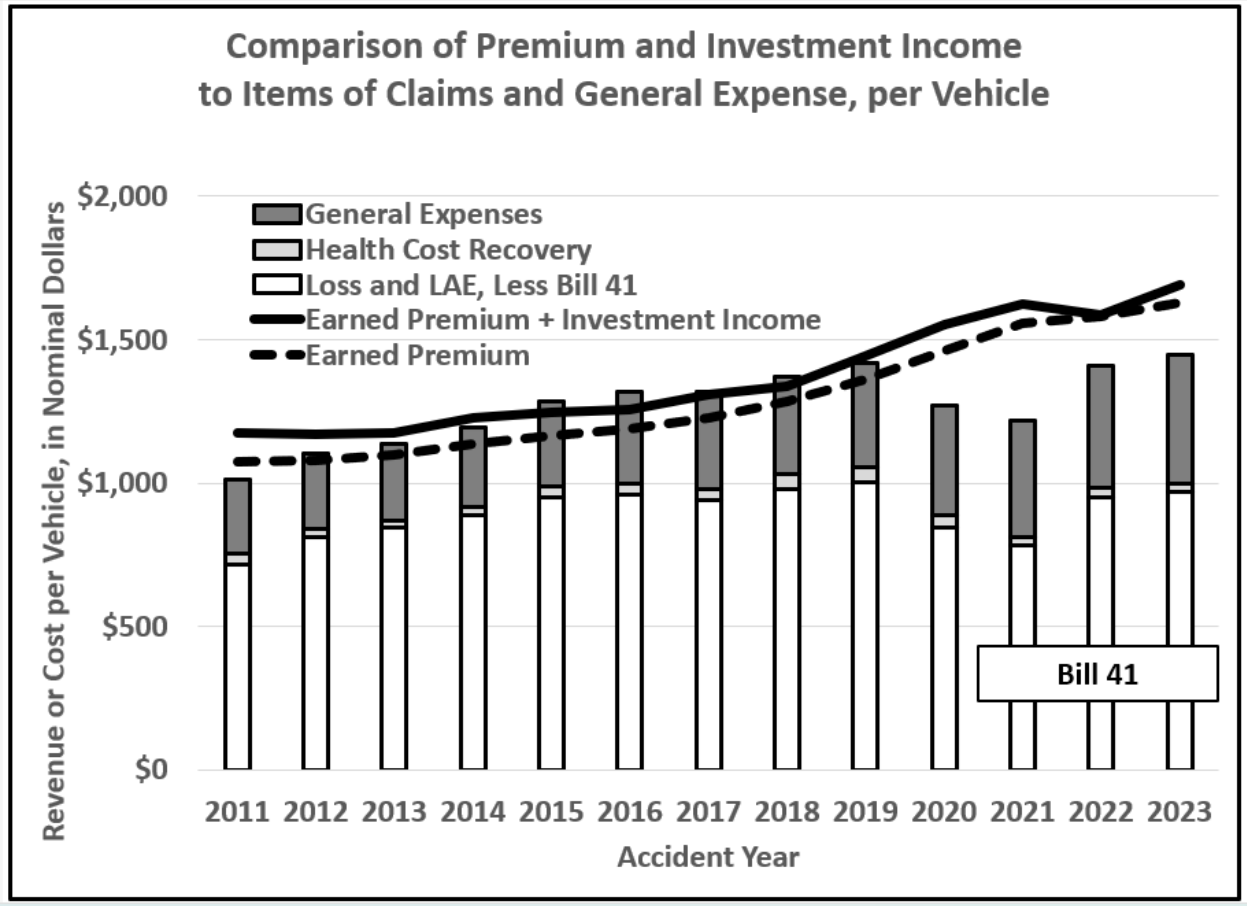
Since 2018, insurers have taken rate increases at greater than the rate of general inflation for the Alberta private passenger auto insurance line. In addition, Bill 41 in late 2020 reduced the costs of bodily injury coverage by strengthening the Minor Injuries Regulation and reducing the rate of prejudgment interest on general damages.

These measures were taken at a time where the costs of claims were rising at the rate of general inflation. While these measures may have been required to remedy the industry's unprofitability between 2015 and 2018, claims cost stability after 2015 was followed by the COVID-19 pandemic, which caused a sharp decrease in claims costs beginning in 2020. Further, the average rate of

premium per vehicle, adjusted for general inflation, has continued to increase following the decrease in claims costs from 2020 on.

Figure 18 illustrates the divergence between the increase in premium and the decrease in industry costs

Figure 18: Premium, Investment Income, Claims Costs and Operating Expenses per Vehicle, 2011 to 2023 (Not Adjusted for Inflation)



Source: Appendix Table A 8.2

IX. Conclusions

The following are the findings of this analysis.

Finding 1:

The private passenger auto insurance industry in Alberta remains profitable in 2023, exceeding the benchmark profit margin, and generating total pre-tax income of between $459.3 million and $867.1 million.

Cumulative pre-tax profit since 2019 for the industry is estimated to be between $2.38 billion and $4.09 billion.

Finding 2:

Bodily injury loss and LAE costs per vehicle dropped significantly in 2020, at the same time that the onset of the COVID-19 pandemic brought about a sudden reduction at that time in traffic volumes. Further, the Bill 41 reforms of bodily injury compensation began late in 2020.

As the pandemic-related restrictions have been lifted, it is noted that the level of bodily injury compensation remains below the 2019 level. In inflation-adjusted terms, the level of loss and LAE cost has stabilized over the 2022-2023 period.

Finding 3:

Over the 10-year period 2014 to 2023, operating expenses for the industry have grown 85%, while acquisition costs have grown 76%. These increases are well in excess of both inflation and growth in the number of vehicles. In 2019 dollars, on a per-vehicle basis, operating expenses have risen 32%, while acquisition costs have risen 25%. These increases can be expected to have contributed both to rising premiums for the consumer while reducing profits for the industry.

Finding 4:

'New normal' driving patterns emerged during the pandemic, characterized by reduced commuting and increased remote work. These patterns have been seen in the reduced bodily injury loss costs that have persisted since 2020.

Recognizing this fact, Oliver Wyman has put forth multipliers to adjust pre-pandemic claims experience to the level that is expected in this 'new normal' environment. These multipliers provide a steep and permanent reduction in the level of claims costs.

Oliver Wyman's recommended 8.7% loss cost trend for bodily injury must be considered in tandem with the offsetting sharp reduction provided by the new normal multiplier. A failure to do so will overlook the substantial reduction in bodily injury loss costs experienced in this decade.

Finding 5:

It can be seen that, in nominal dollars, the total loss cost per vehicle for the coverages other than bodily injury has returned to - and surpassed – its pre-pandemic level. In contrast, the loss cost for bodily injury remains below the value for accident year 2019.

Appendix

1. Consumer Price Index for Alberta

Table A 1.1: Consumer Price Index for Alberta, and 12-Month Change in CPI

Date	Consumer Price Index, All Items, Alberta	12-Month Change in CPI
December 2013	129.1	
June 2014	132.3	
December 2014	131.5	1.9%
June 2015	134.5	1.7%
December 2015	133.5	1.5%
June 2016	136.3	1.3%
December 2016	134.9	1.0%
June 2017	136.9	0.4%
December 2017	137.6	2.0%
June 2018	140.7	2.8%
December 2018	140.5	2.1%
June 2019	142.7	1.4%
December 2019	143.7	2.3%
June 2020	145.0	1.6%
December 2020	144.8	0.8%
June 2021	148.9	2.7%
December 2021	151.7	4.8%
June 2022	161.4	8.4%
December 2022	160.8	6.0%
June 2023	164.4	1.9%
December 2023	165.6	3.0%
June 2024	169.4	3.0%

Source: Statistics Canada

https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=1810000413

2. Calculation of Loss and LAE Cost per Vehicle, from Oliver Wyman Report as at December 2023

Table A 2.1: Bodily Injury, Adjusted for 2017 Reserve Change, Ultimate Loss and LAE, by Accident Semester

Acc Sem-ester	[1] Third Party Liability Earned Car Years	[2] Third Party Liability Earned Car Years	[3] Bodily Injury Loss and LAE (000s)	[4] Adj Factor for Case Incurred Loss&LAE 6 to 12 Mos	[5] Adj Factor for Case Incurred Loss&LAE 12 to 18 Mos	[6] Adj Factor for LDF 6 to 12 Mos	[7] Adj Factor for LDF 12 to 18 Mos	[8] Adjusted Bodily Injury Loss and LAE (000s)	[9] Additional Impact of Bill 41	[10] Adjusted Bodily Injury Loss and LAE, Net of Bill 41 (000s)	[11] Adjusted Bodily Injury Loss and LAE, Net of Bill 41 (000s)
2011.1	1,128,675		$248,393	1.000	1.000	1.000	1.000	$248,393		$248,393	
2011.2	1,178,554	2,307,229	$322,720	1.000	1.000	1.000	1.000	$322,720		$322,720	$571,113
2012.1	1,171,058		$297,190	1.000	1.000	1.000	1.000	$297,190		$297,190	
2012.2	1,220,907	2,391,965	$359,757	1.000	1.000	1.000	1.000	$359,757		$359,757	$656,947
2013.1	1,210,576		$325,787	1.000	1.000	1.000	1.000	$325,787		$325,787	
2013.2	1,269,780	2,480,356	$410,046	1.000	1.000	1.000	1.000	$410,046		$410,046	$735,833
2014.1	1,257,016		$348,879	1.000	1.000	1.000	1.000	$348,879		$348,879	
2014.2	1,319,709	2,576,725	$465,103	1.000	1.000	1.000	1.000	$465,103		$465,103	$813,982
2015.1	1,302,828		$424,655	1.000	1.000	1.000	1.000	$424,655		$424,655	
2015.2	1,349,389	2,652,217	$531,225	1.000	1.000	1.000	1.000	$531,225		$531,225	$955,880
2016.1	1,324,192		$459,616	1.000	0.915	1.000	1.000	$420,549		$420,549	
2016.2	1,354,517	2,678,709	$575,840	0.885	0.915	1.000	1.000	$466,301		$466,301	$886,849
2017.1	1,323,271		$516,885	0.885	0.915	1.000	1.000	$418,561		$418,561	
2017.2	1,369,356	2,692,627	$605,633	0.885	0.915	1.000	1.000	$490,426		$490,426	$908,987
2018.1	1,348,572		$577,836	0.885	0.915	1.000	1.000	$467,917		$467,917	
2018.2	1,399,086	2,747,657	$659,477	0.885	0.915	1.000	1.000	$534,028		$534,028	$1,001,945
2019.1	1,372,057		$650,928	0.885	0.915	1.000	1.000	$527,105		$527,105	
2019.2	1,410,664	2,782,721	$728,326	0.885	0.915	1.000	1.000	$589,780		$589,780	$1,116,885
2020.1	1,371,291		$472,976	0.885	0.915	1.000	1.000	$383,004		$383,004	
2020.2	1,408,836	2,780,126	$555,930	0.885	0.915	1.000	1.000	$450,178		$450,178	$833,182
2021.1	1,380,614		$475,743	0.885	0.915	1.000	1.000	$385,245	$88,359	$296,885	
2021.2	1,426,107	2,806,721	$658,606	0.885	0.915	1.000	1.000	$533,323	$91,271	$442,052	$738,937
2022.1	1,395,329		$527,226	0.885	0.915	1.000	1.000	$426,934	$89,301	$337,633	
2022.2	1,445,109	2,840,438	$761,040	0.885	0.915	1.000	1.000	$616,271	$92,487	$523,784	$861,418
2023.1	1,425,692		$616,421	0.885	1.000	1.000	0.915	$499,162	$91,244	$407,918	
2023.2	1,482,169	2,907,861	$733,177	1.000	1.000	0.885	0.915	$593,708	$94,859	$498,850	$906,768

