AIRB AUTOMOBILE INSURANCE RATE BOARD

2025 MARKET & TRENDS

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Executive Summary

The 2025 Market and Trends Report provides important background and information on key trends in auto insurance premiums and claims. At the Automobile Insurance Rate Board (AIRB), we continue to be concerned about auto insurance affordability for drivers as well as longer term stability and viability of our competitive market. Affordability concerns have been raised about most products and services post pandemic, and auto insurance is no different. Inflation and supply chain issues have increased the cost of repairing vehicles which resulted in most insurers increasing premiums. The rising cost of auto insurance gained increased attention since 2022, and we have noted heightened awareness of consumers following the announcements by government to assist Alberta drivers with the cost of insurance and implementation of the rate pause in 2023 and Good Driver Rate Cap which commenced in 2024. Inflation continues to impact household budgets and many Albertans who are sensitive to price fluctuations are looking for information on why their premiums have gone up as well as how to save money.

This report shares several key statistics from the latest 2024 data including:

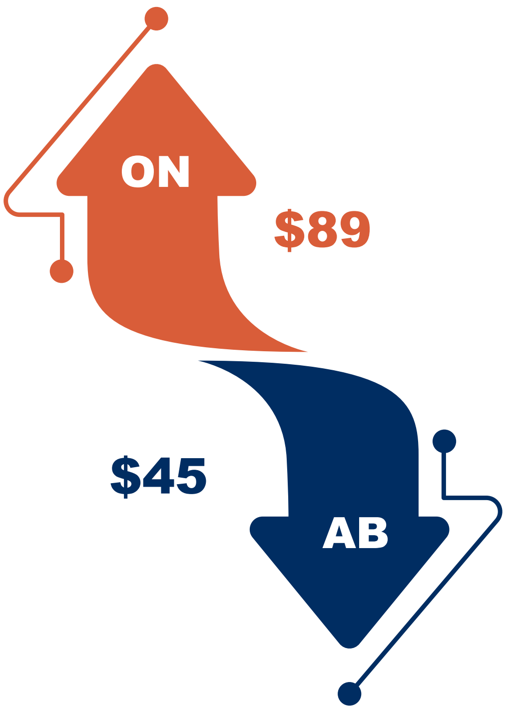
- The overall change in the average written premium was +5.5% compared to the prior year. While this is greater than the threshold for the Good Driver Rate Cap, it highlights most drivers received the benefit of this rate cap.
- The average Alberta premium increased from $1,668 in 2023 to $1,759 in 2024, reflecting approved rate increases and changes to Alberta's composition of drivers and vehicles.
    - Insurers were able to receive approval for rate increases up to 10.0% in 2024, following the rate pause in 2023. While it takes twelve months for rate to fully flow to all an insurer's customers, the full impact of rate changes approved in 2024 would continue to be implemented in the first half of 2025.
    - Premiums were impacted during the rate pause if the policyholder had a new at-fault claim, a new traffic violation added to their driving record, changed vehicle, added a new driver to the policy, and/or changed their home address. These actions, taken by the policyholder, can have an impact on the premium charged.
    - Individuals with out of country experience are generally rated as new drivers. With recent immigration numbers skyrocketing, the overall age of vehicles driven in Alberta is getting younger, and therefore premiums are increasing.
- The industry loss ratio for private passenger vehicles (PPV) was 97.1%, highlighting rates are not adequate to cover insurer costs.
    - When compared to loss ratio in other provinces, Alberta is the third lowest.
- Bodily injury coverage saw claim severity increase by 11.1% with minimal frequency changes, while Accident Benefits coverage saw minimal severity changes, with an increase in frequency of 8.9%.
- Albertans pay 3.1% of average after tax income on auto insurance premiums, this is lower than Nova Scotia, Newfoundland and Labrador, and Ontario.

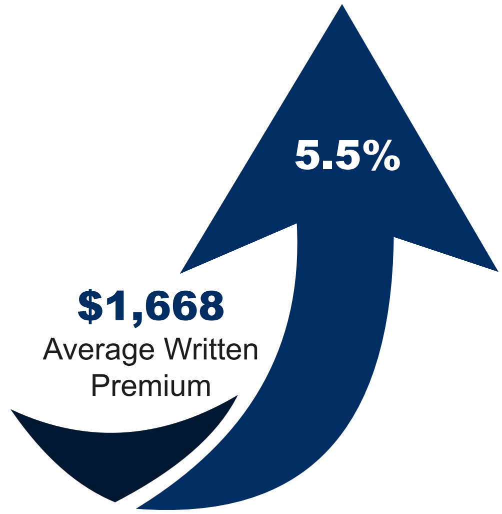
Each year this report is written to provide a snapshot of relevant trends and information. New to the Market and Trends Report this year are sections on:

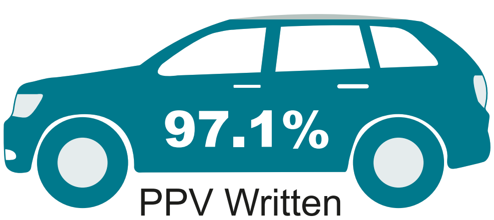
- Vehicle theft deterrent devices in Alberta's fleet.
- General descriptions of Alberta's fleet, such as body styles and fuel types.

Trend Highlights

Vehicle Theft Loss Cost

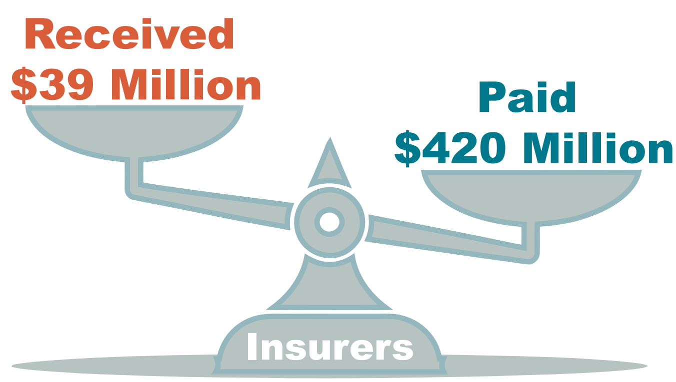




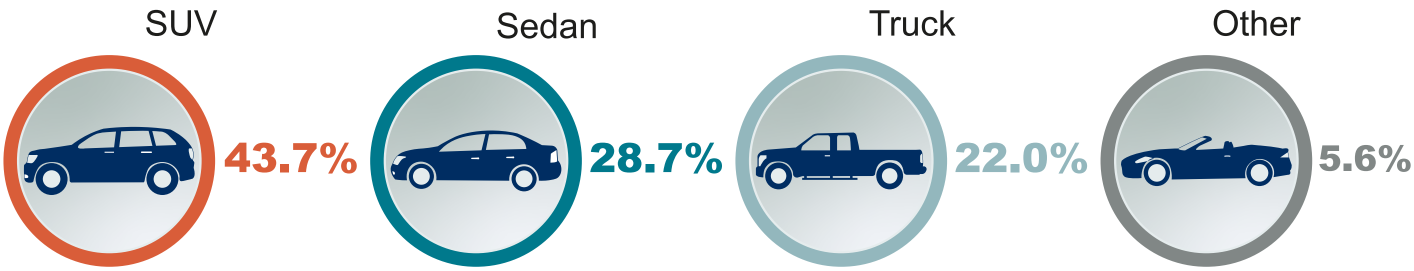


PPV Written
Loss Ratio

Comprehensive Coverage
(Four Most Expensive Calgary FSAs)



Market by Body Style



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, 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 78.1% of Alberta's auto insurance market by vehicle count, with the other main vehicle types being commercial (8.2%), motorcycles (4.6%), ATVs (4.1%), and antiques and classics (1.7%). The remaining 3.3% of vehicles consist of snow vehicles, motorhomes, taxis, and other miscellaneous classes.

Alberta has a competitive private auto insurance market providing coverage for over three million PPV. This report primarily examines the market for PPV, given its size relative to other vehicle types, except where noted. Be advised data is from various sources but is mainly from the General Insurance Statistical Agency (GISA) and Statistics Canada.

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.

One of the ways we measure affordability is by benchmarking the cost of auto insurance against after-tax income. The data available from Statistics Canada lags a year behind, but still provides an indicator of how Alberta drivers' portion of income is spent on auto insurance compared to their peers in other provinces. In 2023, Albertans spent 3.1% of their after-tax income on PPV premiums, above the Canadian average of 2.9%, but lower than Ontario (3.8%), Newfoundland (3.3%), and Nova Scotia (3.1%).

The Government of Alberta has elected to manage affordability of auto insurance by implementing rate pauses and caps. Although these help some drivers in the short term, once these measures are removed premiums will rise – as we saw when the previous rate cap was removed in 2019. Insurers are unable to make smaller adjustments 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 the cap is lifted. However, government recognizes rate caps do nothing to lower costs within the system and is taking steps implement Care-First to ensure long term affordability for drivers and sustainability for the insurers who operate in our province. Albertans need to understand long term reforms will take time to implement and Care-First won't be effective until January 1, 2027. For more information on Care-First, refer to our website.

An alternative to focusing on the affordability of auto insurance in the province is to look at the value Albertans get for the policy they pay. Each province's auto policy offers different coverage limits and rights. In Alberta today, we largely have a tort system which means you have the right to sue in event of an accident.

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.

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 previously 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 rate cap, which will be discussed in more detail in a future section.

In mid-2025, Definity announced they will be acquiring Travelers, and is expected to close in the first quarter of 2026. As of 2024, Definity had a market share of 3.9%, and Travelers had a market share of 1.3%. Combined, assuming no customers leave, their market share would be 5.2%, which moves them above the Alberta Motor Association to become the eighth largest insurer in the province.

Overall, insurer exits and mergers limit the sources of competition within the market. Following these three market movements, we expect the market to concentrate and become less competitive.

Uncertainty

We recognize there is heightened uncertainty in the Alberta auto insurance market as the government implements 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 the implementation of Care-First 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 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 advise readers of the uncertainty on estimations of future trends, given the events of the past few years.

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

The President of Treasury Board and Minister of Finance issued a Ministerial Order implementing a Good Driver Rate Cap effective January 1, 2024. This rate cap meant the AIRB could not approve any change to an insurers' 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%. For 2025, the Good Driver Rate Cap was decoupled from the rate of inflation and increased to 5.0%, plus an additional 2.5% due to catastrophic weather events in the province.

The data for 2024 reflects the 3.7% Good Driver Rate cap. Note this is not inconsistent with the overall average written premium increase of 5.5%. While Good Drivers are capped at 3.7% on renewal, new business and those excluded from the policy are not capped.

* Bill 41, which made changes to the minor injury definition and prejudgment interest calculation, increases the benefit amounts available to claimants for new and existing claims and the introduction of direct compensation for property damage.

Need for Statistical Data

The Government of Alberta has 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 not excessive or unfairly discriminatory,
- 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,
- Conduct economic analysis into matters such as the GRID, competition, affordability, and others, 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.

With the introduction of file and use in 2021, we have made significant strides in reducing our review times. In prior years, insurers were required to use a "simplified" filing type, which still required Board Member approval. Since the Board met monthly, this meant relatively simple filings could sit for up to 20 days waiting for a Board meeting to occur. We have successfully halved our average days to review since 2019, and continue to bring down our 90th percentile, which is our most complex filings, for the fourth year in a row.

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.

Consumer Trends

The 2025 Consumer Perspectives report reveals a growing worry for Alberta drivers: finding insurance which actually covers what they need. As insurers struggle with rising costs and limits on how much they can raise premiums, many have started pulling back on Section C coverage — the part which covers physical damage like collision, comprehensive, and specified perils. This is a serious problem for anyone who finances their vehicle, since lenders usually require this type of coverage.

Been Denied Coverage in the Past Two Years

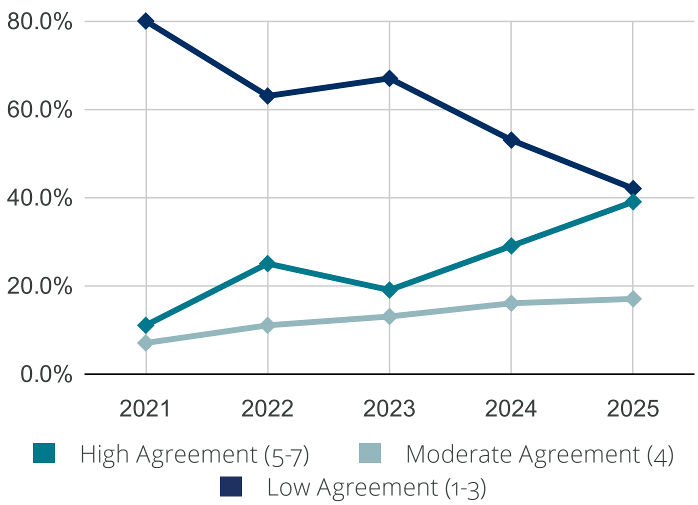
2024 **4.0%**

2025 **6.0%**

To make things even more frustrating, if your insurer drops your physical damage coverage and you try to switch companies, you could lose access to the Good Driver Rate Cap — a protection which keeps your premiums lower. Without it, you could be facing higher premiums.

Each year the AIRB asks Albertans whether they feel their "automobile insurance premiums are fair and reasonable." Albertans who had a high level of agreement increased by ten points (from 29.0% in 2024 to 39.0% in 2025).

Automobile Insurance Premiums are Fair & Reasonable [2]



This shift in sentiment may appear counter intuitive. Public discourse, including calls to the AIRB, social media commentary, and media coverage, has largely emphasized Alberta have among the highest auto insurance premiums in the country. As a result, many consumers likely anticipated more substantial increases than they actually experienced.

Two key mechanisms have contributed to limiting premium increases. First, the Good Driver Rate Cap has provided protection for qualifying drivers. Second, the AIRB maintains a policy which restricts any individual insurer from implementing average premium increases exceeding 10.0% within a twelve-month period.

Availability and affordability will likely remain issues until the introduction of Care-First in 2027.

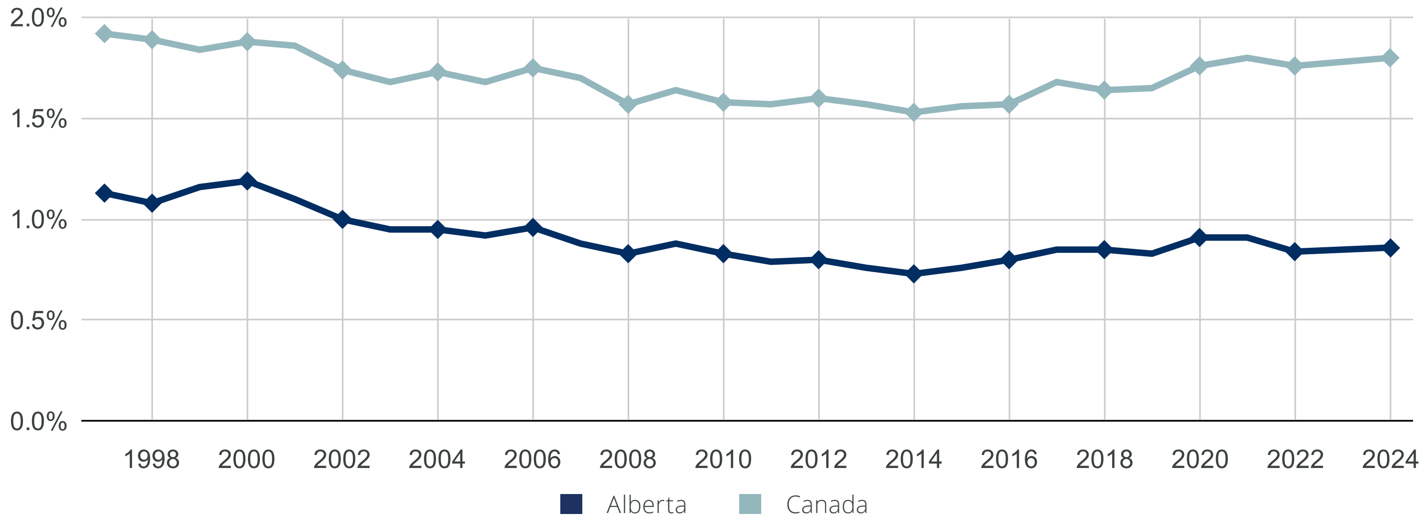
For more information on consumer trends, read the 2025 Consumer Perspectives on Auto Insurance report.

