

# Presentation to the Alberta Auto Insurance Rate Board

AMA Insurance Company

June 14, 2011



# AMA Insurance Company

- Wholly owned subsidiary of the Alberta Motor Association
- We are a membership based organization and, as such, our goal is to seek fair and reasonable insurance rates for all Albertans supported by a competitive insurance market

# AMA Insurance Company

- Largest Alberta-based insurance company
- 7<sup>th</sup> largest auto insurance writer in Alberta
- Insuring Alberta automobiles for 35 years
- All auto insurance business is in Alberta

# Introduction

- All drivers received rate reductions of 5,6,4, & 3 % then an increase of 5% Then a decrease of 5% and then another 5% decrease
- Rates currently 22% lower than in 2004. Drivers with rates capped by the grid received an even larger reduction
- Rate increase of 28.2% would bring rates back to 2004 levels, without any inflation

# Rate Setting Challenges

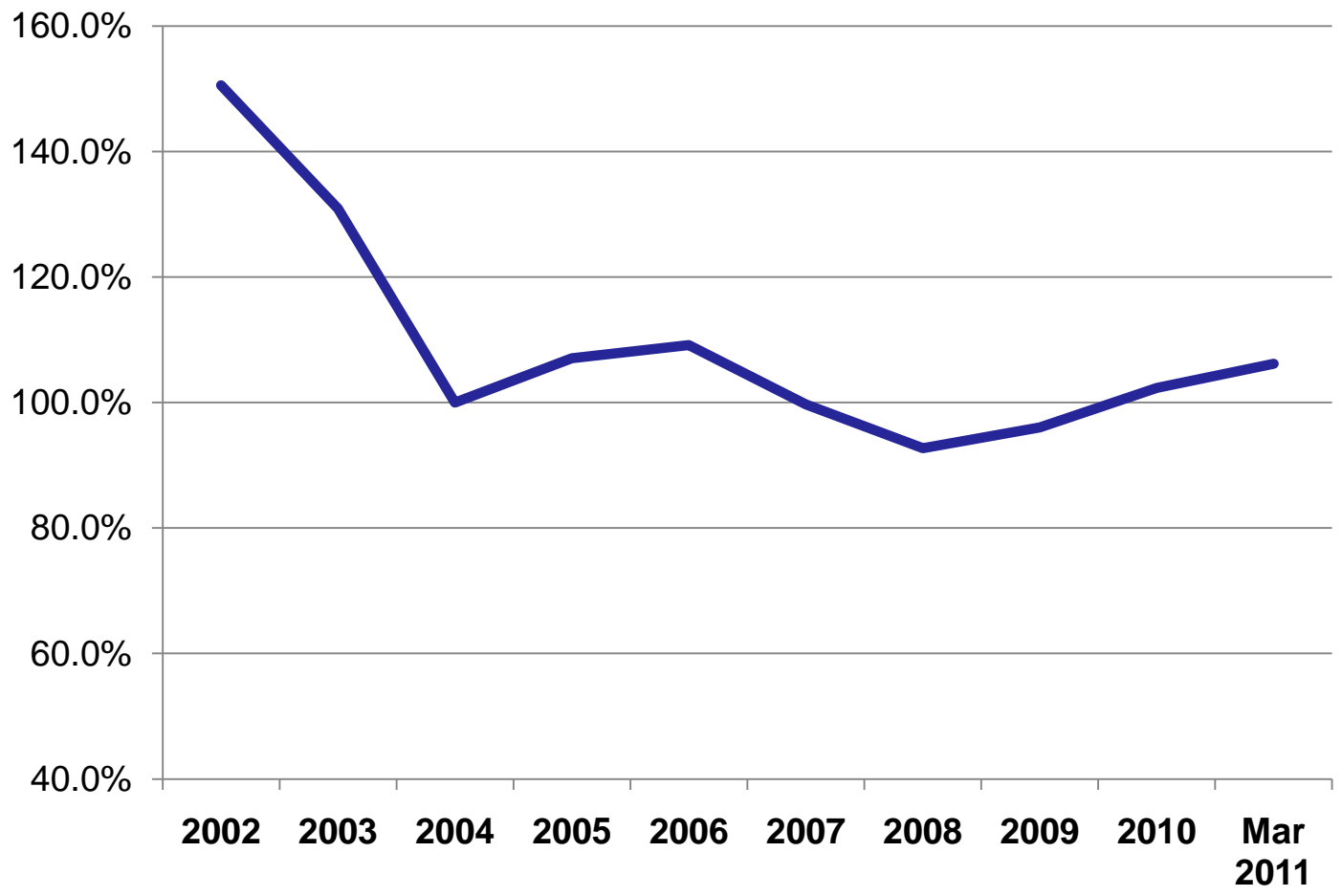
- - Different starting point
- - Looks to the future 6 – 30 months out
- - Uncertainty inherent in process

