



# Presentation to the Alberta Auto Insurance Rate Board

By TD Insurance  
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# Presenters

- Patrice Raby, Vice President, Rating and classification and Fellow of the Canadian Institute of Actuaries
  - 18 years of pricing experience in Canada and the U.S.
  - Joined TD Insurance in 2003
- Dave Johnson, Vice President, Claims for Western Canada
  - 33 years in the insurance industry
  - Joined TD Insurance in 2000

# Content of the Presentation

- About TD Insurance & TDBFG
- Loss Trends
- Comments on Oliver Wyman Report
- Estimate of Ultimate Body Injury Past Claim Costs
- Overview of the Current position and Outlook for Auto Insurance in Alberta
- Conclusion

# About TD Insurance

- TD Insurance (“TDI”) is a member of TD Bank Financial Group (“TDBFG”)
- Largest direct response insurer in Canada
- Second largest auto and home insurer in Canada
- National leader in group insurance

# TDI & TDBFG in Alberta

- TDI offices in Calgary and Edmonton employ more than 600 personnel
- TDBFG employs more than 4,000 people and maintain 116 branches in Alberta
- TDI is the second largest auto insurer in Alberta with over 250,000 automobile policyholders and \$375 million in written premiums for 2009
- TDI and TDBFG are involved in the community and have donated more than \$1.7 million to not-for-profit organizations in Alberta

# Loss Trends

- Objective is to provide the Board with the latest trends available from our internal data
- Period is from November 1, 2009 to April 30, 2010
- Factual data using the most recent information

# Frequency & Severity

## Summary of Frequency and Severity Changes (November 2009 to April 2010)

Coverage	Frequency Change	Severity Change
TPL – Bodily Injury	+6%	+12%
TPL – Property Damage	-8%	+1%
Accident Benefit	+2%	+7%
Collision	-2%	-2%

# Loss Trends for TPL – Bodily Injury

- Frequency: +6% , Severity: +12%
  - Trends should be interpreted with caution because related to only 6 months of data
  - This more recent frequency trend does not support the exclusion of the “relatively high” development of the December 2008 semester (MOW report p.17)

# Loss Trends for TPL – Property Damage

- Frequency: -8% , Severity: +1%
- Frequency:
  - As mentioned in previous years, collision trend should be considered since not impacted by MIC challenge
- Severity:
  - Like collision, severity has remained relatively constant so far in 2010

# Loss Trends for Accident Benefits

- Frequency: +2% , Severity: +7%
- Frequency:
  - Small frequency increase in Accident Benefits
- Severity:
  - Accident Benefits costs are up due to increased Direct Treatment Protocol Regulation fee increases, as well as longer disability payments

# Comments on Oliver Wyman Report

- Recognized that a range of assumptions are adequate especially for Bodily Injury
- Investment income is appropriately recognized
- Profit margin should be adjusted in the future in link with the investment income assumptions

# Estimate of Ultimate Body Injury Past Claim Costs

- Since 2008, certain number of files have been closed with payments above the minor injury cap
- Information has been tracked and provided to the Board
- Assumptions used by MOW for payments above the MIC as described in the report are appropriate based on our data

# Overview of the Current position and Outlook for Auto Insurance in Alberta

- The success of the reform implemented by the Government has benefited the public through lower insurance premiums
- The decision of the Supreme Court of Canada regarding the minor injury cap has created stability and provided better conditions for more competition into the Alberta market
- The MIC may expire on September 30, 2011. This means that more than 50% of the claims related to the premiums subject to this year Industry-Wide Rate Review may not be subject to the MIC.
- The non-renewal of the minor injury cap would lead to a significant increase in the claim costs in the future that cannot be ignored in the current decision process

# Conclusion

- The reforms introduced since 2004 have been successful at reducing and stabilizing claim costs and premiums
- However, the potential non-renewal of the Minor Injury Regulation is a serious concern
- The Board should consider this potential non-renewal of the cap and adopt a cautious approach in determining the premium level for basic coverage in the coming year

Thank You!