Economic Trends

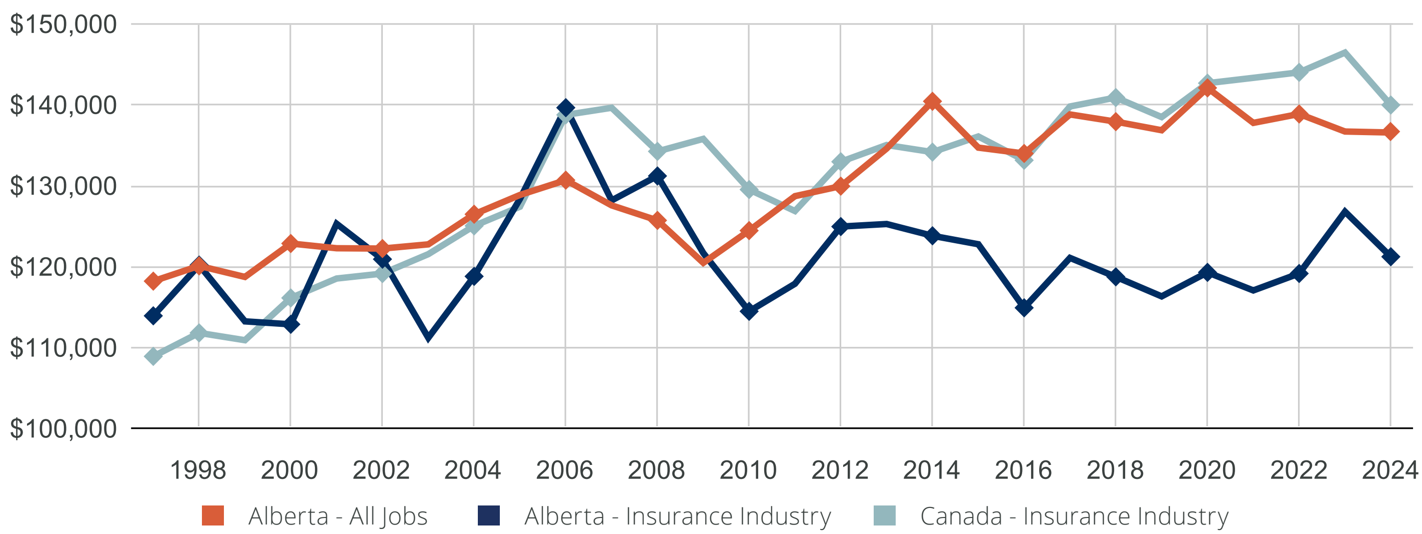
Background

Insurers, like all other business, operate within their economic environment. Therefore, to understand their performance and operating results, an understanding of key economic variables is important. For instance, insurers have little control over claim costs rising due to inflation (measured by price indices) and their investment returns are determined by bond yields and prices, which are primarily controlled through the policy rate set by the Bank of Canada.

Insurance Industry Contribution to GDP by Geography[18]



GDP per Job in the Insurance Industry (2017 Dollars)[19]



Starting with economic impact, the insurance industry contributed $41 billion dollars (inflation adjusted to 2017 dollars*) to the Canadian economy in 2024, or approximately 1.8% of the total GDP. In Alberta, they contributed $3 billion, or 0.9% of our GDP. This has fallen from a high of 1.2% in 2000. Of the 2.6 million jobs in the province [19], 1.0% are within the insurance industry. The GDP per insurance industry worker in Alberta was $121,249 in 2024. The labour productivity** of the sector in Alberta has been relatively flat since 1997, only increasing by 6.4%.

Meanwhile, the Canadian insurance industry as a whole rose from $108,934 in 1997 to $146,828 in 2024 despite inflation adjustments. Overall, the two productivities were following each other closely until the mid 2000's where the rest of Canada's insurance industry outgrew inflation while Alberta stagnated. Alberta's GDP per worker for all jobs has come in higher than GDP per worker for the insurance industry since 2010, with the gap at $18,400 as of 2024.

However, this severely understates the economic impact of the insurance industry. The previous metrics highlight the direct contribution of the industry only, but insurance as a product allows businesses to undertake higher-risk and therefore higher return activities. It also provides businesses greater certainty as it caps their downside risk; both of which lead to higher investment levels across the country. For PPV, consumers pay a modest premium to ensure they are financially protected from up to millions of dollars in liability, which few consumers could afford to pay.

Inflation

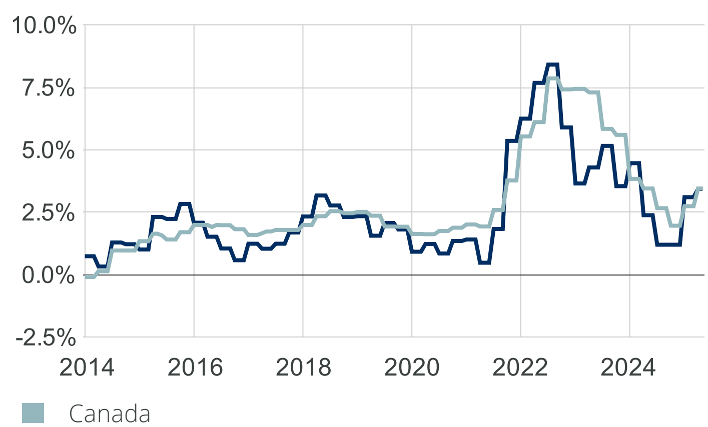
Below we present four consumer price indexes year over year change, as these are important to both insurers and consumers. We plot both Alberta and Canada-wide results to provide a better context of Alberta inflation in relation to the rest of Canada.

Beginning with private transportation, this includes the costs of insurance, registration, vehicles, and everything else related to transportation, excluding gasoline due to its volatility. Overall, the two indices followed each other quite closely before Alberta began to outpace in 2019 to 2022. Since 2022, it had come down dramatically due to efforts by the Bank of Canada to curb inflation. However, it has begun to heat up more than any other index. President Donald Trump had discussed tariffs as early as late January, and some were implemented in February. Since then, private passenger inflation has been over 3.0% as manufacturers raise prices and importers seek to build inventory.

Focusing on parts and maintenance, a major contributor to property damage coverages, we see it has been above 3.0% for the entirety of 2025, for the same tariff reasons, but remains lower than private transportation.

Private Transportation Excluding Gas 12 Month Inflation [17]

Vehicle Parts and Maintenance 12 Month Inflation [17]

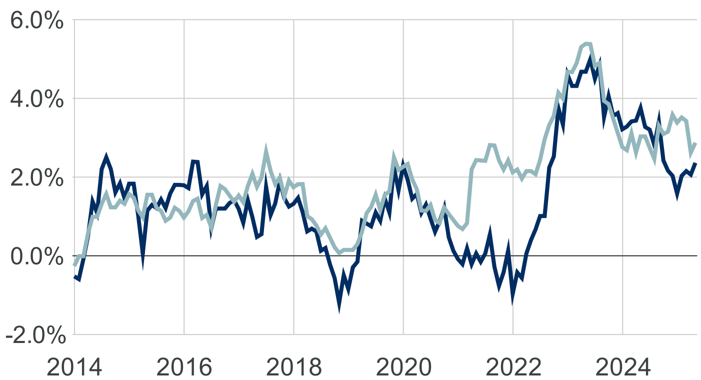


* 2017 is the year chosen by Statistics Canada in the most recent data.
** GDP (inflation adjusted) per worker.

Healthcare is an important component of the accident benefits coverage, and here we see one of our largest deviations from Canada as a whole. In late 2020 we see a period where Alberta even entered a small deflationary period, where prices came down, while Canada-wide the cost of healthcare was increasing dramatically. Following a period of high inflation in 2023 and middle of 2024, we are seeing inflation come back down to the 2.0% range.

Finally, all-item inflation fell dramatically in 2025, where it suddenly dropped from 2.8% in March to 1.7% in May, while Canada saw similar but smaller drops from 2.3% to 1.7%. We can see so far, the impacts of tariffs have likely been contained to certain sectors, primarily manufacturing.

Healthcare 12 Month Inflation [17]



All Items 12 Month Inflation [17]

Alberta Canada

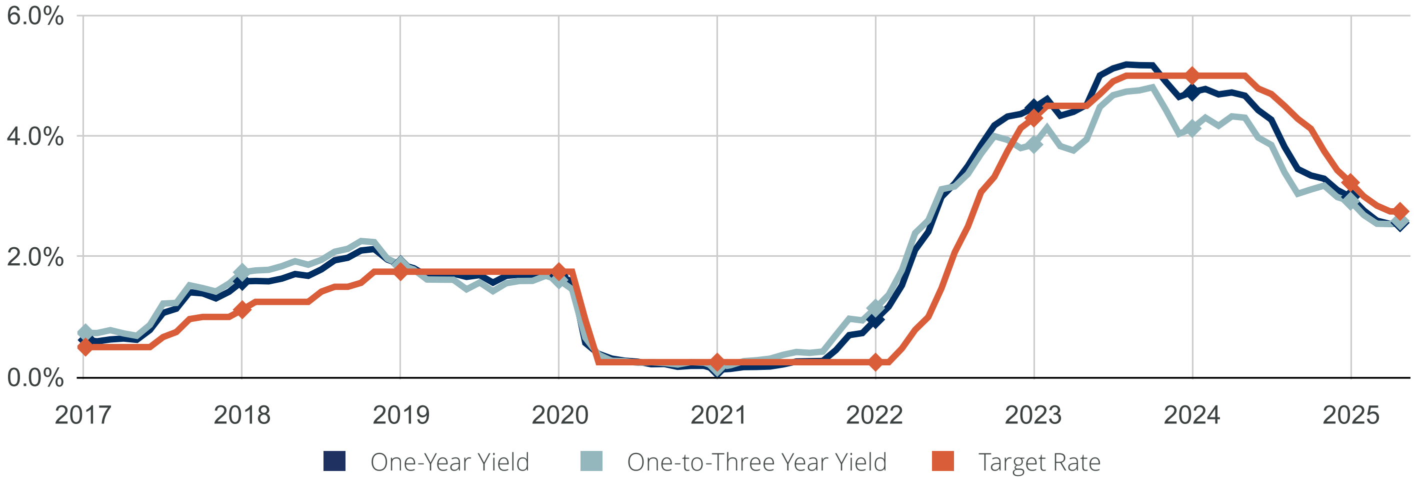
Bond Yields

Bond yields are important to the investment return of an insurer. An insurer typically invests in short term bonds (less than three years). These bonds are more stable than traditional equities while being just as liquid. This allows the insurer to make investment income while having cash on hand to settle claims. In Alberta, the average claim takes about 2.5 years to settle, therefore insurers can be investing portions of the premium within this time. This provides income to the insurer without making consumers worse off, and this is why we choose to regulate only on the profit of selling the coverage, and do not consider investment returns. Regulation by OSFI and Alberta's Superintendent of Insurance ensures insurers have the capital to pay claims and are not taking too much risk in their investment strategy.

We plot the Bank of Canada's target policy rate, along with the yield on a one-year treasury bill, and a composite collection of one-to-three-year bonds. As we can see, the bond yields follow the target closely, as intended. Typically, bond yields are above the target rate, as investors must hold the bonds for some time and are therefore rewarded above the target rate due to added risk. However, since mid 2022, the one-to-three-year yields have been below the target rate, and since late 2023 for the one-year yield. This indicates investors believe the target rate will be falling between now and those time periods. Generally, the "x" year yield represents what investors think the target rate will be in "x" years, plus a risk premium which increases with the length of the bond.

With yields the highest they have been since 2017; we see the reason recent investment returns were higher than normal due to the increase in bond yields. Going forward, it is hard to predict the policy rate. If the Canadian economy heads into a recession, rates will continue to drop. If tariff impacts cause high inflation, then cutting rates is not acceptable, as it adds fuel to the inflationary fire and devalues our currency, causing import prices to rise even more. If both events occur simultaneously, it is hard to predict what the Bank of Canada will do. For now, the Bank has signalled their intention is to keep the policy rate steady.

Target Rate vs Month Year[12]



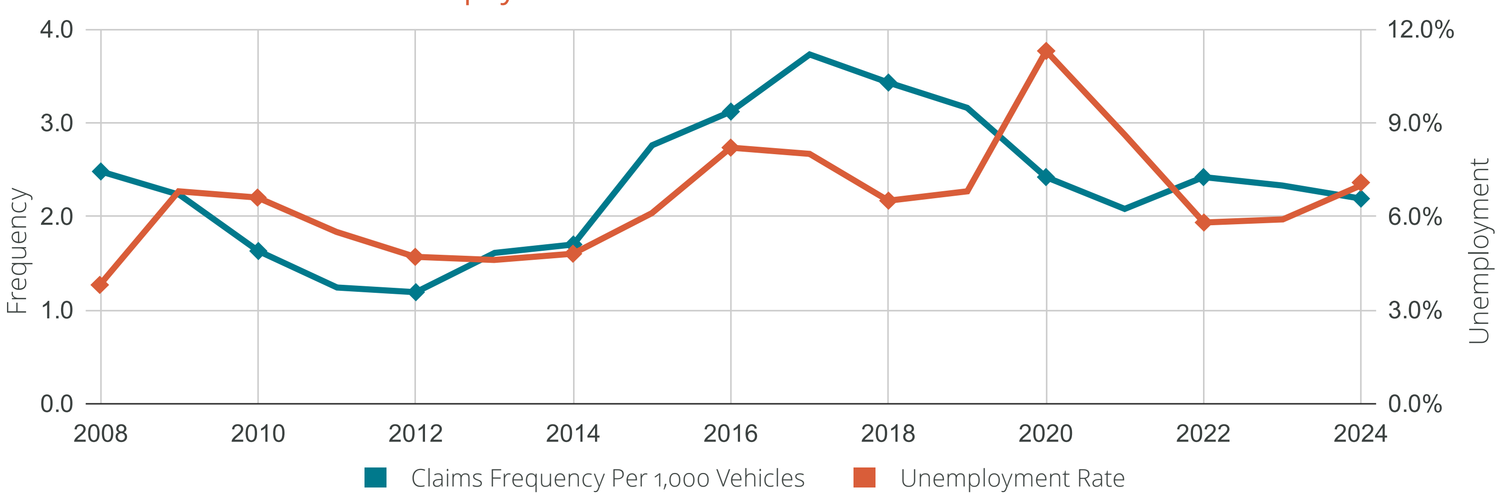
Claim Frequency & Unemployment Rate

There has been long standing debate on if higher unemployment rates cause increases in certain types of crime, typically property crimes like theft. In the context of auto insurance this could be auto theft, and theft of vehicle contents. Alongside theft, consumers may be unable to afford their auto premiums and may choose to drive without insurance, therefore raising the instances of uninsured motorist claims and increasing the cost of insurance for everyone.

Here we present vehicle theft only, but we may present different claim types in future reports. Overall, the correlation coefficient is 0.4, but it has been as high as 0.7 in the period from 2008 to 2017. The high unemployment spike in 2020 due to the pandemic without a corresponding spike in theft caused it decrease to the 0.4 correlation. In fact, we see vehicle theft go down in 2020 despite the unemployment rate. Similarly, 2024 saw the claim frequency decrease slightly while unemployment saw a larger jump.

Overall, we conclude there is weak, if any evidence of a correlation between the unemployment rate and vehicle theft, and of course can make no claims about the causative effect. However, we will continue to monitor this trend.

