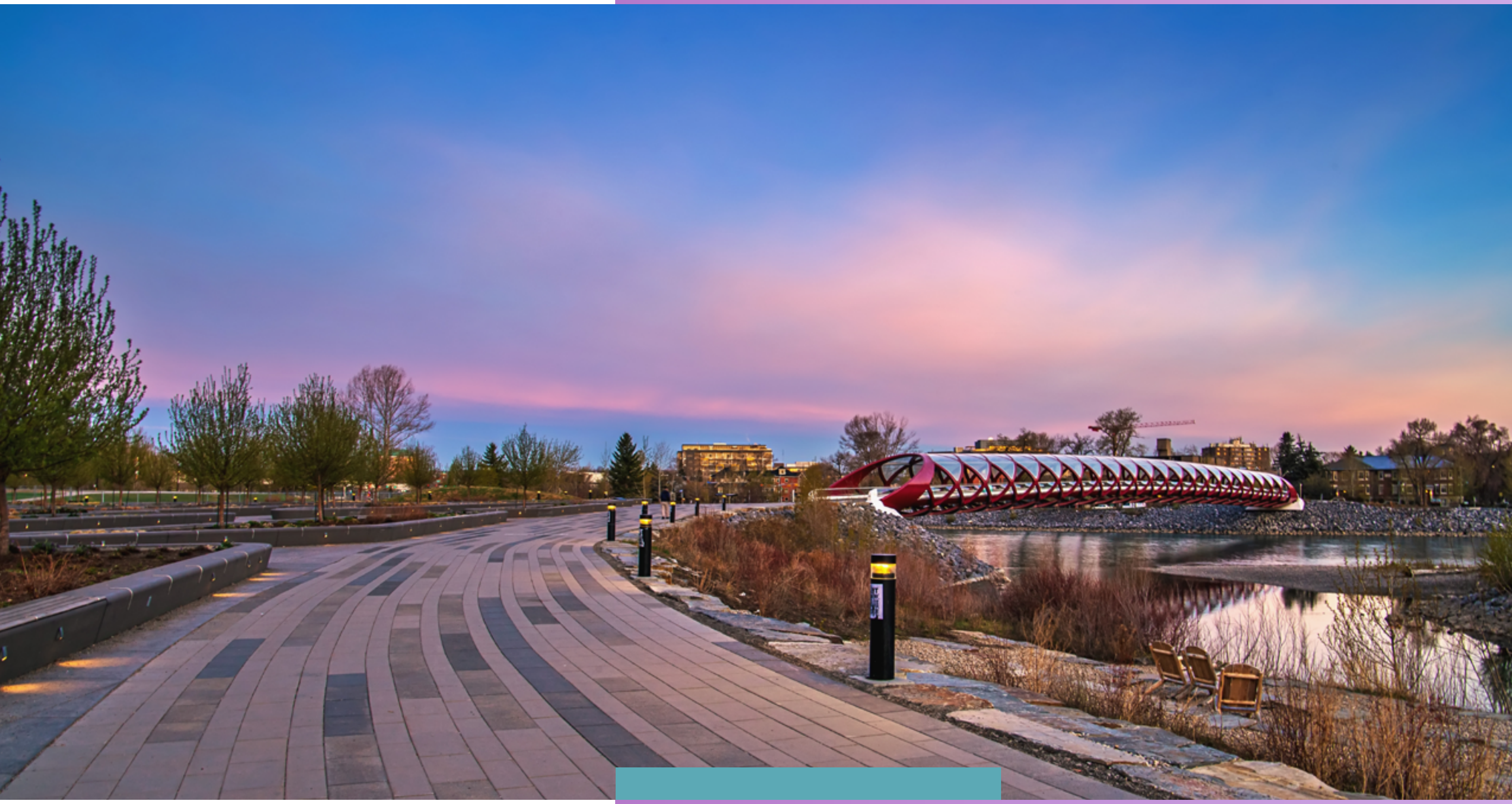
2026

MARKET & TRENDS

MID YEAR



AIRB AUTOMOBILE INSURANCE RATE BOARD

CONTENT

EXECUTIVE SUMMARY

The 2026 Mid-Year Market and Trends Report provides an evidence-based assessment of conditions in Alberta's private passenger vehicle (PPV) auto insurance market, with a focus on affordability, accessibility, competition, and market sustainability during a period of transition.

Auto insurance affordability remains a central concern for Alberta drivers. While inflationary pressures affecting many household expenses have somewhat moderated, the cost of repairing vehicles, catastrophic weather events, and bodily injury claims continue to exert upward pressure on insurance premiums. At the same time, insurer loss ratios remain elevated, underscoring the ongoing tension between affordability for consumers and financial sustainability for insurers.

Regulatory interventions—including the Good Driver Rate Cap—have moderated premium increases for some drivers in the short term. However, these measures do not address underlying cost drivers and have contributed to market distortions, including deferred pricing adjustments, insurer underwriting responses, and growing uncertainty. Two insurers exited the Alberta PPV market in 2025 and several others restricted access to optional coverages, prompting regulatory action to protect availability—particularly for drivers of financed and leased vehicles.

This report shares several key statistics from the mid-year 2025 data including:

- The full coverage premium was $1,835 in the first half of 2025, up 8.2% from the first half in 2024. This was above inflation, as the CPI adjusted premiums increased 6.4%.
- The industry private passenger vehicle loss ratio was 80% in the first half of 2025, compared to 84% in the same period of 2024.
- Alberta loss costs for full coverage were $1,470 in the first half of 2025, up from $1,417 in 2024.
- Alberta's vehicle theft loss cost was $39 in the first half of 2025, compared to $65 in Ontario and $20 in the Atlantic provinces.
- For drivers with one or more at-fault or one or more criminal or major conviction, 68% purchased collision coverage, compared to 73% for drivers with no at-faults or major or criminal convictions, a gap of five percentage points. This deviates from the long-term trend of about one to two percentage points.
- The average deductible for collision was $848 in the first half of 2025, with deductibles of $1,040 for those with at-faults or serious convictions, and $823 for those with no at-faults or convictions.

Looking ahead, the transition to Care-First auto insurance, effective January 1, 2027, represents a fundamental shift in Alberta's system—from litigation-driven compensation to a care-focused model. The report outlines how this reform is expected to improve long-term affordability and sustainability while delivering enhanced medical and income replacement benefits.

The AIRB will continue to balance consumer protection with market sustainability as Alberta transitions to Care-First and navigates a period of heightened uncertainty in the auto insurance market.

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 auto 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 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 motorhomes, taxis, and other miscellaneous vehicles. On a written premium basis, PPV maintains a 78.0% market share, but commercial increases to 14.8%, due to their premiums being substantially higher than other vehicle classes. Interurban and trucks outside Canada make up 1.7%, and the rest is made up of motorcycles (1.1%), taxis (0.9%) and others.

Alberta has a competitive private auto insurance market providing coverage for three million PPVs. This report primarily examines the market for PPVs, 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 2025, two insurers notified the Superintendent of Insurance they would be withdrawing from the market by the end of the calendar year. This means 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 7.5% 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% and in 2025 it was increased to 7.5%. The data in this report reflects the full impact of the Good Driver Rate Cap in 2024 and first half of 2025. It is important to consider how it will impact future trends and individual premiums for drivers, especially those drivers who 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.

AFFORDABILITY & VALUE FOR MONEY

We are concerned about the affordability of auto insurance for Alberta drivers. Despite rising premiums, they remain insufficient to cover the costs insures incur in fulfilling their obligations to pay claims following 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, the 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 insurers. This is why the government is transitioning to Care-First, 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 for combined bodily injury and accident benefits 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, varying significantly by insurer, and even with the rate cap in place, Albertans may find lower premiums with a different insurer.

MOTORCYCLES & CARE-FIRST

Alberta is changing its auto insurance system, implementing Care-First effective January 1, 2027. Care-First will increase the benefits received when injured in an auto accident. As we prepare to transition to Care-First, it's important to realize how this affects different vehicle classes. Today, your premium reflects the injury you can inflict on a third party (bodily injury), with a small amount reflecting the damage inflicted to yourself (accident benefits). Under Care-First, your premium will primarily reflect the damage inflicted to yourself. In a way, this is similar to the implementation of DCPD where you pay for the damage done to your own vehicle rather than the damage done to a third party.

In the context of motorcycles, the driver's ability to injure someone else, particularly those in a vehicle, is very small. Meanwhile, their ability to be injured is significant. Therefore, under the system we have today, their premiums are much less than insurance for PPV. Combining this with the increase in benefits under Care-First will lead to an increase in premiums for motorcyclists.

To provide a sense of the difference prior to receiving full actuarial modeling, we compare Alberta's motorcycle premiums, which are some of the lowest in the country, with Ontario. The compensation under Ontario's accident benefits coverage is substantially higher than Alberta and, therefore, give a proxy of the implementation of Care-First. As of October 2025, Albertans paid $76 dollars for accident benefits coverage in Alberta, compared to $647 in Ontario for their motorcycle. The full coverage premium was $399 in Alberta, and $1,038 for Ontario.

GRID RATING SYSTEM

Effective January 1, 2027, the Grid Rating System (Grid) will be repealed. The Grid sets a maximum price based on several rating factors insurers can charge for basic coverage. The intention of the Grid was to protect young Albertans from high premiums and provide them with a path to gain experience at an affordable price.

With the implementation of Care-First, we believe the savings will be larger for young Albertans than the savings for older Albertans. As mentioned, Care-First shifts the costs from the loss you can cause to others to the loss you cause to yourself. In this way, young Albertans will likely recover faster, and have lower income levels and less dependents, leading to significantly lower exposure under Care-First. As we showed in the previous Market and Trends Report, the cost per vehicle for accident benefits (our proxy for Care-First) does not vary as significantly by age as the cost per vehicle for bodily injury (our proxy for tort-based systems).