Source:

[1], [3] Oliver Wyman 2024 Annual Review, Appendix B, Page 1, Columns (3), (7)

[8]: [3] x [4] x [5] x [6] x [7]

[9]: [2] x ($76 - $27 + $15) for 2021.1, 2021.2, 2022.1, 2022.2, 2023.1, and 2023.2

[10]: [8] – [9]

Table A 2.2: Property Damage Loss and LAE, Adjusted to Use a Direct Compensation Development Pattern for Accident Semesters 2022.1 through 2023.2

	Accident Semester 2022.1	Accident Semester 2022.2	Accident Semester 2023.1	Accident Semester 2023.2
[1] Case Incurred Loss and ALAE, PD (000s)	$25,892	$23,311	$13,501	$13,427
[2] Case Incurred Loss and ALAE, DC (000s)	$165,168	$254,042	$231,572	$256,177
[3] Case Incurred Loss and ALAE, DCPD (000s)	$191,060	$277,353	$245,073	$269,604
[4] Loss Development Factor, PD, New Brunswick Private Passenger	1.044	1.096	1.195	1.26
[5] Loss Development Factor, DC, New Brunswick Private Passenger	1.000	0.998	0.997	1.011
[6] Ultimate Loss and ALAE, PD (000s)	$27,031	$25,549	$16,134	$16,918
[7] Ultimate Loss and ALAE, DC (000s)	$165,168	$253,534	$230,878	$258,995
[8] Ultimate Loss and ALAE, DCPD (000s)	$192,199	$279,083	$247,011	$275,913
[9] ULAE Adjustment	1.118	1.118	1.118	1.118
[10] Ultimate Loss and LAE, DCPD (000s)	$214,878	$312,015	$276,159	$308,470

Source: [1]: Exhibit AUTO7001-AB-2023, Private Passenger Auto, General Insurance Statistical Agency (GISA), Major Coverage Type TPL, Kind of Loss Code 15

[2]: Exhibit AUTO7001-AB-2023, Private Passenger Auto, General Insurance Statistical Agency (GISA), Major Coverage Type TPL, Kind of Loss Code 12, 14, 16, 17, 18, 19

[3]: {1] + [2]

[4], [5]: Exhibit AUTO0001-ATL-2022, Private Passenger Auto, New Brunswick

[6]: [1] x [4]

[7]: [2] x [5]

[8]: [6] + [7]

[9]: Oliver Wyman 2024 Annual Review, Appendix B, Page 2, Columns (6)

[10]: [8] x [9]

Table A 2.3: Property Damage Claim Count, Adjusted to Use a Direct Compensation Development Pattern for Accident Semesters 2022.1 through 2023.2

	Accident Semester 2022.1	Accident Semester 2022.2	Accident Semester 2023.1	Accident Semester 2023.2
[1] Reported Claim Count, PD	4,178	3,419	2,212	2,403
[2] Reported Claim Count, DC	26,995	37,211	34,281	35,238
[3] Reported Claim Count, DCPD	31,173	40,630	36,493	37,641
[4] Claim Count Development Factor, PD, New Brunswick Private Passenger	1.013	1.048	1.075	0.968
[5] Claim Count Development Factor, DC, New Brunswick Private Passenger	1.000	1.000	0.999	1.034
[6] Ultimate Claim Count, PD	4,232	3,583	2,378	2,326
[7] Ultimate Claim Count, DC	26,995	37,211	34,247	36,436
[8] Ultimate Claim Count, DCPD	31,227	40,794	36,625	38,762

Source:

[1]: Exhibit AUTO7001-AB-2023, Private Passenger Auto, General Insurance Statistical Agency (GISA), Major Coverage Type TPL, Kind of Loss Code 15

[2]: Exhibit AUTO7001-AB-2023, Private Passenger Auto, General Insurance Statistical Agency (GISA), Major Coverage Type TPL, Kind of Loss Code 12, 14, 16, 17, 18, 19

[3]: {1] + [2]

[4], [5]: Exhibit AUTO1003-ATL-2022, Private Passenger Auto, New Brunswick

[6]: [1] x [4]

[7]: [2] x [5]

[8]: [6] + [7]

Table A 2.4: All Coverages, with Bodily Injury Adjusted for 2017 Reserve Change, Ultimate Loss and LAE by Coverage, by Accident Semester

Acc Sem-ester	[1] Adjusted Bodily Injury Loss and LAE, Net of Bill 41 (000s)	[2] Property Damage Loss and LAE (000s)	[3] Accident Benefits Loss and LAE (000s)	[4] Collision Loss and LAE (000s)	[5] Compre-hensive Loss and LAE (000s)	[6] All Perils Loss and LAE (000s)	[7] Specifd. Perils Loss and LAE (000s)	[8] Underinsd Motorsts Loss and LAE (000s)	[9] All Covgs Loss and LAE (000s)	[10] All Covgs Loss and LAE (000s)
2011.1	$248,393	$179,037	$39,473	$201,604	$79,723	$3,760	$211	$2,433	$754,634	
2011.2	$322,720	$175,584	$49,108	$186,655	$152,989	$5,000	$384	$7,902	$900,342	$1,654,976
2012.1	$297,190	$163,963	$43,578	$177,196	$84,558	$2,907	$201	$3,841	$773,434	
2012.2	$359,757	$207,611	$59,614	$225,571	$296,820	$5,893	$740	$8,905	$1,164,911	$1,938,345
2013.1	$325,787	$185,273	$46,413	$200,860	$138,285	$5,102	$350	$2,576	$904,646	
2013.2	$410,046	$225,930	$57,230	$250,515	$238,468	$5,148	$360	$4,267	$1,191,964	$2,096,610
2014.1	$348,879	$201,127	$46,193	$222,500	$90,864	$3,638	$288	$2,765	$916,254	
2014.2	$465,103	$231,176	$61,132	$259,886	$344,012	$6,825	$649	$6,803	$1,375,586	$2,291,840
2015.1	$424,655	$215,478	$57,787	$239,529	$118,437	$4,189	$281	$9,781	$1,070,137	
2015.2	$531,225	$234,159	$76,736	$256,311	$333,381	$6,200	$589	$9,450	$1,448,051	$2,518,188
2016.1	$420,549	$195,676	$59,051	$218,866	$188,965	$4,190	$482	$6,302	$1,094,081	
2016.2	$466,301	$228,543	$80,830	$272,633	$413,771	$6,997	$675	$10,716	$1,480,466	$2,574,546
2017.1	$418,561	$224,599	$77,568	$260,023	$148,708	$4,769	$403	$6,201	$1,140,832	
2017.2	$490,426	$242,248	$89,465	$286,241	$263,343	$5,194	$741	$9,354	$1,387,012	$2,527,844
2018.1	$467,917	$246,990	$95,422	$288,108	$141,317	$5,207	$561	$8,300	$1,253,822	
2018.2	$534,028	$235,277	$89,277	$286,147	$279,211	$6,108	$657	$7,677	$1,438,382	$2,692,204
2019.1	$527,105	$234,728	$93,156	$282,540	$142,323	$4,199	$446	$8,803	$1,293,300	
2019.2	$589,780	$236,868	$109,795	$276,603	$266,283	$6,097	$610	$10,556	$1,496,592	$2,789,892
2020.1	$383,004	$160,930	$73,400	$193,710	$396,301	$4,767	$888	$4,528	$1,217,528	
2020.2	$450,178	$160,476	$92,147	$185,709	$233,693	$3,977	$690	$11,135	$1,138,005	$2,355,533
2021.1	$296,885	$154,899	$83,235	$160,032	$122,036	$3,528	$506	$6,268	$827,389	
2021.2	$442,052	$223,999	$124,836	$238,443	$327,340	$7,807	$976	$9,782	$1,375,235	$2,202,624
2022.1	$337,633	$214,878	$110,997	$230,786	$169,847	$6,731	$649	$7,777	$1,079,299	
2022.2	$523,784	$312,015	$150,144	$292,147	$317,774	$11,508	$1,175	$11,246	$1,619,793	$2,699,092
2023.1	$407,918	$276,159	$129,133	$229,814	$192,343	$10,849	$645	$9,700	$1,256,561	
2023.2	$498,850	$308,470	$141,806	$228,433	$368,790	$15,527	$1,095	$2,850	$1,565,821	$2,822,382