Correlation of Vehicle Theft & Unemployment Rate[10/14]



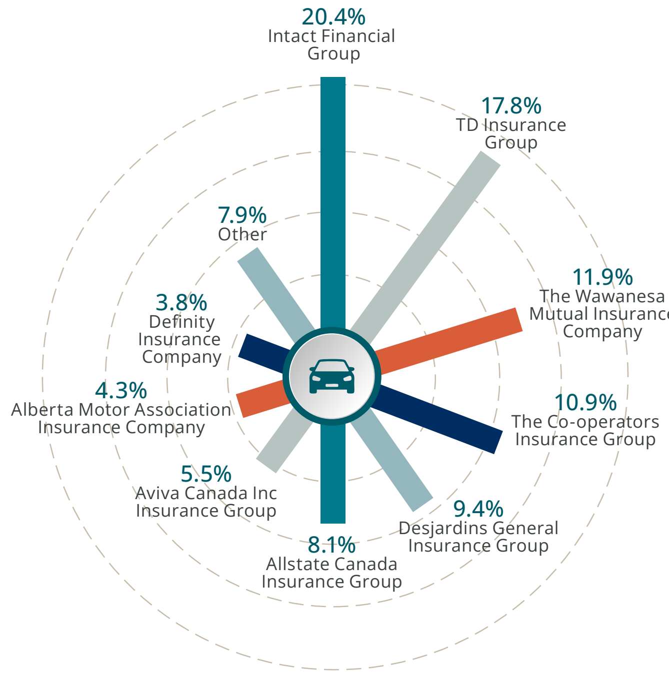
Private Passenger Vehicle Trends

Competitive Marketplace

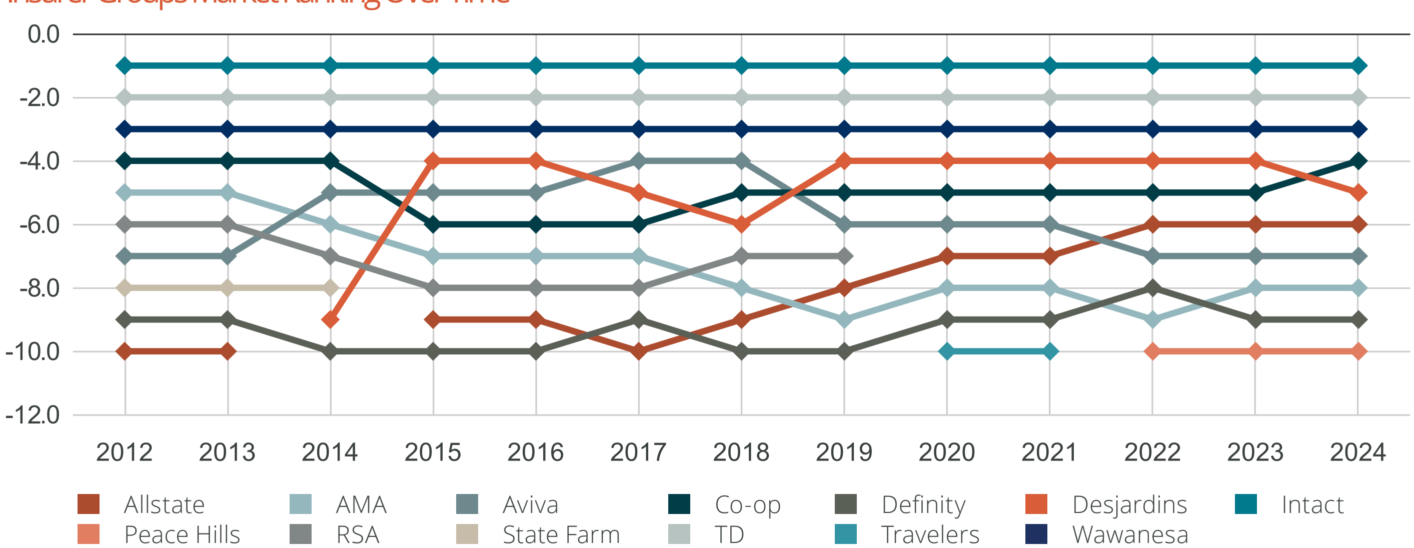
Alberta is fortunate to have a competitive marketplace for auto insurance. There are currently 29 insurance companies actively writing PPV insurance in the province. Of those 29, 19 belong to one of nine insurer groups. Therefore, we have a total of 19 independent insurers. This excludes several insurers licensed in the province but not actively seeking new business.

Based on 2024 written premiums, the top three insurer groups represent 50.0% of the market, down from 51.2% in the prior year. In particular, Intact fell from 20.6% to 20.4%, TD decreased from 18.4% to 17.8%, and Wawanesa fell from 12.3% to 11.9%. Overall, the top ten insurers had a market share of 94.6%, up slightly from the previous years 94.2%. Since 2012, market concentration in the top ten increased significantly from 87.7%. Market share for the top three firms has remained steady around 51.0%, and the top five increased from 66.5% to 70.4%.

Top PPV Insurance Groups (2024)[4]



Insurer Groups Market Ranking Over Time *[8]



* Allstate Canada Insurance Group (Allstate), Alberta Motor Association Insurance Company (AMA), Aviva Canada Inc. Insurance Group (Aviva), The Co-operators General Insurance Group (Co-op), Definity Insurance Group (Definity), Desjardins General Insurance Group (Desjardins), Intact Financial Insurance Group (Intact), Peace Hills General Insurance (Peace Hills), Royal & Sun Alliance Insurance Company of Canada (RSA), State Farm Insurance Company (State Farm), TD Insurance Group (TD), Travelers Insurance Company of Canada (Travelers), and The Wawanesa Mutual Insurance Company (Wawanesa).

We can see since 2012, the top three insurers have not traded their market rank. Below the top three, four different insurers have held the fourth largest rank. From 2019 to 2023, Desjardins was the fourth largest insurer, in part due to their acquisition of State Farm in 2015, however Co-operators has moved up to be the fourth largest insurer in 2024. Their market share increased dramatically from 8.8% to 10.9%, an increase of 24.0% in a single year.

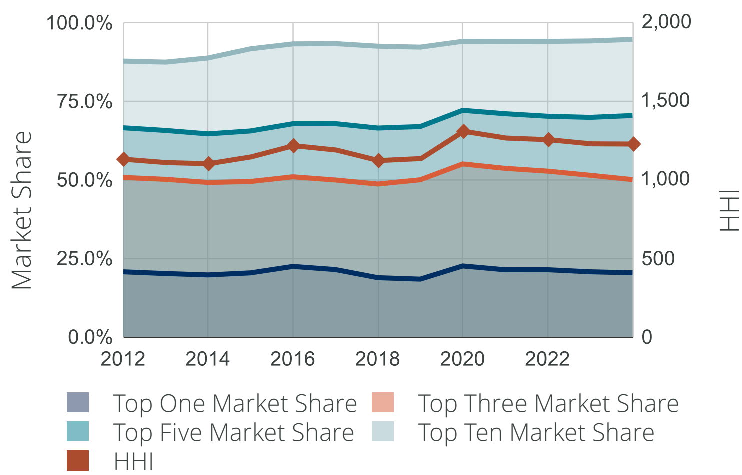
Aviva was the fourth largest insurer from 2017 to 2018 and are now the seventh largest after a tightening of their underwriting rules and a lack of appetite for new business. Since 2022, Allstate has become the sixth largest insurer, increasing from tenth back in 2012. Unlike other insurers who gained market share through acquisitions, Allstate's growth has been organic as they historically appeared to be targeting the youth demographic, who are often priced out at other insurers.

In order to foster a competitive marketplace, we must balance affordability and accessibility. Affordability is the idea Albertans find the price commensurate with the value they are receiving from their insurance policy, and accessibility is the ability to find the coverage you need from an insurer of your choice. To ensure premiums are affordable, we review rate filings for all insurers and conduct full actuarial analysis to ensure larger increases are justified or as required every three years. To ensure there is sufficient competition, we allow insurers to earn a modest return on premiums of 6.0%. In general, more insurers mean more competition, and therefore lower prices. However, to attract and retain insurers to the market, they need to remain profitable. Therefore, we maintain a balancing act in which insurers are fairly compensated for their risk while offering their policyholders an affordable premium.

Each year, the level of competition within the market changes, as insurers exit, leave, acquire, or grow. For simplicity, we calculate a Herfindahl-Hirschman Index (HHI) for each year. Values below 1,500 indicate a competitive market, values above 1,500 but below 2,500 indicate moderate concentration, and values above 2,500 are thought to be greatly concentrated. In general, the HHI calculation places a "higher weight" on the activities of large insurers. An exit of a small insurer will not impact HHI significantly, but the merger of two large insurers would. An important caveat is some industries, despite high HHIs, are not able to set prices at a profitable level.

In 2024, we see the market is more concentrated than it was between 2012 and 2019. However, with a value of 1,222, the Alberta PPV market remains solidly in the "competitive" range of the HHI index. We see the HHI has dropped for the fourth year in a row, from its high in 2020 of 1,302, following the merger of Intact and Royal Sun Alliance, which raised the HHI 172 points. Some other notable events are the merger of Desjardins and State Farm in 2015, and Travelers acquisition of Dominion of Canada in 2015 as well. The proposed merger between Definity and Travelers is expected to close in 2026, but if it was effective for 2024, the HHI would have only increased from 1,222 to 1,232.

PPV Competition Overview[8]



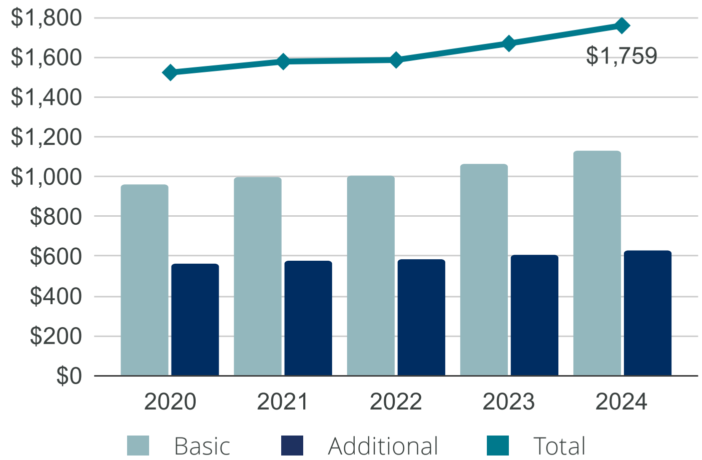
Unfortunately, in 2024 two insurers decided to leave the province, Sonnet Insurance Company, and S&Y Insurance Company, which are parts of the Definity and Aviva groups, respectively. While these insurers are leaving, at least one other insurer in their groups, remain in the province. In particular, neither of these companies are the largest in their group. Together, these insurers represented 1.26% and 0.03% of the market in 2023 respectively. While they left part way through the year, so far indications are their exit has not significantly concentrated the market.

Insurance Premium Trends

Average Premiums

The annual change in average premium is an important indicator of affordability in the market. Over the last five years, the average premiums for basic coverage (third-party liability and accident benefits) increased by 17.6%, down from last years 25.0%. Additional coverage (collision, comprehensive, specified perils, and all perils) increased by 11.9%, up from 8.0% last year. The total average premium increased by 15.5% over the past five years, down from 19.0%. Following a year over year increase of 5.2% in 2022, average premiums increased 5.5% in 2023, despite the Good Driver Rate Cap preventing some Albertans from seeing a price increase*.

Average Written Premiums [5]



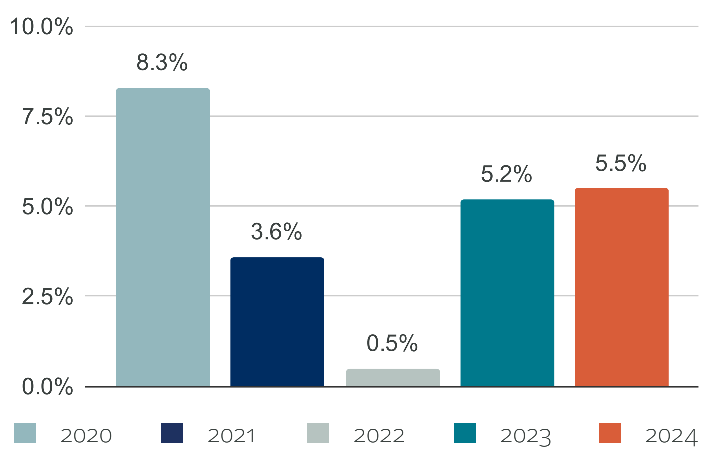
Importantly, Alberta's make up of drivers and vehicles changes year over year, and therefore, changes in the average premium reflect both a change in vehicles and drivers and change in prices overall. If everyone kept their old vehicles, and/or the population got older, we should expect (even without rate change) the average premium to drop, and vice versa. Recent immigration trends have seen Alberta's population rise significantly, mostly from those out of country [15]. Most out of country drivers are rated as new drivers, and therefore drive average premiums up. As well, the proportion of people taking a two-million-dollar liability limit increased from 43.0% in the second half of 2023 to 45.6%, while the proportion taking a one-million-dollar liability limit decreased from 56.1% to 53.6% during the same time. Generally, increasing from a one million-dollar million liability to a two-million-dollar liability increases TPL premiums by approximately 9.0%.

Year-Over-Year Change

Before the pandemic in 2019 and 2020, premiums grew more than 6.0% per year, as insurers struggled to attain profitability coming out of rate caps previously implemented. Following the pandemic, claim costs fell significantly as the amount of vehicles on the road dropped.

The current Good Driver Rate Cap does not reduce costs for insurers. At some point, the cap will come off, and insurers will have suppressed rate and need to file for increases. Unfortunately, while premiums are unaffordable for many Albertans, the premiums are also inadequate for insurers. Due to this reason, the government has announced Care-First as their long-term solution to making insurance more affordable for Albertans and more sustainable for insurers.

Yearly Change in Total Average Premiums [5]

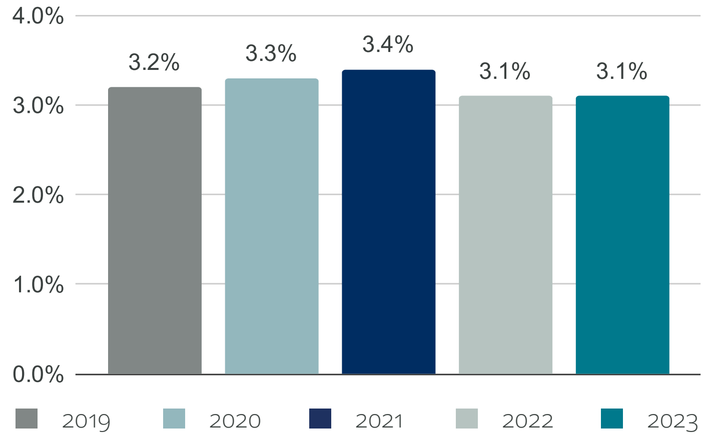


* Premium could still increase if they changed vehicles, had a conviction, at-fault accident, or other factors about their policy changed.

Change in Income Spent on Auto Insurance

Our preferred method of tracking affordability of auto insurance is considering the ratio of average premium to the average after-tax income in Alberta. Unfortunately, income data from Statistics Canada lags our premium data by a year, so we can only present 2023 results. The result in 2023 came in unchanged, at 3.1%. Both premiums and income came in favorable compared to the previous year to achieve this reduction. Income (in 2023 dollars), saw an increase of 1.5% year over year, and premiums (also in 2023 dollars), saw a similar increase above inflation.

Average After-Tax Income Spent on Auto Insurance [5/13]



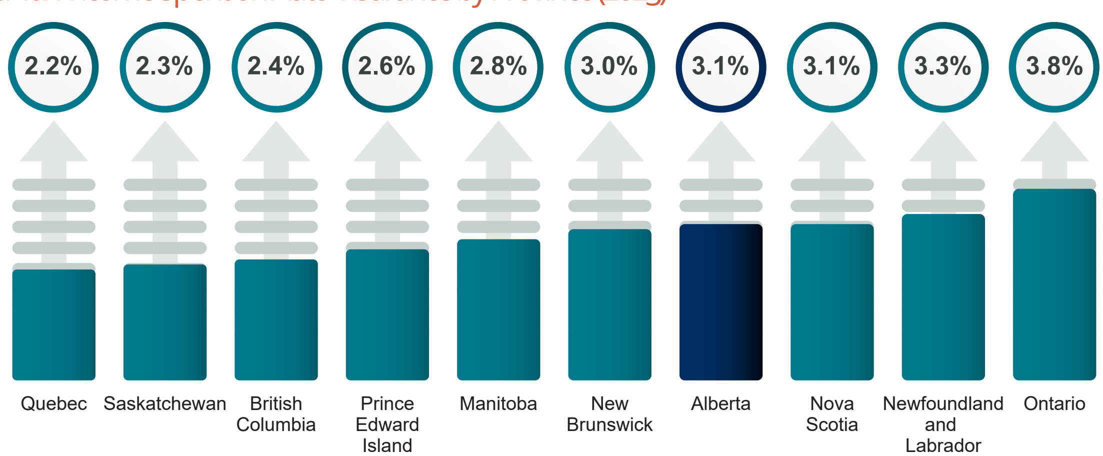
How Do Our Premiums Compare?