Since young drivers should see some of the largest premium savings, we are not implementing a new program to replace the Grid.

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 and financial information to ensure the premium and claim information used to justify, develop, and support fair rates are available to 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, etc.,
- 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.

CHANGES TO STATISTICAL DATA

In order to properly monitor the performance of Care-First, the AIRB instructed GISA to make changes to the Automobile Statistical Plan (ASP), effective January 1, 2027. In brief, these changes include:

1. Splitting the accident benefits coverage into five new sub coverages. Therefore, all premiums and claims will be assigned to one of these coverages:
   - Death benefits
   - Income replacement and other monetary benefits
   - Medical expenses and rehabilitation
   - Permanent impairment
   - Uninsured motorist
2. Indicators for whether the claim has claimants with a permanent impairment or suffered a catastrophic injury.
3. Whether claimants used a care-pathway established by the Government of Alberta.
4. The claimant's income level used to calculate their income replacement benefits.
5. Utilization of top-ups.
6. The percentage of permanent impairment suffered by the claimant.

These variables will also be added to our Point in Time (PIT) database from GISA, effective January 1, 2027. These metrics will be used, alongside other data sources, to evaluate the performance of Care-First in the marketplace.

DATA CHALLENGES

Typically, we endeavor to provide provincial comparisons on all possible metrics. However, due to unexpected delays in the publication of certain mid-year exhibits by GISA, comparative data from other provinces was not available at time of publication. We have provided comparisons using PIT data for some sections such as provincial premium comparisons.

However, since claim data like loss ratios, loss costs, frequencies, and severities must be adjusted to their ultimate value by an actuarial professional, we are unable to adjust our unfactored PIT claims data to ultimate for the purpose of provincial comparisons. We are working closely with GISA to resolve these issues in order to continue to present provincial comparisons for the annual Market and Trends Report.

AUTO INSURANCE & 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 goal of ensuring all Albertans have access to a fair and affordable premium with the need for insurers to cover their costs and remain in the market. 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 implemented or every auto insurer in Alberta on our website.

COVERAGE RESTRICTIONS & UNDERWRITING AUTHORITY

Starting in early 2024, insurers began to change their underwriting rules to deny Albertans optional coverages like collision and comprehensive if they met certain criteria. Commonly, this meant drivers with an at-fault claim in the past six years or a serious traffic conviction within the past four years were being denied access to these coverages, or at least, were forced to choose a high deductible such as $2,000 or more.

Typically, insurers are required, under section 555 of the Insurance Act, to provide a quote and write the business for any Albertan, which is colloquially called the "Take All Comers" rule. This ensures every Albertan has access to auto insurance, mitigating the risk of uninsured drivers. However, this only applies to mandatory coverages.

Therefore, insurers could deny access to optional coverages, which may be required for a leased or financed vehicle. Since these optional coverages are required, or desired, by most Albertans, they would not accept the basic-only policy and look for another insurer.

As of October 2025, the Automobile Insurance Premiums Regulation was modified by AR 227/2025. Among other things, the definition of "rating program" was expanded to include:

> *"The underwriting rules that govern the decision by an insurer to accept or decline a risk, coverage, or endorsement."*

This gives the AIRB authority over the underwriting actions insurers have taken by restricting coverage. We have begun discussions with most insurers and issued Bulletin 08-2025, which advises insurers they will not receive any approval to increase rates until their underwriting rules are relaxed.

UNCERTAINTY

We recognize there is heightened uncertainty in the Alberta auto insurance market as the government works with insurers to implement Care-First to make auto insurance more affordable for Alberta drivers. At the same time, there is also inherent uncertainty present in the business of insurance. Insurers price their product based on estimates of the future and, therefore, are an industry 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 few 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 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,
- Inflationary impact on claims severity for all coverages, and
- Geopolitical risk impacting physical damage coverages due to international trade policies.

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 prior year's 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 vehicles per capita, CPI, and the contribution of the insurance industry to Alberta tax revenues.

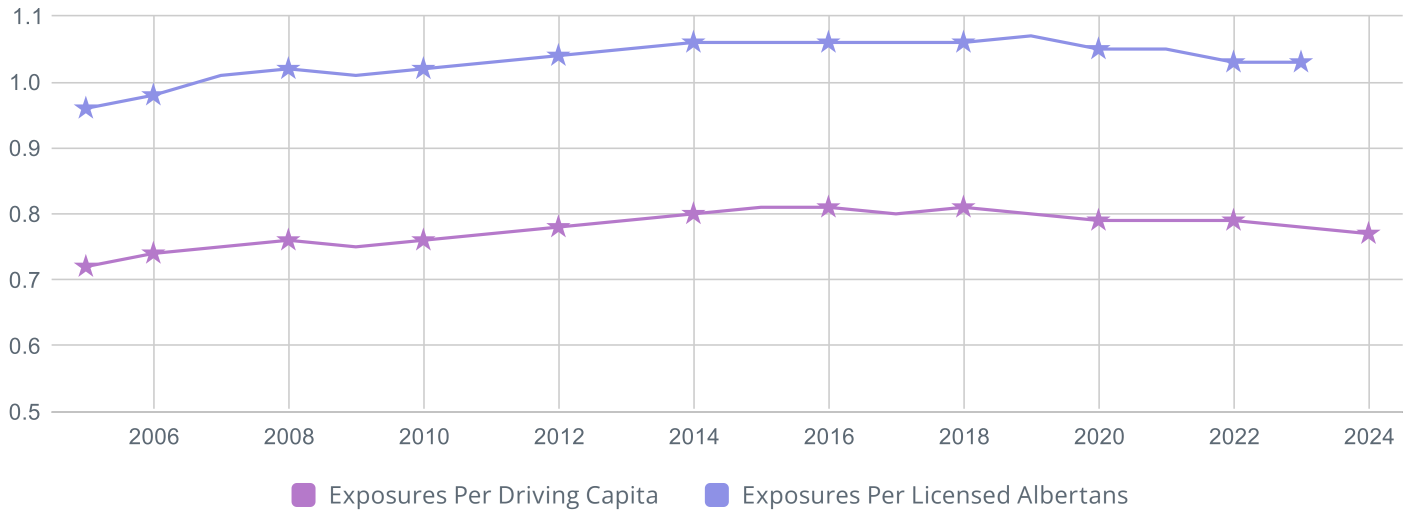
VEHICLES PER CAPITA

In the 2024 annual Market and Trends Report, we plotted the number of exposures per driving age of people in Alberta, Ontario, and the Atlantics, and showed Alberta has the highest number of vehicles per driving age, at around 0.8 in 2024.

This year, we account for the number of Albertans without a license utilizing data from Jobs, Economy, Trade and Immigration Alberta. Once we account for this, we see Alberta has slightly more than one vehicle per licensed Albertan since 2007.

For broader context, a report by the Ontario Ministry of Transportation showed 11.1 million active licenses in 2022, compared to 8.1 million vehicles in GISA data, for a ratio of 0.7 licensed Ontarians per insured vehicle.

Population Compared to Exposures [6/9]



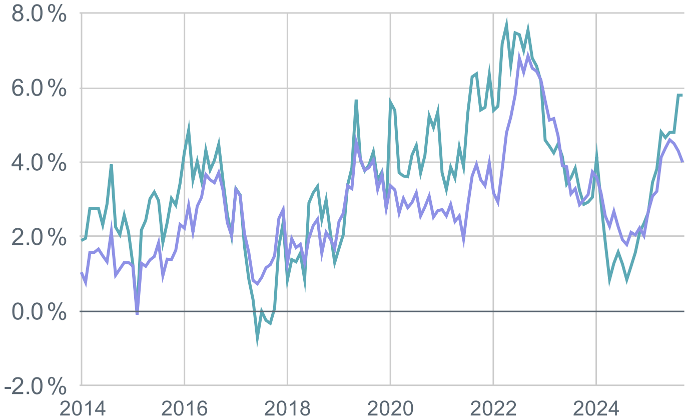
CONSUMER PRICE INDEXES

Typically, we discuss price indexes (CPIs) in the annual Market and Trends Report. However, given the uncertainty around tariffs and their impact on the prices of goods and services which impact underlying costs of auto insurance, we are including our four main price indexes in the mid-year Market and Trends Report.

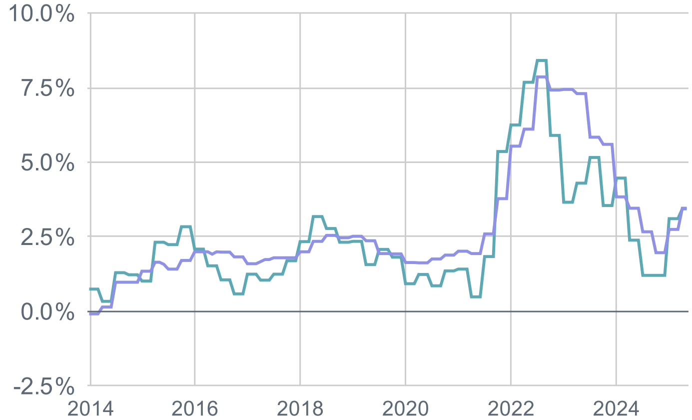
We start with "all-items", which includes a basket of goods representing an average Canadian. This includes everything from groceries to gasoline to clothing. We utilize the all-item CPI as a baseline to compare how the other price indexes, which are more related to auto insurance cost factors, are performing relative to all items in the economy. All items had Alberta come in at 1.8%, compared to 2.2% for Canada as a whole.