Source:

[1]: Appendix Table A 2.1, Column [10]

[2]: For 2011.1 to 2021.2, Oliver Wyman 2024 Annual Review, Appendix B, Page 2, Column (7)

For 2022.1 through 2023.2, Table A 2.2, Row [10]

[3] to [8]: Oliver Wyman 2024 Annual Review, Appendix B, Column (7)

[9]: Sum of Columns [1] through [8]

Table A 2.5: Ultimate Loss and LAE Cost per Earned Vehicle by Accident Year, in 2019 Dollars

Accident Year	[1] Oliver Wyman Bodily Injury Loss and LAE Cost per Earned Vehicle	[2] Adjusted Bodily Injury Loss and LAE Cost per Earned Vehicle	[3] All Coverages Adjusted Loss and LAE Cost per Earned Vehicle	[4] Alberta CPI (June)	[5] Alberta CPI 2019	[6] Oliver Wyman Bodily Injury Loss and LAE Cost per Earned Vehicle, in 2019 Dollars	[7] Adjusted Bodily Injury Loss and LAE Cost per Earned Vehicle, in 2019 Dollars	[8] All Coverages Adjusted Loss and LAE Cost per Earned Vehicle, in 2019 Dollars
2011	$248	$248	$717	125.3	143.1	$283	$283	$819
2012	$275	$275	$810	126.9	143.1	$310	$310	$914
2013	$297	$297	$845	129.8	143.1	$327	$327	$932
2014	$316	$316	$889	132.3	143.1	$342	$342	$962
2015	$360	$360	$949	134.5	143.1	$383	$383	$1,010
2016	$387	$331	$961	136.3	143.1	$406	$348	$1,067
2017	$417	$338	$939	136.9	143.1	$436	$353	$1,064
2018	$450	$365	$980	140.7	143.1	$458	$371	$1,084
2019	$496	$401	$1,003	142.7	143.1	$497	$402	$1,100
2020	$370	$300	$847	145.0	143.1	$365	$296	$906
2021	$404	$263	$785	148.9	143.1	$388	$253	$890
2022	$454	$303	$950	161.4	143.1	$402	$269	$977
2023	$464	$312	$971	164.4	143.1	$404	$271	$997

Source:

[1]: Oliver Wyman 2024 Annual Review, Appendix B, Page 1, Column (14)

[2]: Appendix Table A 2.1, Column [11]/ Appendix Table A 2.1, Column [2]

[3]: Appendix Table A 2.4, Column [10]/ Appendix Table A 2.1, Column [2]

[6]: [1] x [5] / [4]

[7]: [2] x [5] / [4]

[8]: [3] x [5] / [4]

Table A 2.6: Frequency per 1,000 Vehicles for Direct Compensation-Property Damage , Collision, and Bodily Injury

Accident Year	[1] TPL Earned Vehicles	[2] Collision Earned Vehicles	[3] DCPD Claim Count	[4] Collision Claim Count	[5] Bodily Injury Claim Count	[6] DCPD Freqcy per 1,000 Vehicles	[7] Collision Freqcy per 1,000 Vehicles	[8] Bodily Injury Freqcy per 1,000 Vehicles
2011	2,307,229	1,713,473	75,132	78,501	14,027	32.56	45.81	6.08
2012	2,391,965	1,772,518	75,099	76,785	14,404	31.40	43.32	6.02
2013	2,480,356	1,842,849	81,677	81,928	15,794	32.93	44.46	6.37
2014	2,576,725	1,918,765	83,848	82,069	16,387	32.54	42.77	6.36
2015	2,652,217	1,971,290	83,699	80,379	16,937	31.56	40.77	6.39
2016	2,678,709	1,980,766	78,918	78,032	16,817	29.46	39.39	6.28
2017	2,692,627	1,989,813	82,823	83,734	17,659	30.76	42.08	6.56
2018	2,747,657	2,029,417	83,123	87,558	17,468	30.25	43.14	6.36
2019	2,782,721	2,046,149	79,825	86,465	17,903	28.69	42.26	6.43
2020	2,780,126	2,028,759	53,997	56,117	11,940	19.42	27.66	4.29
2021	2,806,721	2,032,513	57,473	52,740	12,738	20.48	25.95	4.54
2022	2,840,438	2,054,760	72,021	54,561	12,936	25.36	26.55	4.55
2023	2,907,861	2,111,295	75,387	45,567	13,319	25.93	21.58	4.58

Source:

[1], [2], [4], [5]: Oliver Wyman 2024 Annual Review, Appendix B

[3]: Oliver Wyman 2024 Annual Review for 2011 to 2021, Appendix B and Appendix Table A 2.3 for 2022 and 2023

[6]: [3]/[1] x 1,000

[7]: [4]/[2] x 1,000

[8]: [5]/[1] x 1,000

Table A 2.7: Loss and LAE Cost per Vehicle ($2019) for Direct Compensation - Property Damage, Collision, and Bodily Injury

Accident Year	[1] DCPD Loss and LAE (000s)	[2] Collision Loss and LAE (000s)	[3] Bodily Injury Loss and LAE (000s)	[4] Alberta CPI, June of Accident Year	[5] Alberta CPI, 2019	[6] DCPD Loss and LAE per Vehicle, 2019 Dollars	[7] Collision Loss and LAE per Vehicle, 2019 Dollars	[8] Bodily Injury Loss and LAE per Vehicle, 2019 Dollars
2011	$354,621	$388,259	$571,113	125.3	143.1	$175.53	$258.78	$282.70
2012	$371,574	$402,767	$656,947	126.9	143.1	$175.17	$256.24	$309.71
2013	$411,203	$451,375	$735,833	129.8	143.1	$182.77	$270.03	$327.06
2014	$432,303	$482,386	$813,982	132.3	143.1	$181.47	$271.93	$341.69
2015	$449,637	$495,840	$955,880	134.5	143.1	$180.37	$267.61	$383.45
2016	$424,219	$491,499	$886,849	136.3	143.1	$166.27	$260.52	$347.59
2017	$466,847	$546,264	$908,987	136.9	143.1	$181.23	$286.96	$352.87
2018	$482,267	$574,255	$1,001,945	140.7	143.1	$178.51	$287.79	$370.87
2019	$471,596	$559,143	$1,116,885	142.7	143.1	$169.95	$274.03	$402.49
2020	$321,406	$379,419	$833,182	145.0	143.1	$114.09	$184.57	$295.77
2021	$378,898	$398,475	$738,937	148.9	143.1	$129.74	$188.41	$253.02
2022	$526,893	$522,933	$861,418	161.4	143.1	$164.46	$225.64	$268.88
2023	$584,629	$458,247	$906,768	164.4	143.1	$175.00	$188.92	$271.43

[1]: Oliver Wyman 2024 Annual Review, Appendix B for 2011 to 2021, Appendix Table A2.2 for 2022 and 2023

[2]: Oliver Wyman 2024 Annual Review, Appendix B

[3]: Appendix Table A 2.1, Column [11]

[6]: [1]/(Appendix Table A 2.6, Column [1]) x [5] / [4]

[7]: [2]/(Appendix Table A 2.6, Column [2]) x [5] / [4]

[8]: [3]/(Appendix Table A 2.6, Column [1]) x [5] / [4]

3. Development of Ultimate Loss and LAE, Bodily Injury, Dec 2017 to Dec 2023, Accident Years 2011 through 2019

Table A 3.1: Percentage Change in Oliver Wyman Ultimate Loss and LAE, Bodily Injury, Dec 2017 to Dec. 2023, Accident Years 2011 through 2019

Acc Year	[1] Oliver Wyman Annual Ult Loss Cost and LAE, Bodily Injury, as at Dec 2017	[2] Oliver Wyman Annual Ult Loss Cost and LAE, Bodily Injury, as at Dec 2019	[3] Oliver Wyman Annual Ult Loss Cost and LAE, Bodily Injury, as at Dec 2020	[4] Oliver Wyman Annual Ult Loss Cost and LAE, Bodily Injury, as at Dec 2021	[5] Oliver Wyman Annual Ult Loss Cost and LAE, Bodily Injury, as at Dec 2022	[6] Oliver Wyman Annual Ult Loss Cost and LAE, Bodily Injury, as at Dec 2023	[7] Pctge Change Dec-17 to Dec-23	[8] Pctge Change Dec-19 to Dec-20	[9] Pctge Change Dec-20 to Dec-21	[10] Pctge Change Dec-21 to Dec-22	[11] Pctge Change Dec-22 to Dec-23
2011	$248.42	$248.31	$247.47	$246.79	$246.69	$247.53	-0.4%	-0.3%	-0.3%	0.0%	+0.3%
2012	$282.13	$279.79	$277.34	$274.92	$274.89	$274.65	-2.7%	-0.9%	-0.9%	0.0%	-0.1%
2013	$312.63	$300.88	$298.66	$295.46	$295.12	$296.66	-5.1%	-0.7%	-1.1%	-0.1%	+0.5%
2014	$343.92	$325.26	$319.85	$313.77	$314.33	$315.90	-8.1%	-1.7%	-1.9%	+0.2%	+0.5%
2015	$400.07	$361.62	$360.72	$355.71	$358.46	$360.41	-9.9%	-0.2%	-1.4%	+0.8%	+0.5%
2016	$431.49	$390.65	$391.36	$384.57	$384.59	$386.55	-10.4%	+0.2%	-1.7%	0.0%	+0.5%
2017	$439.97	$425.29	$423.35	$415.07	$414.99	$416.89	-5.2%	-0.5%	-2.0%	0.0%	+0.5%
2018		$441.77	$455.05	$440.90	$445.20	$450.32		+3.0%	-3.1%	+1.0%	+1.1%
2019		$456.01	$472.92	$466.67	$480.79	$495.65		+3.7%	-1.3%	+3.0%	+3.1%

Sources:

[1]: Oliver Wyman 2018 Annual Review, Appendix B, Page 1, Column (14)

[2]: Oliver Wyman 2020 Annual Review, Appendix B, Page 1, Column (14)

