



July 21, 2017

Automobile Insurance Rate Board
2440 Canadian Western Bank Place
10303 Jasper Avenue,
Edmonton, Alberta, T5J 3N6

Dear Board Members,

Thank you for the opportunity to provide comments regarding the annual review of private passenger automobile insurance loss experience in Alberta.

Desjardins General Insurance Group (DGIG) is a subsidiary of Desjardins Group, the leading cooperative group in Canada owned by its 7 million members and clients. DGIG is Canada's third-largest property and casualty insurance provider, with almost \$3.9 billion in premium volume and over 4 million policies in force. We are Alberta's fourth-largest property and casualty insurer overall with over \$273 million in auto premium volume in the province in 2016. We have approximately 168 employees in Alberta, and a network of 42 exclusive, local agents, who employ over 170 people in their offices.

We have reviewed the report prepared by Oliver Wyman regarding automobile insurance experience in Alberta and the letter submitted by the Insurance Bureau of Canada (IBC) based on Dr. Miller's review of Oliver Wyman's report.

We have also reviewed the IBC submission to the Board and are in agreement with the analysis and conclusions presented. We have provided our comments below.

Loss Trends

We see similar loss trends as those noted in the Oliver Wyman report and by Dr. Miller for bodily injury.

We agree with Dr. Miller that the unusual decline in TPL-BI Claim frequency for accident year 2016 is likely due to an outlier and not indicative of a new trend.

The cost of bodily injury claims continue to be the key uncertainty in the Alberta market. It is an important issue for Albertans given the impact on the cost of the product. We have encouraged the government to restore the original intent of the Alberta Minor Injury Regulation (MIR) by updating the definition to close legal loopholes and prevent the need for continued insurance premium increases.

For Accident Benefits and Physical Damage coverage, our lost cost trend analysis is broadly in line with Dr. Miller's analysis.

For Collision and Comprehensive (excluding catastrophe losses) coverage, our loss cost trend analysis shows higher than those proposed by Oliver Wyman and Dr. Miller.

With respect to the Comprehensive coverage experience related to catastrophe, we feel strongly that the Board should consider the most recent 5 years as the most reflective of the true exposure for these losses. Our own analysis for this time frame shows that frequency and severity were significantly higher in the last 5 years than the prior 5 years. With changing climate patterns, we expect this trend to continue.

General

A significant adjustment to the grid base premiums is particularly justified given the size of the approved rate increases in recent years.

Insurers should be able to project future Health Care Levy costs as part of their rate filing submissions. The expense ratio based on total earned premium is more appropriate than an expense ratio based on direct written premium.

We thank you once again for the opportunity to provide our commentary. We look forward to working with the Board to ensure that Alberta consumers are served by an insurance product that meets their coverage needs at an affordable price.

Yours sincerely,



Laura Doddington
Vice President, Automobile and Business Solutions