



Alberta Auto Insurance Announcement

Alberta's Rate Pause

- In January 2023, the Alberta government [paused auto insurance rate filings](#) until December 31, 2023, while it explored short- and long-term solutions to improve affordability for drivers.
- While some insurance carriers were profitable prior to the rate pause, [Alberta's Superintendent of Insurance 2022 Annual Report](#) shows that 17 insurers lost money on the sale of auto insurance.
- As cost pressures from inflation in vehicle repair costs, theft and legal costs have continued to grow, the rate pause has strained the viability of many carriers in the marketplace. Some insurers have restricted their offerings to remain viable, and [one insurance company has left the market](#) all together.
- Prior to the rate pause, monthly average auto insurance rates increased just 1.7% annually in Alberta over the last two years.

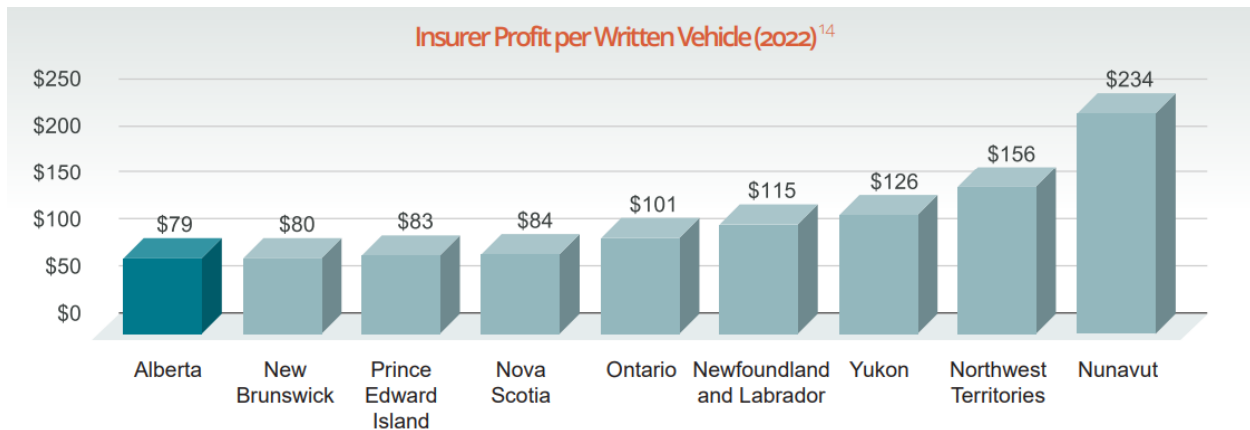
New Actions and Rate Interventions Announced November 1, 2023

Return of a rate cap

- Alberta has introduced a return to a rate cap specifically for 'safe drivers.' The new definition of a 'safe driver' applies to approximately 80% of drivers in the province and would cap rate increases by 3.7% (September 2023 CPI).
- Alberta already caps rates for the 10% of drivers considered high-risk via the provincial [Grid framework](#).
- Rate caps have been used before, in Alberta and elsewhere, with significant harm to consumers. California recently followed its rate freeze with a rate cap for drivers, only to see six major insurers close their offices or restrict the coverages they provide. This has led to an insurance affordability and availability crisis for California's drivers. In Alberta, the current rate pause led to one carrier exiting the market, leaving over 16,000 drivers without coverage.
- Auto insurance works by pooling the premiums of the many to pay for the claims of the few. Limiting rates without taking action to reduce underlying costs diminishes the ability of insurers to pay for claims, straining the viability of the system and the availability of coverage for drivers.

Actions on industry profitability

- The government's Automobile Insurance Rate Board (AIRB) oversees auto insurer profitability and provides an overview of its findings in its annual [Market & Trends Report](#). This year, the report found that:
 - On average, auto insurer profit per vehicle is \$79 in Alberta – equivalent to less than 5% of the premium paid by a consumer.
 - Over the past ten years, insurers have lost \$111 million from insuring drivers in Alberta.
- Over the past decade, automobile insurers in Alberta have paid out, on average, \$1.03 in claims, expenses and premium taxes for every \$1 collected in premiums.