[3]: Oliver Wyman 2021 Annual Review, Appendix B, Page 1, Column (14)

[4]: Oliver Wyman 2022 Annual Review, Appendix B, Page 1, Column (14)

[5]: Oliver Wyman 2023 Annual Review, Appendix B, Page 1, Column (14)

[6]: Oliver Wyman 2024 Annual Review, Appendix B, Page 1, Column (14)

[7]: [6] / [1] - 1

[8]: [3] / [2] - 1

[9]: [4] / [3] - 1

[10]: [5] / [4] - 1

[11]: [6] / [5] - 1

4. Paid Claim Dollars and Closed Claim Counts, Bodily Injury

Table A 4.1: Oliver Wyman Ultimate Incurred and Paid Dollars and Ultimate and Closed Claim Counts, by Accident Semester, Bodily Injury

Accident Semester	[1] Third Party Liability Earned Car Years	[2] Oliver Wyman Bodily Injury Ultimate Incurred Loss and LAE (000s)	[3] Bodily Injury Paid Loss and ALAE (000s)	[4] Bodily Injury Ultimate Claim Count	[5] Bodily Injury Closed Claim Count
2011.1	1,128,675	$248,393	$224,884	7,017	7,015
2011.2	1,178,554	$322,720	$292,674	7,010	7,010
2012.1	1,171,058	$297,190	$270,456	6,659	6,659
2012.2	1,220,907	$359,757	$326,303	7,745	7,739
2013.1	1,210,576	$325,787	$291,739	7,174	7,169
2013.2	1,269,780	$410,046	$364,209	8,620	8,612
2014.1	1,257,016	$348,879	$311,422	7,567	7,564
2014.2	1,319,709	$465,103	$412,240	8,820	8,807
2015.1	1,302,828	$424,655	$370,910	8,095	8,075
2015.2	1,349,389	$531,225	$451,868	8,842	8,798
2016.1	1,324,192	$459,616	$402,659	7,757	7,720
2016.2	1,354,517	$575,840	$482,607	9,060	8,969
2017.1	1,323,271	$516,885	$422,899	8,624	8,514
2017.2	1,369,356	$605,633	$476,960	9,035	8,856
2018.1	1,348,572	$577,836	$436,724	8,682	8,464
2018.2	1,399,086	$659,477	$451,981	8,786	8,419
2019.1	1,372,057	$650,928	$401,594	8,855	8,337
2019.2	1,410,664	$728,326	$390,769	9,048	8,265
2020.1	1,371,291	$472,976	$238,562	5,867	5,246
2020.2	1,408,836	$555,930	$216,533	6,073	5,115
2021.1	1,380,614	$475,743	$137,480	5,507	4,292
2021.2	1,426,107	$658,606	$131,845	7,231	5,003
2022.1	1,395,329	$527,226	$55,375	5,675	3,059
2022.2	1,445,109	$761,040	$36,593	7,261	2,763
2023.1	1,425,692	$616,421	$12,286	6,116	1,344
2023.2	1,482,169	$733,177	$2,263	7,203	329

Sources:

[1], [3], [5]:
Exhibit AUTO7001-AB-2023, General Insurance Statistical Agency (GISA)

[2]: Oliver Wyman 2024 Annual Review, Appendix B, Page 1, Column (7)

[4]: Oliver Wyman 2024 Annual Review, Appendix B, Page 1, Column (4)

Table A 4.2: Ultimate Incurred and Paid Dollars and Ultimate and Closed Claim Counts, by Accident Year, Bodily Injury

Accident Year	[1] Third Party Liability Earned Car Years	[2] Oliver Wyman Bodily Injury Ultimate Incurred Loss and LAE (000s)	[3] Bodily Injury Paid Loss and ALAE (000s)	[4] Bodily Injury Ultimate Claim Count	[5] Bodily Injury Closed Claim Count	[6] Bodily Injury Closed Claim Count as Pct of Ultimate
2011	2,307,229	$571,113	$517,558	14,027	14,025	100%
2012	2,391,965	$656,947	$596,759	14,404	14,398	100%
2013	2,480,356	$735,833	$655,948	15,794	15,781	100%
2014	2,576,725	$813,982	$723,662	16,387	16,371	100%
2015	2,652,217	$955,880	$822,778	16,937	16,873	100%
2016	2,678,709	$1,035,456	$885,266	16,817	16,689	99%
2017	2,692,627	$1,122,518	$899,859	17,659	17,370	98%
2018	2,747,657	$1,237,313	$888,705	17,468	16,883	97%
2019	2,782,721	$1,379,254	$792,363	17,903	16,602	93%
2020	2,780,126	$1,028,906	$455,095	11,940	10,361	87%
2021	2,806,721	$1,134,349	$269,325	12,738	9,295	73%
2022	2,840,438	$1,288,266	$91,968	12,936	5,822	45%
2023	2,907,861	$1,349,598	$14,549	13,319	1,673	13%

Source:

[1]: Appendix Table A 4.1 Column [1]

[2]: Appendix Table A 4.1 Column [2]

[3]: Appendix Table A 4.1 Column [3]

[4]: Appendix Table A 4.1 Column [4]

[5]: Appendix Table A 4.1 Column [5]

[6]: [5]/[4]

Table A 4.3: Paid and Ultimate Loss and LAE per Vehicle, Nominal and in 2019 Dollars, Bodily Injury

Accident Year	[1] Oliver Wyman Bodily Injury Ultimate Loss and LAE per Vehicle	[2] Bodily Injury Paid Loss and ALAE per Vehicle	[3] Alberta CPI (June)	[4] Alberta CPI (Avg for 2019)	[5] Oliver Wyman Bodily Injury Ultimate Loss and LAE per Vehicle in 2019 Dollars	[6] Bodily Injury Paid Loss and ALAE per Vehicle, in 2019 Dollars	[7] Bodily Injury Loss and ALAE Paid as Pct of Ultimate, in 2019 Dollars
2011	$248	$224	125.3	143.1	$283	$256	91%
2012	$275	$249	126.9	143.1	$310	$281	91%
2013	$297	$264	129.8	143.1	$327	$292	89%
2014	$316	$281	132.3	143.1	$342	$304	89%
2015	$360	$310	134.5	143.1	$383	$330	86%
2016	$387	$330	136.3	143.1	$406	$347	85%
2017	$417	$334	136.9	143.1	$436	$349	80%
2018	$450	$323	140.7	143.1	$458	$329	72%
2019	$496	$285	142.7	143.1	$497	$286	57%
2020	$370	$164	145.0	143.1	$365	$162	44%
2021	$404	$96	148.9	143.1	$388	$92	24%
2022	$454	$32	161.4	143.1	$402	$29	7%
2023	$464	$5	164.4	143.1	$404	$4	1%

Source:

[1]: Appendix Table A 4.2 Column [2]/ Table A 4.2 Column [1]

[2]: Appendix Table A 4.2 Column [3]/ Table A 4.2 Column [1]

[5]: [1] x [4] / [3]

[6]: [2] x [4] / [3]

[7]: [6] / [5]

5. Calculation of Ultimate Loss and LAE Amounts, Adjusted for Change in Loss Development Pattern, Bodily Injury

Table A 5.1: Calculation of Adjustment Factors for Change in Loss Development Pattern, 6-12 Months

Accident Semester	[1] Case Incurred Loss and ALAE, Age 6 Months (in Thousands)	[2] Case Incurred Loss and ALAE, Age 12 Months (in Thousands)	[3] Weighted Average Age-to-Age Ratio
2012.2	$147,335	$177,626	
2013.1	$122,754	$150,964	
2013.2	$158,085	$201,330	
2014.1	$139,295	$170,205	
2014.2	$181,499	$220,251	
2015.1	$157,887	$199,168	
2015.2	$193,905	$242,166	
2016.1	$156,971	$197,097	
Subtotal for Pre-2017 Calendar Period	**$1,257,731**	**$1,558,807**	**1.239**
2016.2	$174,369	$251,531	
2017.1	$169,629	$229,155	
2017.2	$202,756	$277,054	
2018.1	$197,315	$242,619	
2018.2	$199,756	$278,187	
2019.1	$182,157	$257,440	
2019.2	$210,044	$292,335	
2020.1	$136,475	$188,186	
2020.2	$161,095	$212,770	
2021.1	$135,089	$172,885	
2021.2	$155,026	$229,883	
2022.1	$122,582	$181,387	
2022.2	$171,823	$274,134	
2023.1	$149,571	$226,722	
Subtotal for 2017-and-Later Calendar Period	**$2,367,687**	**$3,314,288**	**1.400**

Adjustment Factor = 1.239 / 1.400 = 0.885

Sources:

[1], [2]: Exhibit AUTO7001-AB-2023, General Insurance Statistical Agency (GISA)

Table A 5.2: Calculation of Adjustment Factor for Change in Loss Development Pattern, 12-18 Months

Accident Semester	[1] Case Incurred Loss and ALAE, Age 12 Months (in Thousands)	[2] Case Incurred Loss and ALAE, Age 18 Months (in Thousands)	[3] Weighted Average Age-to-Age Ratio
2012.2	177,626	190,638	
2013.1	150,964	162,433	
2013.2	201,330	213,249	
2014.1	170,205	184,617	
2014.2	220,251	243,195	
2015.1	199,168	213,997	
2015.2	242,166	266,694	
Subtotal for Pre-2017 Calendar Period	**$1,361,710**	**$1,474,823**	**1.083**
2016.1	$197,097	$238,040	
2016.2	$251,531	$300,285	
2017.1	$229,155	$267,360	
2017.2	$277,054	$306,885	
2018.1	$242,619	$277,037	
2018.2	$278,187	$327,553	
2019.1	$257,440	$306,132	
2019.2	$292,335	$340,118	
2020.1	$188,186	$224,050	
2020.2	$212,770	$251,132	
2021.1	$172,885	$205,769	
2021.2	$229,883	$277,941	
2022.1	$181,387	$230,292	
2022.2	$274,134	$337,319	
Subtotal for 2017-and-Later Calendar Period	**$2,829,129**	**$3,321,695**	**1.184**