# Key Discussion Topics

Focus of our presentation is on what is happening to loss costs

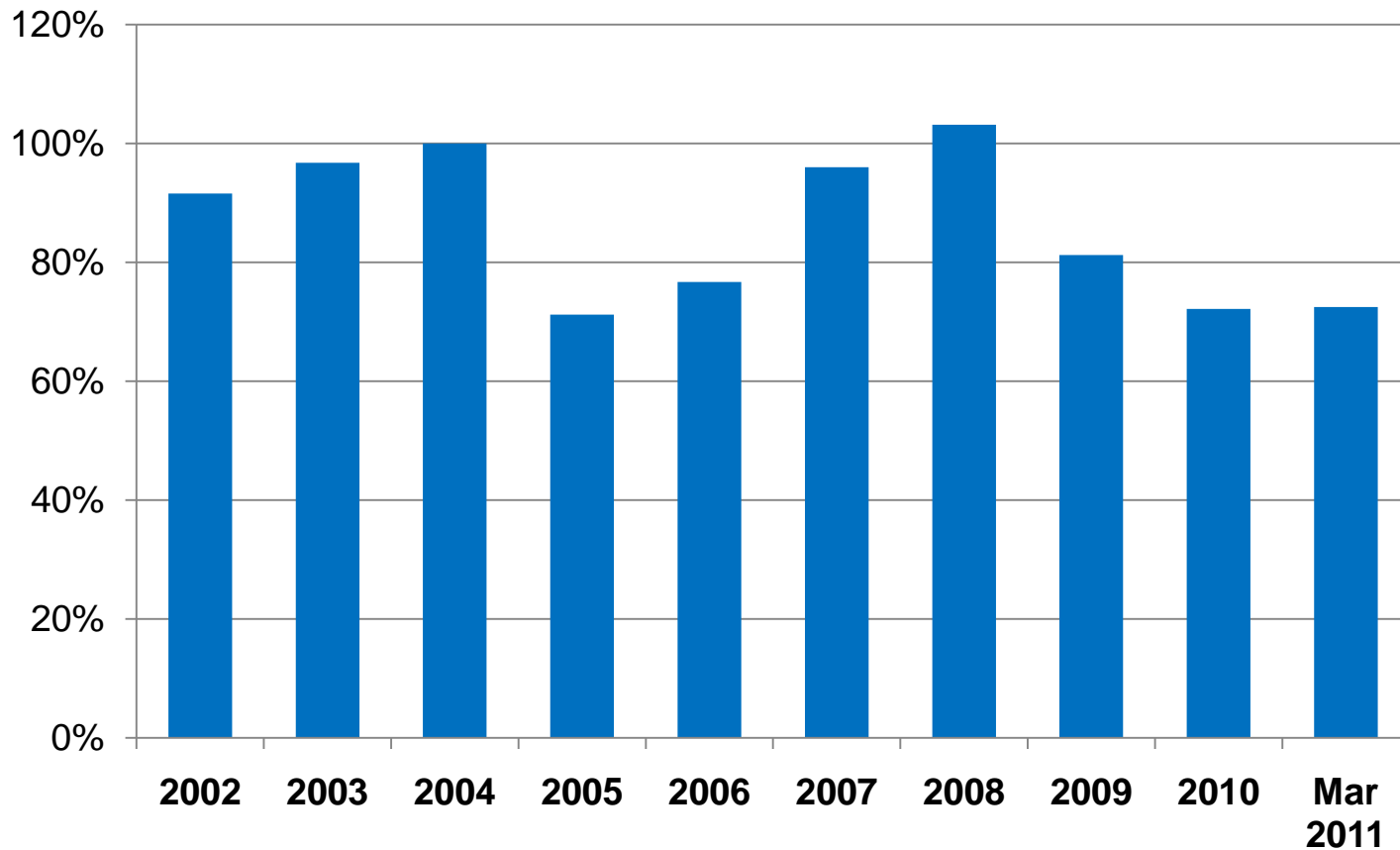
Bodily Injury (BI) and  
Property Damage (PD)

