



Alberta Industry-Wide Adjustment 2011

AIRB Consultations
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- **Alberta IWA 2011**
 - A Competitive Industry
 - Benefits of Price Competition
- **Cost Analysis and Future Projections**
 - Cost Trends
 - Oliver Wyman Analysis
 - Forthcoming Proposed Regulatory Amendments
- **Conclusion**



Alberta IWA 2011

A Competitive Industry

74

Companies

Business Strategies

Cost Structures

Investment Strategies

Risk Management Programs

Benefits of Price Competition

The Massachusetts Experience

Regulatory Change

Replaced its central rate-setting process in 2008 with a competition-based rate-approval process.

Consumer Benefits

13 new insurers have entered the market.

13% drop in the uninsured driver rate.

20% drop in the number of drivers in the residual market.

\$270 million in consumer savings in the year following the change.

Massive premium reductions for consumers with clean driving records.

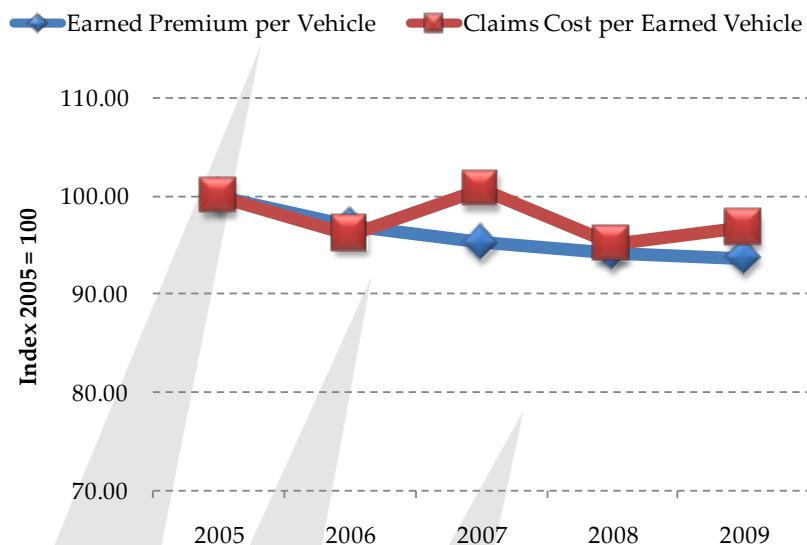
Current Result

The most affordable state for auto insurance.

Source: Massachusetts Division of Insurance (Consumer Benefits) and InsWeb's 2011 Affordable Car Insurance Index (Current Result).

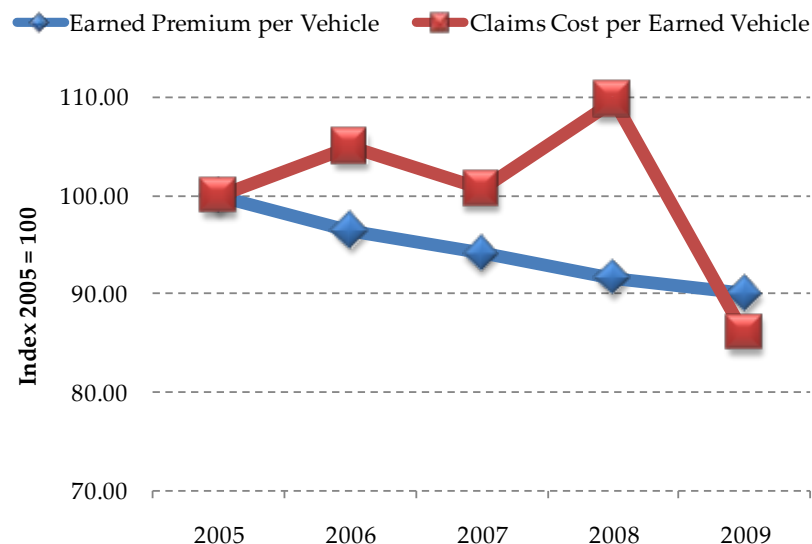
Competition as a Regulator of Prices – Optional Coverages

Collision or Upset



Represents 52.9% of optional earned premiums.
 Earned premium per vehicle decreased by 6.3% from 2005 to 2009.

Comprehensive



Represents 39.0% of optional earned premiums.
 Earned premium per vehicle decreased by 10.0% from 2005 to 2009.

Source: IBC with data from Groupement des assureurs automobiles (GAA).