Adjustment Factor = 1.083 / 1.184 = 0.915

Sources:

[1], [2]: Exhibit AUTO7001-AB-2023, General Insurance Statistical Agency (GISA)

6. Realized Impact of Bill 41

Table A 6.1: Impact of Bill 41 on Recognized Bodily Injury Loss and LAE to Date

Acc Yr	[1] Case Incurred Loss & ALAE (000s)	[2] Count of Reported Claims	[3] Case Severity	[4] Alberta CPI (June)	[5] Alberta CPI for 2020	[6] Case Incd Loss & ALAE in $2020 (000s)	[7] Case Incd Loss & ALAE Severity in $2020
2020	$349,281	10,705	$32,628	145.0	144.7	$348,558	$32,560
2021	$327,911	11,133	$29,454	148.9	144.7	$318,662	$28,623
2022	$353,210	11,029	$32,026	161.4	144.7	$316,663	$28,712
2023	$412,725	11,517	$35,836	164.4	144.7	$363,268	$31,542
Total 2021-2023	$1,093,846	33,679	$32,479			$998,593	$29,650

Sources:

[1], [2]: Exhibit AUTO7001-AB-2023, General Insurance Statistical Agency (GISA)
[3]: [1] / [2]
[6]: [1] x [5] / [4]
[7]: [6] / [2]

Table A 6.2: Projected Savings per Vehicle from Bill 41

(1) Case Severity 2020, in $2020	$32,560
(2) Case Severity 2021-2023, in $2020	$29,650
(3) Pct Reduction in Severity	9%
(4) Ult Incurred Loss and LAE 2020 (000s)	$833,182
(5) No of Vehicles 2020	2,780,126
(6) Loss Cost 2020, (4)/(5)	$299.69
(7) Bill 41 Recogn Savings per Vehicle, (3) x (6)	$27
(8) Bill 41 Total Savings per Vehicle, as per IBC	$91
(9) Bill 41 Remaining Savings per Vehicle, (8) – (7)	$64

7. Growth in Operating Expenses

Table A 7.1: Growth in Operating Expenses per Vehicle by Category, 2014 to 2024

Accident Year	[1] Earned Premium per Earned Vehicle	[2] Benchmark	[3] Operating Expense Pct	[4] Operating Expense per Earned Vehicle	[5] Pct Increase in Oper Exp per Vehicle	[6] General Expense Pct	[7] General Expense per Earned Vehicle	[8] Pct Increase in General Exp per Vehicle	[9] Commissions and Other Acqn Expense Pct	[10] Commissions and Other Acqn Expense per Earned Vehicle	[11] Pct Increase in Commissions and Other Acqn Exp per Vehicle
2014	$1,134	April 2015	24.2%	$275		6.3%	$71.47		15.1%	$171	
2015	$1,165	April 2016	25.4%	$296	7.8%	6.3%	$73.38	2.7%	15.1%	$176	2.7%
2016	$1,189	April 2017	26.7%	$318	7.3%	7.0%	$83.26	13.5%	15.7%	$187	6.2%
2017	$1,229	April 2018	27.8%	$342	7.6%	7.8%	$95.84	15.1%	16.0%	$197	5.3%
2018	$1,283	April 2019	26.6%	$341	-0.1%	7.5%	$96.20	0.4%	15.1%	$194	-1.5%
2019	$1,359	April 2020	26.7%	$363	6.4%	7.5%	$101.95	6.0%	15.2%	$207	6.7%
2020	$1,463	April 2021	26.0%	$380	4.8%	7.2%	$105.34	3.3%	15.1%	$221	6.9%
2021	$1,556	April 2022	26.0%	$405	6.3%	7.1%	$110.47	4.9%	15.2%	$236	7.0%
2022	$1,581	April 2023	27.1%	$429	5.9%	7.5%	$118.59	7.4%	15.8%	$250	5.6%
2023	$1,627	April 2024	27.6%	$449	4.8%	7.5%	$122.03	2.9%	16.4%	$267	6.8%
2024	$1,689	Oliver Wyman Annual Review 2024	27.8%	$470	4.6%	7.8%	$131.77	8.0%	16.1%	$272	1.9%

Source:

[1]: Exhibit AUTO7001-AB-2023, General Insurance Statistical Agency (GISA)

[2]: The April after the end of the Accident Year

[3], [6], [9]: Operating Expenses Section, Oliver Wyman Reports

[4]: [1] x [3]

[7]: [1] x [6]

[10]: [1] x [9]

[5], [8], [11]: Pct Increase in [4], [7], [10] respectively

8. Industry Costs, Compared to Rising Premiums, 2011 through 2023

Table A 8.1: Items of Revenue and Expense, in Nominal Dollars

Accident Year	[1] Earned Vehicles	[2] Earned Premium (000s)	[3] Investment Income (000s)	[4] Incurred Loss and LAE (000s)	[5] Health Cost Recovery (000s)	[6] Operating Expenses (000s)
2011	2,307,229	$2,476,448	$231,447	$1,654,976	$82,074	$599,300
2012	2,391,965	$2,579,375	$219,821	$1,938,345	$75,666	$624,209
2013	2,480,356	$2,729,239	$183,351	$2,096,610	$63,809	$660,476
2014	2,576,725	$2,923,181	$241,892	$2,291,840	$72,736	$707,410
2015	2,652,217	$3,089,321	$219,111	$2,518,188	$101,429	$784,688
2016	2,678,709	$3,186,077	$176,704	$2,574,546	$100,104	$850,683
2017	2,692,627	$3,308,489	$211,539	$2,527,844	$102,914	$919,760
2018	2,747,657	$3,524,488	$145,549	$2,692,204	$139,199	$937,514
2019	2,782,721	$3,782,827	$230,549	$2,789,892	$146,426	$1,010,015
2020	2,780,126	$4,067,561	$252,264	$2,355,533	$115,525	$1,057,566
2021	2,806,721	$4,366,937	$192,483	$2,202,624	$75,604	$1,135,404
2022	2,840,438	$4,491,310	$19,655	$2,699,092	$91,759	$1,217,145
2023	2,907,861	$4,731,253	$193,181	$2,822,382	$80,290	$1,305,826

Source:

[1], [2]: Exhibit AUTO7001-AB-2023, General Insurance Statistical Agency (GISA)

[3]: Tables A 9.1, Row [16] + Row [17]

[4]: Table A 2.4, Column [10]

[5]: Tables A 9.1, Row [8]

[6]: Tables A 9.1,, Row [5]

Table A 8.2: Items of Revenue and Expense, per Vehicle, in Nominal Dollars

Accident Year	[1] Earned Premium per Vehicle	[2] Earned Premium plus Investment Income per Vehicle	[3] Incurred Loss and LAE per Vehicle	[4] Health Cost Recovery per Vehicle	[5] Operating Expenses per Vehicle
2011	$1,073	$1,174	$717	$36	$260
2012	$1,078	$1,170	$810	$32	$261
2013	$1,100	$1,174	$845	$26	$266
2014	$1,134	$1,228	$889	$28	$275
2015	$1,165	$1,247	$949	$38	$296
2016	$1,189	$1,255	$961	$37	$318
2017	$1,229	$1,307	$939	$38	$342
2018	$1,283	$1,336	$980	$51	$341
2019	$1,359	$1,442	$1,003	$53	$363
2020	$1,463	$1,554	$847	$42	$380
2021	$1,556	$1,624	$785	$27	$405
2022	$1,581	$1,588	$950	$32	$429
2023	$1,627	$1,693	$971	$28	$449

Source:

[1]: Table A 8.1, [2] / [1]

[2]: Table A 8.1, ([2] + [3]) / [1]

[3]: Table A 8.1, [4] / [1]

[4]: Table A 8.1, [5] / [1]

[5]: Table A 8.1, [6] / [1]

Table A 8.3: Items of Revenue and Expense, per Vehicle, in 2019 Dollars

Accident Year	[1] Earned Premium per Vehicle, in 2019 Dollars	[2] Earned Premium plus Investment Income per Vehicle in 2019 Dollars	[3] Incurred Loss and LAE per Vehicle in 2019 Dollars	[4] Health Cost Recovery per Vehicle in 2019 Dollars	[5] Operating Expenses per Vehicle in 2019 Dollars
2011	$1,226	$1,340	$819	$41	$297
2012	$1,216	$1,320	$914	$36	$294
2013	$1,213	$1,295	$932	$28	$294
2014	$1,227	$1,329	$962	$31	$297
2015	$1,239	$1,327	$1,010	$41	$315
2016	$1,249	$1,318	$1,009	$39	$333
2017	$1,284	$1,366	$981	$40	$357
2018	$1,305	$1,358	$997	$52	$347
2019	$1,363	$1,446	$1,005	$53	$364
2020	$1,444	$1,533	$836	$41	$375
2021	$1,495	$1,561	$754	$26	$389
2022	$1,402	$1,408	$842	$29	$380
2023	$1,416	$1,474	$845	$24	$391

Source:

Table A 8.2, Adjusted to 2019 CPI

9. Profit and Loss for the Alberta Private Passenger Auto Insurance Industry

A. 2019 to 2024 Pre-Tax Profit, Based on Oliver Wyman Claims Costs, Dec. 2023 Analysis, Adjusted for 2017 Loss Development Pattern Change

Table A 9.1: Estimated Pre-Tax Profit and Loss, 2019 through 2023 and Projection for 2024

(Dollar Amounts in Thousands)