# B.I. Frequency Projected Ultimate 2004 = 100



## B.I. Severity - Projected Ultimate

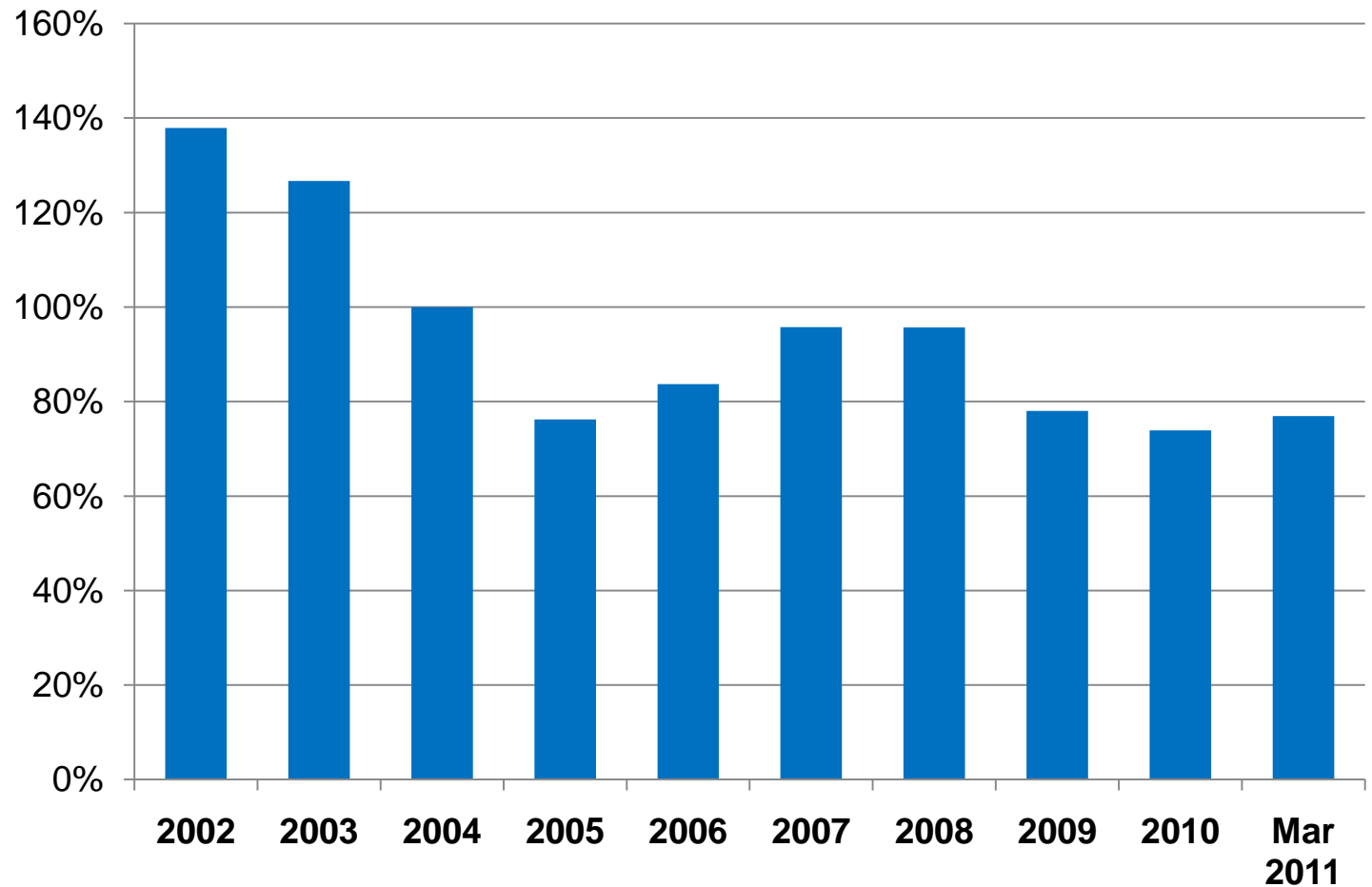
2004 = 100



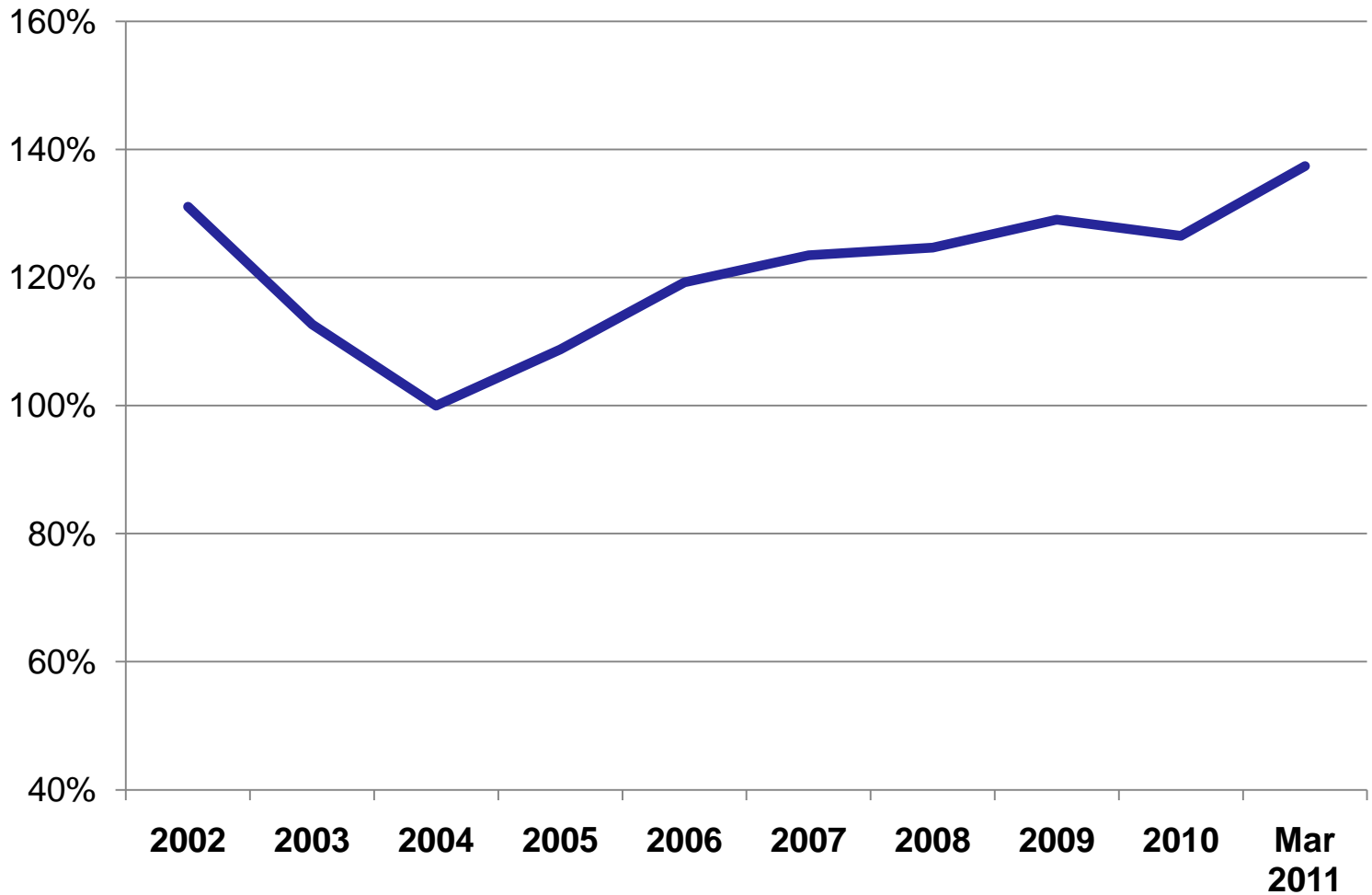
# Bodily Injury Severity

- Driven by large losses
- Noticeable drop between 2002/03 and 2004 due to pre auto reform changes to income replacement,
- Currently reasonably stable