Source: [AIRB Market and Trends report, page 15](#)

Cost Pressures on Premiums

- The provincial government mandates the auto insurance coverage that insurers must provide. In doing so, it has direct control over many of the cost pressures facing drivers' premiums.

Cost pressures within government control

- Legal costs: These have grown 31% since 2018, and legal fees alone now account for approximately 20% of drivers' premiums.
- Taxes: The Alberta government levies a 4% tax on the sale of each auto insurance policy, which adds approximately \$66 to the cost of every premium. Removing this tax would be the fastest way to offer premium relief to drivers in the short term.
- Health cost levy: The Alberta government also applies a levy on every auto insurance policy to cover expected health care costs related to collisions. In 2023, the health levy averaged \$30 per driver. In 2024, the province will increase this levy by 28% (to \$86.8 million in total).
- Accident benefits: In 2020, the government brought in reforms to expand the benefits provided to those injured in collisions. While these measures were initially positive, the costs of these claims have grown 27% since 2019.

Cost pressures largely outside government control

- The amount spent on vehicle repairs and replacement is up 14% in the past two years.
- The cost of replacing vehicles following collisions has grown dramatically, with new and used vehicle prices up 35% and 18%, respectively, over the past two years.
- Vehicle thefts in Alberta increased by a staggering 39% between 2021 and 2022, totalling nearly \$160 million in insured losses.

How to Improve Premium Affordability for Drivers

- To improve affordability, substantive reform is needed to address the cost pressures on drivers' premiums. IBC and its members have put forward the [Enhancing Care & Expanding Choice](#) proposal that could lower auto insurance premiums by up to \$325, on average. It includes giving



drivers more choice in their coverage options, including the ability to waive a cash settlement for pain and suffering following a minor injury, while doubling the amount of pre-approved treatment and care provided to those injured in collisions.

- Components of IBC’s proposal are based on the auto insurance system in New Jersey, which has seen stable rates since it was introduced over 20 years ago.
- IBC’s proposal strikes a balance between the current system and a no-fault model that would completely eliminate the ability for those injured in a collision to sue.

Public vs. Private Insurance Systems

- The price of auto insurance is determined by the coverage provided, as well as the method of distribution (i.e., public vs. private).
- The average price of auto insurance is lower in British Columbia (BC), Saskatchewan and Manitoba, but drivers in those provinces receive far less in coverage than drivers in Alberta. For example, the average premium is \$1,411 in BC and \$1,587 in Alberta. However, the average claim size is \$4,313 in BC and \$12,309 in Alberta (see graphic below).
- In Alberta, drivers receive much more for their auto insurance dollar than in public, no-fault provinces.
- Competition forces companies to deliver the best service at the best possible price. Auto insurance is no exception to this rule.
- Far from delivering cheaper options, public auto insurers in Canada spend significantly more on their internal operations than private insurers. In BC, 33 cents of every dollar the Insurance Corporation of British Columbia (ICBC) receives in premiums goes to support the Crown insurer’s operating costs. In Alberta, private insurers spend 25 cents per premium dollar on their operations.
- Public insurers also transfer any losses or costs from political rate intervention onto provincial taxpayers to subsidize auto insurance premiums. In Manitoba, the public auto insurer is undertaking a technology upgrade that has run dramatically over budget, negatively impacting taxpayers and drivers, while ICBC’s overall losses in underwriting auto insurance has cost provincial taxpayers over \$4 billion in recent years.

2022 Figures

	BC	AB	SK	MB	ON	QC	NB	NS	PE	NL
Average Premium	\$1,411	\$1,587	\$ 1,347	\$1,193	\$1,683	\$939	\$1,132	\$1,181	\$948	\$1,303
Average Claim Size	\$4,313	\$12,309	\$8,499	\$4,623	\$13,537	NA	\$7,856	\$7,161	\$5,309	\$7,481