Next, we look at parts and maintenance, which broadly captures the cost of auto repair. Starting in May of 2025, we are starting to see a divergence between Canada and Alberta in the price auto repair. While Canada has reached 4.4% as of October 2025, Alberta sits at 2.6%. However, compared to 2002, Alberta's auto repair cost has increased 97.0%, while Canada's has increased by 89.0%.

Private Transportation Excluding Gas 12 Month Inflation [10]



Vehicle Parts and Maintenance 12 Month Inflation [10]

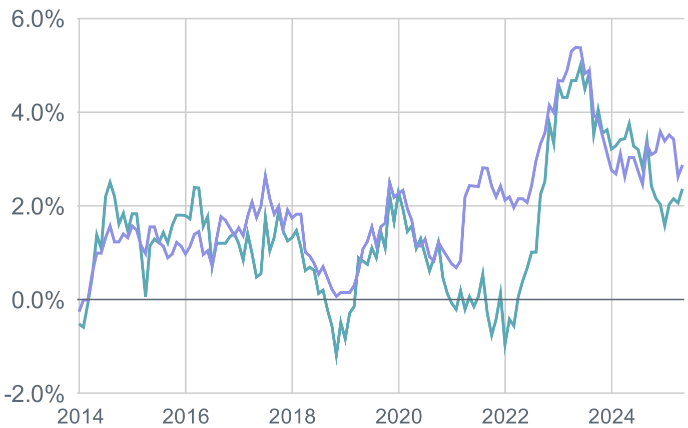


Alberta Canada

Healthcare relates to the cost of physiotherapy and other services which would be covered under today's Accident Benefits and Bodily Injury coverages. Alberta and Canada seem to be moving in the same downward path, with Alberta coming in slightly lower for the past 12 months, and sitting at 2.1% in October of 2025, compared to 2.4% Canada-wide.

Finally, private transportation excluding gasoline includes all the costs of car ownership, such as insurance premiums, licensing fees, purchasing, and other factors. While this has cooled off Canada-wide and sat around 4.0% since April of 2025, Alberta has been heating up since a low in August of 2024, and currently sits at 6.7% in October 2025, compared to 4.5% for Canada. The big contributor to this difference is in the price index for private passenger insurance premiums, which have risen 17.5% according to Statistics Canada. Statistics Canada calculates the premium's price index by quoting a multitude of profiles across various geographies within Alberta, and is, therefore, not entirely comparable to the actual price paid by Albertans, which is reflected in the GISA data.

Healthcare 12 Month Inflation [10]



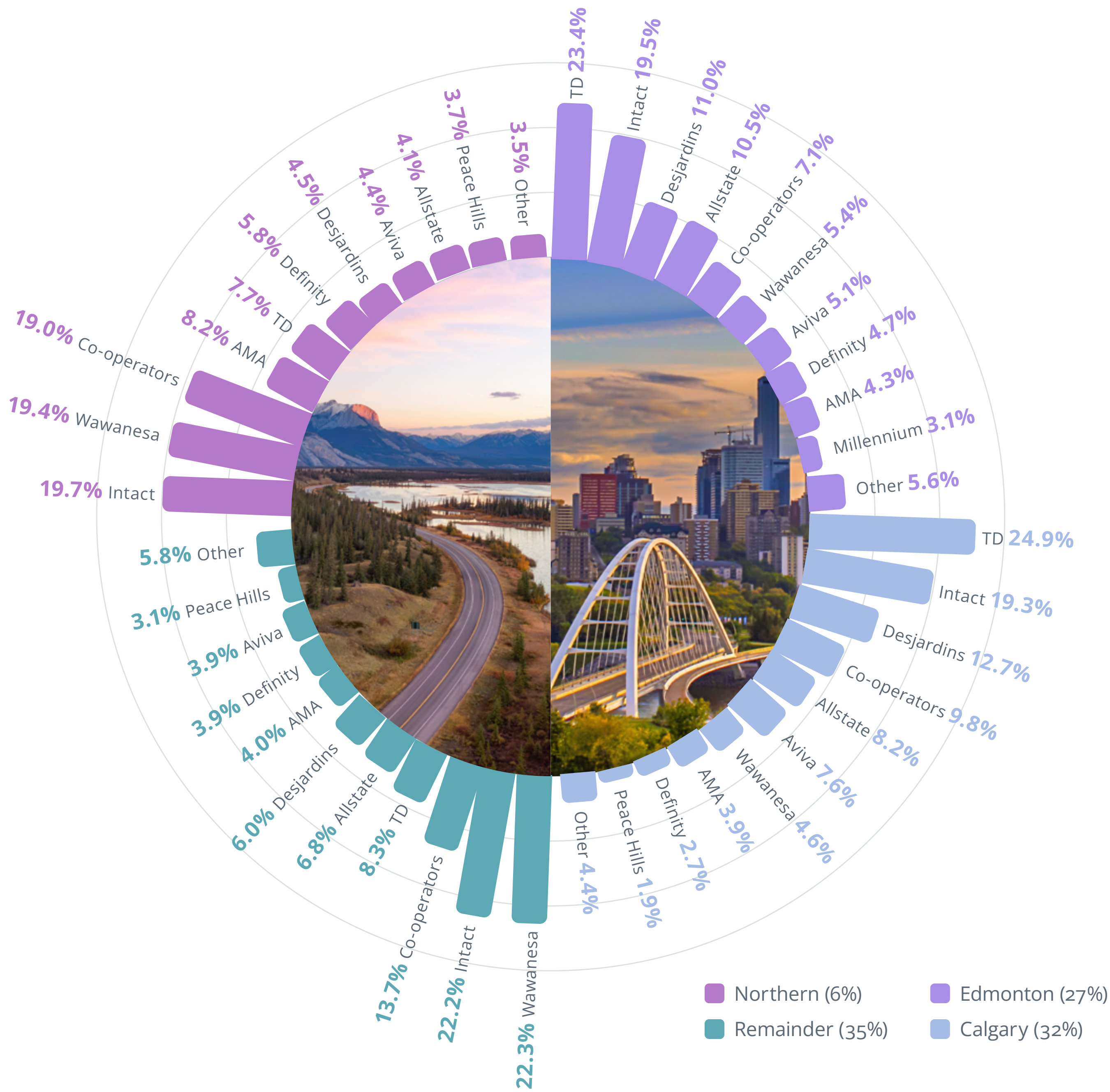
All Items 12 Month Inflation [10]

Alberta Canada

PRIVATE PASSENGER VEHICLE TRENDS

MARKET SHARE BY TERRITORY

Insurer Group* Market Share by Territory (2024) [8]



* 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 remain the three largest PPV insurer groups in the province with market shares of 20.4%, 17.8% and 11.9%, respectively, for the 2024 accident year. When broken down into Alberta subregions, we see distinct differences in the approaches taken by companies. The top three largest insurers, 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 24.2%. Intact, the largest insurer overall holds 19.4%, and Wawanesa only 5.1% of the urban market. When looking at rural territories (Remainder and Northern), TD holds only 8.2%, while Intact holds 21.8% and Wawanesa holds 21.9%. 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 59.8% of the province's premiums.

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 24.9% of the market - more than its closest competitor, Intact, at 19.3%. We typically use the Herfindahl-Hirschman Index (HHI) to assign a single reference point to the level of competition within the Alberta market. A value below 1,500 indicates the market is competitive, and a value above 1,500 but below 2,500 indicates a moderately concentrated market. Overall, Calgary has an HHI of 1,427, compared to the Alberta average of 1,220.

Based on data from the latest 12 months (November 2024 to October 2025), approximately 57.3% of Alberta's 157 FSAs* have an HHI below 1,500, while 40.8% are mildly concentrated, and three small FSAs are significantly concentrated for the remaining 3.0%. Based on premiums, 62.1% of FSAs are competitive, while 37.7% are mildly concentrated. While competition is high on the provincial level, certain regions of the province see lower, but acceptable, levels of competition.

It is important to note insurers alone are not responsible for their market share in certain regions. Policyholders must find the insurers' offering attractive, which includes price, service, and other features. Insurers employ rating territories in order to price their customers, and 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

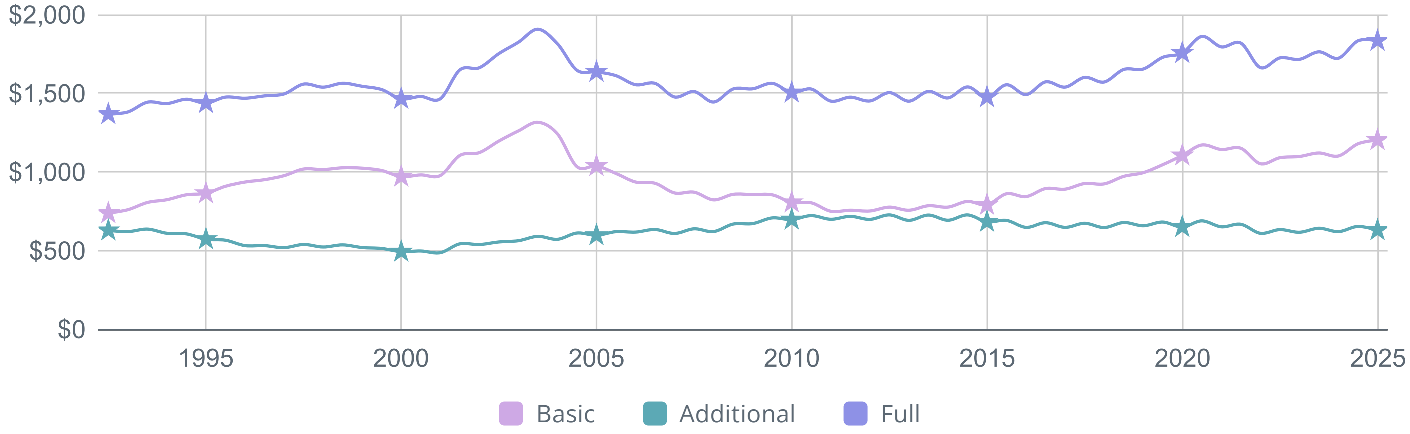
The change in average premiums is an important indicator of affordability within the market. Over the last 30 years, premiums have increased from $643 in July of 1992 to $1,835 in June of 2025, an increase of 185.2%. However, when adjusting for inflation based on the Alberta all-item consumer price index (CPI), the increase is only 34.1% above inflation, from $1,369 to $1,835. Adjusted for inflation, premiums today are comparable to those in the second half of 2019. However, weekly wages in Alberta have risen 17.4% since 2019, lower than inflation of 20.7%. 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 prices 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 62.9% above inflation over the same period.