We benchmark the percentage of after-tax income Albertans spend on average for auto insurance with data from other provinces. We recognize the coverage varies by province, and premiums are not all on a common basis*. There are several factors contributing to the difference in average premiums, which include, but are not limited to:

- Type of coverage purchased,
- Prevalence of telematics offered,
- Demographics,
- Vehicles driven,
- Accident rates,
- Weather,
- Traffic density,
- Driving location,
- Tax-payer subsidized expenses for public auto provinces,
- Commission structure,
- Vehicle repair costs,
- Vehicle theft, and
- Population density.

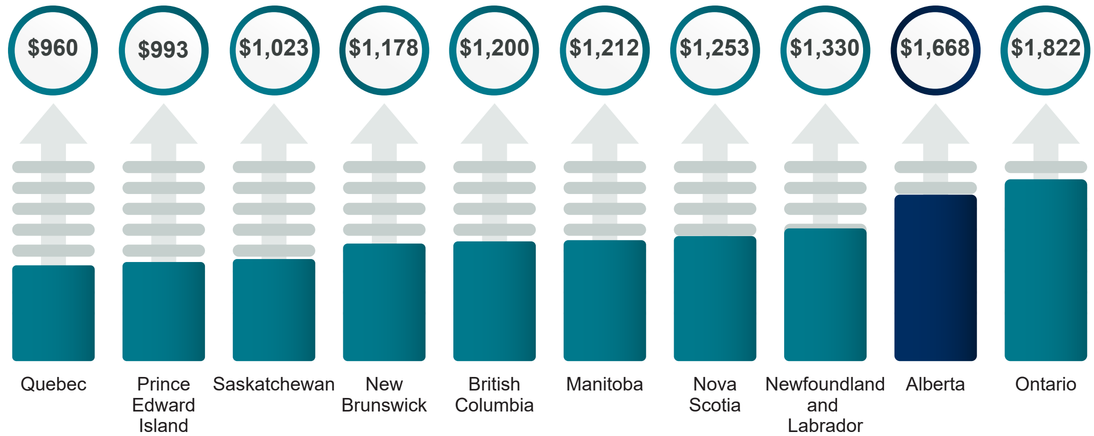
Our results considered the average premium paid without reflecting any jurisdictional differences in coverage. Average premiums by province will reflect the factors listed above. Among the provinces evaluated, the average percent of after-tax income spent on the average premium in 2023 was 3.1% in Alberta, above the simple average of 2.9%. Alberta remains the fourth highest, with only Ontario, Newfoundland and Nova Scotia above us. Despite premiums of $1,253 and $1,330 respectively, the lower incomes in these provinces offset the premium difference. British Columbia has previously less affordable than us, but with their implementation of no-fault insurance their premium dropped significantly, and they are now the third most affordable in Canada. This provides evidence Alberta should see price stability by implementing a Care-First system.

Average After-Tax Income Spent on Auto Insurance by Province (2023) [5/13]



* All private delivery jurisdictions are reported on same basis through GISA, public delivery provinces differ by only reporting on an earned basis not a written basis. Premium taken from annual report or rate filings for public auto provinces.

Average Premium by Province (2023)[5/13]



Provincial Vehicle Comparison

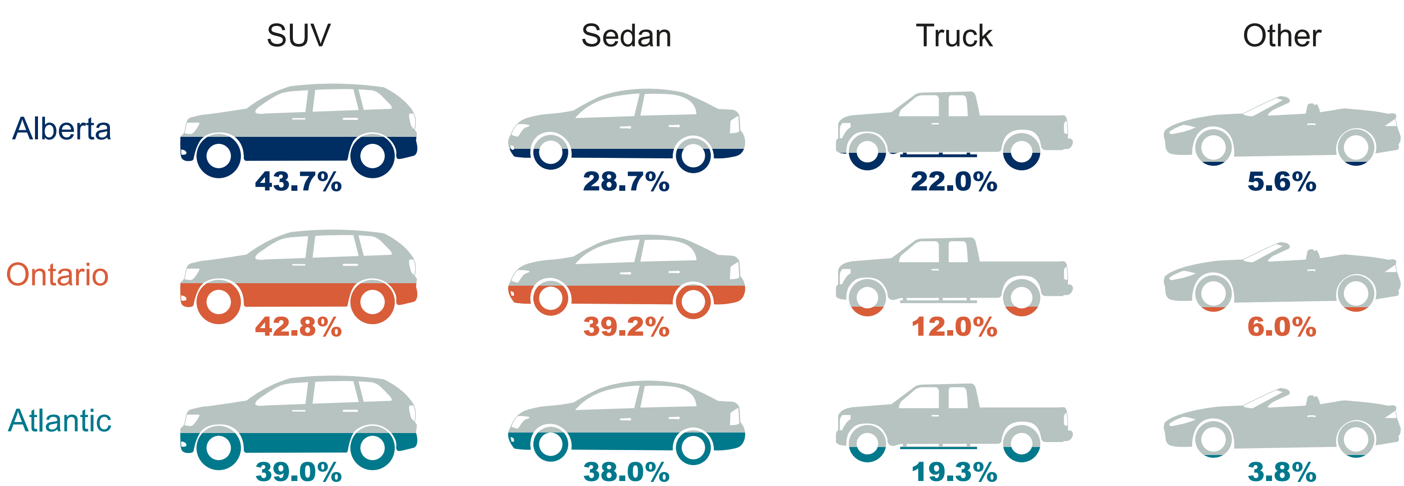
As previously noted, the vehicle you drive is a significant factor in determining your premium, and therefore the average premium for a province is reflective of the composition of its vehicles. All else equal, a province with more expensive cars should require a higher premium.

According to 2024 data, the average model year in Alberta is 2014, compared to 2016 in both the Atlantics and Ontario. However, the price of the vehicles is highest in Alberta, at $42,000, compared to $40,000, and $36,000 for Ontario and the Atlantics respectively. Prices are not adjusted for inflation, or depreciation of the vehicle.

However, while vehicle price is an important consideration, it's not the entire story. For instance, while price may be a very good predictor of risk for collision coverage, a high value vehicle may be small and light (sports car) and therefore cause lower damage to others.

Therefore, aside from price and model year, the popularity of body styles varies significantly by province. In Alberta, we have the largest proportion of trucks at 22.0%, compared to 19.3% in the Atlantics, and just 12.0% in Ontario. In general, trucks are larger, heavier, and more expensive than their sedan and SUV counterparts, therefore a contributor to higher premiums. Over time, SUVs have become more and more popular across North America, and indeed they top the list in all three regions of Canada, followed by their smaller, lighter, and less expensive sedan counterpart.

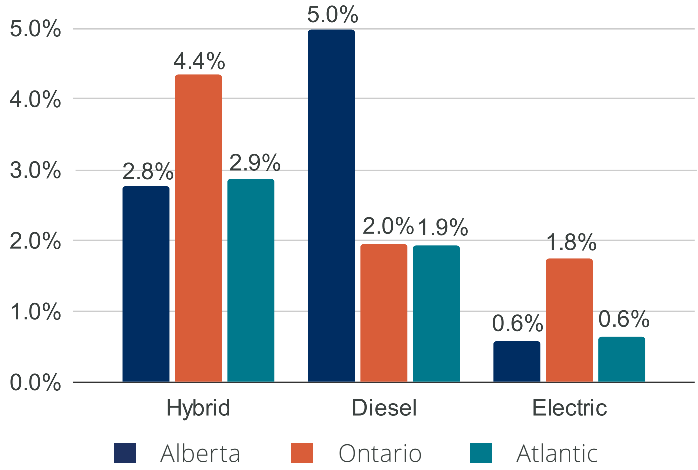
Vehicle Body Styles by Province[3/11]



A popular movement in vehicles is the introduction of electric vehicles. While they have been around for several years in some form, such as hybrids, their adoption is still slow. In all three regions of the country, gasoline only powered vehicles make up more than 91.0% of their region's vehicles. For Alberta, our next most common fuel type is diesel, which is likely a reflection of our higher proportion of trucks, while hybrids are the second biggest fuel type for Ontario and the Atlantics.

Since 2019, we are seeing a small decrease in gasoline powered vehicles in Alberta, decreasing from 92.6% to 90.6%, with a majority of this decrease driven by reductions in Calgary and Edmonton. In general, these shifts are away from gasoline towards hybrid and electric vehicles. The market share of hybrid vehicles has increased from 0.7% in the first half of 2019 to 3.0% by the second half of 2024, and from 0.1% to 0.7% for electric vehicles over the same time period.

Vehicle Fuel Types by Province[3]



Convictions

Aside from vehicle, driver behaviour is another important factor in rating. One way to approximate driving behaviour is through convictions and at-faults accidents. In Alberta, 8.7% of vehicles written in 2024 have one or more minor conviction , compared to 8.2% in Ontario and 3.2% in the Atlantics. All minor convictions stay on a drivers record for three years and generally correspond with an approximately 25.0% surcharge in premium.

Major convictions, as the name suggests, are more serious and therefore less frequent. These offenses include exceeding the speed limit by more than 50kph, speeding in a school zone, racing, and other offenses. In Alberta, 0.8% of drivers have at least one major conviction, compared to 0.2% in the Atlantics and Ontario. Generally, a major conviction corresponds to a 50.0% surcharge in premium.

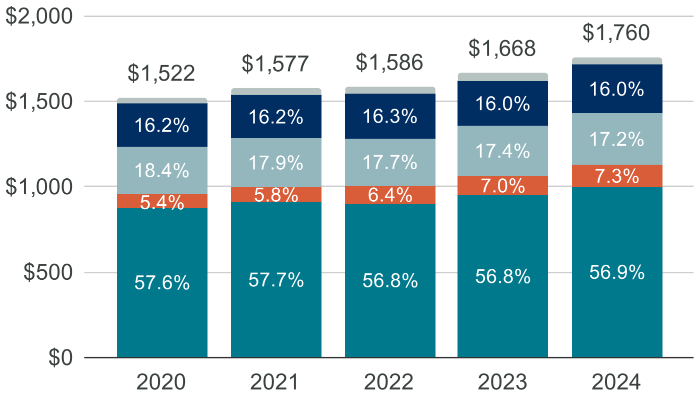
Albertans With at Least One At-Fault Claim

11.3%

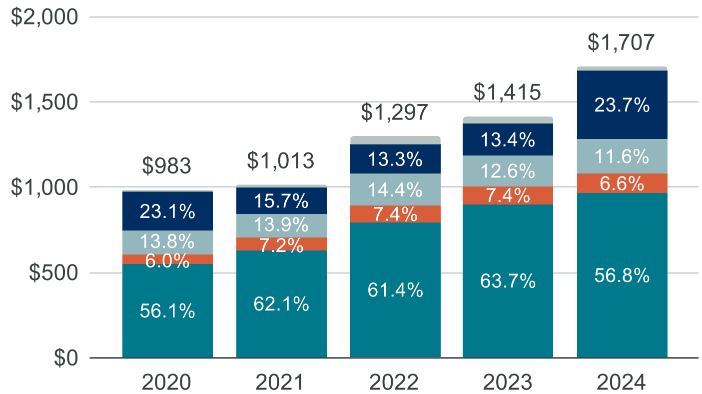
For at-faults accidents, 11.3% of Albertans [11] have at least one at-fault, compared to 8.3% in Ontario, and 8.4% in the Atlantics. There are some differences in at-fault rules which explain this. In Ontario, a zero-dollar claim is not allowed to be rated as an at-fault. For instance, a policyholder can discuss with their broker if they should file a claim or not. In Alberta today, these claims can be used to surcharge the policyholder.

Average Premium & Loss Cost by Coverage

Average Premium by Coverage[5]



Average Loss Cost by Coverage[5]



Third-party Liability | Accident Benefits | Collision | Comprehensive | Other

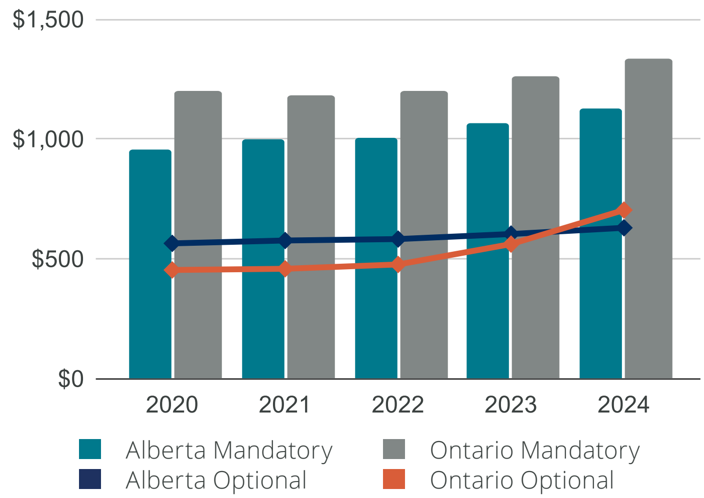
Focusing on premiums only, the portion of premiums going towards third-party liability (TPL)* has been relatively consistent at around 57.0%. However, we can notice a marginal decrease following the implementation of DCPD in 2022. Meanwhile, accident benefits increased dramatically, with its share increasing from 5.4% to 7.3%, an increase of 35.0%. Collision saw its portion drop from 18.4% to 17.2%, and comprehensive saw little change. Together, mandatory coverages account for 64.2% of premiums, up from 63.8% in 2020.

Focusing now on losses, we see the portion of losses going to TPL was relatively consistent with 2019. However, we can see due to the hail event in Calgary in late 2024, comprehensive losses have increased dramatically, to 23.7% of total losses. This masks increases in TPL coverages like bodily injury, which have seen dramatic increases in their costs. The share of losses for collision have fallen emerging from the pandemic, decreasing from 13.8% to 11.6% between 2020 and 2024.

Average Premiums Provincial Comparison

Comparing the price of our auto insurance product to Ontario's, we see since 2020, Ontario has paid significantly more for the mandatory coverages of accident benefits and third-party liability. In 2024, mandatory coverages were 18.2% more expensive in Ontario. Historically, Alberta typically paid more for comprehensive coverage due to weather events, but the recent auto theft crisis in Ontario has caused their optional premiums to exceed Alberta's for the first time in 2024.

Premium Comparison with Ontario[5]



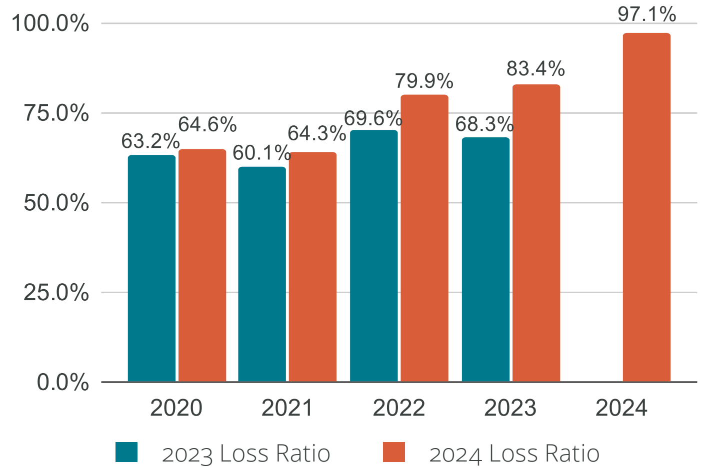
* Which includes bodily injury (BI), direct compensation for property damage (DCPD), and property damage tort (PD).

Auto Insurance Claim Trends

Loss Ratio

Loss data is collected by GISA on an **accident year** basis. This means a claim submitted in 2020 and settled in 2023 will have its losses attributed to the 2020 accident year in the 2023 version of the data. Since claims take on average, 2.5 years to settle, this means "development factors" are applied to the claims submitted so far, to project them to their finalized values, when all claims are submitted. GISA follows actuarial best practices in their projections, but ultimately are subject to revision as new data comes in.

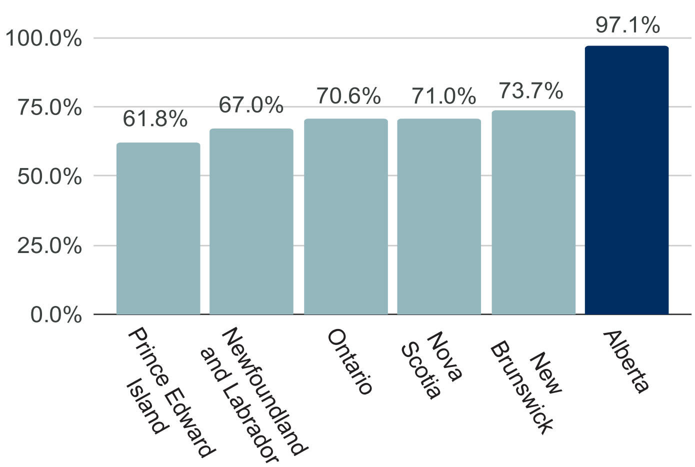
PPV Industry Loss Ratio [5]



Overall, the loss ratio for 2024 came in significantly above last year's, with a value of 97.1%. This means for each dollar in premium earned by an insurer, $0.97 is paid in claims alone. This does not account for staffing, commissions, and other expenses, which typically account for around $0.27 per dollar paid in premium.

