AUTOMOBILE INSURANCE RATE BOARD

2025 MARKET & TRENDS

MID YEAR REPORT

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Executive Summary

Auto insurance affordability continues to be a top priority for Albertans and our government. Given the increasing public spotlight on Alberta private passenger vehicle trends and results, we find it increasingly important to ensure factual information is available to all Alberta drivers and government decision makers.

The AIRB has published an annual market and trends report since 2020 based on the annual data published by the General Insurance Statistical Agency (GISA) providing important background and trends in auto insurance premiums, claims, and profitability. This 2025 mid-year Market and Trends report is the second time the AIRB has published a mid-year report, which includes data reported on a semi-annual basis as well as some annual data or analysis which was not available at the time the 2024 Annual Market & Trends Report was published.

With affordability top of mind, Albertans often ask what they can do to reduce their premiums. This report includes an observed trends section illustrating trends on choices some drivers can make to reduce their premiums including coverage, deductible and liability limit. These are a few of the ways Alberta drivers can reduce their premiums. To find out more about other ways to save, refer to the infographics on our website.

It is important to remind readers of the time lag in both reporting of data and the flow of any approved rate change through an entire renewal cycle. The AIRB obtains data from a variety of sources but primarily relies on GISA for premium and claim data. This data is not available for six to eight months following the end of a semi-annual period, which delays the ability to provide data to interested parties on a timelier basis.

Although the Government announced the Good Driver Rate Cap in late 2023, it was not effective for some renewal policies until July 1, 2024, which is outside the timeframe covered by this mid-year report. Information about the Good Driver Rate cap can be found on our website.

Key statistics from the mid-year 2024 data include:

- The overall change in the full coverage premium was $1,703 in the first half of 2024, up 3.9% from the first half in 2023. This was slightly above inflation, as the CPI adjusted premiums increased 0.8%.
- The industry private passenger vehicle loss ratio was 75% in 2024 H1, compared to 69% in 2023 H1, indicating loss ratios are slowly returning to pre-pandemic levels, but may be settling into a new normal.
- Alberta loss costs for full coverage were $1,271, below Ontario's $1,375 in 2024 H1, but above the Atlantics at $870.
- Alberta's vehicle theft frequency was 22 claims per 10,000 vehicles, below Ontario at 29 claims per 10,000 vehicles in 2024 H1.
- The proportion of drivers taking comprehensive coverage decreased from 86% to 81% between 2019 and 2024 H1, while collision was steady at 73% for the same time period.
- The average deductible for comprehensive in 2024 H1 was $554 up 32% from 2019's value of $417. Over the same time, the average collision deductible increased 17% from $669 to $782.
- The average Third Party Liability limit increased from $1.34 million to $1.46 million between 2019 H1 and 2024 H1, meaning more drivers are increasing their limit beyond the one million dollar which was most common in the past.

Readers may notice the absence of consumer trends in this report. This remains a top priority and focus for the AIRB. The latest results from our 2025 consumer perception survey will be shared in the Consumer Representative's draft report in late June 2025.

* H1 is January – June, and H2 is July – December

Background

Introduction

The AIRB's vision is for automobile insurance to be accessible, equitable and sustainable for all Albertans. We independently regulate automobile insurance rating programs and educate consumers to ensure access to a robust automobile insurance marketplace. We monitor industry trends and developments to inform our board members, the government, the public, and other industry participants. Further, we evaluate affordability, accessibility, and service quality by monitoring relevant indicators influenced by competition, consumer knowledge, and industry trends. This report mainly focuses on competition, affordability, accessibility, and industry trends. Private Passenger Vehicle (PPV) policies make up 75% of Alberta's auto insurance market by vehicle count, with the other main vehicle types being commercial (8%), motorcycles (4%), ATVs (4%), and snow vehicles (3%). The remaining 6% of vehicles consist of antiques, motorhomes, taxis, and other miscellaneous classes. On a premium written basis, PPV maintains a 70% market share, but commercial increases to 15%, due to their premiums being substantially higher than other vehicle classes. Interurban and trucks outside Canada make up 8%, and the rest is made up of Taxis (1%), Motorcycles (1%), and others.

Alberta has a competitive private auto insurance market providing coverage for three million PPV. This report primarily examines the market for PPV, given its size relative to other vehicle types, except where noted. Be advised the data is from various sources and a list of all the sources is located at the back of this report.

Accessibility

We monitor the industry to ensure coverage is accessible to every Albertan. When insurers are unable to price their policies to cover their costs, they will often make business decisions and change the rules for what coverages they will write and under what circumstances. Changes which negatively impact customer service and accessibility, include requiring signed renewal forms, refusing to offer additional coverages (often required for leasing or financing), and cancelling broker contracts. In late 2023, the government made regulatory changes to ensure Albertans had access to payment plans, as this was a lever used by insurers to reduce availability in the past. In mid-2024, two insurers notified the Superintendent of Insurance they would be withdrawing from the market by the end of the calendar year. While these insurers represent less than 1.3% of the PPV market, their customers will have to find a new insurer for their auto insurance needs. Under the Good Driver Rate Cap, moving to a new insurer means you are no longer protected by the 3.7% rate cap. Overall, these insurers exiting will not significantly affect the overall accessibility of the market in the short term. However, this is a concerning trend which if continued, would threaten the accessibility of the marketplace.

Rate Pause

Effective January 25, 2023, the President of Treasury Board and Minister of Finance issued a Ministerial Order preventing the AIRB from approving changes in insurers' PPV rating programs resulting in an increase greater than zero percent for any individual policyholder until after December 31, 2023. However, it did not mean Alberta drivers did not see their auto insurance premiums increase in 2023. Based on previously approved rate increases, some Alberta drivers experienced a premium increase at renewal. They also experienced a rate change if, since the last renewal, the driver had a new at-fault claim, traffic violation, vehicle, and/or home address.

This report includes data and trends collected during the period this Ministerial Order was in effect.

Good Driver Rate Cap

Effective January 1, 2024, the President of Treasury Board and Minister of Finance issued a Ministerial Order implementing a Good Driver Rate Cap. This rate cap meant the AIRB could not approve any change to an insurer's PPV rating program unless Good Drivers did not see an increase greater than the rate of inflation as of September each year. For 2024, the Good Driver Rate Cap was set at 3.7%. While the data in this report does not reflect the full impact of the Good Driver Rate Cap, it is important to consider how it will impact future trends and individual premiums for drivers, especially those drivers who would meet the definition of Good Driver but are excluded from the cap due to change in vehicle, address, or addition of a higher risk driver to their policy.

Some insurers were unable to implement the Good Driver Rate Cap until July 1, 2024, which is outside the timeframe for the data used in this report.

Affordability & Value for Money

We are concerned about the affordability of auto insurance for Alberta drivers. While premiums continue to rise for Alberta drivers, they are still inadequate to cover the costs incurred by insurers in delivering on their promise to pay claims in the event of an accident.

The government has chosen to manage affordability of auto insurance by implementing rate pauses and caps. Although these help some drivers in the short term, when these measures are removed without a significant product reform, premiums rise – as we saw when the previous rate cap was removed in 2019. Insurers are limited in the adjustments they can make to their premiums to reflect cost pressures under a rate restraint; resulting in larger increases than most Alberta drivers expect or can budget for, when a cap is lifted. However, government recognizes rate caps do nothing to lower costs within the system and understands the current product in Alberta needs significant reform to ensure long term affordability for drivers and sustainability for the insurers who operate in our province. This is why the government announced the transition to a Care-First system effective January 1, 2027. We are working directly with government to implement this change and provide an auto insurance policy which delivers more medical, rehabilitation and income replacement benefits while saving Alberta drivers money compared to what they pay today.

We remind Albertans they can ensure their insurance remains affordable by shopping the market. With a competitive marketplace, there is a range of premiums which vary significantly by insurer, and even with the rate cap in place, Albertans may find lower premiums with a different insurer.

Need for Statistical Data

The Government of Alberta appointed the General Insurance Statistical Agency (GISA) as its statistical agent. GISA collects auto insurance experience data, as well as financial information, to ensure premium and claim information used to justify, develop, and support fair rates is available for the AIRB, insurers, consultants, and other interested parties. The collection and reporting of this statistical data support our work to:

- Monitor the adequacy of rates to ensure they are not excessive or unfairly discriminatory,
- Conduct economic analysis into matters such as the Grid, competition, affordability, and others,
- Monitor market competition, and take steps, if necessary, to restore competition or remedy problems caused by market instability,
- Inform and justify pricing decisions by insurers, and
- Monitor financial performance of insurers.

Auto Insurance Approval & Rate Regulation

We approve or reject auto insurers' filings for rate changes within the authority granted by the Insurance Act and regulations. We review rate filings in detail and balance the desire for all Albertans to have access to a fair and affordable premium with the need for insurers to cover their costs to remain in the market serving Alberta drivers. Each aspect of a rate filing is scrutinized, including, but not limited to, proposed rating variables, discounts, surcharges, rating models and how insurers communicate changes to their policyholders. Part of our review includes examining their recent experience; particularly if their premiums were sufficient to cover claim costs and other expenses.

To address market challenges when making decisions, we continuously monitor the auto insurance market, including loss trends, availability, affordability, and consumer perceptions. We further discuss these topics with insurers, brokers, and other industry experts to stay informed and ensure proactive decision-making. Albertans can review rate changes as they are approved for every auto insurer in Alberta on our website.

Uncertainty

We recognize there is heightened uncertainty in the Alberta auto insurance market as the government works with insurers to implement longer term reforms to make auto insurance more affordable for Alberta drivers. At the same time, there is also the inherent uncertainty present in the business of insurance. Insurers price their product based on estimates of the future, and therefore are an industry which is very sensitive to uncertainty. The introduced regulatory uncertainty is a challenge to insurers in the short term, but we believe long term reforms will have a positive effect on both Alberta drivers and insurers.

This report considers what the data and trends were at a point in time. While we do provide year over year comparisons, we want to remind readers we employ a data-based approach to reviewing loss trends, frequency, and severity by coverage. We typically review more metrics than we can present in the Market and Trends Report each year. When reviewing the trends illustrated, it is important to also consider the likelihood of past trends changing in the future.

Insurers use their knowledge and experience to inform assumptions of future costs in setting premiums. Unlike other goods and services Albertans purchase, the actual cost an insurer will incur is not known at the time of sale, and often not known for several years in the future – by nature this brings uncertainty. While both insurers and regulators do their best to ensure auto insurance policies are priced accurately, reflecting the risks while enabling the insurer to make a reasonable profit, sometimes the actual results are not as expected.