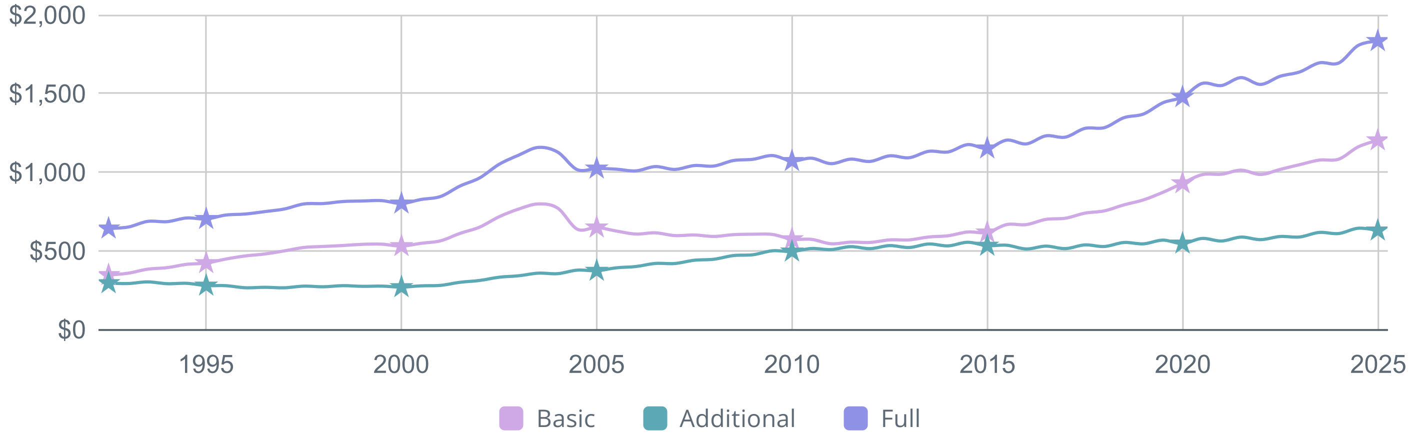
Our past research suggested Albertans could tolerate a 10.0% increase on renewal. Therefore, insurers filing regularly to adjust their rates in response to cost pressures are less likely to see their policyholders shop the market or change insurers. However, with the present rate cap, Albertans are finding the threshold for premium increases to be much lower.

* FSA stands for Forward sortation area; the first three characters in your postal code.

Average Written Premiums [8]



Average Written Premiums - CPI Adjusted [8/10]



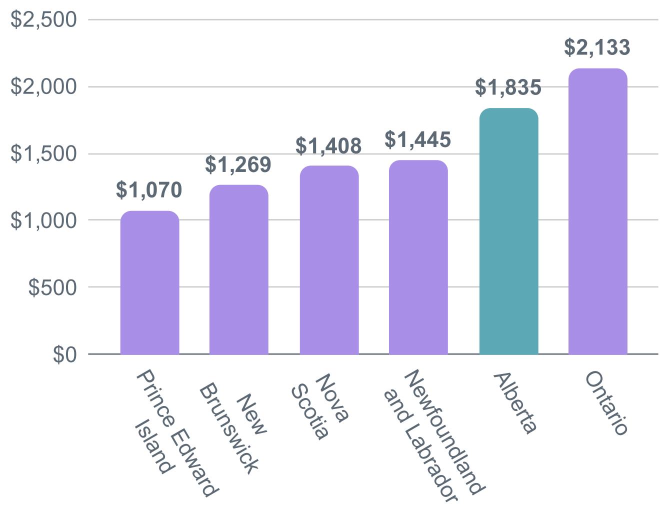
How Do Our Premiums Compare?

The AIRB benchmarks Alberta's premiums against other provinces to provide a broader context. The AIRB recognizes each province carries more or less the same coverages, but the smaller details such as injury definitions, benefits, and benefit limits vary by province. Overall, Alberta premiums are the second highest in Canada at $1,835, lower than Ontario's $2,133, and noticeably higher than the Atlantic provinces, of which the highest premium is paid by Newfoundlanders at $1,445.

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 recent hailstorm in Calgary in August of 2024 led to three FSAs paying out $663 million in comprehensive claims on $267 million in premiums, and causing an estimated $2.8 billion dollars in insured damage (includes non-auto damages).
2. Vehicle theft rates are exploding in Ontario. The loss cost due to vehicle theft alone is $65 in the first half of 2025, compared to $39 for Alberta and $20 for the Atlantics.

Average Premiums by Province [8]



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.

INSURANCE CLAIMS TRENDS

Loss Ratio

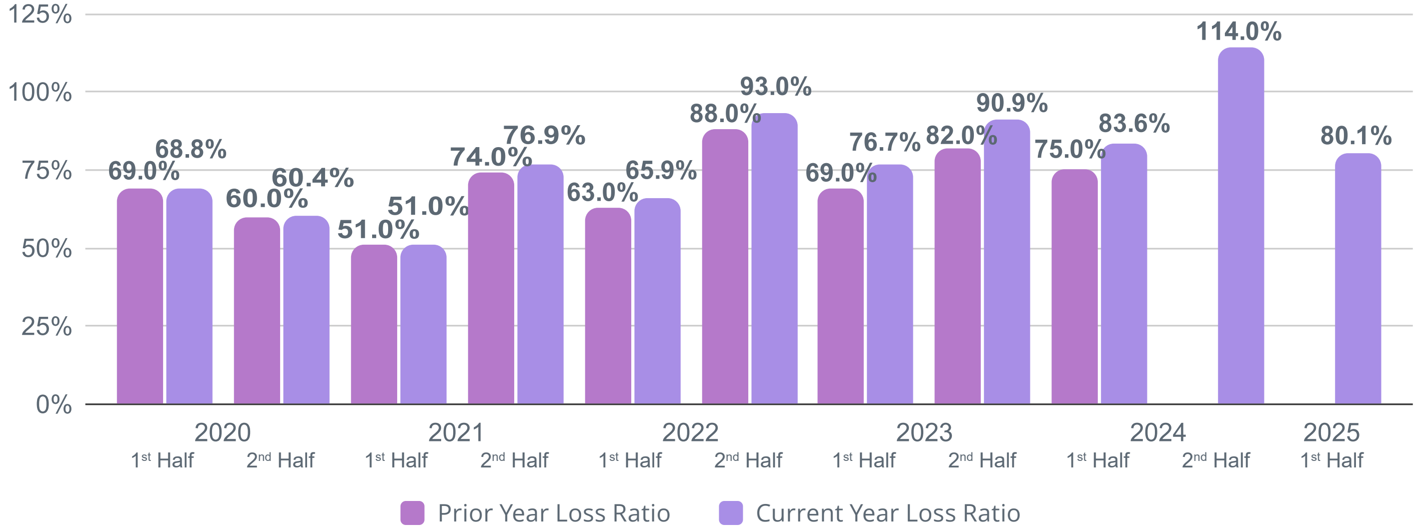
The changes in driving habits due to the pandemic observed in 2020 continued in 2023 but are starting to return to pre-pandemic levels. Generally, premiums are consistent and rise over time, but claim costs are volatile and depend on a variety of factors. The first half of the year, from January to June, 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 51.0% in the first half of 2021 as restrictions came in. Emerging from the pandemic, we see the second half of 2024 is the highest loss ratio, at 114.0% due to the Calgary hailstorm in August of 2024, with the most recent data coming in at 80.1% for the first half of 2025. However, these claims are on an accident year basis and projected to finalized values. As more and more claims settle, these projections are revised. For each period since 2020, the 2025 release of data has revised the loss ratio upwards, compared to the data reported as of 2024. The largest revision comes from the earliest period in the data, which is the first half of 2024. The initial estimate of 75.0% has been revised to 83.6%.

An increase in loss ratios over time suggests claims costs are increasing faster than premiums. 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 hybrid work arrangements are reducing 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 auto 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 try to ensure insurers to maintain a moderate profit level to continue writing in Alberta and attract new insurers which will increase competition and keep prices low, while making sure profit levels are not so high they negatively impact Albertans. 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* [4]



To ensure insurer profitability is not excessive, the AIRB has implemented an Excess Profit Policy to monitor the profitability of each insurer in the province on a yearly basis. Our first year of administrating this policy was for the 2024 accident year, and the results showed the return on premium for the industry was -20.0%. Our entire report can be found here.