The claims settled in this period saw the loss ratios revised upwards for several accident years. The smallest change is the 2020 loss ratio increasing by 1.4 percentage points to 64.6%. This makes sense as it's the oldest period in our data and therefore the most developed. Most significantly, the 2023 accident year was revised upwards to 83.4%, from 68.3% in the prior year. The primary contributors to the increase in loss ratio for 2024 are skyrocketing bodily injury claim costs and the catastrophic hailstorm in Calgary. We've seen insurers increasing their reserves on bodily injury cases, so is likely to cause the adverse development, and we hope this is a temporary effect of stronger reserving practices.

PPV Industry Loss Ratio by Province [5]



The industry standard for profitability on an accident year basis is a loss ratio of 70.0%. In this round of data, only the pandemic years of 2020 and 2021 have seen loss ratios below this threshold. In fact, our recent report on excess profit found the industry had a return on premium of -20.0% in 2024, which is in line with this data, as well as the annual review by Oliver, Wyman Limited (Oliver Wyman).

Looking across the country, the Alberta loss ratio was by far the largest, coming in at 97.1%, more than 20 percentage points higher than the second largest, New Brunswick at 73.7%. Prince Edward Island and Newfoundland had loss ratios below our profitable threshold of 70.0%, and Ontario had results inline with threshold.

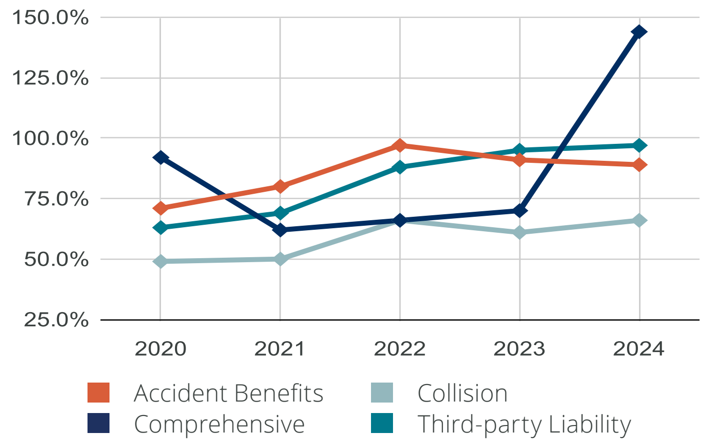
How Does the Loss Ratio for Each Coverage Type Compare?

Claims are the single largest expense for insurers, and the profitability varies by line. As previously shown, mandatory coverages are generally less profitable for insurers compared to the additional coverages. The graph illustrates the loss ratio for the major coverages from 2020 to 2024.

The mandatory coverages like accident benefits (AB) and third-party liability (TPL) are continuing to have higher loss ratios compared to optional coverages like collision and comprehensive. After three years of the AB ratio above TPL, the TPL loss ratio has remained slightly higher than AB for 2023 and 2024, largely driven by significant increases in bodily injury severity.

The big story of course is the significant leap upwards of comprehensive coverage, which had a loss ratio of 144.4% for 2024 due to previously mentioned Calgary hailstorm.

Loss Ratio by Coverage [5]

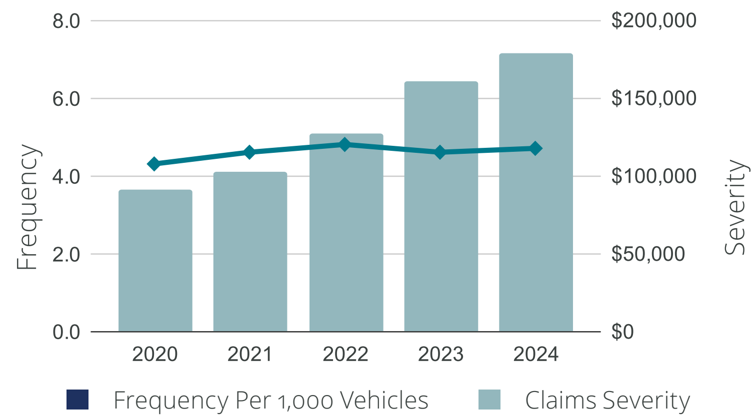


Third-Party Liability - Bodily Injury

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. Claims frequency has remained relatively stable since the pandemic. However, claim severity is increasing significantly; an increase of 96.2% since 2020, with an increase of 11.1% between 2023 and 2024 alone. Insurers cite the following reasons for increased bodily injury claims costs:

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

Third-Party Liability - Bodily Injury [1]



The government implemented a change in the minor injury definition in late 2020. Our latest indications suggest the initial estimates for the reduction in bodily injury claims were overstated, and the movement of these claims to accident benefits saw accident benefits claims rise above expectations as well. Overall, we are seeing these changes have had little impact on bringing down costs in the system.

As these bodily injury costs explode, it highlights the necessity of transitioning to a Care-First system.

Collision, Comprehensive, Accident Benefits & Third-Party Liability Property Damage

We examine claims frequency and severity separately for the other four coverage types.

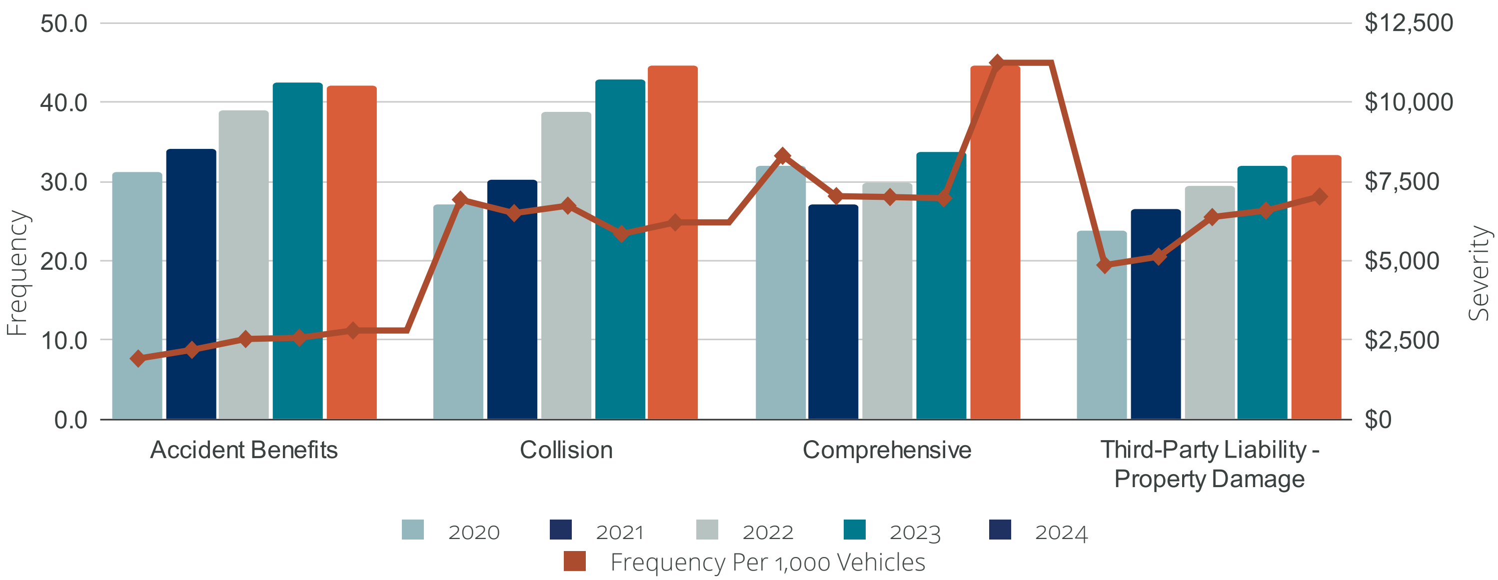
Accident benefits coverage compensates those injured in vehicle collisions for medical and rehabilitation services not covered under third-party liability coverage, **regardless of fault**. The frequency of accident benefits has increased by 46.4% since 2020, however this is largely due to the pandemic lowering claim frequency. However, the severity of accident benefits has increased by 35.6% over the same time period. Promisingly, there was not a meaningful increase in severity or frequency between 2023 and 2024, but the frequency did increase by 8.9% year over year.

Increased automation and new safety features are attractive to consumers but expensive to repair in case of a claim. Although these advancements may reduce the frequency of collisions, they increase diagnostic and repair costs, which is part of the reason why the severity of property damage claims has been trending upward over the last ten years. As more vehicles are equipped with safety features, the slightly increasing severity and decreasing frequency trends are expected to continue. Collision saw its severity increase by 65.3%, while the frequency has fallen 10.3%. While 10.3% does not seem significant, this is compared to pandemic frequency.

Third-party liability property damage includes both DCPD and property damage tort. DCPD was introduced in 2022 and covers the cost of fixing a not-at-fault drivers vehicle, while property damage covers the cost of property, aside from a vehicle, for a not-at-fault driver. Overall, these claim costs have increased 39.4%, with an increase of 44.5% in frequency since 2020.

Comprehensive coverage pays to repair or replace the vehicle if it is stolen or damaged in an incident which is not a collision, such as weather and theft damages. This coverage's claims frequency and severity are driven less by mobility and more by other factors such as crime and weather, so little has changed throughout the pandemic. Alberta has a significant number of vehicle theft claims each year, and insurers have indicated theft claims are increasingly contributing to the cost of comprehensive coverage. Severe weather also remains an issue in Alberta, and although previous years have demonstrated sustainable frequency trends in comprehensive coverage, the unpredictability and volatility of the coverage contributes to higher premiums. The Calgary hailstorm in June 2020 was one of the top ten catastrophes in Canada and is the main cause of the spike in frequency in 2020, and similarly for the hailstorm in August of 2024. Comparing 2024 to recent accident years is generally not advised as this is a year with heavy catastrophic weather, but seems to be the trend. Since 2020 (also had a catastrophic hail event), the severity has increased 39.7%, and the frequency 35.3%.

Claims Frequency & Severity by Coverage [1]



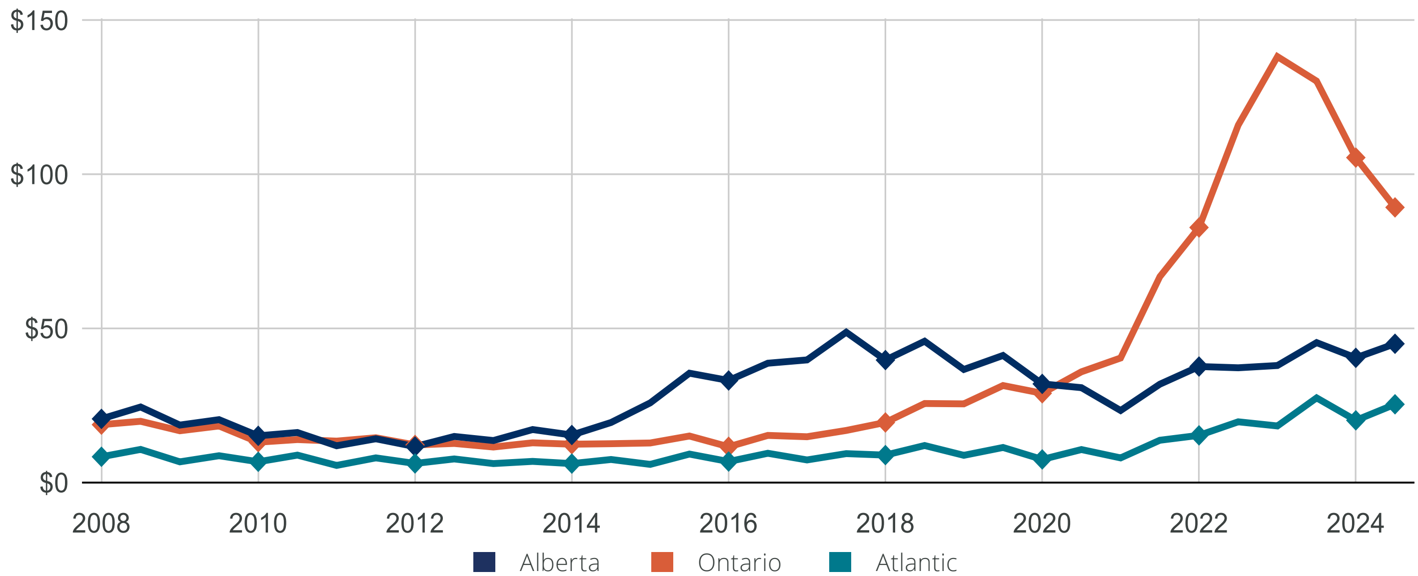
Theft

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.

We have developed our own loss development factors to present a provincial comparison, as there are no estimates for vehicle theft available from either Oliver Wyman or GISA. Generally, this coverage does not see significant development as claims are resolved quickly, and therefore our loss development factors are quite small.

In the second half of 2024, the loss cost for each comprehensive/all perils/specified perils policy related to vehicle theft in Alberta was $45, compared to $25 and $89 for the Atlantic provinces and Ontario respectively. This is an increase of $22 since our recent low in the first half of 2021. Vehicle theft is a significant cost driver for comprehensive coverage premiums. The Équité Association has estimated the financial cost to consumers, police, insurers, and governments in Canada to be more than one billion dollars annually.

Vehicle Theft Loss Cost[10]

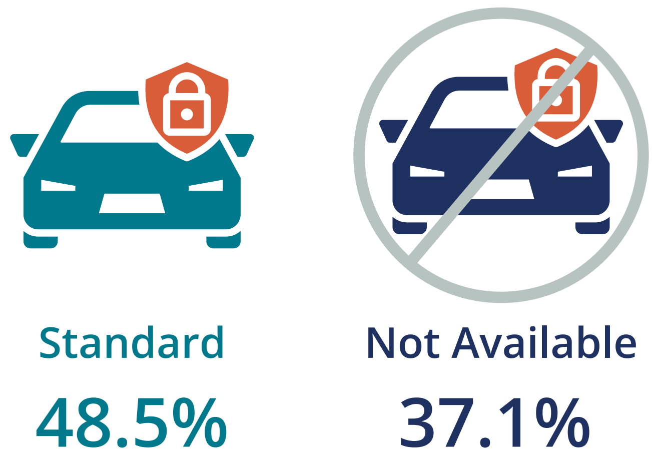


In the past, legislation has had a positive impact on reducing vehicle thefts. Following a vehicle theft epidemic in the early 2000's, the Government of Canada introduced the Canada Motor Vehicle Safety Standard (CMVSS) 114 – theft protection and rollaway prevention in 2007. This legislation mandated each private passenger vehicle imported into Canada, or which moved across provincial borders, which was manufactured after 2007, had to have an immobilization system met one of four standards. Canada-wide, the adoption of this legislation lowered vehicle thefts by 50.0% between 2005 and 2013, from 160,000 cases to approximately 80,000.

One of the vehicle theft standards, ULC-S338, is tracked by the Insurance Bureau of Canada. All vehicles which meet this standard are deemed to have an "IBC approved" theft deterrence system. In the 2024 accident year, only 48.4% of vehicles had an IBC approved theft deterrence system come standard on their car, while it was unavailable for 37.1%. Meanwhile, 14.4% of vehicle models either did or did not have an IBC approved theft deterrence, depending on the model trim. Legislation stated each vehicle must meet one of the theft prevention standards, and therefore the ULC-S338 standard does not have full market coverage.

As of 2024, the Government of Canada is taking feedback to update the ULC-S338 and CMVSS 114 in order to address new vehicle theft methodologies and patterns. We hope amendments to these regulations will have a similar affect on vehicle theft as the original legislation.

Proportion of Vehicles by IBC Approved Theft Systems [3/11]



Care-First Segmentation

As the Government implements Care-First, it's important to understand where these cost savings might concentrate. In this section, there are two charts showing the loss costs for different ages and genders between accident benefits, and bodily injury, compared to the all-driver averages. For both charts, 100.0% is the all-driver average.