In addition to government interventions over the past couple of years, there have been several external forces making the use of past results to predict the future more challenging. When reviewing the trends and information in this report, it is important to consider how these external forces could be affecting results:

- Previous legislative* reforms and their impact on both frequency and severity for third-party liability bodily injury, direct compensation for property damage and accident benefits claims,
- COVID-19 pandemic impact on claims frequency for 2020, 2021 and 2022, settling into a "new normal" post-pandemic, with a change in driving behavior and impacting both frequency and severity of claims,
- Frequency and severity of catastrophic loss events, and
- Inflationary impact on claims severity for all coverages.

We continue to review the data on historical trends to inform how they may influence future trends – however, we caution readers of the uncertainty on estimations of future trends, given the events of the past few years.

* Changes to the minor injury definition and prejudgment interest calculation, increases to the benefit amounts available to claimants for new and existing claims and the introduction of direct compensation for property damage

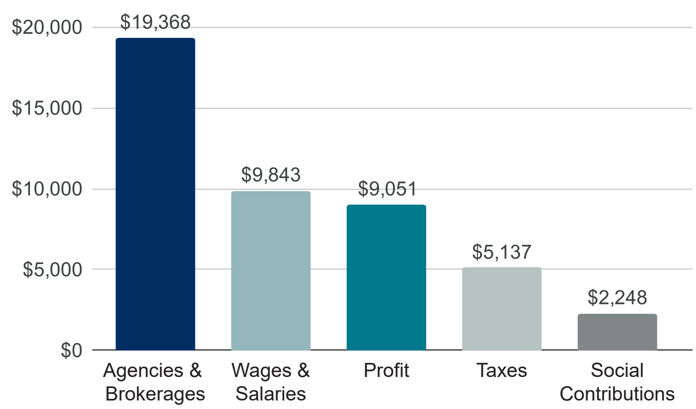
Economic Trends

Continuing from this years annual market and trends report, we are expanding our economic trends section to provide further context to the environment insurers are operating in. In this report we will focus on the expenditures of insurance companies, and their impact on the economy, using Statistics Canada's Input and Output tables.

Insurance Industry Expenses

Annually, Statistics Canada constructs their "input and output" tables, which are used to estimate the impact to the economy due to various changes. They are used, for instance, to help answer questions like "If Canadian oil and gas exports doubled, how would this affect Gross Domestic Product (GDP)? What industries and/or provinces would benefit most?".

Top Five Expenses of Insurers ($000,000)[14]



The first step of this process is to estimate all transactions between all industries within Canada, by province. These results are presented in Statistics Canada's "symmetric input-output" tables. In these tables, each row represents an industries supply, or production, while each column represents each industries use. For instance, we see insurers use, or spend, $19.4 billion on agents, brokers, and other insurer activities for all lines of business, Canada wide, but agents and brokers only spend $150 million on insurers, as this is not one of their primary expenses. Since this is a very intensive process, results lag by several years. The results presented are for the year 2022, the latest available data.

The graphic shows the top expense for insurers in 2022 was their brokers, agents, and other activities, followed by wages and salaries. Their third largest "expense" is profit and followed by taxes and social contributions (which include pensions, employment insurance, workers compensation, and health insurance plans). The reason claim expenses are absent in the top five is they are spread across several industries such as auto repair, parts manufacturing, vehicle rental, etc. Other notable expenses include legal services, in which they pay $635 million, $3.7 billion for banking and investment activities, and $650 million for data processing, hosting, and related services.

Economic Impact of Insurance Industries

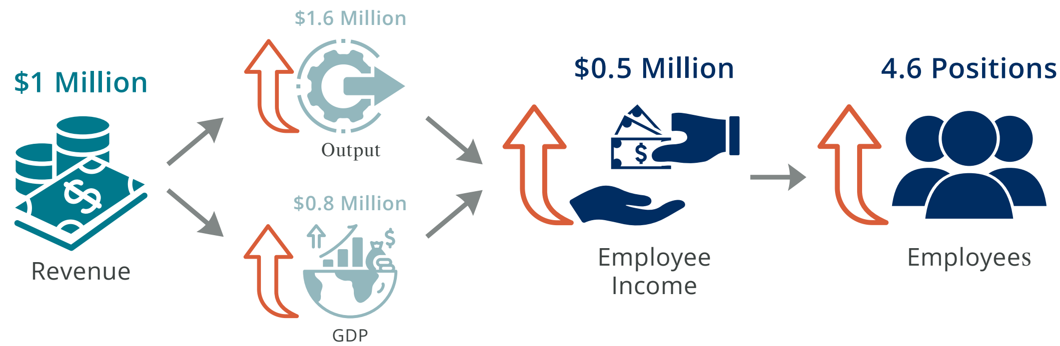
The previous discussion focused on expenses, on what we refer to as an output basis. This differs from how we traditionally measure economic activity; GDP. To understand the difference, consider a simple example of a lumber mill and carpenter. The lumber mill sells wood to the carpenter for $100, and the carpenter uses it to make a table they sell for $200. The output of this transaction is the total expense, or $300, while the GDP only measures the value added, or $100.

Using the input-output tables from the previous section, Statistics Canada is able to reduce all information down into simple, easy to understand economic multipliers which can be used for scenario analysis. The Government of Alberta's own Treasury Board and Finance takes Statistics Canada input-output tables and constructs their own models to reflect the economic impact to Alberta's economy in particular and publishes these results to their open data portal.

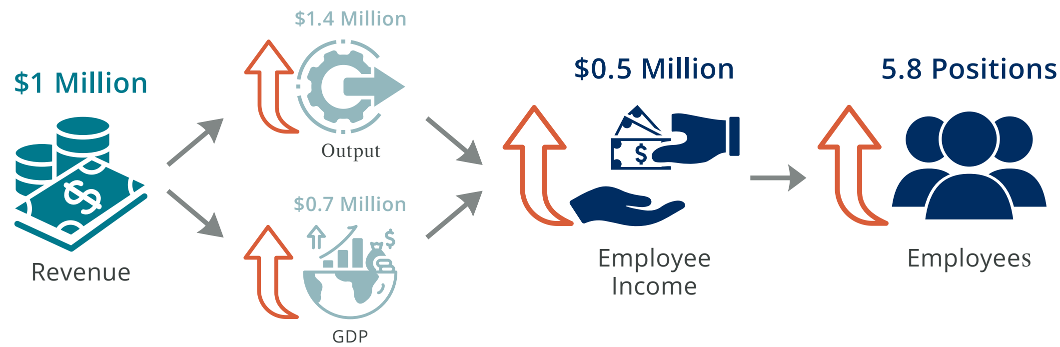
Using their analysis, increasing the revenues of insurers by one million dollars, would cause output to rise by $1.6 million. After only considering the impact of added value, and not intermediate products, it would increase Alberta's GDP by $0.8 million, and provide $0.5 million in employment income, creating 4.6 jobs. Insurance brokers and agents have a higher GDP multiple at 0.9, a higher employment income multiple at 0.7, and would create more jobs, at 7.6 jobs per million added. Together, they have a higher GDP multiple, labor income multiple, and employment multiple than a simple average of all other industries.

Economic Multiplier[12]

Insurers



All Industry Average



Measuring Economic Impact of Auto Insurance Reforms

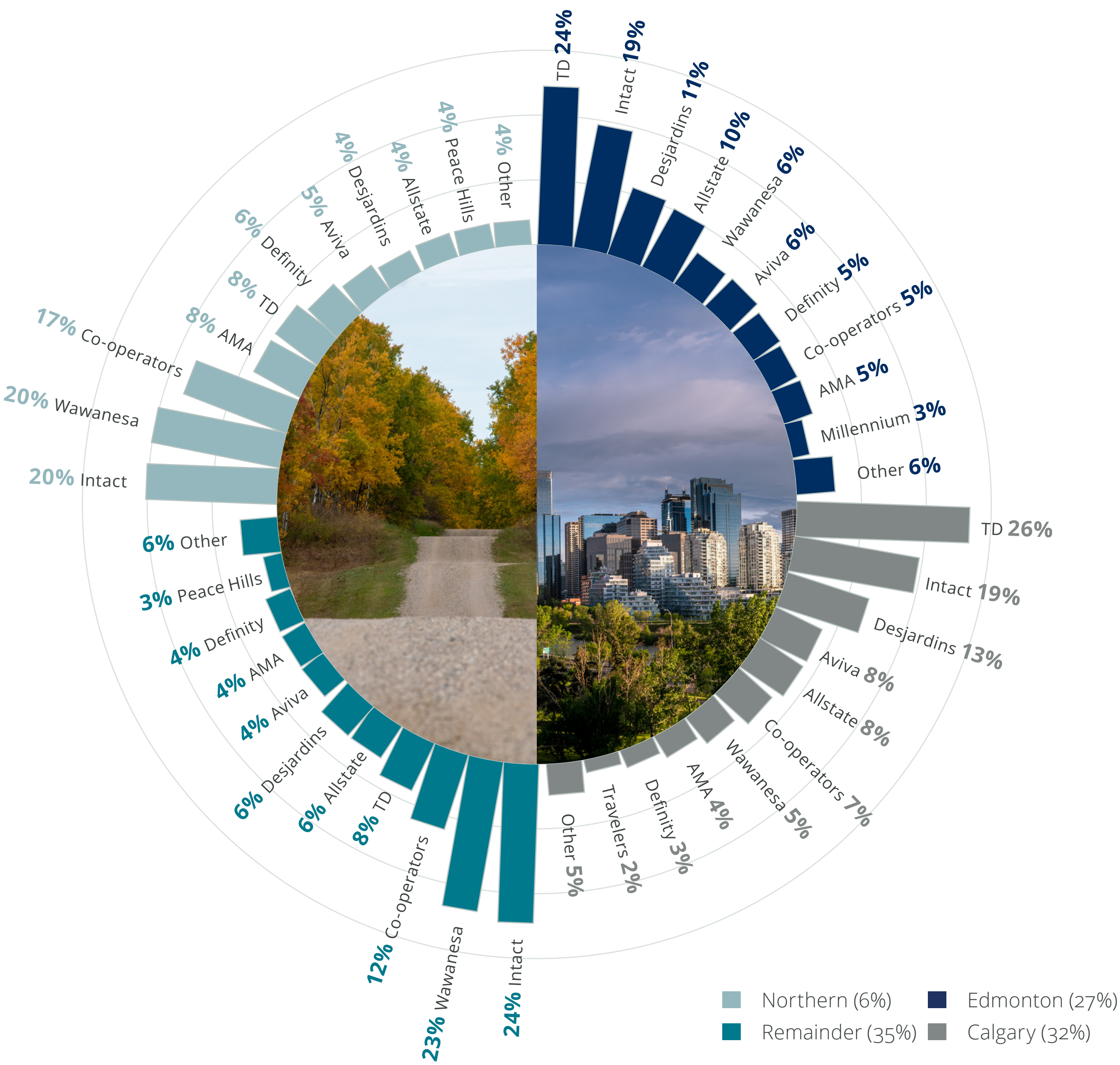
The Government of Alberta recently announced auto insurance reforms effective January 1, 2027. The intention of these reforms is to bring down the cost of insurance by altering the product. Using the metrics above, each one million dollars less in premiums for insurers in Alberta will cause the Alberta GDP to shrink by $0.8 million and lose 4.6 jobs.