	2019	2020	2021	2022	2023	Projected 2024	Total for 2019-2024
[1] Premium Earned, Current Year[1]	$3,782,827	$4,067,561	$4,366,937	$4,491,310	$4,731,253	$4,912,238	
[2] Premium Earned, Prior Year[1]	$3,524,488	$3,782,827	$4,067,561	$4,366,937	$4,491,310	$4,731,253	
[3] Claims[2]	$2,789,892	$2,355,533	$2,202,624	$2,699,092	$2,822,382	$2,797,885	
[4] Expense Ratio[3]	26.7%	26.0%	26.0%	27.1%	27.6%	27.8%	
[5] Operating Expenses = [1] * [4]	$1,010,015	$1,057,566	$1,135,404	$1,217,145	$1,305,826	$1,365,602	
[6] TPL Premium Written [1]	$2,185,462	$2,437,243	$2,571,557	$2,584,753	$2,807,336	$2,845,851	
[7] Health Cost Recovery Pct	6.70%	4.74%	2.94%	3.55%	2.86%	2.94%	
[8] Health Cost Recovery $ = [6] * [7]	$146,426	$115,525	$75,604	$91,759	$80,290	$83,668	
[9] U/W Profit = [1] – [3] – [5] – [8]	-$163,506	$538,937	$953,305	$483,315	$522,756	$665,083	
[10] Premium Leverage[4]	1.21	1.19	1.17	1.24	1.20	1.20	
[11] Allocated Equity, Current Year = [1] / [10]	$3,133,561	$3,409,558	$3,744,886	$3,620,881	$3,943,556	$4,094,409	
[12] Allocated Equity, Prior Year = [2] / [10]	$2,919,562	$3,170,885	$3,488,156	$3,520,612	$3,743,561	$3,943,556	
[13] Average Allocated Equity = ([11] + [12])/2	$3,026,561	$3,290,221	$3,616,521	$3,570,746	$3,843,558	$4,018,983	
[14] Reserves as Ratio to Equity[5]	1.23	1.22	1.16	1.14	1.16	1.16	
[15] Investment Yield Rates[6]	3.4%	3.5%	2.5%	0.3%	2.3%	2.3%	
[16] Investment Income on Reserves = [13]*[14]*[15]	$127,028	$138,499	$103,377	$10,470	$103,881	$108,622	
[17] Investment Income on Capital = [13]*[15]	$103,521	$113,765	$89,106	$9,185	$89,300	$93,375	
[18] Total Profit, Pre-Tax = [9] + [16] + [17]	**$67,043**	**$791,201**	**$1,145,788**	**$502,970**	**$715,937**	**$867,081**	**$4,090,019**
[19] "Realized Profit Provision" as Pct of Premium = ([9] + [16])/[1]	-1.0%	16.7%	24.2%	11.0%	13.2%	15.8%	

Sources:

(1): For 2019, 2020, 2021, 2022, 2023 Exhibit AUTO7001-AB-2023, General Insurance Statistical Agency (GISA)
For 2024, Table A 9.5 Column [9] Total

(2): For 2020, 2021, 2022, 2023 Table A 2.4, Column [10]
For 2024, Table A9.6

(3): For 2020, AIRB Benchmark Expense Ratio, April 2021
For 2021, AIRB Benchmark Expense Ratio, April 2022
For 2022, AIRB Benchmark Expense Ratio, April 2023
For 2023, AIRB Benchmark Expense Ratio, April 2024
For 2024, Recommended Benchmark, Table 19, p. 86, Oliver Wyman 2024 Annual Review

(4): Table A 9.7, Column [3], 2020 for 2020, 2021 for 2021, 2022 for 2022, 2023 for 2023 and 2024

(5): Table A 9.8, Column [10], 2020 for 2020, 2021 for 2021, 2022 for 2022, 2023 for 2023 and 2024

(6): For 2020, 2021, 2022, 2023 Table A 9.7, Column [6], 2020, 2021, 2022, 2023
For 2024, Selected by judgment to 2.3%

B. 2019 to 2024 Pre-Tax Profit, for Basic Coverages (BI, DCPD, AB, UM) Based on Oliver Wyman Claims Costs, Dec. 2023 Analysis, Adjusted for 2017 Loss Development Pattern Change

Table A 9.2: Estimated Pre-Tax Profit and Loss, 2019 through 2023 and Projection for 2024, Basic Coverages

(Dollar Amounts in Thousands)

	2019	2020	2021	2022	2023	Projected 2024	Total for 2019-2024
[1] Premium Earned, Current Year[1]	$2,335,437	$2,595,280	$2,846,769	$2,928,881	$3,096,607	$3,225,481	
[2] Premium Earned, Prior Year[1]	$2,136,488	$2,335,437	$2,595,280	$2,846,769	$2,928,881	$3,096,607	
[3] Claims[2]	$1,810,791	$1,335,798	$1,341,956	$1,668,475	$1,774,886	$1,810,695	
[4] Expense Ratio[3]	26.7%	26.0%	26.0%	27.1%	27.6%	27.8%	
[5] Operating Expenses = [1] * [4]	$623,562	$674,773	$740,160	$793,727	$854,664	$896,684	
[6] TPL Premium Written [1]	$2,185,462	$2,437,243	$2,571,557	$2,584,753	$2,807,336	$2,845,851	
[7] Health Cost Recovery Pct	6.70%	4.74%	2.94%	3.55%	2.86%	2.94%	
[8] Health Cost Recovery $ = [6] * [7]	$146,426	$115,525	$75,604	$91,759	$80,290	$83,668	
[9] U/W Profit = [1] – [3] – [5] – [8]	-$245,342	$469,184	$689,049	$374,921	$386,768	$434,434	
[10] Premium Leverage[4]	1.21	1.19	1.17	1.24	1.20	1.20	
[11] Allocated Equity, Current Year = [1] / [10]	$1,934,594	$2,175,446	$2,441,260	$2,361,256	$2,581,059	$2,688,477	
[12] Allocated Equity, Prior Year = [2] / [10]	$1,769,791	$1,957,637	$2,225,594	$2,295,057	$2,441,257	$2,581,059	
[13] Average Allocated Equity = ([11] + [12])/2	$1,852,193	$2,066,541	$2,333,427	$2,328,156	$2,511,158	$2,634,768	
[14] Reserves as Ratio to Equity[5]	1.23	1.22	1.16	1.14	1.16	1.16	
[15] Investment Yield Rates[6]	3.4%	3.5%	2.5%	0.3%	2.3%	2.3%	
[16] Investment Income on Reserves = [13]*[14]*[15]	$77,738	$86,989	$66,700	$6,827	$67,870	$71,211	
[17] Investment Income on Capital = [13]*[15]	$63,353	$71,454	$57,493	$5,989	$58,343	$61,215	
[18] Total Profit, Pre-Tax = [9] + [16] + [17]	**-$104,251**	**$627,627**	**$813,242**	**$387,737**	**$512,981**	**$566,860**	**$2,804,195**
[19] "Realized Profit Provision" as Pct of Premium = ([9] + [16])/[1]	-7.2%	21.4%	26.5%	13.0%	14.7%	15.7%	

Sources: For Tables A.9.2 through A.9.4

(1): For 2019, 2020, 2021, 2022, 2023, Exhibit AUTO7001-AB-2023, General Insurance Statistical Agency (GISA)
For 2024, Table A 9.5 Column [9]

(2): For 2020, 2021, 2022, 2023 Table A 2.4, Column [10]
For 2024, Table A9.6

(3): For 2020, AIRB Benchmark Expense Ratio, April 2021
For 2021, AIRB Benchmark Expense Ratio, April 2022
For 2022, AIRB Benchmark Expense Ratio, April 2023
For 2023, AIRB Benchmark Expense Ratio, April 2024
For 2024, Recommended Benchmark, Table 19, p. 86, Oliver Wyman 2024 Annual Review

(4): Table A 9.7, Column [3], 2020 for 2020, 2021 for 2021, 2022 for 2022, 2023 for 2023 and 2024

(5): Table A 9.8, Column [10], 2020 for 2020, 2021 for 2021, 2022 for 2022, 2023 for 2023 and 2024

(6): For 2020, 2021, 2022, 2023, Table A 9.7, Column [6], 2020, 2021, 2022, 2023
For 2024, Selected by judgment to 2.3%

C. 2019 to 2024 Pre-Tax Profit, for Collision Coverage Based on Oliver Wyman Claims Costs, Dec. 2023 Analysis, Adjusted for 2017 Loss Development Pattern Change

Table A 9.3: Estimated Pre-Tax Profit and Loss, 2019 through 2023, and Projection for 2024, Collision Coverage

(Dollar Amounts in Thousands)

	2019	2020	2021	2022	2023	Projected 2024	Total for 2019-2024
[1] Premium Earned, Current Year[(1)]	$807,819	$790,761	$792,565	$800,615	$829,675	$858,237	
[2] Premium Earned, Prior Year[(1)]	$795,600	$807,819	$790,761	$792,565	$800,615	$829,675	
[3] Claims[(2)]	$559,143	$379,419	$398,475	$522,933	$458,247	$423,265	
[4] Expense Ratio[(3)]	26.7%	26.0%	26.0%	27.1%	27.6%	27.8%	
[5] Operating Expenses = [1] * [4]	$215,688	$205,598	$206,067	$216,967	$228,990	$238,590	
[6] TPL Premium Written [(1)]							
[7] Health Cost Recovery Pct							
[8] Health Cost Recovery $ = [6] * [7]							
[9] U/W Profit = [1] – [3] – [5] – [8]	$32,988	$205,745	$188,023	$60,716	$142,438	$196,382	
[10] Premium Leverage[(4)]	1.21	1.19	1.17	1.24	1.20	1.20	
[11] Allocated Equity, Current Year = [1] / [10]	$669,169	$662,841	$679,668	$645,454	$691,544	$715,351	
[12] Allocated Equity, Prior Year = [2] / [10]	$659,047	$677,139	$678,121	$638,964	$667,323	$691,544	
[13] Average Allocated Equity = ([11] + [12])/2	$664,108	$669,990	$678,894	$642,209	$679,433	$703,448	
[14] Reserves as Ratio to Equity[(5)]	1.23	1.22	1.16	1.14	1.16	1.16	
[15] Investment Yield Rates[(6)]	3.4%	3.5%	2.5%	0.3%	2.3%	2.3%	
[16] Investment Income on Reserves = [13]*[14]*[15]	$27,873	$28,203	$19,406	$1,883	$18,363	$19,012	
[17] Investment Income on Capital = [13]*[15]	$22,715	$23,166	$16,727	$1,652	$15,786	$16,344	
[18] Total Profit, Pre-Tax = [9] + [16] + [17]	**$83,577**	**$257,113**	**$224,156**	**$64,251**	**$176,587**	**$231,738**	**$953,845**
[19] "Realized Profit Provision" as Pct of Premium = ([9] + [16])/[1]	7.5%	29.6%	26.2%	7.8%	19.4%	25.1%	