Cost Analysis and Future Projections

GISA Data and Economic Analysis

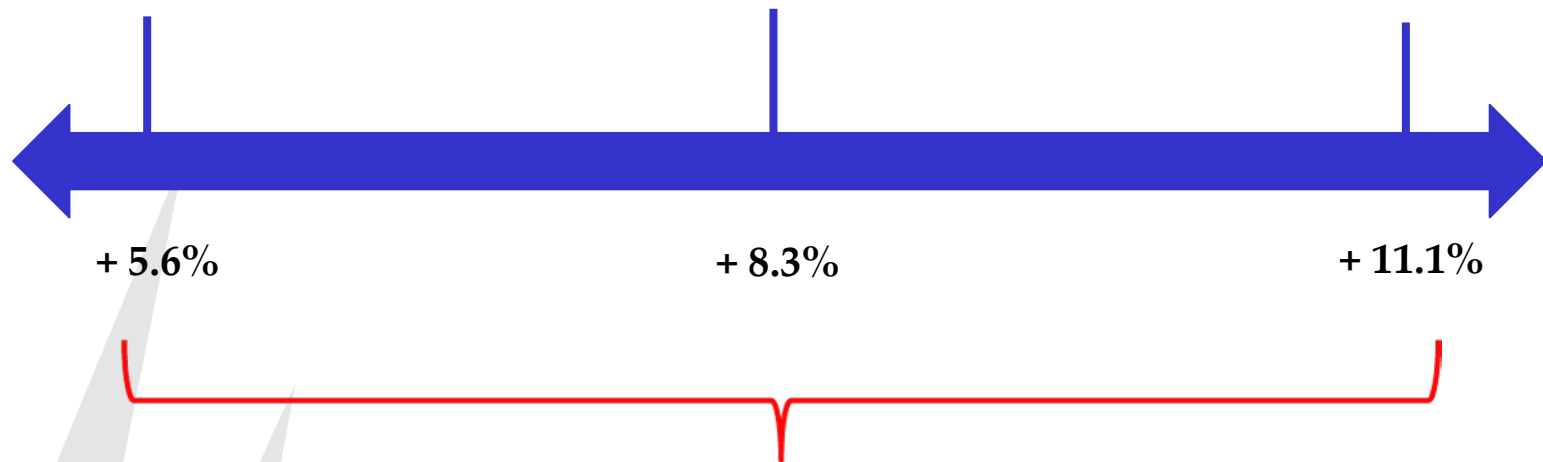
Factor	Cost Implications
BI Claims Frequency	Long downward trend appears to have stopped and turned upwards starting in 2009-2.
AB Claims Costs	Steady increase that started in 2007 has continued strongly through 2010.
Economic Indicators	Strong economic rebound is likely to increase industry's exposure to more claims.

Oliver Wyman Analysis

Low BI Estimate

Mid BI Estimate

High BI Estimate



Oliver Wyman sees a range of reasonable actuarially justified cost estimates.

Our analysis is for the insurance industry as a whole..., and may not be appropriate for an individual company whose portfolio of risks, rates, expenses, and operating characteristics may differ from the insurance industry averages that underlie our findings.

Oliver Wyman, Actuarial Analysis for the Industry-Wide Adjustment, 2011

Forthcoming Proposed Regulatory Amendments

Regulation	Impact on Claims Environment
<i>Fair Practices Amendment Act</i>	<p>Requires an insurer that receives a notice of retainer from a claimant's legal representative to disclose the existence of a motor vehicle policy issued by the defendant's insurer and the policy limits.</p> <p>Raises benefits from \$50,000 to \$200,000 for claimants with catastrophic injuries.</p>
<i>Automobile Accident Insurance Benefits Regulation</i>	<p>Introduces new types of med/rehab benefits payable by auto insurance policies.</p> <p>Makes auto insurers first payors, after the provincial health system, for catastrophic injury claims.</p>
<i>Diagnostic and Treatment Protocols Regulation</i>	<p>Expands the role of Injury Management Consultants.</p> <p>Removes and transfers the list of minor injury-type symptoms from the regulation to the Interpretive Guideline.</p>



Conclusion

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GISA Data Analysis

BI claims frequency has stopped declining and turned upwards while **AB claims costs** continue to rise.

Economic Analysis

Positive correlation between economic growth, higher employment, and **increased incidence of auto insurance claims**.

Regulatory Amendments

The impact on the claims environment from the forthcoming regulatory changes is **unknown**.

OW Analysis

Put forward an adjustment range but **could not determine an all-industry factor**.