However, this will of course save Albertans one million dollars, and Albertans have their own economic multiple. For each one million dollars they save, GDP will rise by one million dollars and 20.9 jobs will be created. Therefore, while we would expect reforms to lower GDP and cause job losses in the industry, the economic impact of consumers will outweigh this impact. However, it is worth noting there will be a shift from a few high paying insurance industry jobs (~$100,000 based on 0.5 million divided by 4.6) to many lower paying jobs (~48,000 based on one million divided by 20.9).

Private Passenger Vehicle Trends

Market Share by Territory

Insurer Group* Market Share by Territory (2023)[7]



*Insurer Groups: Allstate Canada Insurance Group (Allstate), Alberta Motor Association Insurance Company (AMA), Aviva Canada Inc. Insurance Group (Aviva), The Co-operators Insurance Group (Co-operators), Definity Insurance Group (Definity), Desjardins General Insurance Group (Desjardins), Intact Financial Insurance Group (Intact), Millennium Insurance Corporation (Millennium), Peace Hills General Insurance Company (Peace Hills), TD Insurance Group (TD), Travelers Insurance Group (Travelers), and The Wawanesa Mutual Insurance Company (Wawanesa)

Overall, Intact Group, TD Insurance Group, and Wawanesa Mutual Insurance Company remain the three largest PPV insurer groups in the province with market shares of 21%, 18% and 12%, respectively for the 2023 accident year. When broken down into Alberta subregions, we see distinct differences in the approaches taken by companies. The top three largest insurer groups, Intact, TD, and Wawanesa, all exemplify a focus on different parts of the province.

Overall, TD holds a majority market share in urban markets (Calgary and Edmonton) at 25%. Intact, the largest insurer overall holds 19%, and Wawanesa only five percent of the urban market. When looking at rural territories (Remainder and Northern), TD holds only eight percent, while Intact and Wawanesa both hold 23%. In simple terms, TD's market share is concentrated in urban areas, Wawanesa in rural areas, and Intact has similar concentration in both. Intact's approach leads them to have the largest market share, while TD has the second highest due to urban areas making up 60% of the provinces premiums, compared to 40% for rural.

On a provincial basis, Alberta has a competitive marketplace, and this holds true in a majority of the territories within it. However, Calgary is the most concentrated territory with TD writing 26% of the market, more than its closest competitor, Intact, at 19%. The top three insurers in Calgary hold a 59% market share, and the top ten hold 95%. For the province overall, the top three represent 51%, and the top 10 hold 94%.

It's important to note insurers alone aren't responsible for their market share in certain regions. Policyholders must find the insurers offering, which includes price, service, and other features, attractive. Insurers employ rating territories in order to price their customers, and therefore insurers can, in some ways, cater towards certain geographic regions. Some insurers may choose a lower differential on urban areas than other insurers feel is appropriate to gain market share in urban areas, and likewise for rural. Similarly, insurers can choose which brokerages are allowed to quote their product, and therefore can allow or restrict access in certain regions.

Insurance Premium Trends

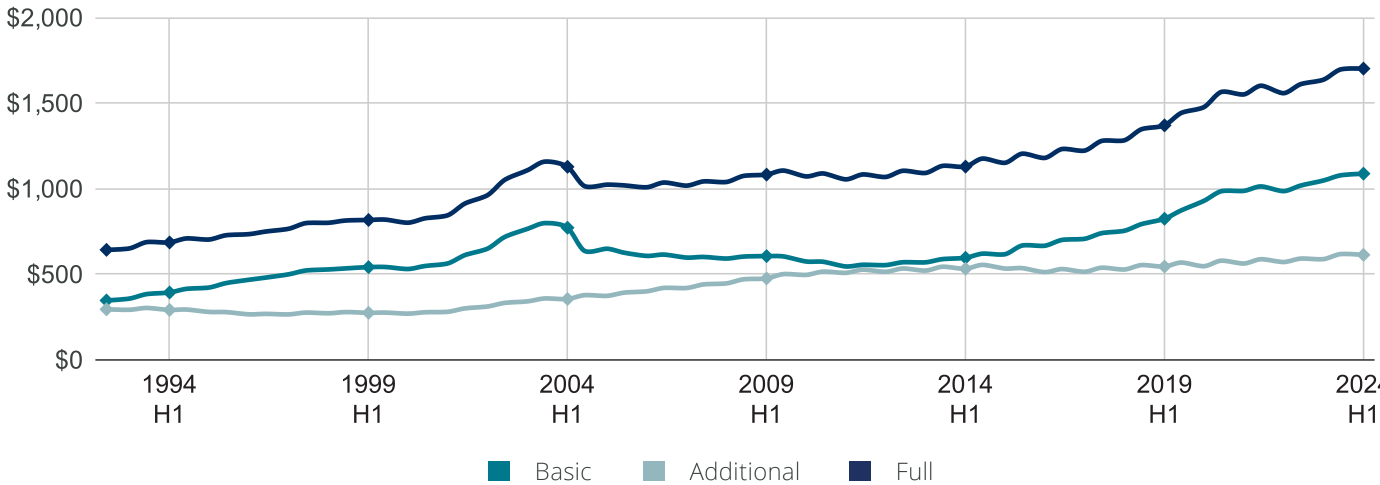
Average Premiums

The change in average premiums is an important indicator of affordability within the market. Over the last 30 years, premiums have increased from $643 in July of 1992 to $1,703 in July of 2024, an increase of 164%. However, when adjusting for inflation based on the Alberta all-item consumer price index (CPI), the increase is only 27% above inflation, from $1,346 to $1,703. Adjusted for inflation, premiums today are comparable to those in the second half of 2019. However, weekly wages in Alberta have risen only 10% since 2019, lower than inflation of 15%. Therefore, while prices are similar in real terms to what they were in 2019, real wages are lower. This is causing affordability to become more of an issue.

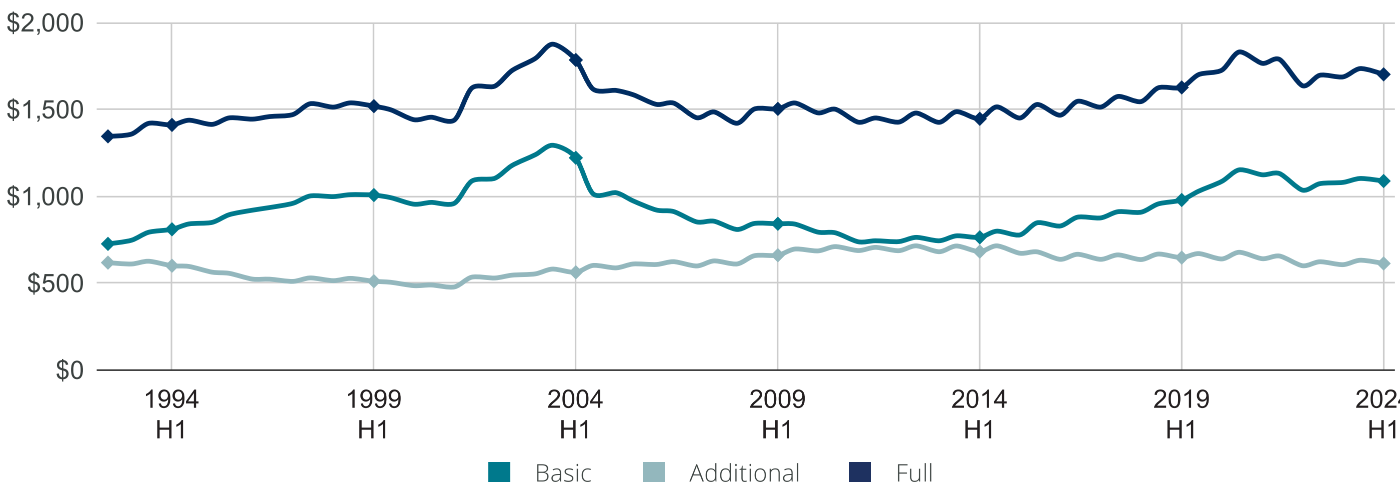
The 30 year increase in premiums comes almost entirely from basic coverage. CPI adjusted additional premiums are exactly equal to their values 30 years ago, while basic coverages have rose by 50% above inflation over the same period.

Generally, our past research suggested Albertans can tolerate a 10% increase on renewal, therefore insurers filing regularly to adjust their rates in response to cost pressures are less likely to see their policyholders shop the market or change insurers. With the present rate cap, Albertans are finding the threshold for premium increases to be much lower.

Average Written Premiums [11]



Average Written Premiums - CPI Adjusted [11]

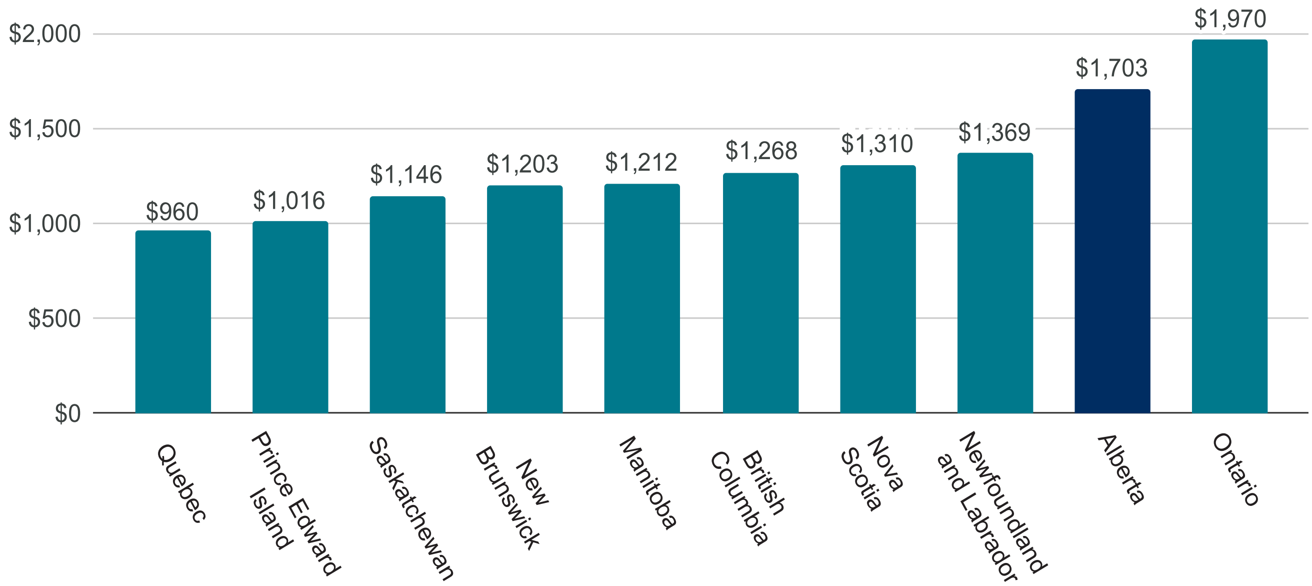


How Do Our Premiums Compare?