D. 2019, to 2024 Pre-Tax Profit for All Other Coverage (Comp, All Perils, Specified Perils) Based on Oliver Wyman Claims Costs, Dec. 2023 Analysis, Adjusted for 2017 Loss Development Pattern Change

Table A 9.4: Estimated Pre-Tax Profit and Loss, 2019 through 2023 and Projection for 2024, All Other Coverages

(Dollar Amounts in Thousands)

	2019	2020	2021	2022	2023	Projected 2024	Total for 2019-2024
[1] Premium Earned, Current Year[(1)]	$639,571	$681,520	$727,602	$761,813	$804,970	$828,520	
[2] Premium Earned, Prior Year[(1)]	$592,400	$639,571	$681,520	$727,602	$761,813	$804,970	
[3] Claims[(2)]	$419,958	$640,316	$462,193	$507,684	$589,249	$563,924	
[4] Expense Ratio[(3)]	26.7%	26.0%	26.0%	27.1%	27.6%	27.8%	
[5] Operating Expenses = [1] * [4]	$170,766	$177,195	$189,177	$206,451	$222,172	$230,329	
[6] TPL Premium Written [(1)]							
[7] Health Cost Recovery Pct							
[8] Health Cost Recovery $ = [6] * [7]							
[9] U/W Profit = [1] – [3] – [5] – [8]	$48,848	-$135,991	$76,233	$47,678	-$6,450	$34,267	
[10] Premium Leverage[(4)]	1.21	1.19	1.17	1.24	1.20	1.20	
[11] Allocated Equity, Current Year = [1] / [10]	$529,798	$571,271	$623,959	$614,172	$670,953	$690,581	
[12] Allocated Equity, Prior Year = [2] / [10]	$490,723	$536,109	$584,440	$586,591	$634,981	$670,953	
[13] Average Allocated Equity = ([11] + [12])/2	$510,261	$553,690	$604,200	$600,381	$652,967	$680,767	
[14] Reserves as Ratio to Equity[(5)]	1.23	1.22	1.16	1.14	1.16	1.16	
[15] Investment Yield Rates[(6)]	3.4%	3.5%	2.5%	0.3%	2.3%	2.3%	
[16] Investment Income on Reserves = [13]*[14]*[15]	$21,416	$23,307	$17,271	$1,760	$17,648	$18,399	
[17] Investment Income on Capital = [13]*[15]	$17,453	$19,145	$14,887	$1,544	$15,171	$15,817	
[18] Total Profit, Pre-Tax = [9] + [16] + [17]	**$87,717**	**-$93,540**	**$108,390**	**$50,983**	**$26,368**	**$68,483**	**$160,685**
[19] "Realized Profit Provision" as Pct of Premium = ([9] + [16])/[1]	11.0%	-16.5%	12.9%	6.5%	1.4%	6.4%	

E. Projections of Earned Premiums and Incurred Losses and LAE for 2024

Table A 9.5: Calculation of 2024 Earned Premium at the Level of Written Premium in Second Half of 2023

(Dollar Amounts in Thousands)

Coverage	[1] Accident Semester	[2] Earned Premium (000s)	[3] Earned Vehicles (000s)	[4] Average Earned Premium per Vehicle = [2] / [3]	[5] Written Premium (000s)	[6] Written Vehicles (000s)	[7] Average Written Premium per Vehicle = [5] / [6]	[8] On-Level Factor = $[7]_{2023.2}$ / [4]	[9] Earned Premium at Level of Written Premium, 2023-2 (000s) = [2] * [8]
Third Party Liability	2023.1	$1,300,646	1,426	$912.29				1.054	$1,370,912
	2023.2	$1,388,621	1,482	$936.88	$1,447,332	1,505	$961.58	1.026	$1,425,219
Accident Benefits	2023.1	$150,654	1,420	$106.09				1.107	$166,797
	2023.2	$167,958	1,477	$113.70	$176,225	1,500	$117.46	1.033	$173,513
Un/Underinsured Motorists	2023.1	$43,390	1,378	$31.49				1.006	$43,670
	2023.2	$45,339	1,432	$31.67	$46,082	1,454	$31.69	1.001	$45,370
Collision	2023.1	$403,480	1,035	$389.88				1.043	$420,677
	2023.2	$426,195	1,076	$395.94	$447,697	1,101	$406.50	1.027	$437,560
Comprehensive	2023.1	$372,367	1,183	$314.81				1.040	$387,247
	2023.2	$390,838	1,217	$321.16	$410,872	1,255	$327.39	1.019	$398,417
All Perils	2023.1	$17,445	21	$840.17				1.037	$18,096
	2023.2	$21,297	25	$856.91	$24,374	28	$871.52	1.017	$21,660
Specified Perils	2023.1	$1,497	12	$121.11				1.046	$1,565
	2023.2	$1,526	12	$125.93	$1,613	13	$126.68	1.006	$1,535
Total		$4,731,253							$4,912,238
Basic Coverage TPL + AB + UM		$3,096,607							$3,225,481
Collision		$829,675							$858,237
All Other Comp + AP + SP		$804,970							$828,520

Source: Exhibit AUTO7001-AB-2022, General Insurance Statistical Agency (GISA)

Table A 9.6: Projected 2024 Claims Costs, Under Oliver Wyman Claim Cost Assumptions and CPI Trend, Adjusted for 2017 Change in Loss Development Pattern

(Dollar Amounts in Thousands)

	Bodily Injury	Property Damage	Accident Benefits	Un/Under Insured Motorist	Collision	Compre-hensive	All Perils	Spec-ified Perils	All Coverages
Base Line [(1)]	$1,116,885	$471,596	$202,951	$19,359	$559,143	$408,606	$10,296	$1,056	$2,789,892
Growth in Number of Vehicles, 2019-2023	4.5%	4.1%	3.4%	3.2%	0.0%	98.1%	12.3%	4.5%	
Past Trend for 2019 to 2023	+15.2%	+15.2%	+15.2%	+15.2%	+15.2%	+15.2%	+15.2%	+15.2%	
Future Trend for 2023 to 2024	+3.0%	+3.0%	+3.0%	+3.0%	+3.0%	+3.0%	+3.0%	+3.0%	
Catastrophe Load						+15.9%	+15.9%	+15.9%	
"New Normal" Factor for Post-Pandemic and Bill 41 Impact[(2)]	0.712	1.000	0.859	1.000	0.618	1.000	0.618	1.000	
Claims Costs	$986,466	$585,010	$215,458	$23,762	$423,265	$545,514	$16,827	$1,583	$2,797,885

(1): 2019 Incurred Loss and LAE, Source, Table A 2.4.

(2): Factors for New Normal: Tables 21 through 24, pp. 90-93, Oliver Wyman 2024

(3): Catastrophe Load 1.459 (five years 2018-2022 catastrophes)/1.272 (2019 catastrophes), Oliver Wyman 2024, Table 16, p 83

F. Calculation of Ratios for Use in the Cheng Model of Profits

Table A 9.7: Ratios for the Insurance Industry Operating in Canada, from P&C Returns Filed with OSFI
(Dollar Amounts in Millions)

		[1] Direct Written Premium (2019-2022) /Total Insurance Revenue (2023)	[2] Total Equity	[3] Premium Leverage = [1]/[2]	[4] Net Investmt Income (2019-2022) /Net Investment Result (2023)	[5] Total Investmts	[6] Investmt Yield Rate = [4] / [5]
2019	Canadian	$45,978	$26,140		$2,454	$62,492	
	Foreign	$9,562	$15,543		$797	$31,879	
	Cdn Mortgage	$1,150	$5,277		$265	$8,423	
	Total	$56,690	$46,960	1.21	$3,516	$102,794	3.4%
2020	Canadian	$49,041	$29,351		$2,695	$67,685	
	Foreign	$11,213	$17,033		$958	$35,481	
	Cdn Mortgage	$1,674	$5,526		$233	$9,222	
	Total	$61,928	$51,910	1.19	$3,886	$112,388	3.5%
2021	Canadian	$51,727	$33,234		$2,028	$55,382	
	Foreign	$13,167	$18,765		$326	$38,756	
	Cdn Mortgage	$2,086	$5,463		$210	$9,926	
	Total	$66,980	$57,462	1.17	$2,564	$104,064	2.5%
2022	Canadian	$55,438	$32,840		$12	$64,516	
	Foreign	$14,704	$19,879		$17	$40,750	
	Cdn Mortgage	$1,472	$5,016		$266	$9,414	
	Total	$71,614	$57,735	1.24	$295	$114,680	0.3%
2023	Canadian	$56,374	$34,818		$1,340	$62,276	
	Foreign	$18,884	$23,497		$1,029	$45,086	
	Cdn Mortgage	$1,252	$5,457		$354	$9,839	
	Total	$76,510	$63,772	1.20	$2,723	$117,201	2.3%

Source: OSFI, Financial Data for Property and Casualty Companies

https://www.osfi-bsif.gc.ca/Eng/wt-ow/Pages/FINDAT-pc.aspx

Note that amounts for "Canadian" insurers prior to 2018 include "Canadian Mortgage Insurers." For consistency, the amounts for Canadian Mortgage Insurers are added to the industry total for 2018 through 2022.

Amounts for 2023 are reported to OSFI under the IFRS-17 accounting practices. For 2019 through 2022, Direct Written Premium has been substituted for the previous Net Earned Premium, in order to correspond more closely to the IFRS-17 reported amount "Total Insurance Revenue."

For 2019 through 2022, Gross and Ceded Unearned Premiums are no longer included as reserves, as these amounts are not separately reported under IFRS-17.

