



Presentation to the Alberta Auto Insurance Rate Board

By TD Insurance
June 2011



Presenters

- Jean-François Tremblay, F.C.A.S., F.C.I.A., Manager, Rating and Classification
 - 12 years of pricing experience in Canada
 - Joined TD Insurance in 2010
- Dave Johnson, Vice President, Claims for Western Canada
 - 34 years in the insurance industry
 - Joined TD Insurance in 2000
- Louis H. Guay, Vice President, Affinity Market Group for Western Canada
 - 20 years in the insurance industry
 - Joined TD Insurance's Legal department in 2003 after 7 years with the Insurance Bureau of Canada in Montréal
 - Represented TD Insurance and the insurance industry in various forums in almost every province

Content of the Presentation

- About TD Insurance & TDBG
- Loss Trends
- Impact of Economic Climate on Claims Costs
- Comments on Mercer Oliver Wyman (“MOW”) Report
- Conclusion

About TD Insurance

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

TDI & TDBG in Alberta

- TDI offices in Calgary and Edmonton employ more than 600 personnel
- TDBG employs more than 4,000 people and maintain 128 branches in Alberta
- TDI is the third largest auto insurer in Alberta with over 340,000 automobile policyholders and \$385 million in written premiums for 2010
- TDI and TDBG are involved in the community and have donated more than \$1.7 million to not-for-profit organizations in Alberta

Trends

- Objective is to provide the Board with the latest trends available from our internal data
- Period is from November 1, 2010 to April 30, 2011
- Factual data using the most recent information

Frequency & Severity

Summary of Frequency and Severity Changes (November 2010 to April 2011)

Coverage	Frequency Change	Severity Change
Accident Benefits	+15%	+13%
TPL – Bodily Injury	+18%	+9%
TPL – Property Damage*	+21%	+0%

*Includes collision for severity

Frequency Changes

- The severe winter in Alberta increased claims frequency to a higher than expected level
- Alberta faced prolonged, severe winter with the highest snowfall amount in the last five years
- The mild winter of 2010 exacerbated the 2011 increase in frequency to 15% and 21% on our AB and TPL coverage in 2011
- These changes in frequency should be considered in the selection of trends for all coverage in the coming year

Severity Changes

- Accident Benefits: Increase of 13%

- Third Party Liability – Bodily Injury
 - The increased ability to settle minor injury claims following the Supreme Court decision had a positive impact on our severity trend, yet severity has increased

- Third Party Liability – Property Damage
 - Severity remained stable. No significant changes in hourly rates charged by body shops and cost of auto parts

Impact of Economic Climate on Claims Costs

- The current strength of the Alberta economy suggests that labour and material costs will rise faster than the national average
- Possibility of inflationary pressure in the average body shop labour rates and increase in the delay to get cars fixed
- The increase in the employment levels can lead to an increase of payroll expenses and hiring costs

Comments on Oliver Wyman Report

- We recognize that a range of assumptions are adequate
- However, we have some concerns regarding the proposed future trends on the loss cost:

Coverage	Trends
TPL - BI	From -4.0% to +2.0%
TPL - PD	1.5%
AB – Med+Rehab	6.0%
AB - Disability	-2.5%
AB - Death	-2.5%
AB - Funeral	-1.1%

Comments on Oliver Wyman Report

- For TPL – BI and TPL – PD , because of the difficult winter of 2011, we submit that the trends should be higher than the proposed trends
- For AB Trend: We understand that the Report proposes a higher trend for Severity (which we agree with) and a decreasing trend for Frequency
- Because of the difficult winter, the trend for Frequency should not decrease.
- This inadequate Frequency Trend impacts the overall AB Trend, which should be higher than what suggested in the Report

Conclusion

- The reforms introduced since 2004 have been successful at reducing and stabilizing claim costs and premiums
- The Board should take into consideration the significant increase in the frequency observed for Bodily Injury
- The Board should also consider the potential strength of the Alberta economy and adopt a cautious approach in determining the premium level for basic coverage in the coming year

Thank You!