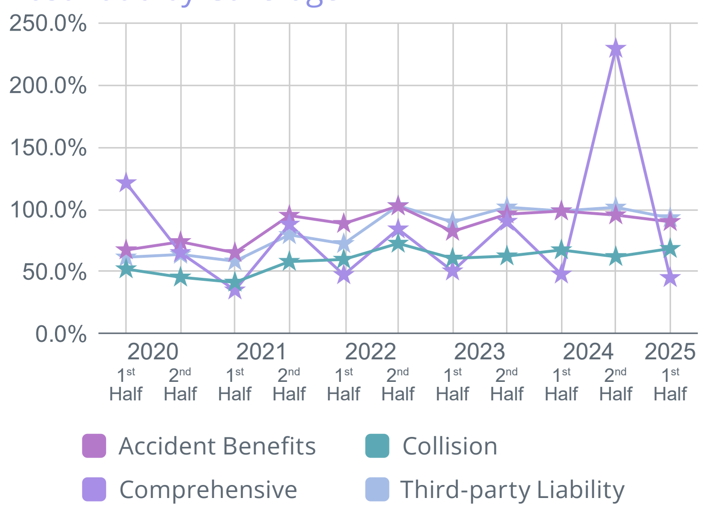
The industry standard for profitability is a loss ratio of 70%; therefore, we see 2020 was a generally profitable accident year, followed by the first half of 2021, and the first half of 2022. As we have emerged from the pandemic, loss ratios have risen as more vehicles return to the road, and loss ratios have generally been increasing year over year. The loss ratio does not account for expenses beyond the cost of claims, such as rent, general staffing, and administrative costs, which are factors accounted for in our Excess Profit Policy. The Alberta PPV industry average for expenses was 22.6% as of the second half of 2024.

Insurer loss ratios for a given 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. As previously mentioned, the hail storm in August of 2024 caused Alberta's loss ratio to spike to 114.0%.

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 . For 2020, the loss ratios for the mandatory coverages (accident benefits and third-party liability coverages) were above the profitable threshold. In 2021, the loss ratios for all coverages generally improved due to the COVID pandemic. In 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, and was generally a profitable line for insurers, with a yearly loss ratio of around 65%. As the graphic demonstrates, comprehensive is a highly volatile coverage, with major weather events causing significant spikes. Typically, the second half of each year, from July to December, has higher losses.

Lost Ratio by Coverage [4]



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

Collision in particular has been a profitable line for insurers, with a five-year average loss ratio of 59.5%. This highlights an overall trend, where mandatory coverages are generally less profitable than optional coverages like collision and comprehensive.

Optional coverages remain below pre-pandemic levels, but some, such as bodily injury 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.

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 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.

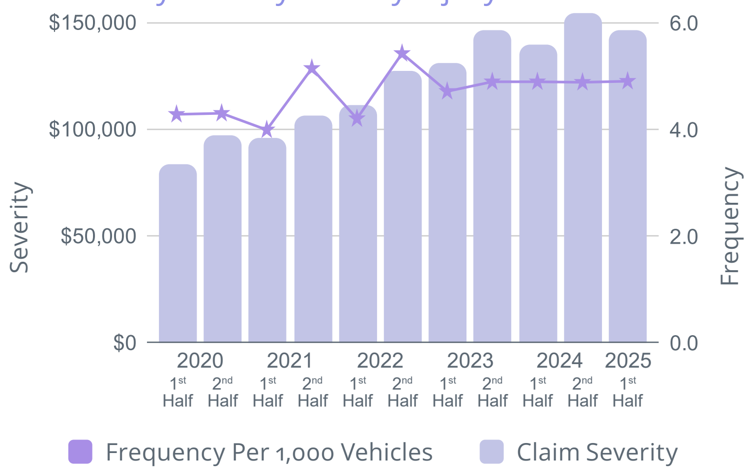
Before the pandemic, claim frequencies were typically above six claims per 1,000 vehicles, and are now 4.9 claims per 1,000 vehicles in the first half of 2025. Overall, bodily injury frequency does not appear to be heading back to pre-pandemic levels and has settled into a "new normal." However, claim severity has increased 74.9% from $83 thousand in the first half of 2020 to $146 thousand in the first half of 2025, but has fallen 5.2% from six months prior, and increased 4.4% from the same period last year.

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,
- Larger claim settlements, and
- Increased legal representation.

Following the rapidly increasing costs, particularly on bodily injury, we look forward to the implementation of Care-First auto insurance in 2027 which will limit the amount of litigation, resulting in a substantial drop in premiums for bodily injury coverage.

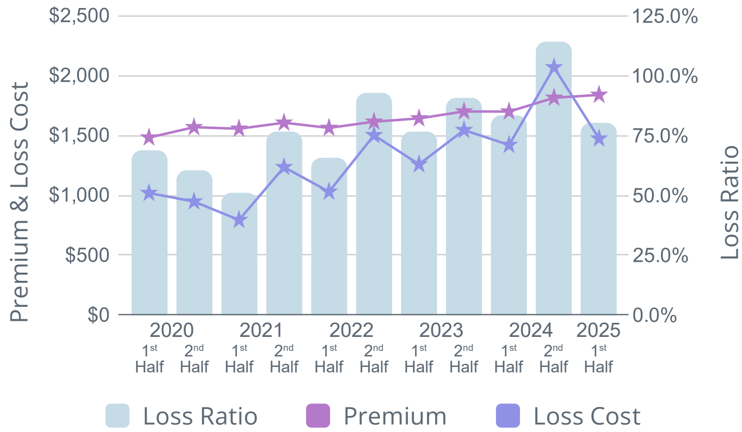
Third-Party Liability - Bodily Injury [1]



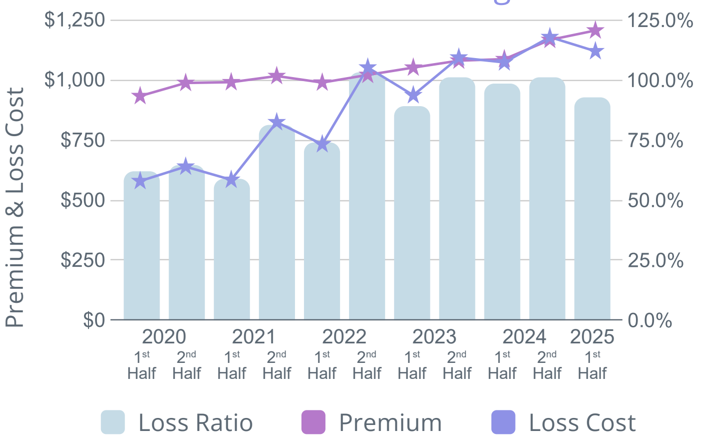
AVERAGE PREMIUMS & CLAIMS BY COVERAGE

For all coverages, premiums have increased consistently since 2020, 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 the first half of 2021. Claim frequency remains near or below pre-pandemic frequencies for all coverages, suggesting a small but noticeable long-term shift following the COVID pandemic. Costs are rising rapidly, however, on the claim severity side. In particular, the increased costs under bodily injury and recent weather events have been increasing the total loss cost.

Premium & Loss - Full Coverage [4]



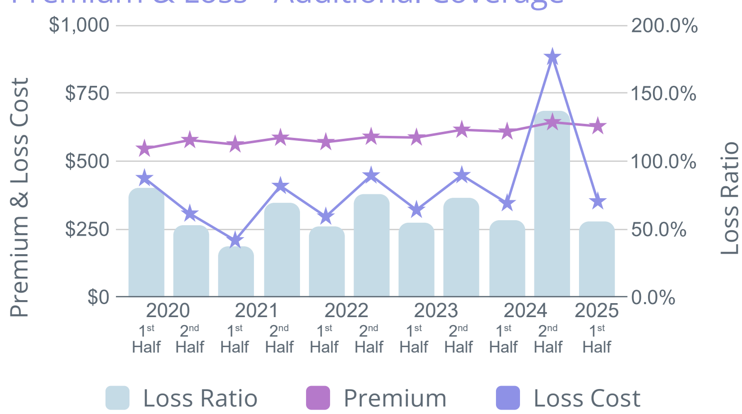
Premium & Loss - Basic Coverage [4]



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 second half of 2019 to $578 in just six months. The decreased loss cost between the first half of 2020 and the first half of 2023 is due almost entirely to a reduction in claim frequency, from 4.62 in the second half of 2019, to 3.08 one year later, 3.82 in the second half of 2021, 3.97 in the first half of 2023, and finally 4.32 in the first half of 2025. Therefore, on the frequency side, it appears we have returned to pre-pandemic levels. Meanwhile, claim severity has increased from $18.1 thousand in first half of 2020 to $25.8 thousand in first half of 2025, but remains below levels seen in second half of 2024, which went as high as $27.2 thousand.

For additional coverages, the premium has been remarkably consistent, only increasing 15.2% compared to 29.3% for basic coverage. There is not a clear pre and post pandemic change like other coverage levels, primarily due to comprehensive. As other coverages were dropping in the first half of 2020, a Calgary hailstorm occurred, which was the sixth largest catastrophe in Canada measured by insurance payouts. In addition, a hailstorm in 2024 shows a peak in the second half of 2024. This was the second most expensive event in Canada, second only to the Fort McMurray fires. 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

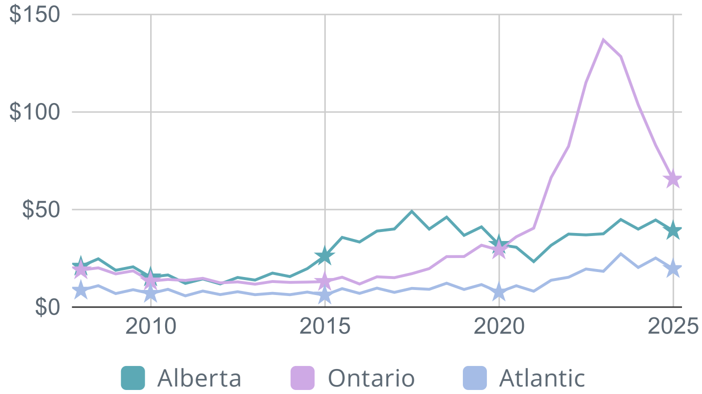
Vehicle theft is a crime affecting many Canadians, both directly and indirectly. According to the Équité Association, on average, a vehicle is stolen every seven minutes in Canada. In the first half of 2025, there were 18.7 vehicle theft claims per 10,000 written vehicles with comprehensive, specified perils, or all-perils coverage in Alberta. While this is a 26.0% decrease from five years ago in the first half of 2020, it remains two times higher than the Atlantic provinces, where claim frequency is just nine claims per 10,000 vehicles. We are at par with Ontario in terms of volume of claims, where they experience a similar frequency of 19 thefts per 10,000 vehicles.

