



# Allstate®

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PEM BRIDGE®  
INSURANCE COMPANY

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**Alberta Automobile Insurance Rate Board  
2010 Rate Adjustment Hearing**



# Allstate Canada Group

- ACG is a multi-channel producer and distributor of home and auto insurance products, accessible through our community-based agents, our broker representatives, directly on-line, and our Customer Contact Centre at 1-800-ALLSTATE
- **Allstate Insurance Company** of Canada has 80 agents across Alberta – and had \$76.7 million in Gross Written Premium in 2009
- **Pembridge Insurance Company**, has 27 broker partners across Alberta and had \$9.6 million in Gross Written Premium in 2009
- **Pafco Insurance Company** is an alternative market for high-risk drivers has not yet been launched in the Alberta market



# Current Landscape

- Conclusion of constitutional cap challenge
- Tort reform
- Economic conditions
- Premium regulation



# Alberta Auto Insurance -2010

- ACG is in favour of a balanced approach that gives insurers some flexibility without overly onerous regulation
- ACG supports a new regulatory model built on a file and approve system
- In the meantime, slow and steady, with some room for flexibility is the best path for all

# Loss Trends



# Loss Trends

**Allstate Insurance Company of Canada  
Average Frequency and Severity  
12 Month Rolling Accident Year**

	<b>Claim Frequency</b>	<b>Avg Claim Severity</b>
<b>Third Party Liability</b>		
2006-3	3.84	10,778
2007-3	4.23	10,632
2008-3	4.14	10,196
2009-3	4.21	9,058
2010-3	4.43	10,069
<b>Bodily Injury</b>		
2006-3	0.91	26,191
2007-3	0.86	29,446
2008-3	0.78	27,880
2009-3	0.74	26,598
2010-3	0.76	29,565
<b>Property Damage</b>		
2006-3	2.93	5,986
2007-3	3.37	5,823
2008-3	3.36	6,068
2009-3	3.47	5,302
2010-3	3.68	6,060
<b>Accident Benefits</b>		
2006-3	1.57	2,130
2007-3	1.49	2,144
2008-3	1.38	2,783
2009-3	1.29	2,746
2010-3	1.24	2,665

## Accident Year to Report Year BI Ratios As At March

	Accident Year				
Report Year	AY	AY-1	AY-2	AY-3	All other
2006	83%				
2007	88%	11%			
2008	71%	27%	1%		
2009	63%	33%	2%	1%	0%
2010	78%	19%	1%	0%	0%

# Impact of the Cap



# Impact of the Cap

- Each company responded to the cap challenge differently
- “One size fits all” approach impractical
- ACG utilized a separate lump sum reserve
- Over the past two years, our pricing decisions were based upon:
  - Potential cost of the cap being permanently struck down
  - Our best estimate of the likely outcome
  - Desire of our shareholders to be exposed to increased risk

# The Economy



# Economic influence on accident & claims frequencies

- Higher wealth increases frequency, decreases severity
- Increased frequency the result of more people driving more kilometers
- Decreased severity due to the demand for newer, safer vehicles with improved safety features.
- Automobile insurance systems that subsidize higher risk groups:
  - Makes driving more affordable for those consumers
  - Leads to an increase in the number of crashes for those groups

# Conclusion

- ACG will continue to provide Albertans with affordable high-quality products and services
- An open and competitive insurance market provides consumers with a variety of coverage options at an appropriate price
- Consumers and insurers deserve a system that is both stable and sustainable after a period of great uncertainty



# Recommendations

- **ACG supports the ongoing work to amend the premium regulations in order to limit the annual rate adjustment to grid rates.**
- **ACG recommends that the Auto Insurance Rate Board allow the industry within the confines of the current process, an optional rate increase of 5%**





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