The AIRB benchmarks Alberta's premiums against other provinces to provide a broader context. The AIRB recognizes while each province carries more or less the same coverages, the smaller details such as injury definitions, benefits, and benefit limits vary by province. Overall, Alberta premiums are the second highest in Canada at $1,703, lower than Ontario's $1,970, and noticeably higher than the Atlantic provinces, of which the highest premium is paid by Newfoundlanders at $1,369. The lowest premium continues to be Quebec, with just $960, followed by PEI at $1,016.

However, when looking at the loss cost, the cost per vehicle only resulting from claims, Alberta vehicles are more expensive to insure. Ontario's five year average loss costs are $1,138, compared to Alberta's $1,134, yet their average premium is $1,714 compared to $1,568 in Alberta. The Atlantic provinces pay a lower premium as their five year average loss cost is just $784.

Average Premium by Province[5]



Some selected data points could be driving the difference in loss costs are:

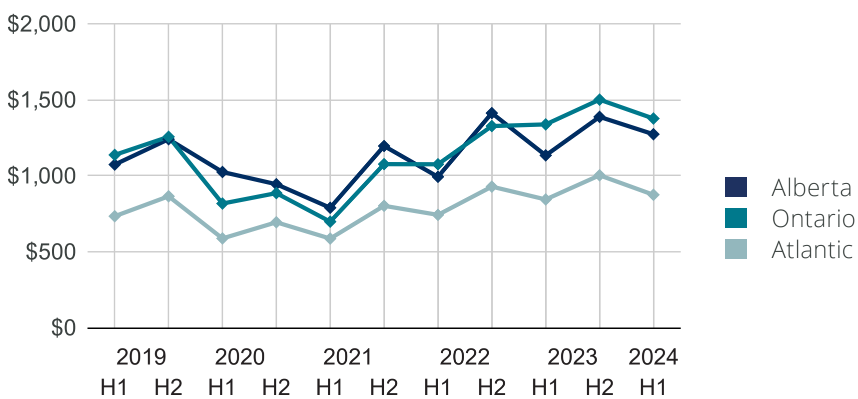
1. Alberta has some of the highest instances of weather catastrophes. The loss cost for comprehensive, all perils, and specified perils coverages for catastrophic weather claims was $41, $9, and $15 for Alberta, the Atlantics, and Ontario respectively in 2023.
2. The Atlantics do not have large population centers comparable to Edmonton, Calgary, Toronto, Ottawa, and others. Vehicle density was 4.4, 7.6, and 3.3 insured vehicles per square kilometer for Alberta, Ontario, and the Atlantics respectively.
3. Vehicle theft rates are exploding in Ontario. The loss cost for due to vehicle theft alone are $113 in 2024 H1, compared to $42 for Alberta and $22 for the Atlantics.

Other factors influencing the price of insurance are:

- Type of coverage purchased,
- Prevalence of telematics offered,
- Driving location,
- Driver demographics,
- Vehicles driven,
- Accident rates, and
- Vehicle repair costs.

Overall, the loss ratios suggest, while premiums are high, they are actuarially justified and in order for lower rates to materialize, efforts must be taken to reduce loss costs, such as government reform and better driving behavior.

Provincial Full Coverage Loss Costs[5]



Insurance Claim Trends

Loss Ratio

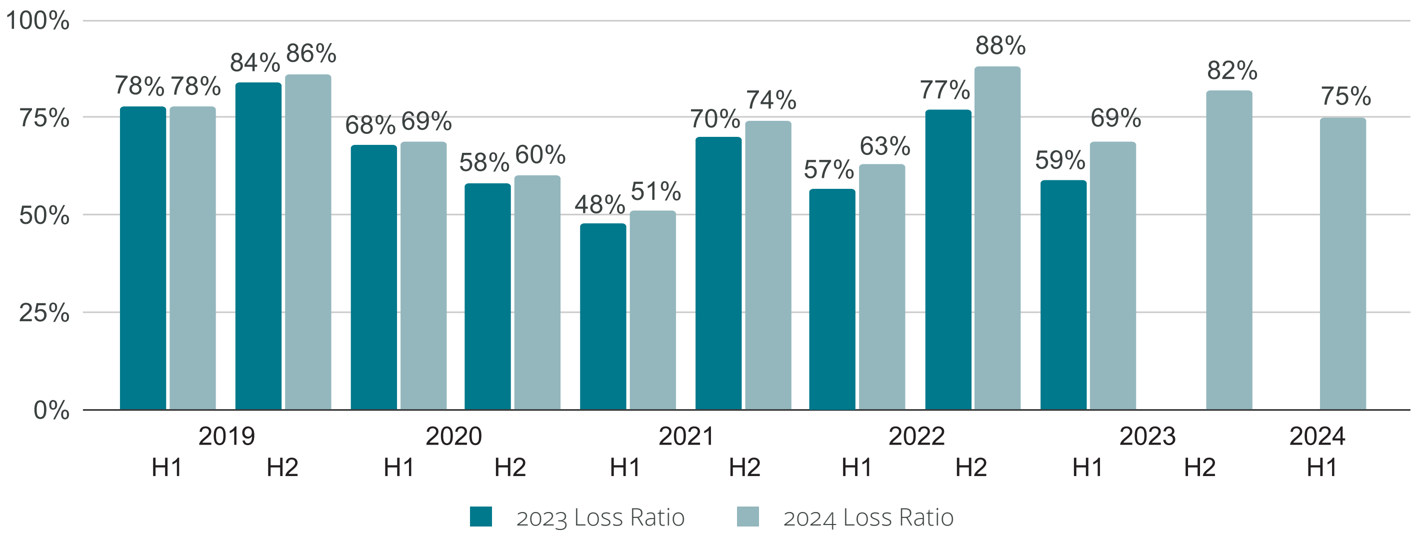
The changes in driving habits due to the pandemic observed in 2020 continued in 2023 but are starting to return to pre-pandemic levels. Generally, premiums are consistent and rise over time, but claim costs are volatile and depend on a variety of factors. The first half of the year, from January to June, typically sees a lower loss ratio due to lower claim costs in the period. The second half of the year sees higher claim costs, perhaps due to drivers readjusting to winter driving.

The COVID pandemic had a significant impact on driving behaviour, and saw the lowest loss ratio of the last five years at 51% in the first half of 2021 as restrictions came in. Emerging from the pandemic, we see the second half of 2022 is the highest loss ratio, at 88%, with the second half of 2023 coming in at 82%. However, these claims are on an accident year basis and projected to finalized values. As more and more claims settle, these projections are revised. Looking at the second half of 2022, the 2023 results suggested the loss ratio was 77%, but a year later has been revised upwards to 88%. In fact, each accident period has been revised up, or remained the same, with the largest revisions occurring for the newest data, as expected.

An increase in loss ratios over time suggests claims costs are increasing faster than rates. Insurers face an attack on two fronts, as claim severity is rising due to inflation and legal pressure on bodily injury, while frequencies are also rising as we emerge from the pandemic and more workers are returning to their traditional commute.

The AIRB monitors the loss ratio as it is an important measure of sustainability for the industry. An insurer who consistently writes policies at a loss may choose not to offer automobile insurance in the future or at the least request to increase rates for coverages with an inadequate premium. The AIRB's mandate is ensuring insurance premiums are affordable and accessible. The mandate is therefore a balancing act, as we must ensure insurers maintain a healthy profit level to continue writing in Alberta and attract new insurers which will increase competition and keep prices low, while making sure high profit levels don't negatively impact consumers. Insurance is not like other products, as Alberta mandates a certain level of insurance coverage to use a vehicle. As the use of a vehicle is highly correlated to positive economic outcomes (can choose a higher paying job further away, can get jobs requiring a vehicle, etc.), the affordability of auto insurance can have a large impact on the economic well-being of the province.

PPV Industry Loss Ratio * [5]



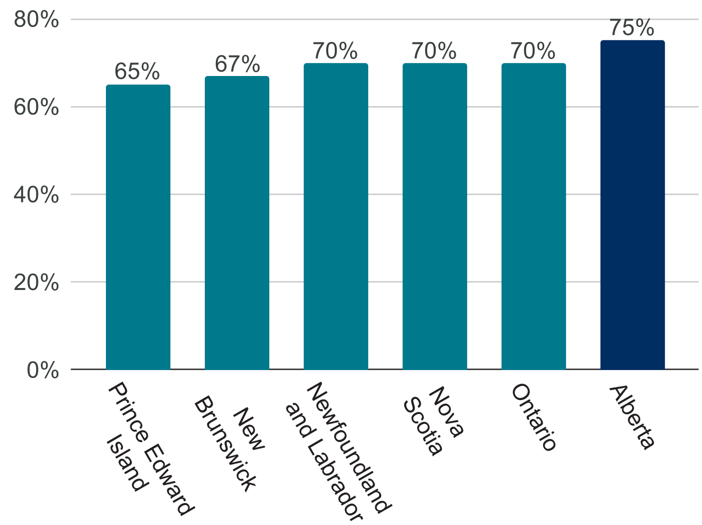
* Loss Ratios are estimates as of 2023 and 2024 mid year reports.

The industry standard for profitability is a loss ratio of 70%; as shown the loss ratios of Alberta before the pandemic have been consistently above the threshold. With notable premium increases in late 2019, the PPV industry loss ratio was expected to improve, even without the reduction in claims frequency in 2020. The 2024 reporting shows the 2019 loss ratio were both above the profitable threshold by about ten percentage points. The pandemic brought needed relief to the industry, and they saw loss ratios below 70% for most of 2020 and 2022. Results for 2023 and early results for 2024 indicate loss ratios are returning to pre-pandemic levels; consistently above the profit benchmark.
The written incurred loss ratio does not account for expenses beyond the cost of claims, such as rent and some general staffing costs. The Alberta PPV industry average for expenses was 28% of earned premiums in the first half of 2024.