We had the highest occurrences of theft between the first half of 2008, and the first half of 2022, but this has been reversed as auto theft explodes in Ontario. Their vehicle theft frequency has increased 46.1% between the first half of 2019 and the first half of 2025.

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 the first half of 2025 was $34.3 thousand, compared to $20.9 thousand in the Atlantics, and $20.3 thousand in Alberta. In Ontario, vehicle theft loss costs are $65 per vehicle, with Alberta and the Atlantics at just $38 and $20 per vehicle, respectively. In response to this, many insurers in Ontario have been requiring vehicle tracking, subsidized by the insurer. The AIRB is aware of plans for this in Alberta by some insurers.

It is important to distinguish between 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.

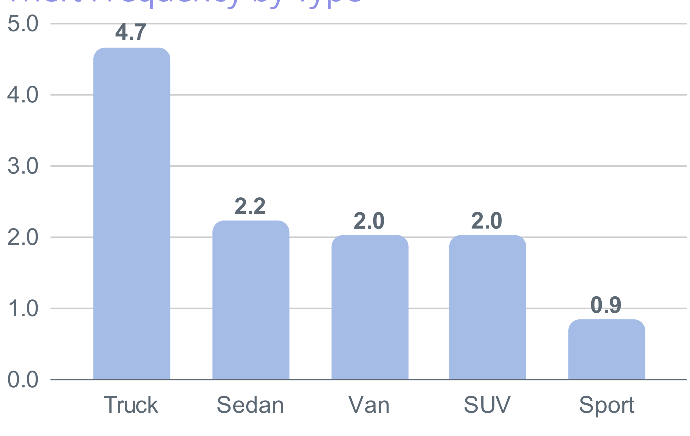
Theft Claims Costs per Coverage per Vehicle 7/8



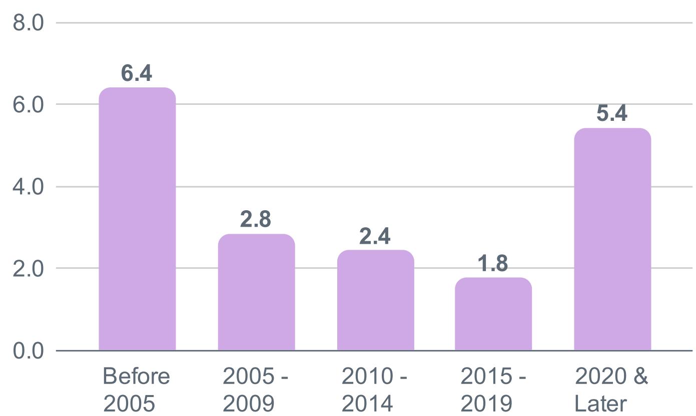
Each year, the Équité Association publishes a list of the most and least stolen vehicles in the province. For 2024, the list was topped by the Ford F-250 again, which was stolen 67 times out of 6,551 vehicles, for a frequency of 1.0%, the highest in the province. Most of the vehicles in the top ten in 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 Lexus TX series, at 967 thefts with 967 vehicles, or a frequency of 14.9%.

Leveraging our new source of vehicle level data combined with PIT, we are able to gain more insight into the types of vehicles stolen. As the charts below show, trucks have the highest theft frequency at 4.7, with sedans, vans, and SUVs all sitting around 2.1. Focusing on model year, the big targets appear to be older vehicles which are easier to steal, and newer vehicles which are more valuable. The least stolen vehicles are from the 2015 to 2019 model years at 1.8 thefts per 10,000 vehicles.

Theft Frequency by Type* 7/8



Theft Frequency by Model Year* 7/8



* Per 10,000 vehicles.

Top 10 Most Stolen Vehicles* (2024) by Frequency in Alberta [3]

	Make/ Model	Type	Model Year	Vehicles Insured	Vehicle Thefts	Theft Frequency
1	Ford F250	Truck	2006	6,551	67	1.0%
2	Ford F350	Truck	2007	22,350	207	0.9%
3	Chevrolet Silverado/ GMC Sierra 2500 Series	Truck	2005	37,445	290	0.8%
4	Land Rover Range Rover	SUV	2012	6,752	50	0.7%
5	Chevrolet Silverado/ GMC Sierra 3500 Series	Truck	2004	14,270	60	0.4%
6	Dodge RAM 2500 Series	Truck	2002	20,357	85	0.4%
7	Lexus RX	SUV	2019	20,821	83	0.4%
8	Dodge RAM 1500 Series	Truck	2023	96,228	383	0.4%
9	Dodge RAM 3500 Series	Truck	2001	24,544	86	0.4%
10	Jeep Grand Cherokee	SUV	2024	334,245	115	0.3%

Top 10 Most Stolen Vehicles* (2024) by Frequency in Canada [3]

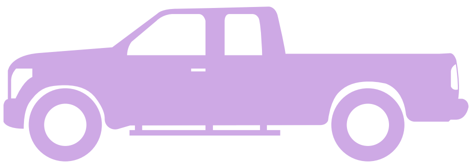
	Make/ Model	Type	Model Year	Vehicles Insured	Vehicle Thefts	Theft Frequency
1	Lexus TX	SUV	2024	967	144	14.9%
2	Toyota Highlander	SUV	2024	5,456	234	4.3%
3	Land Rover Defender	SUV	2022	4,203	124	3.0%
4	Mercedes-Benz G-Class	SUV	2020	3,511	96	2.7%
5	Land Rover Range Rover	SUV	2019	34,866	851	2.4%
6	Lexus GX	SUV	2024	4,524	85	1.9%
7	Acura TLX	Car	2022	23,676	422	1.8%
8	Jaguar F-PACE	SUV	2024	8,794	141	1.6%
9	Toyota Tundra	Truck	2023	74,298	1,129	1.5%
10	Jeep Gladiator	Truck	2023	11,613	168	1.5%

* The minimum threshold is 50 thefts per make/model.

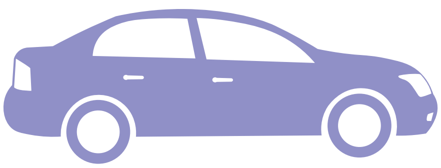
TREND HIGHLIGHTS

MOST STOLEN VEHICLE TYPES IN 2024

TRUCKS
4.7



SEDANS
2.2



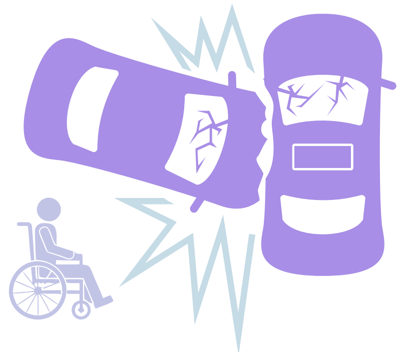
FREQUENCY PER 10,000

165 RATE FILINGS REVIEWED

14 AVERAGE DAYS TO REVIEW

AVERAGE BODILY INJURY CLAIM SEVERITY

$146,121

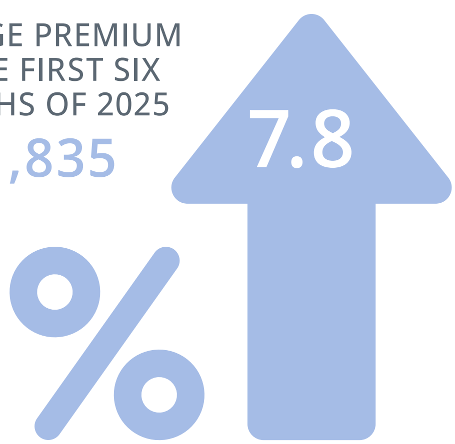


80%

PPV LOSS RATIO AT JUNE 2025

AVERAGE PREMIUM IN THE FIRST SIX MONTHS OF 2025

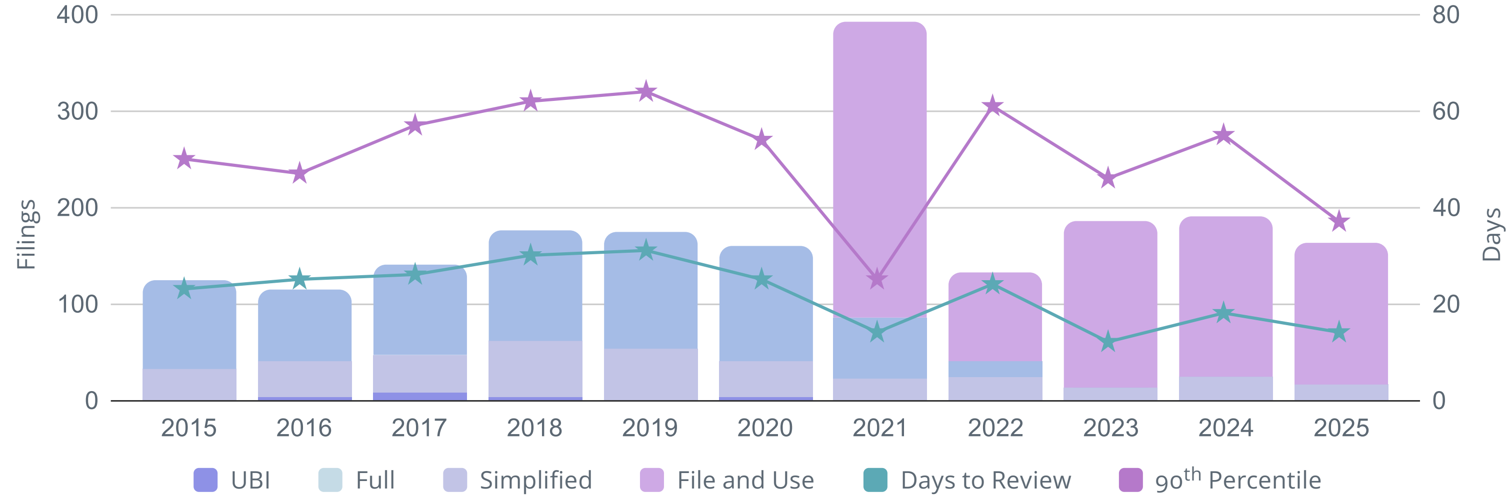
$1,835



OBSERVED TRENDS

RATE REGULATION

Rate Filings [2]