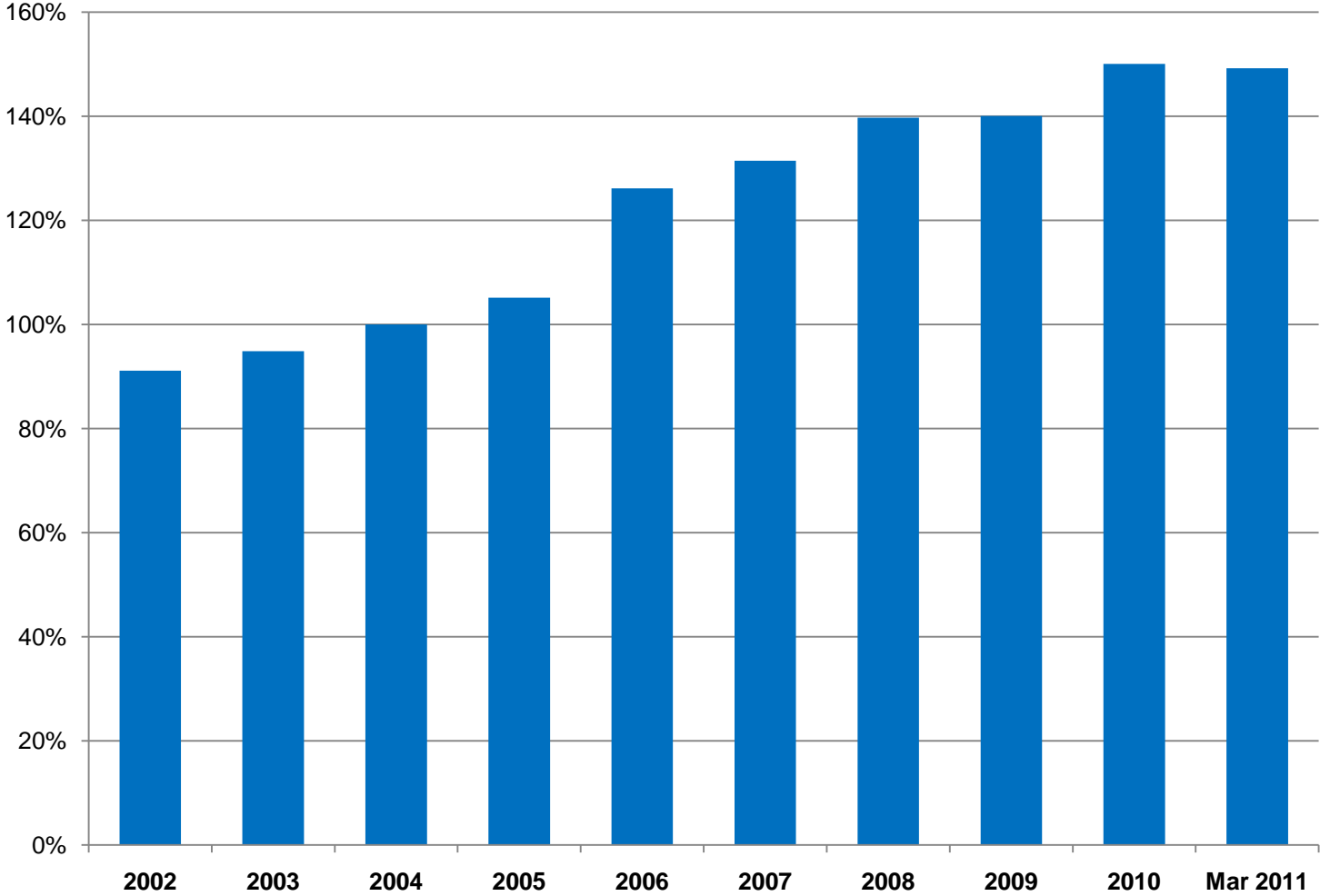
## B.I. Loss Cost - Projected Ultimate 2004 = 100