As we can see, under both accident benefits and bodily injury, young drivers cause higher losses per vehicle. However, the amount varies by gender and coverage. Under accident benefits, young drivers have loss costs about 30.0% higher than the all-driver average, compared to around 80.0% under bodily injury.

Across genders, females have a higher accident benefit loss cost at all ages, at approximately 40.0% above the average for females under 26, compared to around 10.0% for males under 26. Conversely, males under 26 have bodily injury loss costs around 100.0% higher than the average, compared to females at around 70.0%.

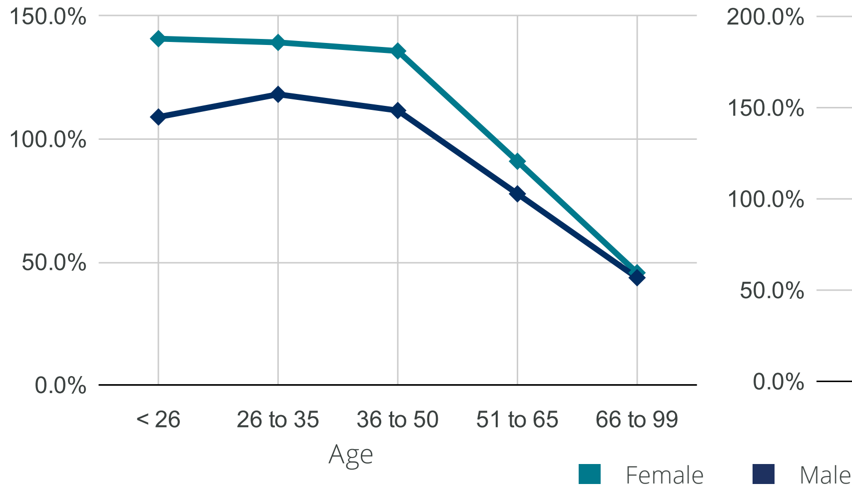
Our best prediction of how costs will be allocated among Albertans is with our existing product. Assuming these trends hold true under Care-First, as we move premiums away from bodily injury and towards accident benefits, we can expect the risk young drivers pose will be reduced, which will translate into lower premiums.

Similarly, we expect the premiums for seniors (66+) to be reduced as well. Like young drivers, the risk a senior represents under accident benefits is much lower than their risk under bodily injury. Under accident benefits, seniors generally cost fewer than half as much as the average, whereas they cost about 80.0% of the bodily injury average.

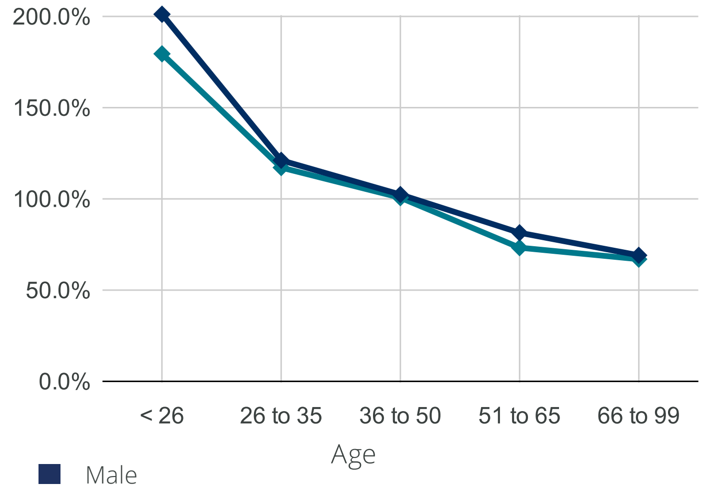
As we change the product, this makes even more sense. Young drivers under 26 will only have a few years in the job market and will not be at their maximum earning potential, and are likely to recover faster, leading to lower loss levels. Likewise, seniors are retired, and a majority will not claim a significant amount of income replacement benefits, additionally leading to savings.

Therefore, while we expect all Albertans to see rate stability through the implementation of Care-First, we expect young drivers and seniors will see a disproportionate reduction in their premiums, compared to other drivers.

Accident Benefits Loss Cost by Age & Gender[11]



Bodily Injury Loss Cost by Age & Gender[11]



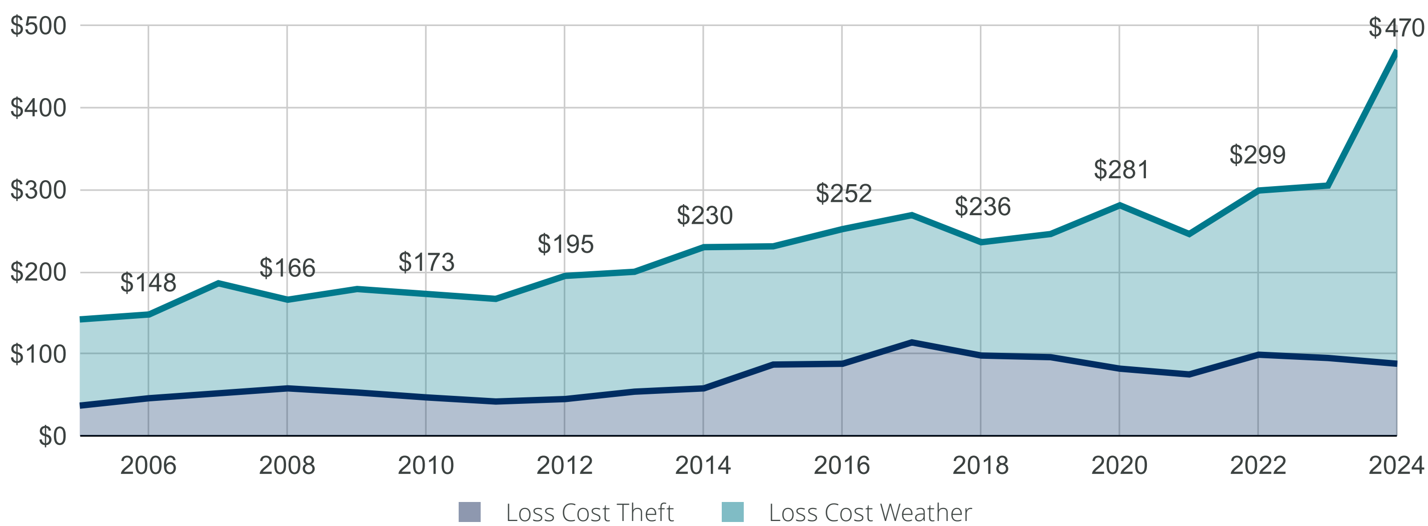
Comprehensive Claims

Comprehensive claims can be primarily broken down into theft and weather-related claims. In previous sections, we've talked about comprehensive as a whole, but it is important to dive deeper into the two types of comprehensive claims. In general, weather is always the biggest contributor to loss costs for comprehensive, at about 127.0% of the losses of theft claims.

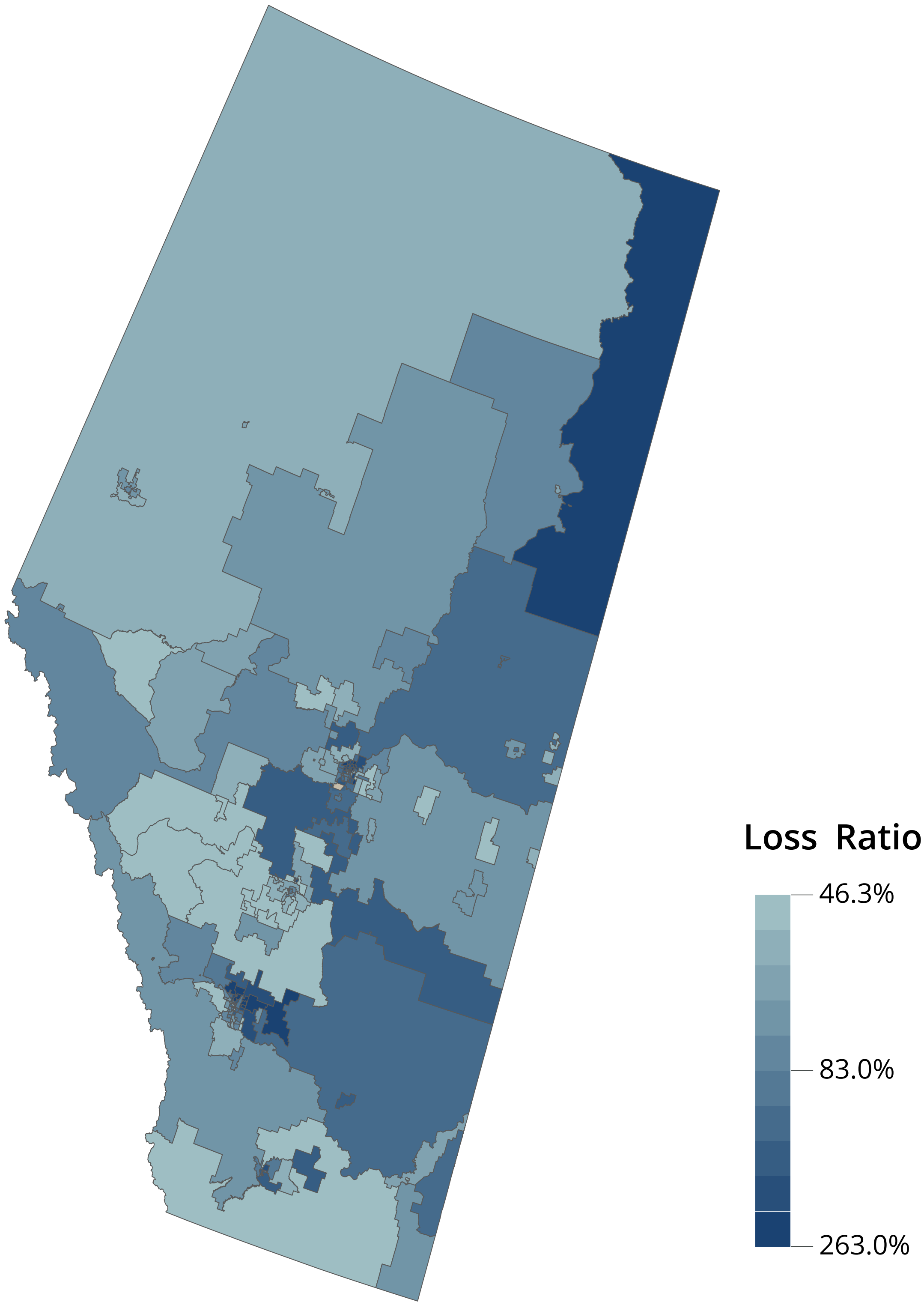
Depending on the number of weather events, this can range from as low as 36.7% in 2017 when theft was particularly high and weather was particularly low, to as high as 335.7%, when theft decreased in 2024, and we had the significant hailstorm in Calgary, as we've mentioned multiple times throughout this report.

Overall, as climate change continues to accelerate, we believe catastrophic weather events and general weather-related claims will continue to grow. We foresee availability concerns for some regions in Northeast Calgary who are regularly hit by these hailstorms. There is a real possibility these regions cannot be sustainably insured for weather-related claims when considering affordability for those drivers. We will be monitoring availability metrics such as deductible amounts, and the uptake of specified perils, which could be used to cover your vehicle for theft while excluding certain weather coverages like hail.

Loss Cost Left & Weather[1]



Loss Ratio in Alberta by FSA[7]



Loss Ratio by FSA

Overall, the loss ratio across the province was 97.1%, meaning insurers pay out $0.97 for every dollar in premium they receive. However, these losses and premiums are not spread out uniformly across the province. This year, we saw significant variance, with communities in and around Calgary seeing substantially higher loss ratios due to a catastrophic weather event, while other small communities such as Hinton and Vermillion saw loss ratios below 70.0%, which is our benchmark level for profitability.

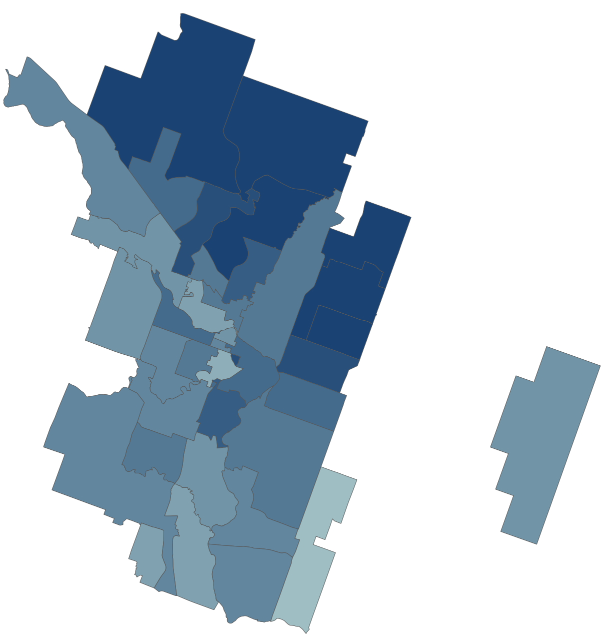
In August 2024, an extreme hailstorm in Calgary caused $2.8 billion dollars in insured damages according to Insurance Bureau of Canada (IBC)*. Overall, Calgary's loss ratio for 2024 was 119.0%, meaning insurers paid out $1.19 for every $1.00 they received in premiums, without even accounting for all other costs such as broker commissions, staffing, rent, etc.

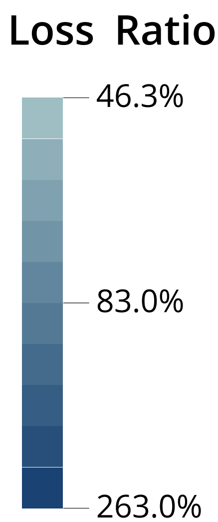
Surrounding communities such as Rocky View, Strathmore, and Chestermere all saw loss ratios above 110.0%. As usual with hailstorms, Northeast Calgary saw the most significant amount of damage. In particular, the Northeast FSAs of T3P (Carrington), T3N (Jacksonport), T3K (Country Hills), and T3R (Sherwood) all saw loss ratios above 210.0%.

These FSAs are not small, writing a combined $267 million in premiums to payout $663 million in losses.

When we discuss losses specifically attributed to comprehensive specifically, the loss ratio for the prior four FSAs all exceeds 880.0%. For comprehensive coverage in these four FSAs, insurers receive $39 million and paid out $420 million.

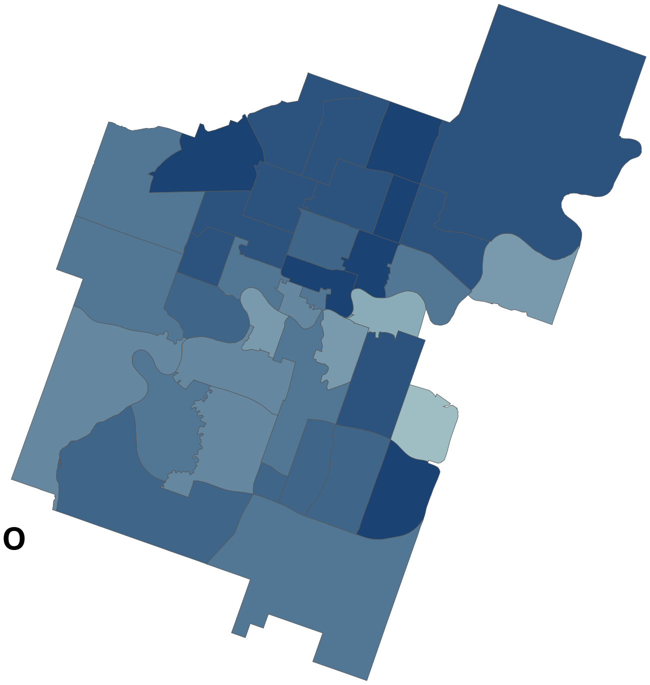
Loss Ratio in Calgary by FSA (2019 - 2023)[7]





In Edmonton, the loss ratio was 100.0%, and for surrounding communities of St. Albert, Sherwood Park, and Stony Plain, the loss ratios were 68.0%, 72.2%, and 69.0% respectively. Several Edmonton FSAs showed loss ratios above 120.0%, such as T5Z (Eaux Claires) in the Northwest, and T6T (Tamarack) in the Southwest. Unlike Calgary, Edmonton does not appear to have a geographic concentration of high loss ratio FSAs, as expected without a large weather event.

Loss Ratio in Edmonton by FSA (2019 - 2023)[7]



* This includes property and all other lines of insurance.