In 2024 H1, Alberta experienced the highest loss ratio at 75%, five points less favorable than the AIRB's benchmark for profitability of 70%. If expenses remain consistent with previous years, this indicates the industry is unlikely to be making excessive profits. The lowest loss ratio was Prince Edward Island at 65%, and Ontario sits at 70%.

Insurer loss ratios for a given accident half year can fluctuate significantly, depending on the losses incurred. For instance, one province may be hit with a catastrophic weather event while the others are not. The five year weighted average loss ratio for Alberta is 72%; above our benchmark profit level. Ontario sees more favourable results at 70%, and the Atlantics are most favourable at 69%.

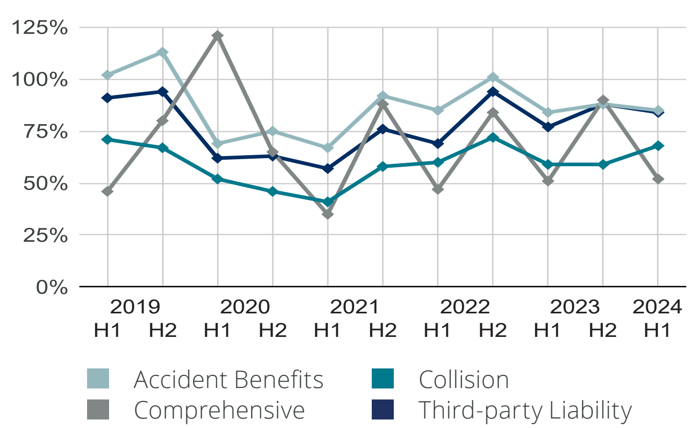
Loss Ratio by Province[5]



How Does the Loss Ratio for Each Coverage Type Compare?

Claims are a significant cost for insurers, and COVID-19 brought uncertainty to their ability to price for the expected claim frequency and severity. The graph illustrates the loss ratios by coverage. For 2019, the loss ratios for the mandatory coverages (accident benefits and third-party liability coverages) were well above the profitable threshold. In 2020, the loss ratios for all coverages decreased, except for comprehensive. This is partly due to the Calgary hailstorm in June of 2020 and possible increases in crime from the unemployment spike during the COVID-19 pandemic. In 2021, 2022, and 2023 comprehensive coverage returned to pre-pandemic levels, as it is dependent not on vehicle mobility, but rather on crime and weather conditions. All other coverages remain below pre-pandemic levels, but some such as bodily injury and accident benefits are quite close to prior levels. Collision looks to be settling into a "new normal," while third-party liability and accident benefits are still climbing. Increases in accident benefits were expected because of increased benefit levels implemented under the changes from Bill 41 in late 2020. To address cost pressures in third-party liability and accident benefits, the Government of Alberta introduced their privately delivered, care-first model, which will begin on January 1, 2027.

Loss Ratio by Coverage[5]



Third-Party Liability - Bodily Injury

Third-party liability covers policyholders if they are liable for bodily injury or damage to another person's property. Bodily injury is a significant component of third-party liability coverage and the most significant cost pressure in recent years. Bodily injury claims often involve a lengthy litigation process, and therefore can take many years to be settled and paid out. We use data from our consulting actuary, Oliver Wyman, as GISA does not project bodily injury claims to ultimate before the introduction of DCPD in 2022.

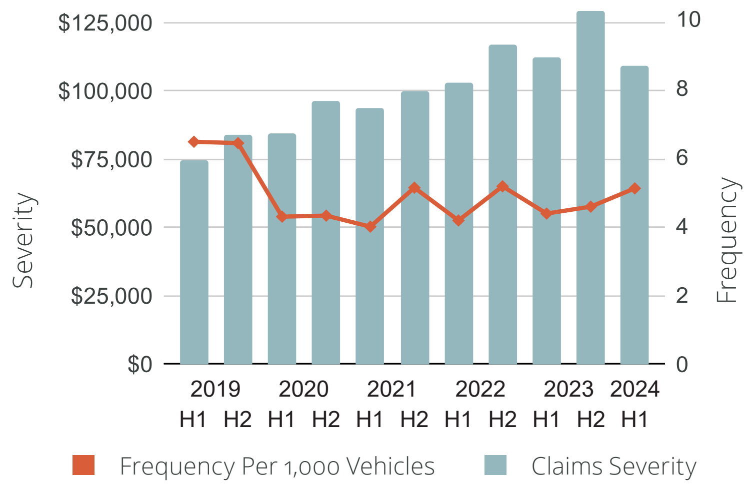
Before the pandemic, claim frequencies were typically above six claims per 1,000 vehicles, and are now 5.1 claims per 1,000 vehicles in 2024 H1. Overall, bodily injury frequency does not appear to be heading back to pre-pandemic levels and has settled into a "new normal." Claim severity has increased 46% from $74 thousand in 2019 H1 to $109 thousand in 2024 H1, but has fallen 16% from 6 months prior, and 3% from the same period last year. Since 2019, this is the only period which has seen a decrease in claim severity year over year.

Insurers cite the following reasons for increased bodily injury claims cost:

- Fewer claimants captured within the minor injury definition than in the past,
- Changes in the mix of injury type claimants report,
- Larger claim settlements, and
- Increased legal representation.

The government implemented a change in the minor injury definition in late 2020. Given the long-term nature of this claim type and the effect of the pandemic on claims frequency and severity, it is too early for the data to show if this change has addressed the cost pressure as anticipated, as these claims often take years to settle. The AIRB will continue to monitor for signs of reduced cost pressure. The early indications and projected values indicate the severity is slowing down, countering rapid growth between 2019 and 2022.

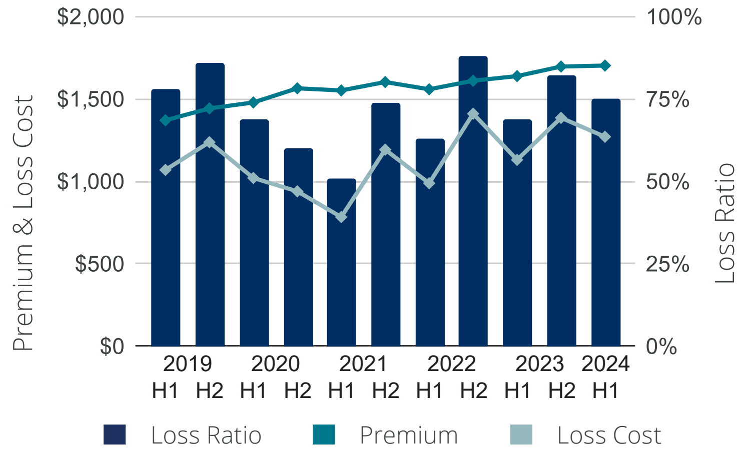
Third-Party Liability - Bodily Injury[1]



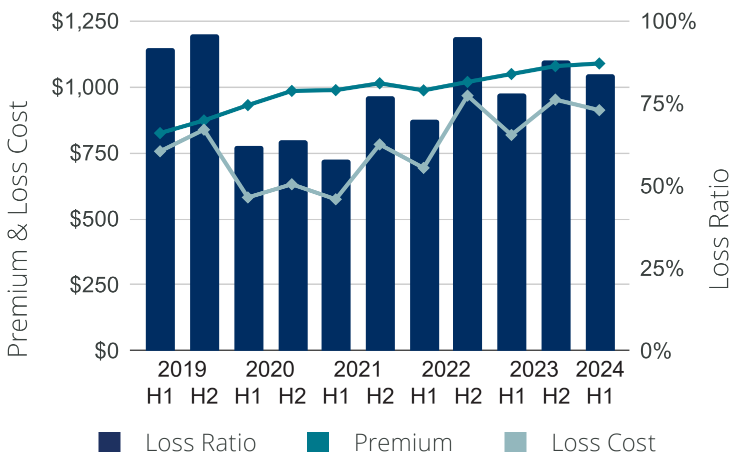
Average Premium & Claims by Coverage

For all coverages, premiums have increased consistently since January of 2018, while loss costs have been more volatile. Pre-pandemic, loss costs led to loss ratios consistently above the profitable 70% benchmark. The pandemic caused loss costs to fall dramatically but they have been trending upwards in a volatile pattern since the bottom in July 2021. With previous data being revised up as high as an additional 11 percentage points it is unclear if claim costs will return to pre-pandemic levels or if they will settle into a "new normal." Claim frequencies remain noticeably below pre-pandemic levels and have been relatively consistent for two years. The increase in loss cost is caused by increases in claim severity led by inflation. Therefore, as inflation continues to cool, claim costs may decrease and we settle into our new normal.

Premium & Loss - Full Coverage[4]



Premium & Loss - Basic Coverage[4]



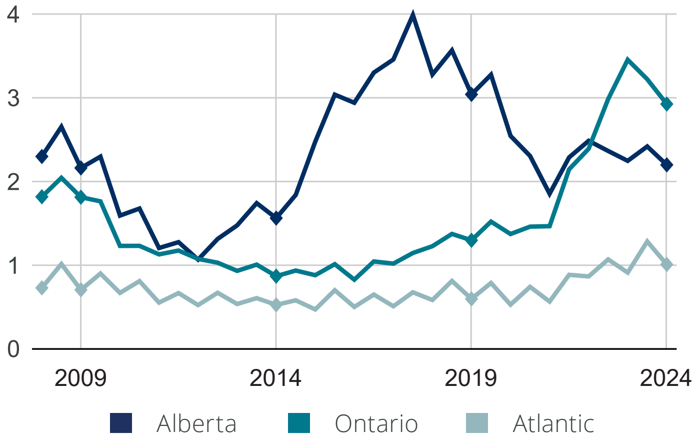
Basic coverage follows a similar but exaggerated pattern. The drop due to the pandemic is much more severe and abrupt, with loss costs falling from $838 in 2019 H2 to $581 in just six months. The decreased loss cost between 2020 H1 and 2023 H1 is due almost entirely to a reduction in claim frequency, from 4.62 in 2019 H2, to 3.09 in 2020 H2, 3.82 in 2021 H2, 3.94 in 2023 H1, and 4.47 in 2024 H1. On the frequency side, it appears we have returned to pre-pandemic levels. Claim severity has increased from $16.2 thousand in 2019 H1 to $20.4 thousand in 2024 H1, but remains below levels seen in 2023 H2, which went as high as $23.3 thousand.