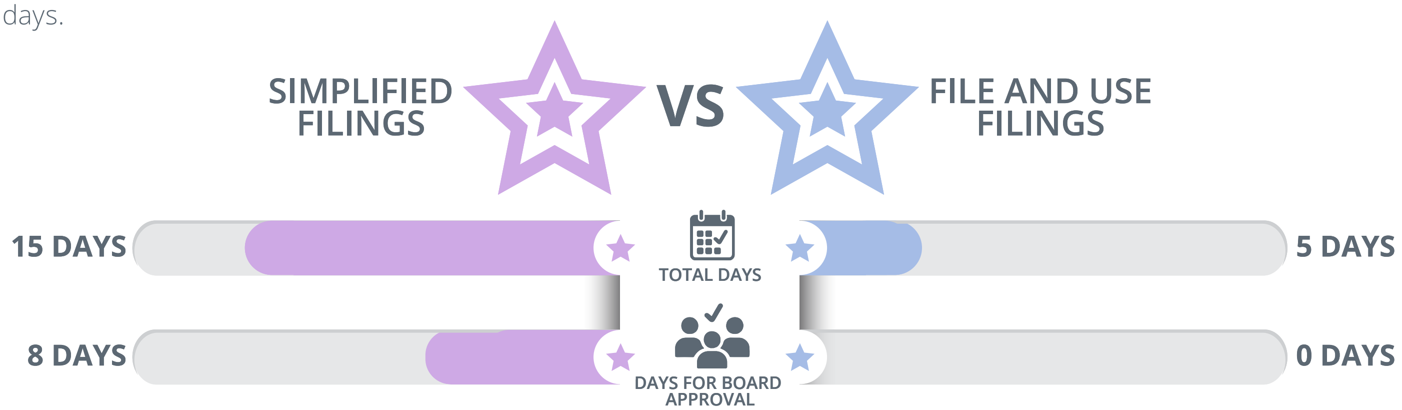


Our target is to review and approve all filings within 30 business days for file and use filings after we have received all information, and 90 business days for full filings. Often, a filing will require revisions after an initial review, which introduces delay as the filing cannot be approved until the insurer responds and amends their filing.

Despite this, since 2015, 98.1% of file and use filings are completed within 30 business days of when they were received. When we use the date of submission on the latest revision, 100.0% are completed within our target. Similarly, 94.4% of full filings are completed within 90 business days of when they were first received, which increases to 100.0% when calculating from the day we received the final revision.

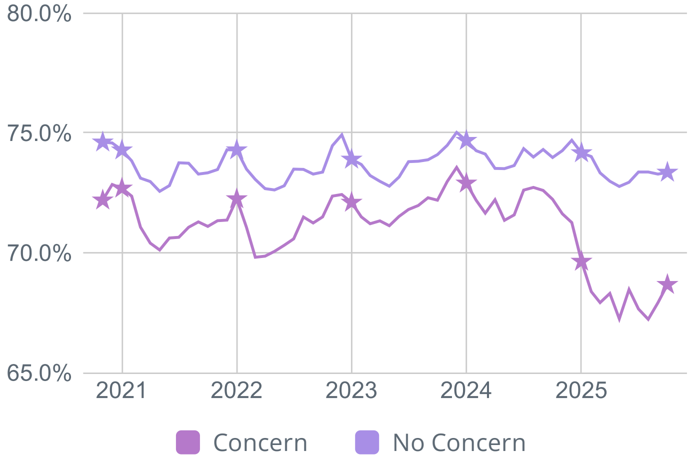
Since 2015, we have reviewed 1,917 filings, or about 45 filings per quarter, and our average time to review is 16 business days, with 90.0% of filings reviewed within 55 days.

In 2021, we introduced "file and use" filings to replace our previous "simplified" filing type. Simplified filing types, while less restrictive and therefore faster to review, still required board approval. Although our board met semi-monthly, this introduced a delay. With the implementation of file and use, management could approve rate requests and rating program changes without explicit board approval. For simplified filings, eight days were spent on average between when staff had finished review and when the board members approved the filing. The remaining seven days were spent by AIRB staff reviewing the filing. With the introduction of file and use, the days spent waiting for board approval dropped to zero, and the review time by AIRB staff dropped to five days. Overall, the average days to review dropped from 15 business days for simplified filings to five days for file and use filings.



PROPORTION TAKING ADDITIONAL COVERAGE

Concern vs No Concern [8]



The full-coverage premium can change for a variety of reasons. Typically, we assume there is not a significant change in the provinces underlying risk profile year-over-year. 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 of drivers 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-out of purchasing 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.

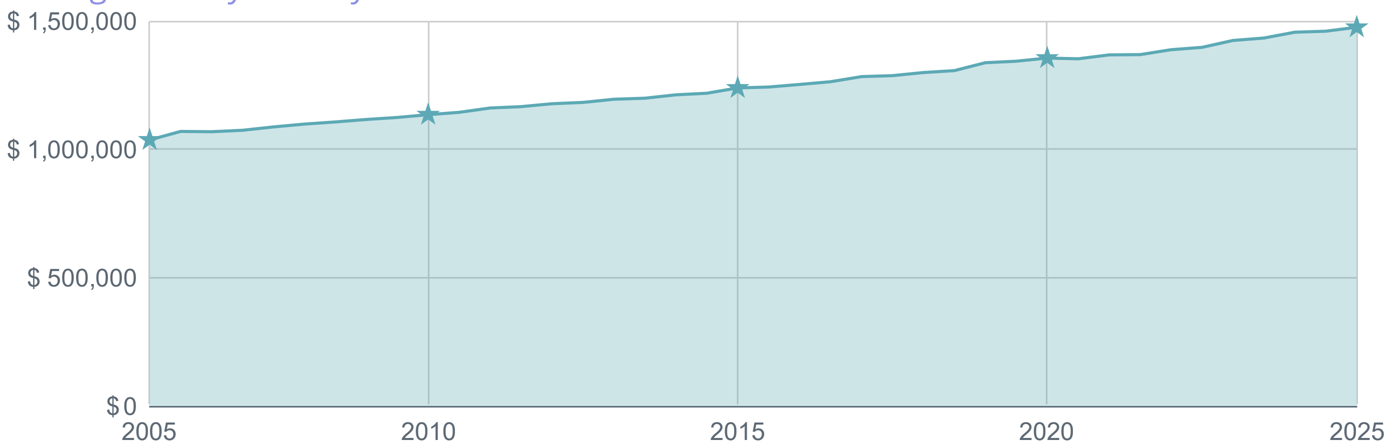
This year, we focus on the proportion of drivers purchasing collision coverage specifically. As we previously discussed, the AIRB was recently granted authority to govern underwriting rules used by insurers. The catalyst for this change was action taken by insurers to restrict access to optional coverages, particularly collision.

The chart in this section plots the proportion of drivers covered by collision monthly, based on whether or not we are "concerned" * about this demographic . As we can see, since late 2024, there has been a steep decline in the proportion purchasing collision we are concerned about, without a similar decline for those we are not. While the overall magnitude may be small, moving from around 71% to 68%, specific companies have seen more substantial decreases, and this has created an uneven playing field where insurers who do not want to restrict coverages are seeing increases in business.

As we issued Bulletin 08-2025, we expect these restrictions to ease as insurers must relax them before receiving approval on any future rate.

LIABILITY LIMIT

Average Liability Limit by Accident Year [7]



* "Concerned" means drivers with one at-fault in the prior six years, a major conviction in the prior three years, or a criminal conviction in the past four years.

Liability limits are applied to bodily injury and are the amount your insurer will pay out on your behalf in the event of litigation. 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 the first half of 2005, the average liability limit was $1.0 million, and this has risen to $1.5 million in the first half of 2025. Between the first half of 2020 and the first half of 2025, the average limit has increased by 8.8%. 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.

