



**Aviva Canada Inc.**, 10 Aviva Way, Suite 100, Markham, Ontario L6G 0G1

July 28<sup>th</sup>, 2021

Ms. Laurie Balfour  
Executive Director, Automobile Insurance Rate Board  
#2440 Canadian Western Place  
10303 Jasper Avenue  
Edmonton, AB T5J 3N6

Dear Ms. Balfour;

**Re: AIRB Annual Review**

Aviva appreciates the opportunity to provide comments for the AIRB's Annual Review of auto insurance trends and rates. We would also like to provide the AIRB with our current assessment of our insurance business in Alberta.

**Oliver Wyman Annual Review of Industry Experience**

Aviva has reviewed the latest Oliver Wyman Annual Review of Industry Experience and offers the following comments:

**1. Loss Trend**

We broadly agree with Oliver Wyman's loss trend factors benchmarks. In their analysis, Oliver Wyman noted that the cost pressure related to injury claims had increased considerably. In particular, the future loss cost trend is projected at 5% for Bodily Injury and 11.5% for Accident Benefits. It is too early to understand the impact of the reforms but we are concerned that Oliver Wyman's assessment may be too optimistic. The BI and AB loss cost trends increasing at a significant pace, indicate the need for premiums to increase at roughly the same rate.

**2. Catastrophe Provision**

Oliver Wyman's proposed catastrophe provision of 51% is based on the 2019 GISA Catastrophe Report. Taking into consideration the 2020 weather events and even the recent 2021 events, it is likely that the selections should be higher.

Insurance company filings, which would have more recent catastrophe data, may show a higher catastrophe load than calculated in Oliver Wyman's report. Aviva recommends that the AIRB allow insurers to use their own selection, based on their own experience and recent data, rather than the outdated benchmark calculation. This will result in more accurate pricing.

## Rate Adequacy

Aviva's rates continue to be inadequate. The projected loss cost trends will further exacerbate the rate inadequacy unless a rate increase is approved. In late 2020, we filed for a rate increase, which was ultimately denied, even though the indication was positive. Our indications continue to deteriorate as a result of the following:

- Our early internal assessment of the 2020 reforms suggests that Oliver Wyman's assessment may be overly optimistic. However, even if we use Oliver Wyman's figures, we still have an indication which is greater than 10% for two of our licensed entities.
- We have increased IBNR during the past six quarters for Alberta PPV, for accident years 2016 to 2019. This is principally driven by more lawyer-represented claims.
- We saw a decrease in 2020 loss costs due to the COVID-19 pandemic but the decrease was much smaller in Alberta than in Ontario.

Our inadequate rates are leading to an influx of underpriced business. Our quotes are in the top three cheapest quotes over 70% of the time and almost 50% of the time, our quotes are the cheapest. These statistics clearly illustrate that our rates are too low when compared to our competitors. This is the result of years of downward pressure on our ability to take rate increases in a timely manner.

As a result of our historical and continued rate inadequacy in Alberta PPV, Aviva has sustained an underwriting loss of over \$185M since 2016. In 2020, we had an overall Combined Operating Ratio of 100.5%, or an underwriting loss of \$1.6M during *a pandemic year*. This is not sustainable.

## Customer Experience

When speaking to customers or brokers, we often hear the same thing - they want steady rates with small increases. They do not want sudden swings up or down. Given our recent history with the Alberta approval process, we have taken small increases despite evidence justifying larger increases. We were then allowed to "catch-up" with a very large increase. We would like to be able to take our needed increase every year, to keep up with our trends and experience, ensuring that our customers have stable rates year-after-year. Aviva strongly encourages the AIRB to continue to improve the regulatory framework, move towards a file-and-use system and a principle-based regulatory model to ensure a healthy, competitive and dynamic auto insurance market, that provides greater choice and benefit for drivers and customers.

## Conclusion

We appreciate the reforms implemented in the Alberta Insurance market, but our rate inadequacy cannot be overcome by reforms only. The ability to present our indications and obtain approval is of paramount importance to Aviva.

Yours very truly,

**Aviva Canada Inc.**

 Recoverable Signature

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Signed by: 6bad31d2-ef86-4386-aa32-dab0024980b3

Fanny Paz-Prizant, ACAS  
Vice-President  
Personal Insurance-Street Pricing  
Email: [fanny.paz-prizant@aviva.com](mailto:fanny.paz-prizant@aviva.com)  
Direct/Mobile: 437-215-7802