For additional coverages, the premium has been remarkably consistent, only increasing 12% compared to 39% for basic coverage. There is not a clear pre and post-pandemic like other coverage levels, primarily due to comprehensive. As other coverages were dropping in the first half of 2020, the Calgary hailstorm occurred, which is the fourth largest catastrophe in Canada measured by insurance payouts. While the first halves of the year remain lower than pre-pandemic levels, the second halves are spiking up to levels similar to pre-pandemic. As has traditionally been true, the loss ratios on physical damage coverages are more favorable and remain below the 70% profit threshold.

Premium & Loss - Additional Coverage[4]

Claim Trends - Theft

Theft Claims per 10,000 Vehicles [11]

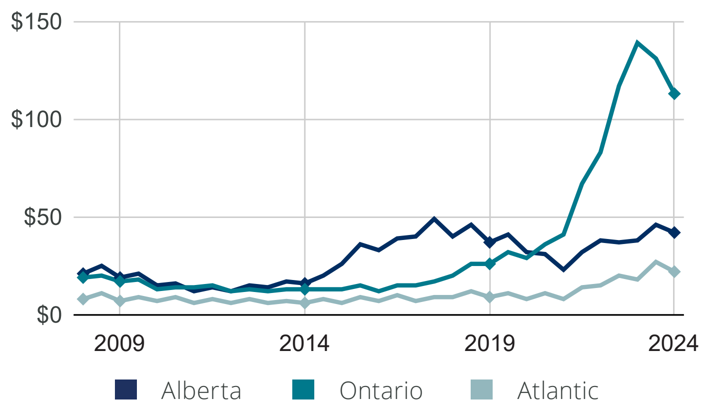


Vehicle theft is a crime affecting many Canadians, both directly and indirectly. According to the Équité Association, on average, a vehicle is stolen every seven minutes in Canada. In the first half of 2024, there were 22 vehicle theft claims per 10,000 written vehicles with comprehensive, specified perils, or all perils coverages in Alberta. While this is a 27% decrease from five years ago in the first half of 2019, it remains 2.2 times higher than the Atlantic provinces, where claim frequency is just ten claims per 10,000 vehicles. However, we remain below Ontario in 2024 H1, as they experienced 29 theft claims per 10,000 vehicles. We had the highest occurrences of theft between when the data began in the first half of 2008, and 2022 H1, but this has been reversed as auto theft explodes in Ontario. Their vehicle theft frequency has increased 125% between 2019 H1 and 2024 H1.

While Alberta frequencies are high, our severity is lower than other provinces, leading to loss costs significantly below Ontario, but elevated above the Atlantics. Ontario's average vehicle theft claim severity in 2023 H1 was $38.5 thousand, compared to $21.5 thousand in the Atlantics, and $18.9 thousand in Alberta. In Ontario, vehicle theft loss costs are $113 per vehicle, with Alberta and the Atlantics at just $42 and $22 per vehicle respectively. In response to this, many insurers in Ontario have been requiring vehicle tracking, subsidized by the insurer. The AIRB is not aware of plans for this in Alberta.

It's important to distinguish vehicle theft claims and thefts reported to police. Individuals may not make a claim if they receive the vehicle back quickly and in sound condition, but this will show up in policing data.

Theft Claims Costs per Coverage per Vehicle [11]



Each year, the Équité Association publishes a list of the most and least stolen vehicles in the province. For 2023, the list was topped by the Ford F-250 again, which was stolen 103 times out of 6,940 vehicles, for a frequency of 1.5%, the highest in the province. Most of the vehicles on the top ten in Alberta are pick-up trucks, and generally older models. This differs significantly from the Canada wide most stolen vehicles, which are primarily 2020 and newer SUV's. The most stolen car Canada wide is the Land Rover Range Rover, at 1,533 thefts per 34,615, or a frequency of 4.4%.

Top 10 Most Stolen Vehicles* (2023) by Frequency in Alberta[3]

	Make/ Model	Type	Model Year	Vehicles Insured	Vehicle Thefts	Theft Frequency
1	Ford F250	Truck	2007	6,940	103	1.5%
2	Ford F350	Truck	2005	22,390	270	1.2%
3	Chevrolet Silverado/ GMC Sierra 2500 Series	Truck	2005	37,374	353	1.0%
4	Lexus RX	SUV	2021	19,465	98	0.5%
5	Dodge RAM 2500 Series	Truck	2001	20,195	98	0.5%
6	Chevrolet Silverado/ GMC Sierra 3500 Series	Truck	2007	13,333	54	0.4%
7	Dodge RAM 1500 Series	Truck	2022	94,169	346	0.4%
8	Chevrolet Silverado/ GMC Sierra 1500 Series	Truck	2004	97,480	350	0.4%
9	Jeep Grand Cherokee	SUV	2018	33,186	114	0.3%
10	Dodge RAM 3500 Series	Truck	2017	23,962	72	0.3%

Top 10 Most Stolen Vehicles* (2023) by Frequency in Canada[3]

	Make/ Model	Type	Model Year	Vehicles Insured	Vehicle Thefts	Theft Frequency
1	Land Rover Ranger Rover	SUV	2022	34,615	1,533	4.4%
2	Land Rover Defender	SUV	2022	2,933	115	4.0%
3	Lexus RX	SUV	2021	96,400	3,037	3.2%
4	Cadillac Escalade	SUV	2021	15,887	447	3.0%
5	Jeep Gladiator	Truck	2022	9,893	288	3.0%
6	Toyota Highlander	SUV	2022	123,532	3,414	2.8%
7	Chevrolet Suburban/Tahoe GMC Yukon	SUV	2023	62,877	1,488	2.4%
8	Lexus GX	SUV	2022	4,494	102	2.3%
9	Mercedes-Benz G-Class	SUV	2019	3,296	60	1.8%
10	Jaquar F-PACE	SUV	2020	8,424	153	1.8%

* The minimum threshold is 50 thefts per make/model

Trend Highlights

TD Insurance Group

25%

Urban Market Share in 2023

75%

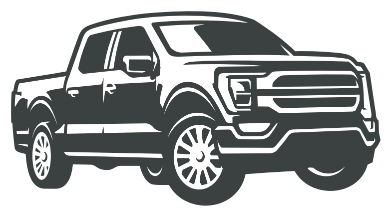
PPV Loss Ratio at June of 2024

Intact Financial Insurance Group

23%

Rural Market Share in 2023

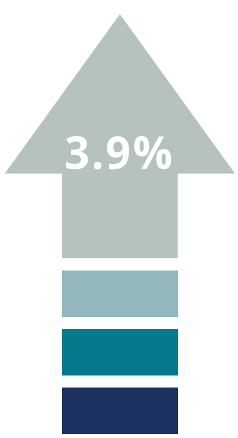
Most Stolen Vehicle in 2023



2007 Ford F250

Average Premium in the First Six Months of 2024

$1,703

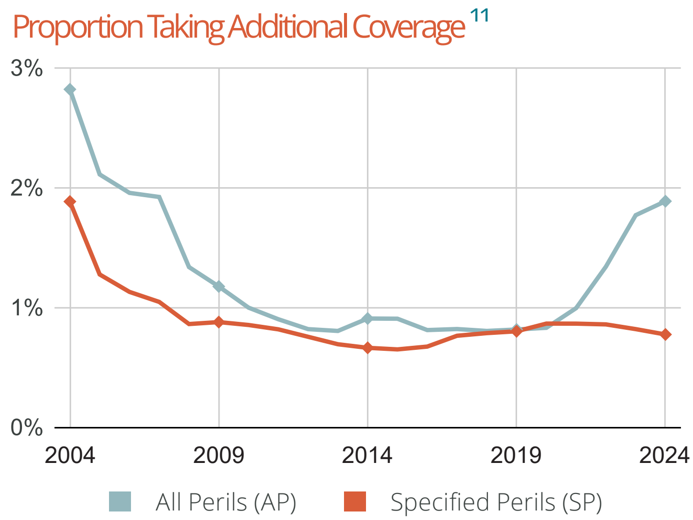


Average Liability Limit in the First Quarter of 2024

$1.5 Million

Observed Trends

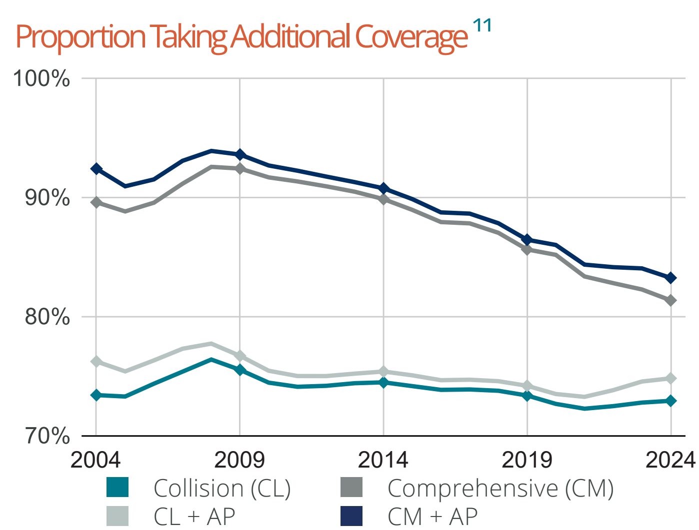
Proportion Taking Additional Coverage



The full coverage premium can change for a variety of reasons. Typically, we assume year over year there is not a significant change in the provinces underlying risk profile. However, if next year everyone drove older cars, the full coverage premium should drop despite no differences in insurer pricing.

Another factor which may change is the proportion taking additional coverages. Many Albertans choose to lease or finance the cost of a vehicle. When a vehicle is financed the lender often requires the driver purchase full coverage – i.e., collision and comprehensive coverage. When the vehicle is not financed or is older, a driver may opt not to purchase these coverages as one way to control their overall premiums. By not purchasing collision coverage the driver is assuming the financial cost of repairing the vehicle if they are involved in an at fault accident.

