



**Insurance**

**SUBMISSION TO THE  
ALBERTA AUTOMOBILE INSURANCE  
RATE BOARD**

**PUBLIC HEARING  
AUGUST 2017**

## **PREAMBLE**

With roots dating back to 1949, TD Insurance (“TDI”) is a member of TD Bank Group (“TDBG”), the second largest financial service organization in Canada. TDI offers a wide range of insurance products, including credit protection, life, health, travel, home and automobile.

TDI is the largest direct response insurer, in Canada, with more than 2.2 million policies, and more than \$3 billion in written premiums as of June 2017. TDI employs more than 3,900 people across Canada, with offices in Alberta, Ontario, Québec, Nova Scotia and New Brunswick.

Our home and auto insurance products are underwritten by wholly owned insurance companies: Security National Insurance Company, TD General Insurance Company, TD Home and Auto Insurance Company, and Primum Insurance Company.

The TDI business model is direct response, meaning service is provided directly to clients, without using third-party intermediaries. As a result of our position as the largest direct response insurer in Canada, no one talks to more Canadians about automobile insurance than we do. The processes and technology that we use allows us to provide quality service in a timely and efficient manner.

TDI is the second largest automobile insurer in the province with offices in Calgary and Edmonton. Our automobile market share is 15.22% which represents over \$551 million in written premiums for 2016, this is over a 50% auto market share increase since 2003.

TDI conducts its business across a variety of jurisdictions and we are pleased to draw upon our expertise and share our experience in operating with a variety of models. We are committed to working with the government to maintain a healthy auto insurance environment that is efficient, affordable, cost effective and sustainable at meeting the needs of Albertans.

## **INTRODUCTION**

TDI appreciates the opportunity to present comments and recommendations to the Alberta Automobile Insurance Rate Board (“The Board”) as it undertakes its consultation meeting to review Alberta industry loss experience for private passenger vehicles to establish industry benchmarks to be used in the review of insurers' PPV filings for basic and additional coverage.

Our submission will focus on the following issues:

1. Loss Trends
2. Catastrophe provision

## **LOSS TRENDS**

TDI observes similar loss trends as those selected by Oliver Wyman.

TD continues to see an upwards trend in the average incurred of the Bodily Injury claims. As mentioned in our last written submission, the increased severity is a result of an increase in the incidence of claims being settled outside the Minor Injury Cap and an increase in legal representation. Going forward, we expect the Bodily Injury loss trend to remain high as the causes identified above are expected to keep putting pressure on claim severity.

We agree that snow precipitation and/or unemployment rate may affect claim frequency and an individual insurer may want to consider them in their trend selections. However, given the limitations of the available weather data, the high degree of uncertainty in the projection of these factors, it is important to allow each individual insurer to measure the impact of these factors on loss trends (to reflect the impact of such factors on their own portfolio, for example).

In addition, we also continue to observe an upward trend in the comprehensive loss cost, mostly due to a sharp increase in the frequency of theft claims. This trend is continuing into 2017, which will put upward pressure on the comprehensive loss trends for the next years.

Overall, though trends are less severe for coverages other than Bodily Injury, both analyses clearly show positive loss trends for all coverages, which will cause an increase in the loss costs. Therefore, we expect insurers will file for larger rate increases this year in light of the experience observed. Allowing larger rate increases this year may prevent the need for more significant increases or other changes in the future, which would not be in favor of Albertans.

## **CATASTROPHE PROVISION**

Given that natural disasters over the past five years significantly increased as compared to the prior period of five years, we support the recommendation of the IBC submission that the catastrophe provision should be based on the weighted average of the last five accident years. We expect that the province will continue to have a high level of catastrophes throughout the following years.

## **CONCLUSION**

TD Insurance generally agrees on the assumptions, factors, and provisions in Oliver Wyman's report. Since individual insurers could have loss experience that is significantly different from that of the industry, we support AIRB in allowing insurers to use their own experience, when appropriate.