



February 28, 2025

Mr. Jamie Hotte  
Board Chair, Automobile Insurance Rate Board  
#2440, 10303 Jasper Avenue  
Edmonton, AB T5J 3N6

**RE: AIRB 2025 Semi-Annual Review**

Dear Mr. Hotte,

Thank you for the opportunity to participate in the AIRB's Semi-Annual Review of auto insurance trends and rates for basic and additional coverage. Consistent with our approach from previous years, Insurance Bureau of Canada (IBC) consulted with its member companies to review Oliver Wyman's report, *Semi-Annual Review of Industry Experience as of June 30, 2024 Private Passenger Vehicles*.

**Commentary on Loss Cost Analysis**

According to Oliver Wyman, trend rates for several coverages are significant, signaling that claims costs are projected to continue to increase in the near-term.

Future Loss Cost Trend Rates

Basic Coverage			Additional Coverage	
Bodily Injury	Property Damage	Accident Benefits	Collision	Comprehensive
+9.1%	+1.5%	+12.0%	+2.5%	+5.1%

*IBC with data from Oliver Wyman.*

Consistent with last year's annual review, claims costs for injury claims are increasing considerably. Notably, Oliver Wyman once again selects a higher bodily injury trend factor, of +9.1%. This trend factor reinforces that legal costs continue to be a key cost driver in the system. While the transition to a Care-First auto insurance system will remove some access tort, the Alberta government has expressed its intent of having the 'greatest window of court [tort] access of all care-based systems in the country.' It is critical the Alberta government make its tort access extremely limited. IBC has shared its recommendations with the Alberta government for its consideration. Similarly, Oliver Wyman also projects accident benefits claims will continue to rise, by 12.0%. These trend factors highlight that such injury claims costs will ultimately continue to add pressure to drivers' premiums.

While Oliver Wyman continues to select modest property damage and collision trend factors, of +1.5% and +2.5%, IBC cautions there are significant factors that will contribute to rising vehicle damage claims costs in the near-term. Indeed, should the United States' steel and aluminum tariffs come into effect, Canada's automotive and insurance industry can expect to see higher vehicle repair costs, increased cost of new vehicles and potential supply chain disruptions. Ultimately, these higher costs are passed onto the



insurance industry in the form of higher claims costs, shouldered by drivers. However, because of the current rate cap, insurers will not be permitted to accurately reflect the increased price of vehicle materials and parts, which will add further strain to Alberta's insurers and their ability to operate in the market.

In addition, Oliver Wyman's selections indicate comprehensive claims costs are also projected to rise, by +5.1%. This is consistent with the 2024 annual review comprehensive trend factor, which increased from 3.6% once the review was finalized. Oliver Wyman also notes 'the large increase in the number of theft claims since 2011 contributes to the higher comprehensive loss costs.' In Alberta, auto theft claims costs increased by 55% between 2021 and 2023—the last full year of claims data<sup>1</sup>. While Ontario and Quebec, historically the hardest-hit provinces, have shown signs of improvement, criminals are beginning to shift their focus west, and Alberta continues to see a rise in auto theft. In the first half of 2024 alone, the province experienced a 1% increase in theft claims and an 11% rise in claims costs compared to the same period in 2023.

As part of the November 2024 auto insurance reforms announcement, the Alberta government's technical briefing indicated it may consider reforms to tackle auto theft in the province. IBC welcomes this development and has recommended public policy solutions for the Alberta government's consideration:

1. Eliminate the current VIN override policy to ensure registrations cannot be issued if a VIN fails to conform to VIN verification databases.
2. Restrict third-party vehicle registrations to dealerships to make it more difficult for criminals to register a stolen or reVINned vehicle.
3. Update policies to standardize vehicle Bills of Sale to make it more difficult to sell stolen or reVINned vehicles.
4. Bolster enforcement capacity by creating provincial auto theft teams with dedicated prosecutorial support to strengthen provincial capacity to police and deter organized crime's involvement in auto theft, as done in Ontario.

We urge the AIRB to educate government on the impact of auto theft losses on the auto insurance industry and ways in which it can help tackle the issue.

Finally, Oliver Wyman recommends 'the Board consider the reasonableness of additional information provided by interested parties as it may provide more insight into the industry private passenger vehicle claim experience (particularly as [it] respects the bodily injury coverage and inflation that has emerged or is expected to emerge).' Given this, IBC strongly recommends the AIRB consider the approval of insurer rate filings based on the reasonableness of those filings. However, to facilitate actuarially justified rate changes, we encourage the AIRB to educate government on the negative effects of Ministerial Order 24/2024, creating an additional rate ceiling for insurers on top of the existing 'good driver' rate cap. We are seeing the negative effects of reduced competition and consumer choice resulting from government intervention on auto insurance rates, and we strongly urge the AIRB to educate government on the importance of actuarially-justified rate changes.

---

<sup>1</sup> IBC with data from GISA

**Catastrophe Provision**

Oliver Wyman notes they are no longer approving a benchmark for the catastrophe provision. IBC supports this, as it allows insurers to select their own catastrophe provision based on their individual loss experience caused by natural catastrophes in the province.

**Investment Income on Cash Flow**

Insurers continue to be permitted to use their individually-selected investment income rate in their rate applications. IBC continues to support this decision.

**Health Cost Recovery**

Consistent with the 2024 Health Cost Recovery Assessment put forward from Alberta Treasury Board and Finance, Oliver Wyman agrees insurers should reflect the Health Cost Recovery Assessment factor of 2.94% until the 2025 assessment factor is announced and in effect. IBC believes this is reasonable.

**Operating Expenses**

Oliver Wyman selected an operating expense ratio of 27.6% based on the GISA Industry Expense Report. IBC considers this to be reasonable.

**Conclusion**

IBC appreciates the opportunity to comment on the 2025 Semi-Annual Review. The current state of Alberta's auto insurance market is presenting significant challenges for insurers, and the trend factors put forward by Oliver Wyman confirm the pressures that were growing under the rate pause and now under the rate cap.

We hope this commentary assists the AIRB in its deliberations. If you would like to discuss this further, please do not hesitate to reach out to me at 1-604-349-8046 or [Asutherland@ibc.ca](mailto:Asutherland@ibc.ca).

Sincerely,

Aaron Sutherland  
Vice President, Western and Pacific  
Insurance Bureau of Canada