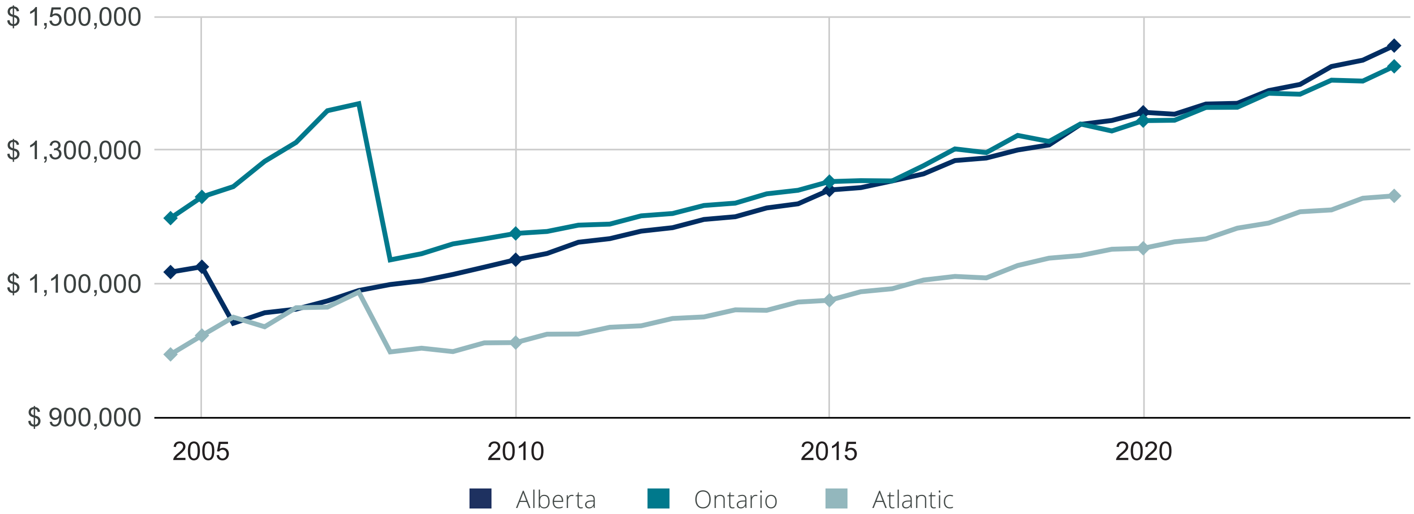
This year, we present the proportion taking collision and comprehensive, as well as those taking all perils, which is a coverage combining the two and is not as popular. Since 2007, the proportion of drivers taking collision, or all perils has declined from 77% to 75% in 2024 but has reached as low as 73% in 2021. Meanwhile, comprehensive coverage sees a higher uptake in general, typically by about ten percentage points. This is likely due to the higher usage of this coverage due to more weather events in the province, and it is typically cheaper than collision and not affected by driver behaviour like at-fault claims. Over a similar time period as above, comprehensive coverage uptake has declined from 93% to 83%.



Drivers do not have the ability to opt out of third party liability or accident benefits coverages, but they can opt out of additional coverages. Therefore, at least one factor keeping additional coverages affordable is the fact less drivers are taking the coverage, shifting more and more of the average premium to basic coverages. Additionally, policyholders have the ability to adjust their deductible for these coverages, which we will show in a future section, continue to rise as well.

Liability Limit

Average Liability Limit by Accident Year [10]



Liability limits are applied to bodily injury and are the amount your insurer will pay out on your behalf in the event of litigation. In order to obtain more than the liability limit, the defendant would have to sue the guilty party individually, and this is often not done as the liability limit covers a majority of litigation settlement amounts.

In 2004, the average liability limit was $1.1 million, and this has risen to $1.5 million in 2024. Between 2019 H1 and 2024 H1, the average limit has increased by 8%. In general, the increase in the liability limit has been outpaced by inflation. We would expect an increase in the liability limit over time, as litigation settlements would grow and consumers wish to stay protected, however, this comes at added cost. In general, a two million dollar liability limit is priced about 9% higher than the premium on a one million dollar liability limit for bodily injury.

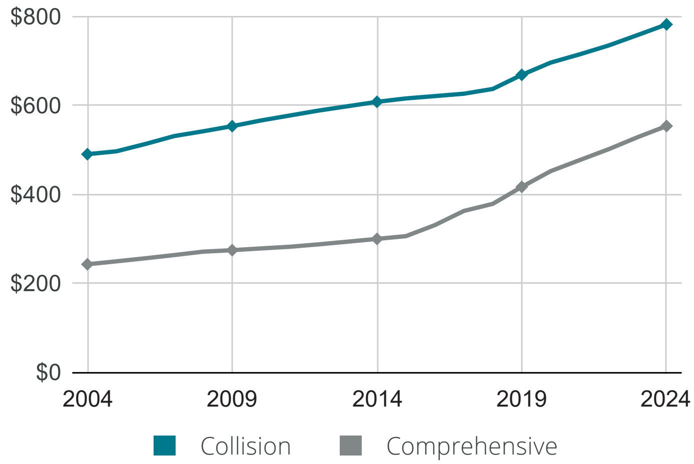
This desire to remain protected from litigation runs counter to the cost-cutting measures seen by Albertans in other areas, such as not taking additional coverages and raising their deductibles. It is unclear why Albertans are behaving as expected and increasing their liability limit gently over time to remain protected, while opting out of protection to save money on other coverages.

Change in Deductible Taken

Another factor influencing additional coverages which does not affect basic coverage, aside from the liability limit for third-party liability (TPL) coverage, is the policyholder can choose the deductible. The deductible is the amount the policyholder is willing to assume in the event they make a claim. Policies with higher deductible are less likely to make a small value claim and would only claim losses sufficiently higher than their deductible.

In 2004, the average comprehensive deductible was $243, compared to $554 today, an increase of 128%, while inflation has only increased by 54%. The deductible for comprehensive has increased from $490 to $782 over the same period, which matches inflation quite closely at 59%.

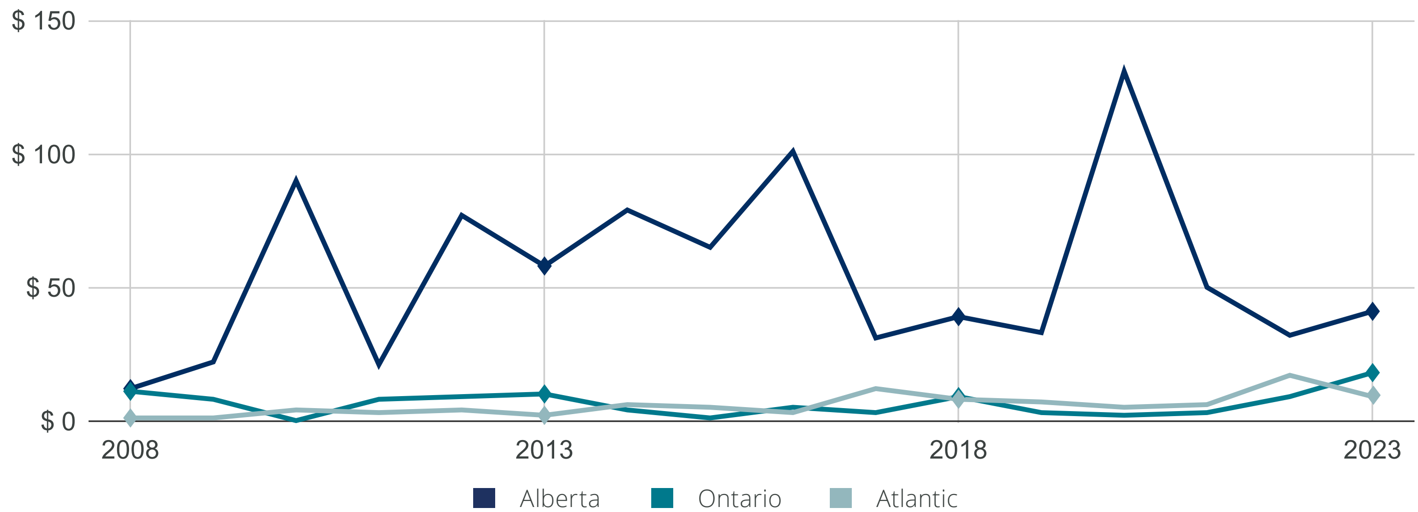
Deductible Additional Coverage [6]



In general, combining this information with the uptake of collision, we see Albertans are feeling the pinch on collision coverage and trying to save a dollar where they can. However, another factor is insurers altering the deductibles they offer a policyholder. Under the rate restrictions of the past several years, many insurers have begun to only offer high deductibles for riskier drivers, for instance a policyholder's deductible must be above $2,000 if they've had an at-fault accident. This limits consumer choice and is one factor driving up deductibles.

Severe Weather

Catastrophic Loss Cost (Comprehensive + All Perils + Specific Perils) [9]



Since 2008, GISA publishes the losses due to catastrophic weather events, which are single weather events causing at least $30 million in damages. As we've previously published, Alberta has had seven of the ten largest weather related catastrophes in history.

Comparing ourselves to Ontario and the Atlantics, there is not a single year since 2008 in which we had fewer catastrophic weather losses. We have spiked as high as $131 dollars per vehicle with comprehensive, specified perils, or all peril coverage in weather losses alone in 2020, primarily due to the Calgary hailstorm. In 2024, Calgary faced a similar hailstorm over the North East region, which damaged a large number of vehicles in outdoor parking lots outside the airport. Early estimates suggest the damage from this hailstorm will likely surpass the 2020 hailstorm.

Our weather losses are extremely volatile, and can significantly spike year over year, while weather losses in the Atlantics and Ontario are much more stable. The long term averages for losses per vehicle in Alberta is $48, $7 in Ontario, and $5 in the Atlantics. This means since 2008, we have had severe weather losses, per vehicle, at a rate nearly seven times higher than Ontario, which has the second highest amount.

