



**IBC**

Insurance Bureau  
of Canada



# Insurance Bureau of Canada Presentation to the **AIRB 2024 Annual Review**

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# IBC Presentation Overview

1. State of the Industry
2. Overview of Loss Trend Factors
3. Profit Provision
4. Recommended Next Steps



# State of the Industry & Loss trend Factors



# State of the Industry – Current Pressures

Alberta premiums face some of the highest cost pressures in country

## ALBERTA

#1

**THE HIGHEST** Bodily Injury Loss Cost in Canada

#2

**THE SECOND HIGHEST** Average Physical Damage Claim Size in Canada

#2

**THE SECOND HIGHEST** Cost of Auto Theft per Average Written Premium in Canada

Bodily Injury Loss Cost		
Rank	Province	
1	AB	\$453
2	NL	\$313
3	ON	\$236
4	NS	\$222
5	NB	\$174
6	PE	\$145

Source: IBC analysis based on industry data from GISA Exhibits AUTO1005-AB, ON, ATL\_2023 and AUTO0002-AB, ON, ATL\_2023.

Average Physical Damage Claim Size		
Rank	Province	
1	ON	\$9,847
2	AB	\$8,355
3	NB	\$7,593
4	PE	\$7,499
5	NS	\$7,301
6	NL	\$6,953

Source: IBC analysis based on industry data from GISA Exhibits AUTO1005-AB, ON, ATL\_2023 and AUTO0002-AB, ON, ATL\_2023.

Cost of Auto Theft per Average Written Premium		
Rank	Province	
1	ON	\$130
2	AB	\$55
3	ATL	\$28

IBC analysis based on industry data from GISA.





# Loss Trend Factors

Oliver Wyman projects that injury claims costs will rise well in excess of 'good driver' rate cap. This is likely to create significant stress in marketplace.

## Future Loss Cost Trend Factors

	OW
TPL-BI	+8.7%
TPL-PD	+1.6%
AB	+13.2%
COLL	+2.4%
COMP	+3.6%

*IBC with data from Oliver Wyman.*

### Of note:

Comp rate pressures are likely understated, and do not fully account for inflation and severity trends

- This trend factor should be adjusted higher, and;
- Insurers should be permitted to consider CPI data in rate filings to capture changes in various CPI elements.



# Loss Trend Factors

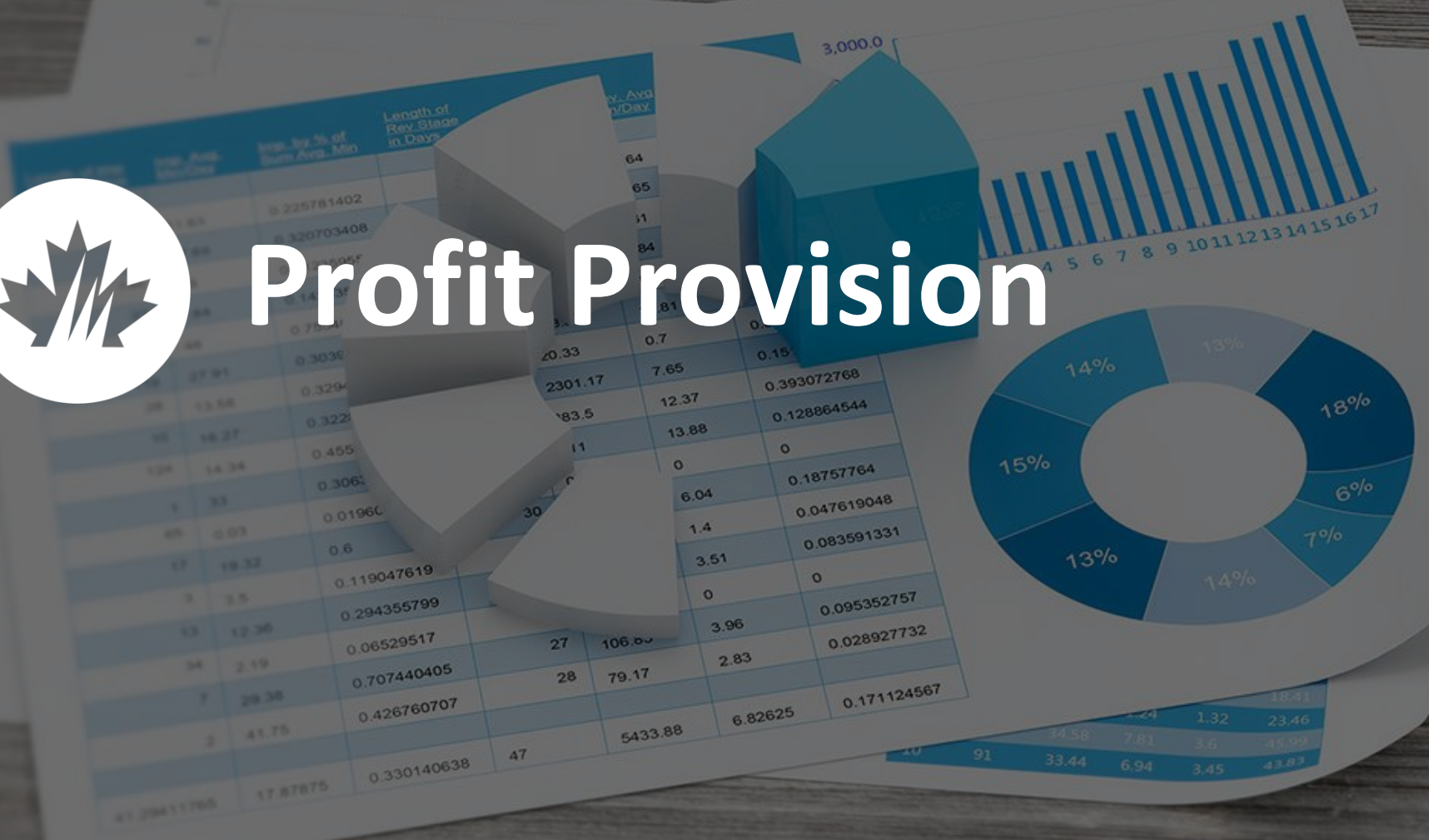
Inflationary pressures remain for Alberta insurers. Insurers should be permitted to reflect real-time CPI data in their rate filings.

## **Examples of Statistics Canada data elements:**

- The value of new and used vehicles, which are directly related to the actual cash value for the one-quarter of vehicles that are considered total loss after a collision.
- Vehicle parts, accessories and supply costs.
- Private passenger vehicle lease costs.
- Rental of passenger vehicle costs.



# Profit Provision





# Profit Provision – Current Situation

- Alberta's PPV marketplace has been unprofitable for the past decade.
- In the first quarter of 2024, Alberta's private passenger auto insurance service ratio was 110%.
- Carriers actively withdrawing from marketplace or restricting coverages.

**AIRB must focus to attract capacity to the marketplace.  
To do so, it should return the profit provision to previous 7%.**





# Recommended Next Steps





# Recommended Next Steps

There is considerable uncertainty facing Alberta's auto insurance system. Significant system cost pressures remain and are not sustainable. To mitigate the impact, the AIRB must **work to alleviate system challenges and attract insurer capacity back to market:**

- 1 Allow the use of current CPI data in rate filings.**
- 2 Return profit benchmark to 7%.**
- 3 Move to a Use-and-File rate filing system following reforms.**



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