Insurer Profitability

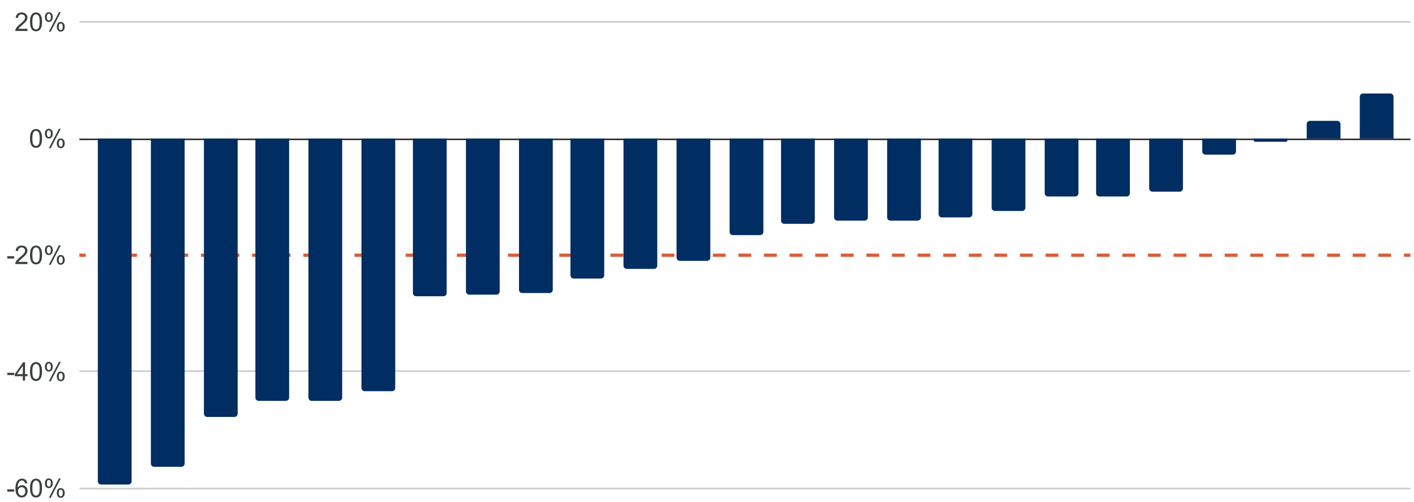
We published a report earlier this year with the results of our excess profit review. We implemented a policy to measure excess profits in accordance with section 9.1 of the Automobile Insurance Premiums Regulation. The AIRB was granted this authority in October of 2023.

Each year, all insurers with more than 15,000 private passenger vehicles are required to fill out our profit and loss template, which is used to evaluate their profit levels. We utilize granular GISA data to verify their submission on several key fields, particularly claims. For certain fields like loss development factors, it is inappropriate and not advised for us to calculate, but we are able to determine if certain submissions seem inconsistent with the data and follow up with the submitter.

Overall, the industry's return on premium (ROP) was -20.0% for the 2024 accident year. This is consistent with GISA data (loss ratio of 97.1%, expense ratio of ~27.0%), as well as with Oliver Wyman's estimate of profitability industry wide of -20.0% in the annual review.

There is a significant variation in return on premium between companies. One company achieved a return on premium of nearly -60.0%, while only two insurers saw a return on premium above zero. Overall, 23 companies achieved an ROP below zero, and just two had an ROP above zero.

ROP by Company



Commercial Vehicle Trends

Commercial Market

Although this report mainly focuses on PPV, we also review and approve rating programs for other types of vehicles, including individually rated commercial vehicles and monitors the commercial vehicle market. We do not regulate rates for fleet-rated vehicles, of any vehicle type.

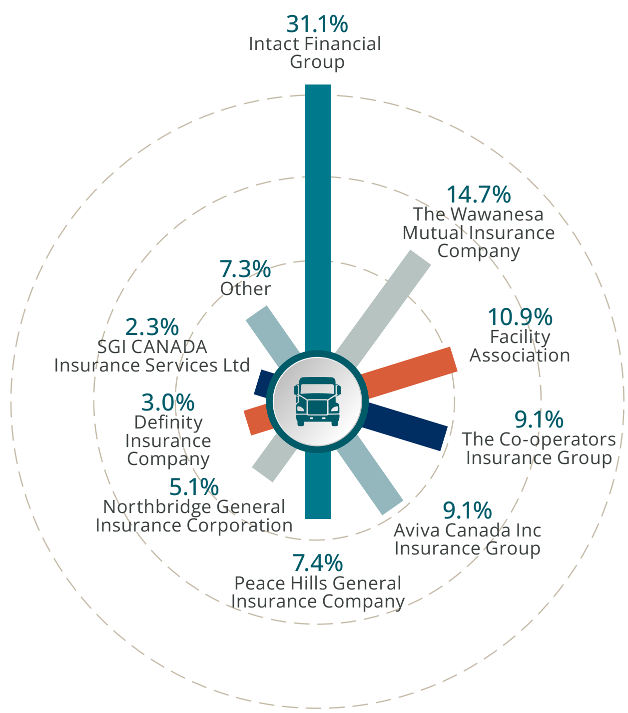
We have noted some pressures in the accessibility of insurance for commercial vehicles such as increased placement in the Facility Association Residual Market (FARM). The FARM is supposed to be the "insurer of last resort", but now has the third largest market share. This suggests a real strain as most insurers do not want to write this business. Also, rising cost pressures like those seen under PPV, also affect the commercial market to varying degrees.

Competitive Marketplace

The commercial vehicle market in Alberta is less competitive than our PPV market. Based on written premiums, the largest insurer, Intact, holds a 31.0% market share in commercial vehicles within the province, and the top three together hold 57.0%, compared to 50.0% in PPV. The top five insurers have market shares of 75.0% and 70.0% for commercial and PPV, respectively.

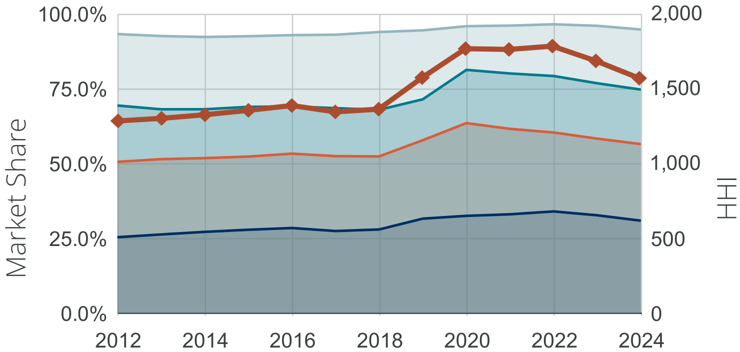
The market share of the Facility Association represents the market share of the residual market. With 2023, they have passed Aviva as the third largest insurer, with a market share of 10.3%, compared to its low of 3.9% in 2017, and this has increased to 10.9% in 2024. We monitor the market share of the residual market as it forms one factor we use to assess the viability of the commercial market. With these results, we are very worried about availability of insurance in the commercial market.

Top Commercial Insurance Groups (2024)[4]



Looking at this years HHI and previous levels of competition, we see HHI has been above 1,500 since 2019 when RSA merged with Intact. At the time, RSA was the seventh largest commercial insurer with a market share of 6.8%. Therefore, the commercial market is "moderately concentrated", whereas the PPV market is considered competitive. However, the HHI of 1,573 is lower than the previous three years, though remains higher than all years before 2020. Since 2019, Northbridge appeared to be softly exiting the market, as they dropped from an 8.8% market share in 2018 to just 3.0% in 2022, but appear to be writing new business again, as they increased to 4.5% in 2023, and 5.1% in 2024. Other insurers who saw their market share lowered are Definity (7.6% in 2016, now 3.0%), and Chubb (2.1% in 2017, now 0.1%).

Commercial Competition Overview[8]

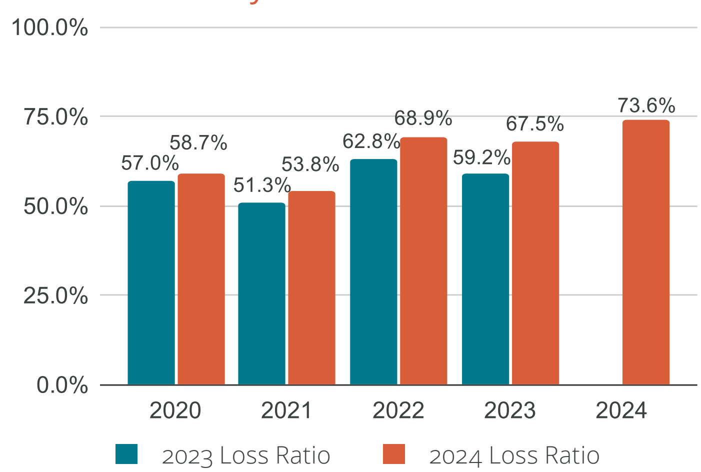


Commercial Claims Trends

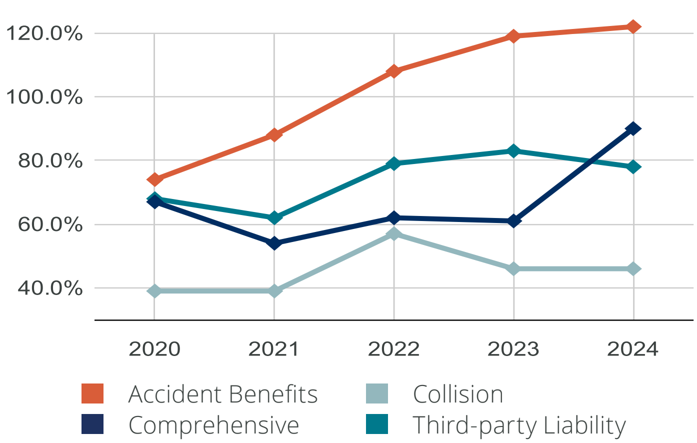
Loss Ratio

Another year away from the pandemic, the loss ratio has continued to increase as we return to our new normal. This year's loss ratio came in at 73.6%, however, last years loss ratio initially came in at 59.2% and now sits at 67.5%, an upward revision of 8.3 percentage points. A similar revision here would put our loss ratio at 81.9%, which is above our profitable threshold and higher than the loss ratio pre-pandemic in 2019. Compared to PPV, the loss ratio is 23.5 percentage points more favourable. GISA collects data on commercial vehicles premiums and claims, which include fleet rated vehicles. The number of exposures written for fleets is not collected, and therefore we only include individually rated commercial vehicles.

Commercial Industry Loss Ratio[6]



Commercial Loss Ratio by Coverage[6]



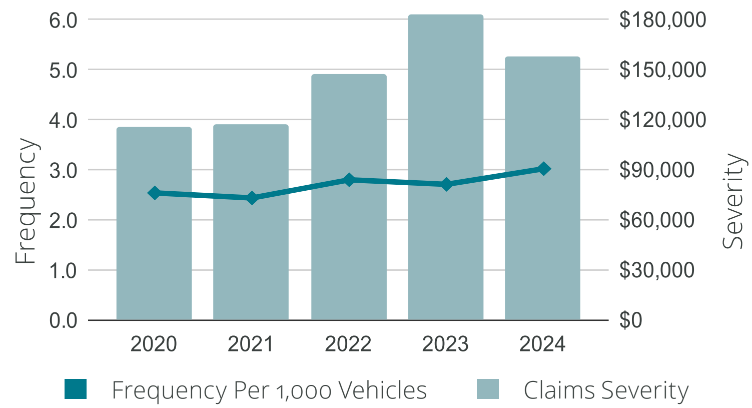
Looking at the loss ratio by coverage, we see a similar story to the corresponding PPV loss ratios, but with some big differences. For commercial vehicles, comprehensive coverage did not spike as significantly. Accident benefits remain the least profitable, and by a wider margin for commercial, where it currently sits at a loss ratio of 122.2%. This means for every one dollar earned in premium for accident benefits coverage, they're paying out $1.22 in claim costs. This is an increase from last years 118.7%. Meanwhile, collision is quite profitable, with its highest loss ratio in 2022 at just 45.7%. Third-party liability coverage is seeing an improvement as it improved from 88.6% to 77.6%.

Third-Party Liability - Bodily Injury

Unlike PPV, bodily injury claim frequency has increased moderately from 2.5 claims per thousand vehicles to 3.0, however this remains below the 4.5 for PPV. Additionally, the claim severity for 2024 is projected to be $158,000 per claim, compared to $179,000 for PPV. Typically, the severity for commercial vehicle bodily injury (BI) claims was higher than PPV, likely due to the larger vehicles, but this has reversed in 2024.

Like PPV, we are seeing a significant adverse development in these claims. In particular, last years estimate for 2023 was a severity of $127,000, but this has ballooned to $183,000.

Third-Party Liability - Bodily Injury[1]



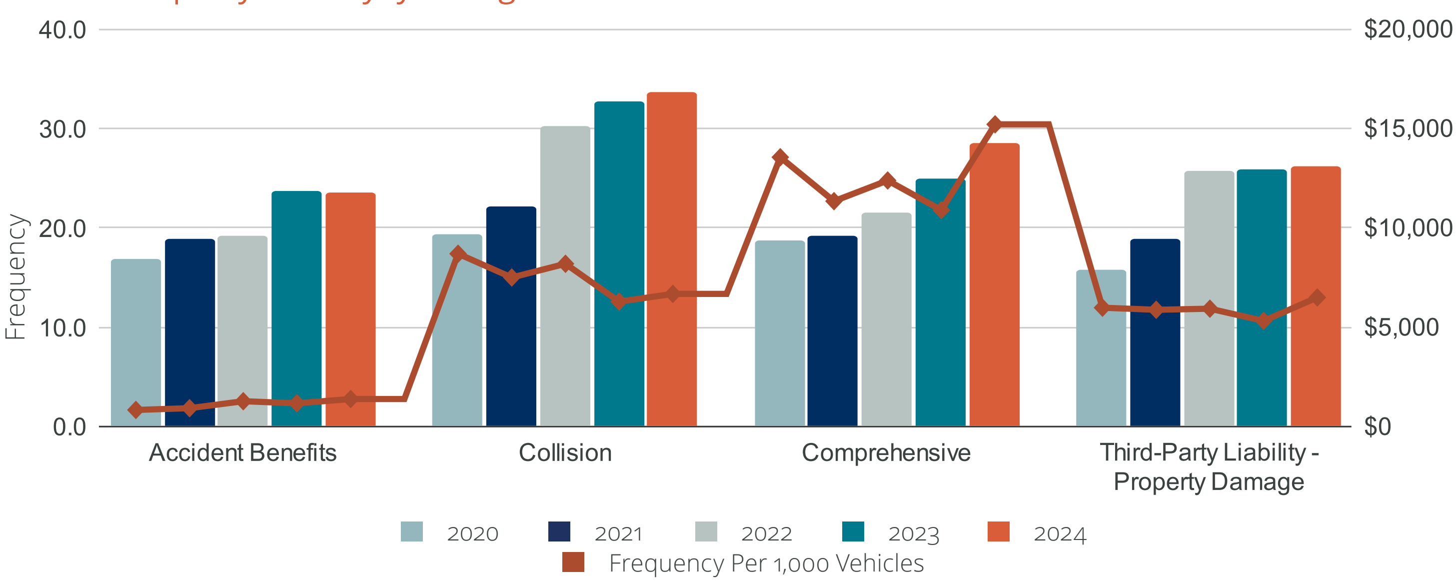
Accident Benefits, Collision, Comprehensive & Third-Party Liability Property Damage

Since 2019, accident benefits saw severity increase 40.1% since 2020, from $8,400 to $11,800, as well as a 63.3% increase in frequency. Promisingly, accident benefits saw a decline in both severity and frequency between 2022 and 2023.

Collision saw a significant reduction in frequency from 17 to 13 claims per 1,000 vehicles and has overall fallen 23.2% since 2020. However, claim severity has been trending upwards, up 74.3% since 2020, up 2.6% between 2023 and 2024. The largest leap occurs between 2021 and 2022 as we entered the high inflationary period which caused significant stress on insurer claim costs.

Like PPV, we see a significant increase in both severity and frequency in 2024, following Calgary catastrophic hail storm. Overall, severity has increased 51.8% since 2020, and frequency 12.2%.