Size of Loss Change

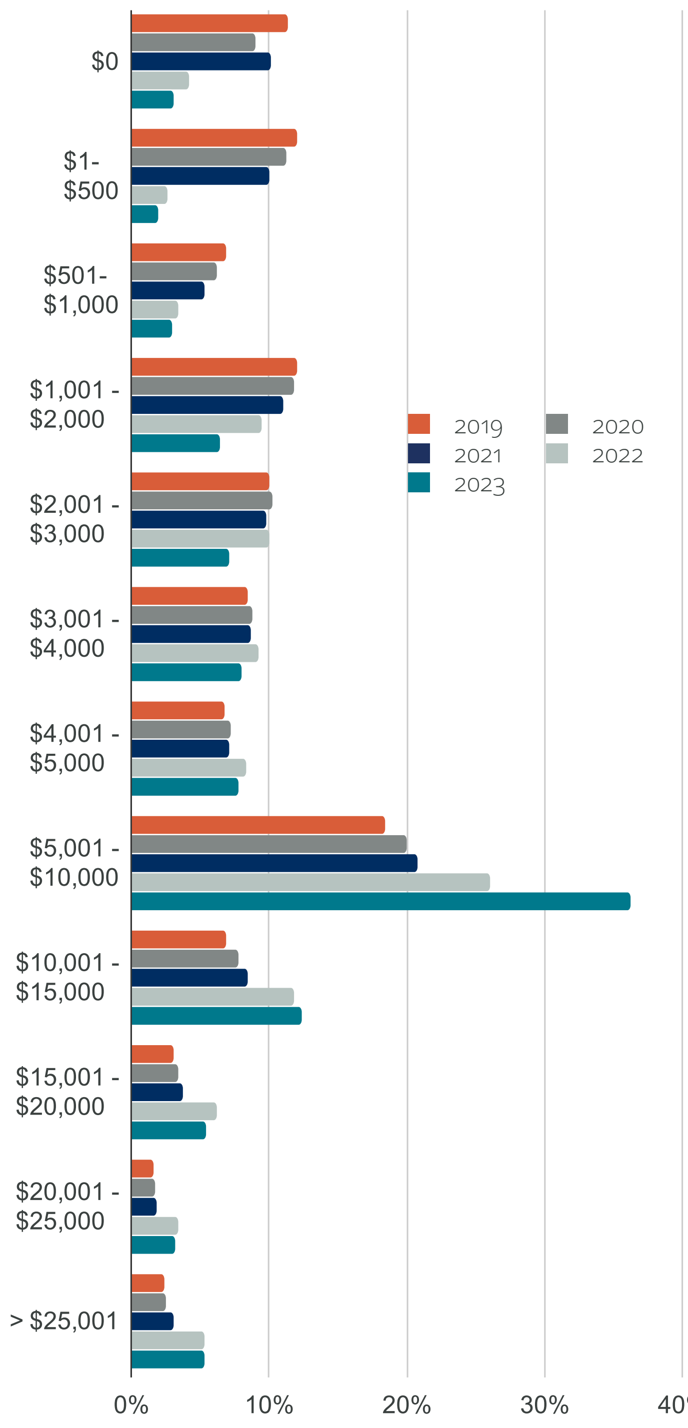
So far, we have only presented the average claim severity, but it is important to understand the distribution of claim severity and how this evolves over time. For instance, an increase in claim severity could be caused by a universal shift upwards, a reduction in low loss claims, or an addition of high-loss claims. Understanding this distribution is key to implementing potential reforms. For instance, previous reforms to accident benefits coverage expanded the minor injury definition, in an effort to reduce low severity bodily injury claims and move them into accident benefits. Bodily injury claims typically take longer and have higher expenses due to legal involvement, and therefore this relieved some cost pressures in the system.

We highlight the claim severity distribution for collision claims specifically, but we monitor the loss distribution for all coverages. As we've previously discussed, we have seen the average collision deductible increase significantly since 2004, and even increase by 33% between 2019 and 2024 alone. Therefore, we should expect to see fewer low value claims in more recent accident years.

The graphic in this section shows the proportion of overall losses in which losses in a specific range occurred. For instance, if all claims were in the five to ten thousand dollar range for 2023, then this value would be 100%. We do this to normalize any difference in the number of overall claims between years.

As we can see, moving from 2019 to 2023, the proportion of claims settled for zero dollars has decreased from around 11% to just 3%. We see this trend for similar loss ranges between one dollar and three thousand dollars. However, this is when the trend reverses. In the three dollars to four thousand dollars loss range, the proportion is consistent across accident years, but above this threshold, we are seeing higher losses in more recent accident years. In particular, 36% of collision claims in 2023 were between five dollars and ten thousand dollars, compared to just 18% in 2019.

Size of Loss Distribution - Collision Claims[8]



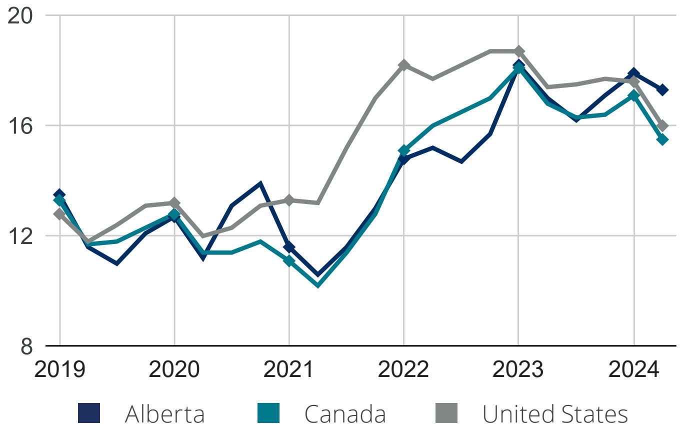
Length of Vehicle Rental After a Collision

In June, the average length of a vehicle rental following a collision was 17.3 days. This was higher than the average for both Canada (15.5 days) and the United States (16.0 days).

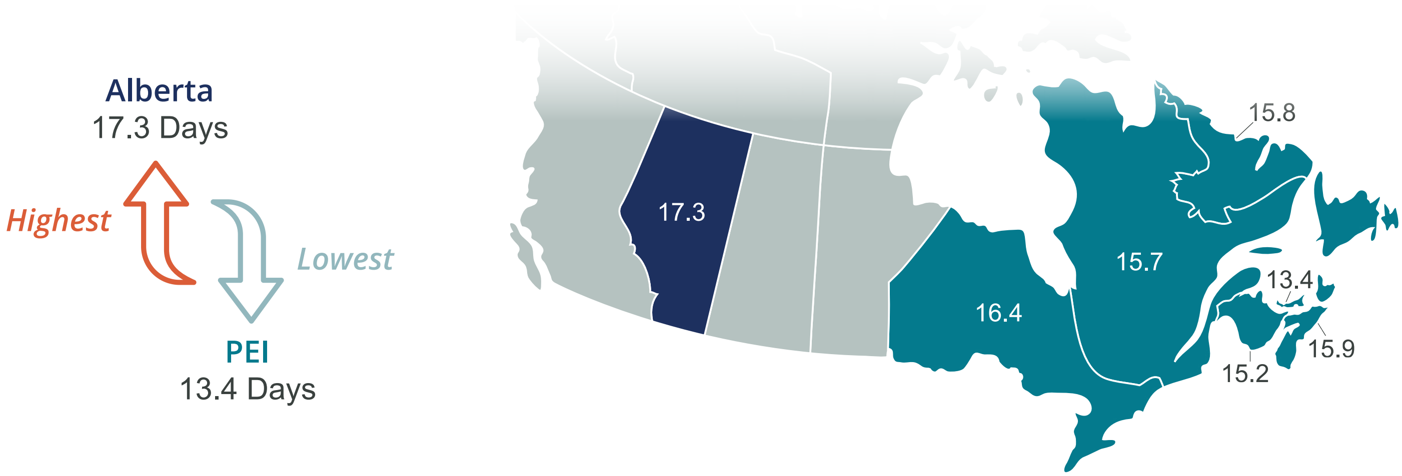
If the vehicle was drivable after the collision, the Alberta average rental length was 13.6 days, while Canada and the United States averaged 12.2 days and 14.6 days.

If the vehicle was not drivable after the collision, Alberta had a rental length of 34.0 days, while Canada and the United States had an average of 28.0 and 22.4 days.

Average Length of Vehicle Rental (in days) [2]



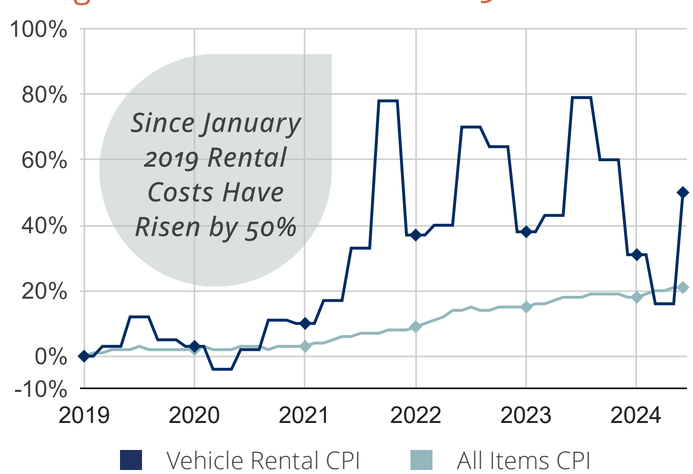
Average Length of Vehicle Rental Across Canada (in days) [2]



Canada-wide, rental costs were 50% higher in June 2024 than in January 2019. It saw a meteoric rise during 2021, where it peaked as high as 78% growth in just a two year period, while all-item inflation only peaked at a growth of 8%. This puts a significant pressure on physical damage claim costs, as insurers are paying more, and for longer, for vehicle rentals.

Generally, insurers cover the cost of rentals for the not-at-fault driver. If you have an at-fault claim, you may be covered if you purchased an optional endorsement.

Change in Vehicle Rental Costs Since 2019 [13]



Financial

The AIRB utilizes GISA financial reporting to understand the profitability of PPV insurance by province, as the other regulatory reporting does not provide full financial breakdown at this level of granularity. The insurance industry transition to IFRS 17 from IFRS 4 in 2023 necessitated updated regulatory reporting requirements, including those for GISA's financial information filing. Readers should be aware, data collected under IFRS 17 is not directly comparable to results in prior years under IFRS 4, and it will take several years to identify trends in results under the new accounting standard.

As IFRS 17 introduced many new metrics and removed others, GISA recognized the challenges faced by insurers and only required data be reported on a "best efforts" basis. The data submitted for the 2023 financial year did not meet GISA's consistency and quality requirements for publication, and therefore, the Industry Profit & Loss Industry Expense exhibits were not published for 2023.

GISA is in the process of refining it financial information reporting requirements for 2024 and plans to resume public reporting later in 2025. The AIRB will provide financial data and analysis including extra provincial comparison in future publications.

However, it's not all doom and gloom, as there are multiple metrics and key performance indicators which remain comparable. The figure below maps a few metrics from IFRS 4 to their new equivalents under IFRS 17. While they are not exactly the same, they are typically quite comparable.

This allows us to continue to use traditional metrics, such as the combined ratio, expense ratio, and other performance metrics while we build prior year comparisons on the IFRS 17 metrics. As we continue to receive new IFRS 17 data, it will become less necessary to compare back to IFRS 4 results, but with such little data so far, it does cause distortions in any comparisons on a financial basis.

Metrics are the Same but Different...

IFRS 4	Direct Written Premium	Direct Earned Premium	Net Earned Premium	Underwriting Result	Combined Ratio
IFRS 17	Non-GAAP Measure	Insurance Revenue	Insurance Revenue Less Reinsurance Expense	Insurance Service Result	Same But Different

For example, the **Combined Ratio** is the same but different...

(Net Incurred Claims For Specific Year + Reserve Release/(Deterioration) + Acquisition Costs + Other Expenses) / Net Earned Premium

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