Table A 9.8 (cont'd): Ratios for the Insurance Industry Operating in Canada, from P&C Returns Filed with OSFI

(Dollar Amounts in Millions)

		[7] Gross Unpaid Claims & LAE (2019-2022) /Insurance Contract Liabilities (2023)	[8] Ceded Unpaid Claims & LAE (2019-2022) /Reinsurance Contract Held Assets (2023)	[9] Net Reserves = [7] – [8]	[10] Reserves/ Equity = [9]/[2]
2019	Canadian	$57,733	$16,057		
	Foreign	$20,060	$4,285		
	Cdn Mortgage	$172	$0		
	Total	$77,965	$20,342	$57,623	1.23
2020	Canadian	$64,020	$18,717		
	Foreign	$22,599	$4,941		
	Cdn Mortgage	$235	$0		
	Total	$86,854	$23,658	$63,196	1.22
2021	Canadian	$65,786	$18,604		
	Foreign	$24,731	$5,390		
	Cdn Mortgage	$115	$0		
	Total	$90,632	$23,994	$66,638	1.16
2022	Canadian	$65,854	$20,348		
	Foreign	$26,260	$6,050		
	Cdn Mortgage	$95	$0		
	Total	$92,209	$26,398	$65,811	1.14
2023	Canadian	$68,255	$17,421		
	Foreign	$30,360	$7,009		
	Cdn Mortgage	$0	$0		
	Total	$98,615	$24,430	$74,185	1.16

Source: OSFI, Financial Data for Property and Casualty Companies

https://www.osfi-bsif.gc.ca/Eng/wt-ow/Pages/FINDAT-pc.aspx

Note that amounts for "Canadian" insurers prior to 2018 include "Canadian Mortgage Insurers." For consistency, the amounts for Canadian Mortgage Insurers are added to the industry total for 2018 through 2022.

Amounts for 2023 are reported to OSFI under the IFRS-17 accounting practices. For 2019 through 2022, Direct Written Premium has been substituted for the previous Net Earned Premium, in order to correspond more closely to the IFRS-17 reported amount "Total Insurance Revenue."

For 2019 through 2022, Gross and Ceded Unearned Premiums are no longer included as reserves, as these amounts are not separately reported under IFRS-17.

10. Realization of Profit Provision, Plus Investment Income on Capital

The table below performs the calculations, according to the "rule of thumb" cited by Oliver Wyman, for the Realized Profit Provision including investment income on capital.

Table A 10.1: Realized Profit Provision Including Investment Income on Capital, by Year from 2014 to 2023

Year	[1] Realized Profit Provision Percentage, per Oliver Wyman	[2] Ratio of Capital to Premium, by Rule of Thumb Cited by Oliver Wyman	[3] Pre-tax Rate of Investment Return on Capital	[4] Realized Profit Provision Percentage, Including Investment Income on Capital	[5] Earned Premium (000s)	[6] Realized Profit Provision, Including Investment Income on Capital, in Dollars (000s)
2014	1.7%	0.5	4.2%	3.8%	$2,923,181	$111,081
2015	-4.3%	0.5	3.3%	-2.7%	$3,089,321	($81,867)
2016	-10.2%	0.5	2.8%	-8.8%	$3,186,077	($280,375)
2017	-5.4%	0.5	3.7%	-3.6%	$3,308,489	($117,451)
2018	-8.7%	0.5	2.2%	-7.6%	$3,524,488	($267,861)
2019	-2.5%	0.5	4.2%	-0.4%	$3,782,827	($15,131)
2020	15.5%	0.5	4.2%	17.6%	$4,067,561	$715,891
2021	15.1%	0.5	2.7%	16.5%	$4,366,937	$718,361
2022	1.3%	0.5	0.1%	1.4%	$4,491,310	$60,633
2023	7.1%	0.5	4.5%	9.4%	$4,731,253	$442,372

Source:

[1]: Oliver Wyman 2024 Annual Review, Table 6, p. 23

[2]: Oliver Wyman 2024 Annual Review, Footnote 37, p. 22

[3]: Oliver Wyman 2024 Annual Review, Table 6, p. 23

[4]: [1] + [2] x [3]

[5]: Exhibit AUTO7001-AB-2023, General Insurance Statistical Agency (GISA)

[6]: [4] x [5]

11. GISA Profit/Loss Report AUTO9501-AB

In 2020 the Alberta Ministry of Treasury Board and Finance reported that the Alberta private passenger auto insurance industry sustained an after-tax loss of $667.3 million over the years 2013 through 2018. The Ministry reported that it obtained this amount from the annual Profit and Loss report published by GISA. (On a pre-tax basis, the reported amounts show a pre-tax loss over this period of $870.4 million.)

The analyses in this report calculate industry profit by using the same method that J.S. Cheng and Partners, Inc. ("Cheng") used in its 2007 analysis of Alberta auto insurance reform.[15] Over the 2013 to 2018 period, and using claims costs from the Oliver Wyman Dec. 2022 analysis, with adjustments to the Oliver Wyman claims costs, for the apparent change in the claims reserving process starting in 2017 the Cheng method shows a pre-tax profit of $218.7 million over the same period.

The following outlines differences in the two results, and suggests that the calculations using Cheng's method have the attributes of transparency and consistency, both between companies and from year to year.

a) GISA Profit/Loss Report, 2013 to 2021

The amounts for Alberta in the GISA annual Profit and Loss report[16], for 2013 through 2022, broken down into the major revenue and expense items, are as in Table A 11.1 below:

[15] "REPORT ON THE REVIEW of Insurance Reform – Premium and Claim Analysis by Gordon G. Smith and Theresa K. Reichert of Deloitte and Touche LLP," J.S. Cheng and Partners, Inc., March 29, 2007

[16] AUTO9501-AB

Table A 11.1: GISA Profit and Loss Report, Alberta Private Passenger Auto Insurance

(Thousands of Dollars)

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Total
Premium and Other Revenue	$2,685,200	$2,985,000	$3,032,000	$3,097,200	$2,848,700	$3,225,600	$3,262,800	$3,691,100	$3,829,300	$3,898,000	
Less: Claims Costs	$2,219,500	$2,442,400	$2,448,800	$2,793,500	$2,432,200	$2,715,000	$2,726,000	$2,888,000	$2,362,200	$2,418,800	
Less: Expenses	$708,800	$751,500	$802,100	$866,500	$829,400	$860,500	$906,600	$983,900	$1,101,600	$1,122,400	
Plus: Invest-ment Income	$165,900	$236,600	$192,100	$182,400	$222,500	$126,600	$229,800	$250,800	$153,200	($56,700)	
Total Profit, Pre-Tax	**-$77,200**	**$27,700**	**-$26,800**	**-$380,400**	**-$190,400**	**-$223,300**	**-$140,000**	**$70,000**	**$518,700**	**$300,100**	**-$525,500**
Less: Income Taxes	-$17,700	$27,700	-$9,800	-$78,500	-$61,200	-$63,600	-$35,400	$37,600	$120,000	$65,300	
Total Profit, After Tax	**-$59,500**	**$0**	**-$17,000**	**-$301,900**	**-$129,200**	**-$159,700**	**-$104,700**	**$32,400**	**$398,700**	**$234,800**	**-$401,600**

b) Attributes of the GISA Profit and Loss Report

In preparing its annual Profit and Loss Report, GISA collects and aggregates financial data submitted by each licensed automobile insurer in nine jurisdictions in Canada, including Alberta.

Some of this data is taken directly from the insurer's Property and Casualty (P&C) return filed with its regulator (usually OSFI). However, other data is not reported in the P&C at the Alberta and private passenger auto level of detail. Thus, these data items must be allocated to Alberta and private passenger auto based on other individual company information.

In the Notes to Users and in the General Disclaimers published with the report, GISA advises users to be aware of the following issues. These issues bear on the consistency and reliability of the report, depending on the user's purpose.

- The reporting insurers have used their own company-specific allocation methodology, which thus may vary from insurer to insurer, and from year to year.

- The quality of the report is dependent on the accuracy of the data filed by insurers. For amounts taken directly from the P&C Return, GISA relies on the work of the insurer's internal and external auditors. However, for the data items allocated to finer levels of detail, GISA advises that no independent audit has been performed.

- Since the report was first published for 2012, GISA has advised that "the reliability of the information is expected to improve over time, as GISA fine-tunes the processes and requirements for the collection and reporting of the financial information in subsequent years." This suggests

that the processes used in the earlier years (i.e. back to 2013) may be of poorer quality, and may produce less consistent and reliable results.

- The report is based on insurers' fiscal year. Thus, the claims costs reported in a given year will combine current-year accidents and changes to prior-year accidents, combining results for accidents of several years. GISA advises that such data may also be subject to abnormal accounting activity in a particular year.

- The report is primarily on a net basis. Thus it does not report amounts ceded by the insurers to reinsurers, limiting the report's transparency regarding these amounts. GISA advises that a major insurance group was identified to have reported its reinsurance contrary to instructions. While this issue has been identified as specific to Ontario, it illustrates that issues can arise in the consistency of data reporting. Further, it is seen in Table A.11.1 that the net earned premium reported for 2017 shows a marked decrease compared to that of 2016. This was followed by a rebound in the net earned premium in 2018. This pattern is not seen in the gross earned premiums for 2016 through 2018, thus suggesting a significant yet unknown variation in reinsurance reported.

It is noted that GISA advises that its Profit and Loss Report should not be used to assess whether current rates are adequate to cover future costs.

c) Comparison of the Cheng Method to the GISA Profit and Loss Report

By contrast, Cheng's method of allocating insurer operating results to Alberta and to private passenger auto has the following attributes:

- It uses claims and premium data specific to Alberta private passenger auto for individual accident years.
- Allocations to Alberta and private passenger auto of equity, expenses and investment income are based on ratios drawn from industry-wide financial statistics, that aggregate financial amounts taken directly from insurers' P&C returns. These financial statistics have thus been subject to insurers' internal and external audit processes.

- Allocations based on these industry-wide statistics are consistent and transparent, using the same allocation method for all insurers and from year to year.

These attributes can be expected to provide a more transparent measure of industry-wide profitability than a measure based on allocation processes that are not subject to audit, that vary between insurers and that vary from one year to the next year.