Claims Frequency & Severity by Coverage[1]



Miscellaneous Vehicle Trends

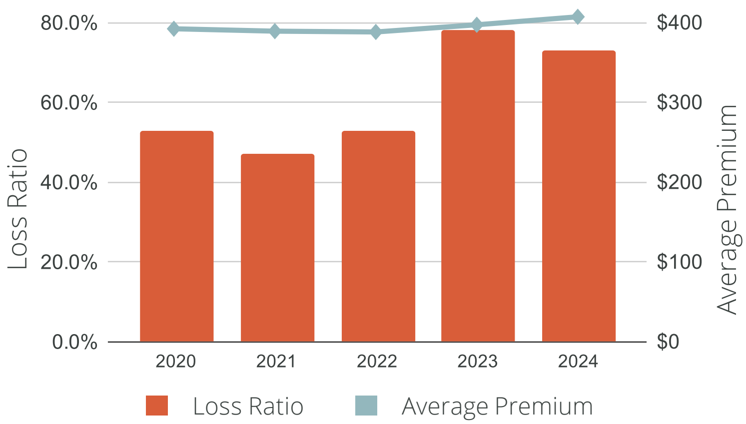
Motorcycle

Vehicle counts increased by 2.4% year over year to 178,000 in 2024, and up 6.7% since 2020. On a premium basis, motorcycles represent just 0.9% of the Alberta market, with premiums of $73 million. On a vehicle basis, they are the third largest vehicle class, with 4.3% of the market, down from 4.6% in the previous year.

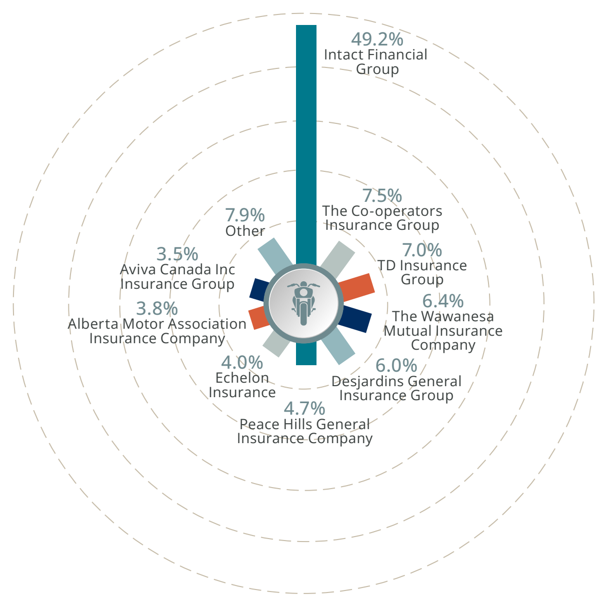
Average premium saw minimal growth at 2.5% from $398 to $408, compared to 5.5% for PPV. There was minimal development on the prior years estimate of the 2023 loss ratio of 79%, compared to 78% this year. We saw an improved loss ratio to 73.0% in 2024, which is three points less favourable than our typical benchmark for profitability of 70.0%.

Intact continues to be the largest insurer of motorcycles, representing 49.2% of the market, up from 48.3% in 2023. Co-operators is in the second spot with 7.5%, and TD with 7.0%. Overall, the motorcycle class has an HHI of 2,687 up from 2,602 in 2023 and is therefore classified as "significantly concentrated."

Motorcycles Loss Ratio & Average Premium[9]



Top Motorcycle Insurance Groups (2024)[4]



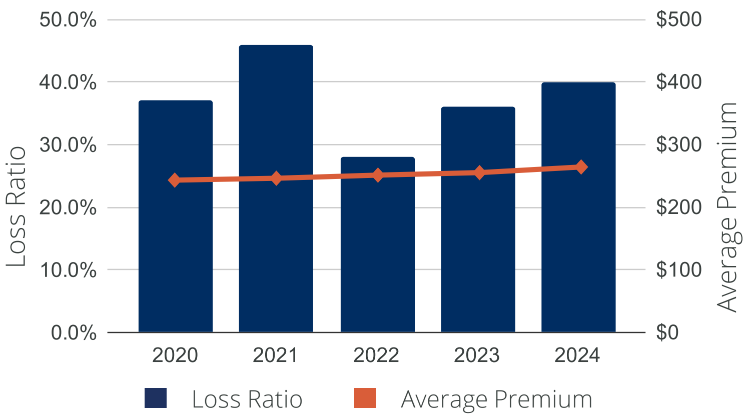
ATVs

ATV vehicle counts, similar to 2023, were essentially unchanged at 159,700 compared to 158,700 in 2023, representing 3.9% of the Alberta market by vehicle count.

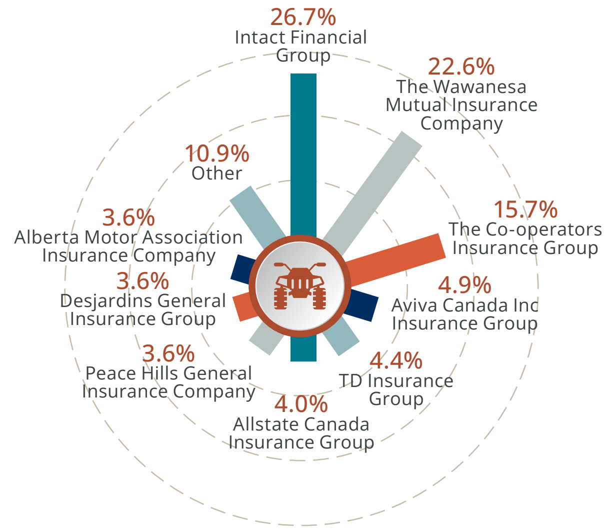
Average premiums increased from $253 to $266, an increase of 3.5% which is larger than the increase in motorcycle premiums of 2.5%, but smaller than the PPV increase of 5.5%. The loss ratio continues to be exceptionally favourable, with a value of 40.0% in 2024, suggesting the line is highly profitable, but was overall worse than the prior years loss ratio of 36.0%.

Intact leads the ATV market with a market share of 26.7%, followed closely by Wawanesa with 22.6% and Co-operators at 15.8%, before a sizable drop to Aviva with 4.9%. Overall, the market HHI increased slightly to 1,524, up from 1,499 in the prior year, but slightly lower than the value in 2022 of 1,527. Overall, we would consider this market "moderately concentrated."

ATVs Loss Ratio & Average Premium [9]



Top ATVs Insurance Groups (2023) [4]

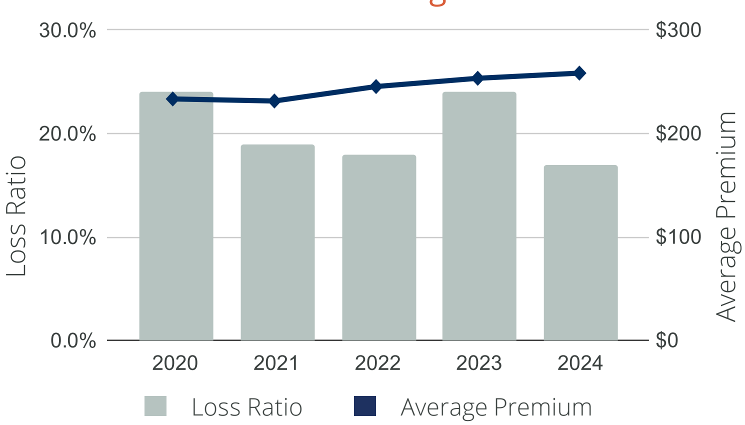


Snow Vehicles

Snow vehicles saw their vehicle count drop by 2.7% to 118,200 vehicles, compared to 121,500 in 2023. The previous four years saw no consistent movement in vehicle counts, always hovering around 122,000. Snow vehicles represent 2.9% of Alberta's vehicles.

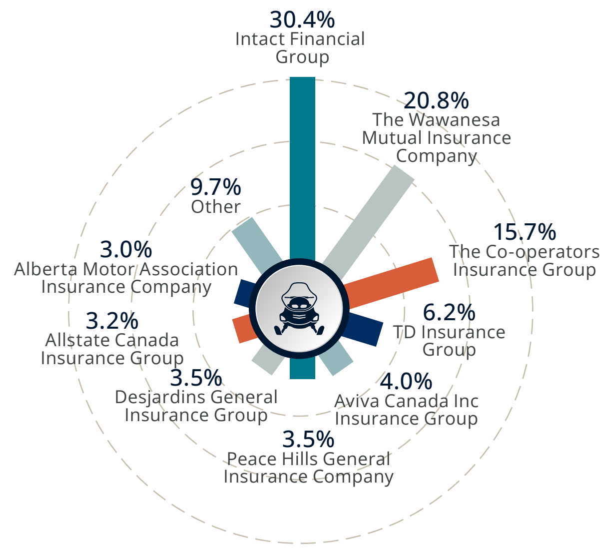
Premiums increased the least of all other miscellaneous classes, increasing 2.0% to $258 in 2024 compared to $253 in 2023. The loss ratio came in at just 17.0%, down from 24.0% in the prior year, suggesting a very profitable and attractive line of business, even more so than ATVs.

Snow Vehicles Loss Ratio & Average Premium [9]



Intact continues to lead the miscellaneous vehicles with a market share for snow vehicles of 30.4%, with Wawanesa at 20.9% and Co-operators at 15.7%. Overall, the markets HHI increased from 1,692 to 1,719, indicating that the market is also "moderately concentrated", similar to the ATV class.

Top Snow Vehicles Insurance Groups (2023) [4]



Other Trends

Tariffs

Over the past several decades, manufacturing has moved away from building all components in the same factory, or even country. In a simple example of a transmission being made, it can cross the border seven times, being tariffed each time.

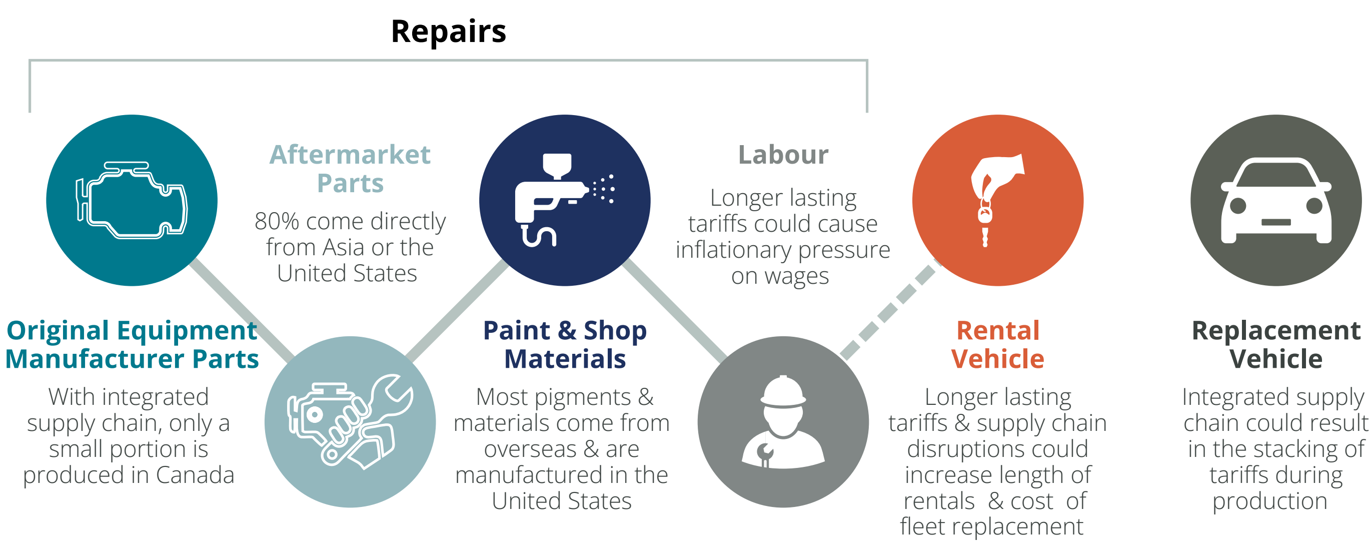
The first step is having Canadian scrap metal, which is usually higher quality than the United States, sent to the US to be smelted. Canada then receives special housings from Mexico, and the smelted product from the United States. The factory in Canada then creates a few more highly machined and complicated pieces before shipping it back to America to assemble the entire transmission, before being sent back to Canada to be assembled into the car.

These factories typically sign multi-year contracts and spend millions upon millions to create and establish these highly complicated supply chains. Even if auto manufacturers wanted to, these processes are very sticky, and they cannot just up and move their entire manufacturing network.

These tariffs will undoubtedly raise the cost of making cars, parts, and all other components of physical damage for vehicles. This will cause larger payouts for insurers, resulting in higher premiums for Albertans. Looking back at the CPI section, we are already starting to see some small evidence prices are rising for parts and maintenance.

While we have discussed the movement of parts and how this raises prices, many other areas of repairs are also impacted. The graph below shows aside from part increases, the supply chain interruptions can raise other input costs such as paint, and introduce supply chain disruptions which increase labour costs.

Impact of Tariffs on Auto Physical Damage Costs



Availability

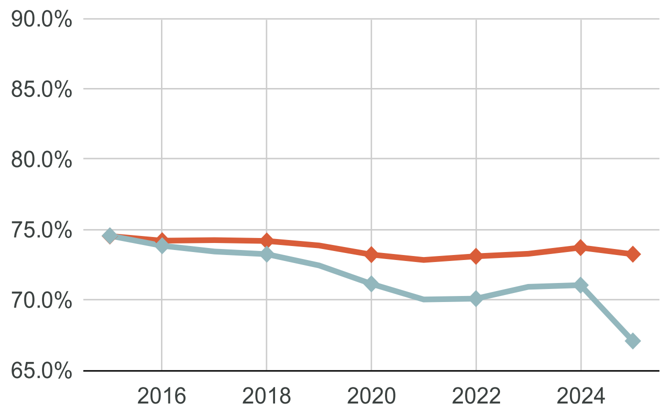
In recent months, we have seen insurers change their underwriting rules and introduce restrictions on optional coverages like collision. In particular, individuals with one criminal code conviction, major conviction, or at-fault accident are either being denied these coverages or having a very large deductible mandated. For people with at least one of these, we are very concerned about their availability.

Alberta has the take all comers rule, where an insurer must provide a quote to each potential customer, and write business if the customer decides. This ensures every driver in the province, even high-risk drivers, are able to find coverage in the province. Without the take all comers rule, there would likely be an increase in uninsured motorists, resulting in large, complex claims drive up the costs for everyone. The take all comers rule currently only applies to mandatory coverages, and therefore, insurers have the right to deny optional coverages, forcing a customer to only take basic coverage, or seek another insurer.

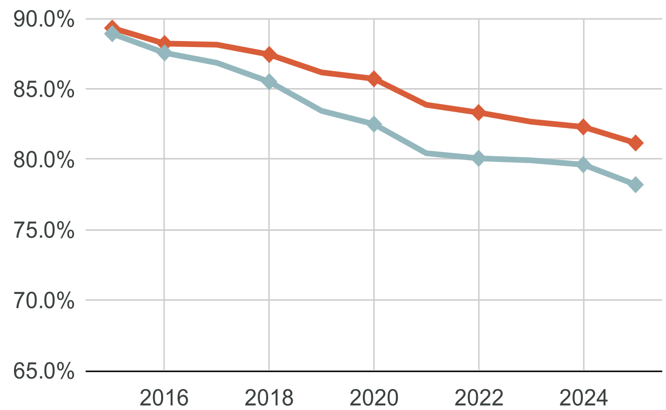
Since 2015, we have seen a growing gap between those without an availability concern (no criminal code or major convictions, and no at-faults), and those with. This difference has peaked in 2025[*], with just 67.1% of these drivers having collision coverage, compared to 73.2% for those without our availability concern. Since this data is based on a partial year, we expect many drivers with an availability concern have not renewed yet, and the number with collision coverage will continue to decrease.

On the comprehensive side, we see no significant deviation from the long-term trend. However, with the prior year's Calgary hailstorm, we are monitoring for insurers who may begin to deny comprehensive coverage to certain regions of the Calgary-area based on their weather history.

Percentage Purchasing Collision Coverage[11]



Percentage Purchasing Comprehensive Coverage[11]



Availability Concern　No Concern

[*] 2025 is partial year data, with data submitted to GISA by up to June 2025.

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10. General Insurance Statistical Agency Auto 7001
11. General Insurance Statistical Agency Point In Time Data
12. Statistics Canada Table 10-10-0139-01
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Automobile Insurance Rate Board
#2440, 10303 Jasper Avenue
Edmonton, AB T5J 3N6

780.427.5428

airb@gov.ab.ca

albertaairb.ca

airbfordrivers.ca