Desjardins Insurance

March 1, 2018

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 semi-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 170 employees in Alberta, and a network of 45 exclusive, local agents, who employ over 215 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 provided our comments below.

Loss Trends

We have also seen significant cost trend increase for BI in line with the findings in Dr. Miller's review.

The cost of bodily injury claims continue to be the key concern 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 clarifying the definition of minor injury to include TMD and any clinically associated conditions originally from a sprain, strain, whiplash injury or TMD, whether physical or psychological in nature.

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

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

<u>General</u>

Oliver Wyman’s proposed catastrophe provision of 65% is reasonable at this time. Oliver Wyman’s selected average investment rate of 2.50% is also a reasonable estimate at this time.

Given GISA’s recent average TPL written premium levels, a health levy loading factor of 7% is appropriate.

The expense ratio based on total earned premium is more appropriate than an expense ratio based on direct written premium however this adjustment should be applied consistently across all operating expenses components rather as per Dr. Miller.

In the context of these expected average cost increases, we agree with Dr. Miller that the Ministerial Order to cap rate increases at 5% is very unfair to some companies. This is not a healthy or sustainable situation. We urge the government to promptly address the underlying product cost drivers for Alberta drivers.

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