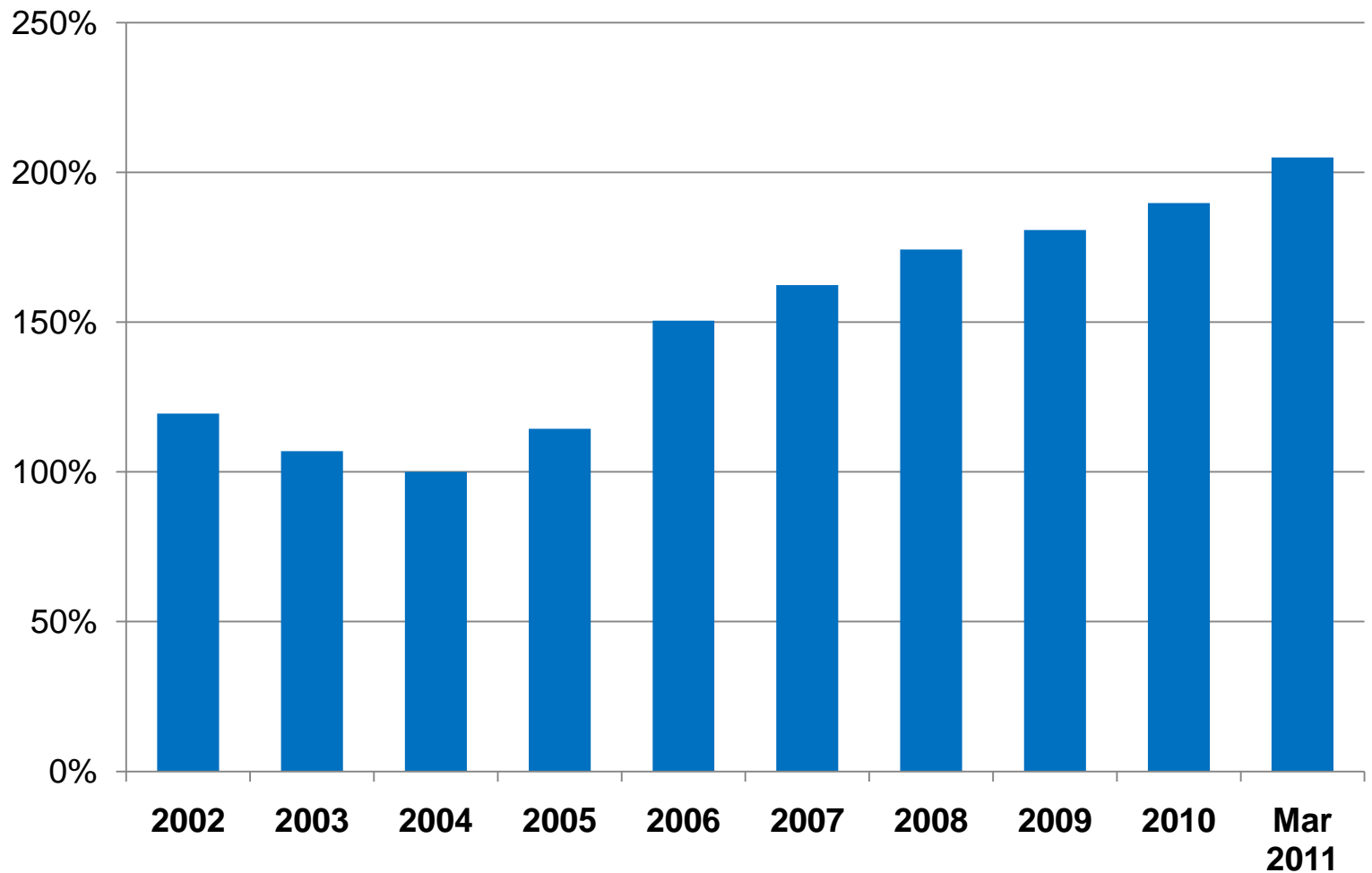
## P.D. Frequency - Projected Ultimate 2004 = 100