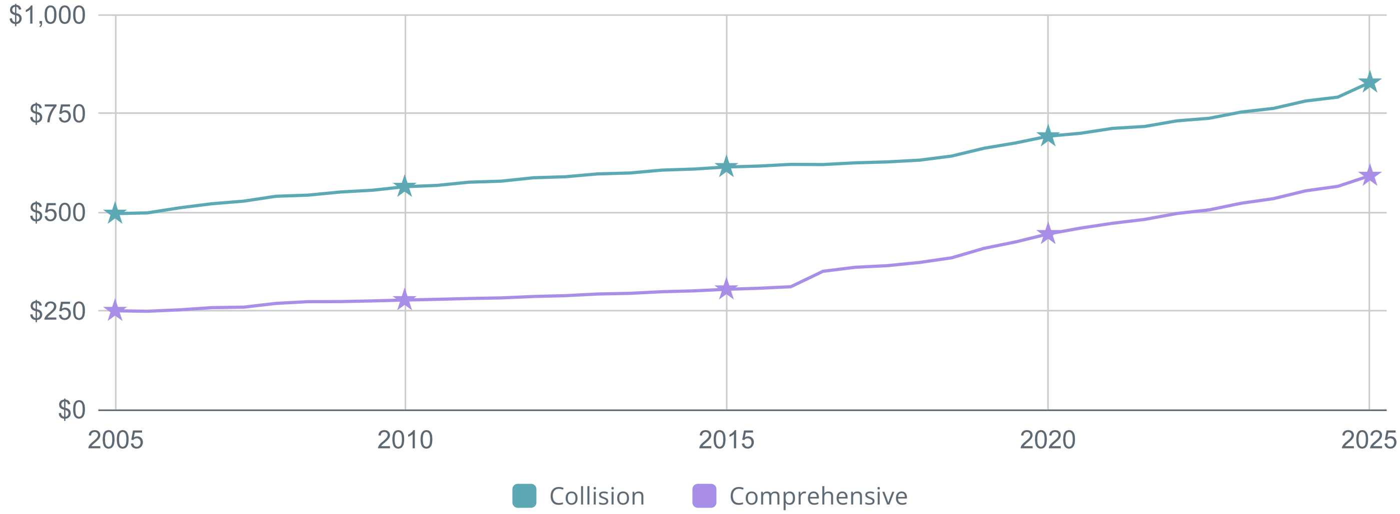
CHANGE IN DEDUCTIBLE TAKEN

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

In the first half of 2005, the average comprehensive deductible was $250, compared to $593 today, an increase of 137%. The deductible for collision has increased from $497 to $829 over the same period, which is a growth of 66.9%.

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.

Deductible Additional Coverage [7]



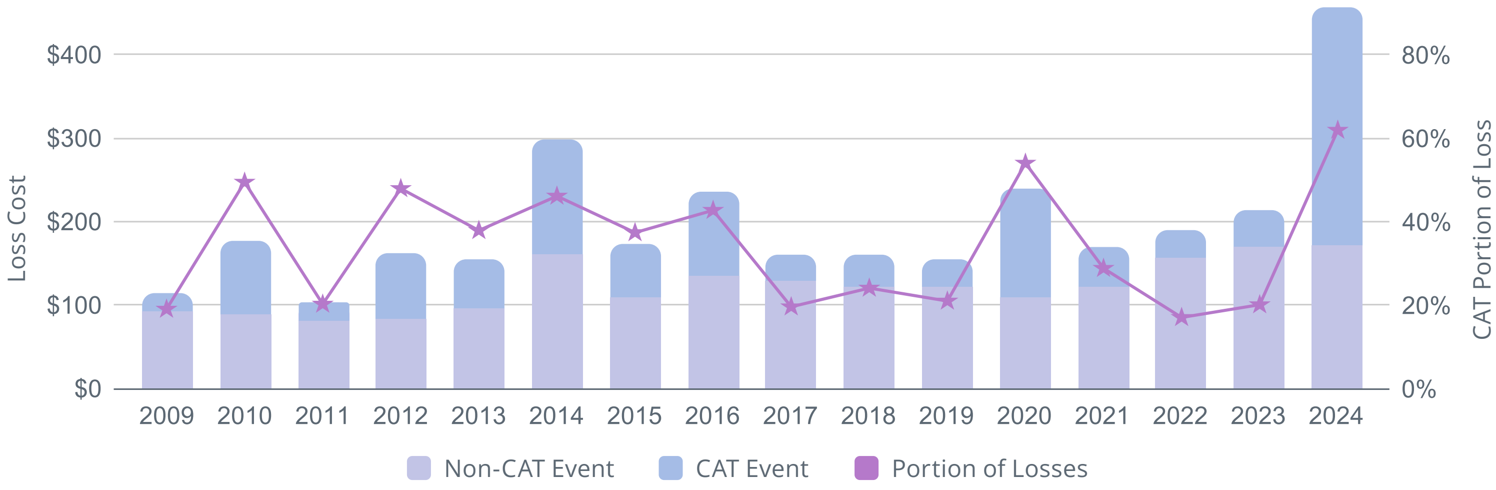
SEVERE WEATHER

Since 2008, GISA has published the losses due to catastrophic weather events, which are single weather events causing at least $30 million in damages. Alberta has had five of the ten largest weather-related catastrophes in history.

This year, we present the loss cost associated with catastrophic weather events versus the loss cost associated with all other claims. Catastrophic losses hit a peak in 2024 due to the Calgary hailstorm at $724 million dollars, compared to $439 million paid out for all other comprehensive, all perils, and specified peril losses.

As a ratio, this showed 62.2% of all losses under these coverages were due to catastrophic weather events, compared to the long-term average of 33.7%*. The evidence clearly shows catastrophic weather events are increasing over time, and they continue to be a point of concern.

Catastrophic (CAT) Loss Cost (Comprehensive + All Perils + Specific Perils) [5]



It is important to remember the costs of weather events are not only shouldered only by those in weather-prone areas. While residents in these areas do pay a higher rate, a non-negligible portion of these costs are shouldered by all policyholders. Insurance, as a function, is about pooling together premiums to cover losses for everyone. While it's understandable to be frustrated about higher rates due to weather in a different area, this pooling of losses ensures you are financially covered when a loss occurs for you. For just a few percentage points of your premium, you are protected from losses which could set you back tens of thousands of dollars and present a barrier to things like employment as you lose your vehicle.

However, we do encourage drivers in weather-prone areas, particularly North East Calgary where numerous weather events have taken place, to take steps to protect their vehicle in weather events, saving themselves and all insured Albertans' money. If possible, park your vehicle inside a covered garage. If it's not possible, consider purchasing hail protectors for your car, alongside subscribing to weather alert services. These actions ensure comprehensive coverage remains affordable and accessible in weather prone areas of the province.

* Volume weighted since 2009, excluding 2024.

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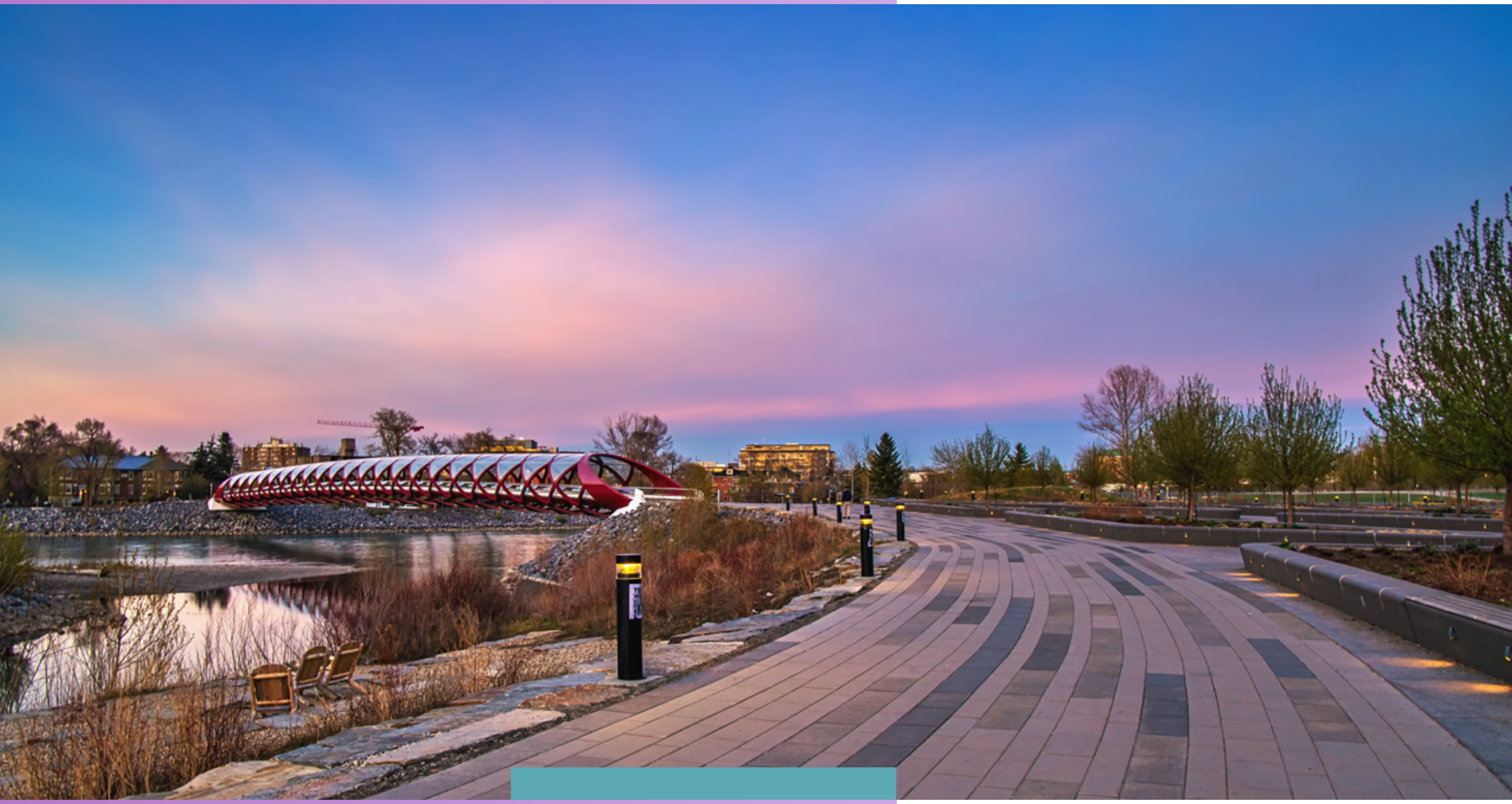

AIRB AUTOMOBILE INSURANCE RATE BOARD