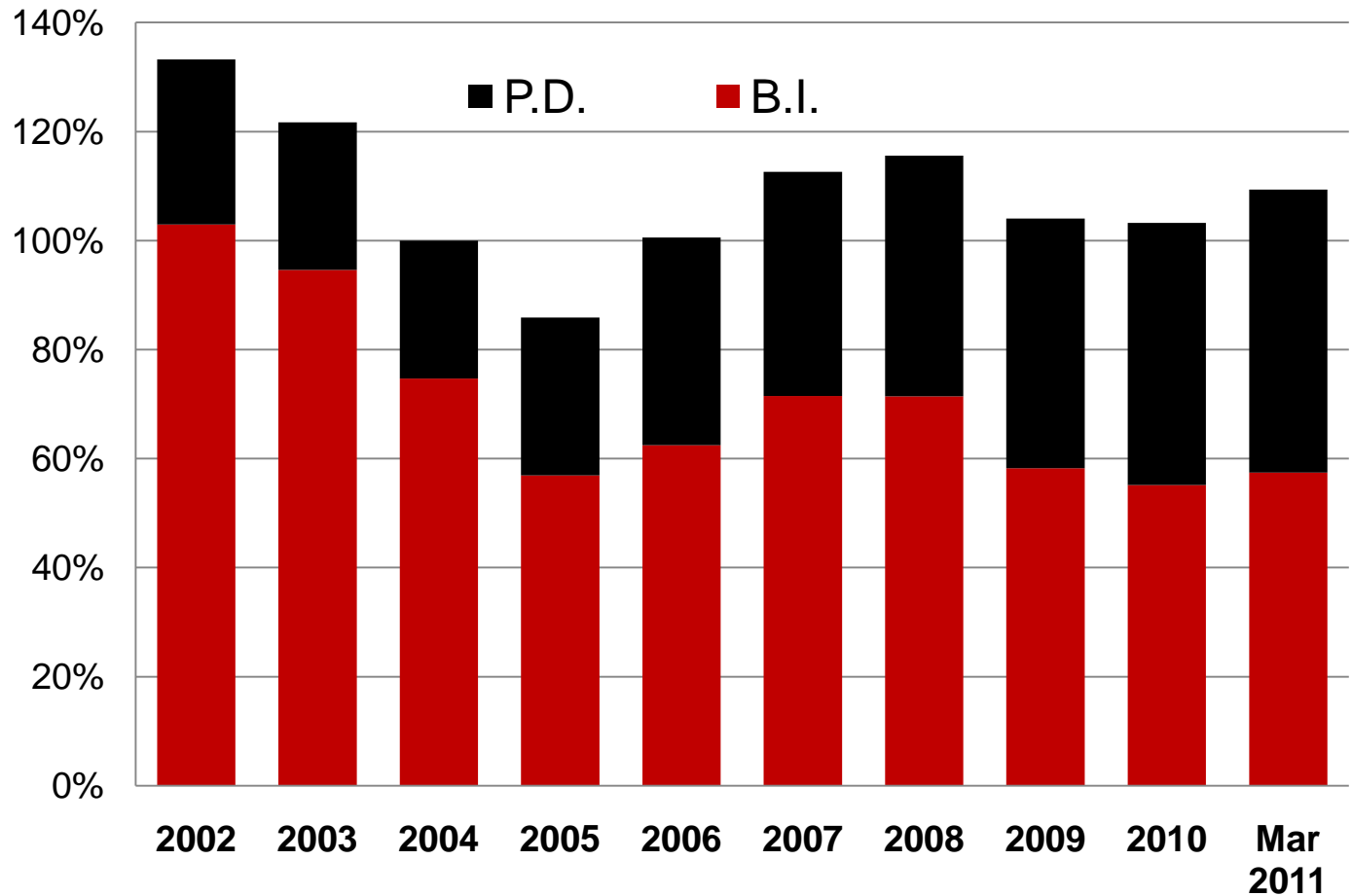
# P.D. Severity Projected Ultimate - 2004 = 100



## P.D. Loss Costs - Projected Ultimate 2004 = 100



## Combined Ultimate Loss Cost - 2004 = 100



# 2010 vs. 2011

- Very early 2011 numbers expanded from quarter 1 and trends from prior years indicate that the 2011 loss costs for liability will be about 6% higher than 2010 but our rates are 5% lower.

# Summary – Since Auto Reform

- Bodily Injury Severity Flat  
Frequency up
- Property Damage – Increased frequency, slower than prior increases to severity
- Property damage represents increasing proportion of loss costs

# Competitive Market

- Over 60 companies operating in the Alberta Market.
- Using AIRB rate profiles – Profile 1
- Rates range from \$1,850 – \$4,544  
Average of \$2,645
- AMA – coincidentally the lowest
- It is difficult to ascertain the equitable treatment if all companies with different rates changes premiums by the same amount

# Competitive Market

- The current process where rates are adjusted by the same amount for all companies severely penalizes companies which have kept rates low.

Questions?