August 4, 2026

Cathy Manten
Automobile Insurance Rate Board
#2440 Canadian Western Place
10303 Jasper Avenue Edmonton, AB T5J 3N6

RE: AIRB 2026 Annual Review

Dear Ms. Manten,

Thank you for the opportunity to participate in the AIRB's 2026 Annual Review of auto insurance trends and rates for basic and additional coverage. Consistent with our approach from previous years, Insurance Bureau of Canada (IBC) consulted with its member companies to review Risk Consulting Services (RCS) report, Annual Review of Industry Experience as of December 31, 2025, Private Passenger Vehicles. The commentary contained in this letter reflects the views of insurers operating in Alberta's private passenger vehicle (PPV) insurance market.

The findings presented in this year's Annual Review provide an important assessment of the current state of Alberta's auto insurance system. They demonstrate that significant cost pressures remain, particularly for injury-related coverages, and reinforce the need to continue implementing Care-First to improve the long-term sustainability of the market. Accordingly, IBC's comments focus on key themes:

- There remains sustained cost pressures facing Alberta's auto insurance system, particularly as it relates to claims costs for injury claims;
- The importance of proceeding with Care-First as designed, including maintaining the current limited right to sue and focus on enhanced medical benefits; and
- Opportunities for regulatory improvements that support competition, market stability, and consumer choice.

State of the Industry

Alberta's PPV market continues to operate under significant financial pressure. For seven of the last 10 years, insurers have been subject to government rate intervention that has limited their ability to price risk appropriately. Over time, these interventions have reduced insurer capacity, contributed to market exits and reduced participation, and ultimately limited availability and consumer choice.

The AIRB's own Excess Profit Results Report highlights these ongoing challenges. In 2025, the industry recorded an average return on premium of -9%, losing nine cents for every dollar of premium earned. The report further indicates that premiums would have needed to increase by nearly 21% to achieve the AIRB's established 6% profit provision. These results demonstrate that premiums have not kept pace with underlying claims costs and highlight the financial pressures that continue to affect the marketplace today.

The findings in the Annual Review reinforce this conclusion. RCS selected trend factors of 8.6% for bodily injury and 11.9% for accident benefits, demonstrating that injury-related coverages continue to represent the greatest source of upward pressure on premiums. These trends underscore that the current tort-based system continues to place upward pressure on system costs and subsequently, consumer premiums.

With the government working toward implementing Care-First, IBC strongly encourages the AIRB to work with the Alberta government to remain committed to implementing Care-First as designed. The reforms are intended to improve access to treatment and care for injured Albertans while addressing the largest structural cost pressure within the current system – legal costs. Maintaining the government's current approach, including the limited right to sue, will be critical to delivering the projected average savings of approximately $260 per driver while also establishing a more stable and sustainable auto insurance product over the long term.

Under Alberta's current tort-based system:

- Up to 40% of a litigated claim goes to personal injury lawyers rather than to the injured Albertan:
- Legal costs have risen 100% over the last five years; and,
- The average driver pays approximately $1,046 of their policy to pay for the cost of litigation for bodily injury claims. Under Care-First as designed, this allocation will decrease to approximately $58 per policy.

These figures demonstrate why preserving the current policy direction is so important. Care-First is designed to redirect resources away from litigation and toward treatment and recovery. Any material expansion of tort access beyond the government's current design, which remains the most generous amount of tort access than any other care-based province, would increase system costs, undermine projected consumer savings, and weaken the long-term affordability and stability the reforms are intended to achieve.

Regulatory Improvements

While implementation of Care-First remains the most significant opportunity to improve the long-term sustainability of Alberta's auto insurance system, there are also important regulatory improvements that can be made in advance of implementation to encourage competition and improve market participation that the AIRB can influence.

Commentary on Loss Cost Analysis

For this year's Annual Review, RCS projected that several coverages, particularly those related to injury claims, continue to rise. The table below highlights trend rates outlined in this Annual Review.

Loss Cost Trend Rates

Basic Coverage			Additional Coverage	
Bodily Injury	Property Damage	Accident Benefits	Collision	Comprehensive
+8.6%	+1.4%	**+11.9%**	+2.4%	**+3.6%**

IBC with data from RCS.

Consistent with previous Annual Reviews, RCS selected significant trend factors for both bodily injury and accident benefits, at 8.6% and 11.9%, respectively. These selections indicate that injury claim costs continue to increase significantly and remain the largest contributors to rising premiums under the current product.

As the AIRB is aware, the implementation of Care-First is intended to address these long-term cost pressures by shifting resources away from litigation and toward treatment, recovery, and enhanced benefits for injured Albertans, while still able to deliver savings to drivers. Maintaining the government's current policy direction, including the limited right to sue, will be critical to ensuring these objectives are achieved. Any expansion of tort access beyond the current framework would introduce additional legal costs into the system, reduce the projected consumer savings associated with Care-First, and undermine the long-term stability the reforms are intended to deliver.

In addition, RCS comprehensive trend factor selection of +3.6%, consistent with the selection made in the semi-annual review. While auto theft claims and claims costs have declined in the last year, thanks in part due to concerted efforts of governments, law enforcement, and insurers, a central objective of Care-First is to reduce system costs over time and ensure Albertans are afforded with stable premiums. To that effect, sustained reductions in auto theft will directly support that goal. If auto theft continues to decline, it will help ease pressure on the system and contribute to the expectation of more stable premiums for Alberta drivers in the years ahead.

To maintain this momentum, IBC continues to encourage the AIRB to educate government on these pressures to ensure government strengthen its efforts to combat organized auto theft. In particular, IBC recommends continued investment in coordinated inter-agency enforcement initiatives focused on organized crime, including the establishment of a dedicated provincial auto theft team supported by specialized prosecutorial resources. These measures would build on the progress already achieved while supporting the long-term affordability and sustainability of Alberta's auto insurance system. IBC also encourages the AIRB to continue educating government on the impact of auto theft losses on system cost pressures and opportunities to further reduce these costs.

Finally, IBC reiterates a key point made in this review as done in previous review. In the report, RCS "recommend the Board consider the of additional information provided by interested parties as it may be more current or may provide more insight into the industry private passenger vehicle claim experience that has emerged or is expected to emerge." RCS also "recommend the Board consider that the experience of one insurer may not be representative of the experience of the industry." IBC strongly recommends that the AIRB consider the approval of insurer rate filings based on the reasonableness of those filings.

Catastrophe Provision

RCS notes that, consistent with previous reviews, it is not recommending a benchmark for the catastrophe provision. IBC supports this decision, as it allows insurers to select their own catastrophe provision based on their individual loss experience caused by significant weather events in the province.

Health Cost Recovery

Consistent with the 2026 Health Cost Recovery Assessment recommended benchmark from the Alberta Treasury Board and Finance, RCS agrees that insurers should reflect the health levy of 2.38% in their filings. IBC believes this is reasonable.

Operating Expenses
IBC appreciates the AIRB and RCS reviewing our feedback on the selected operating expense ratio from the previous review. In this Annual Review, RCS reflects IBC's feedback to review the selected benchmark given that the metric did not capture all necessary elements and recommended an expense ratio based on the 2022 IFRS-4 expense ratio. IBC agrees with RCS's selected recommended benchmark under IFRS-4 of 27.8%, given that under IFRS-17, operating expenses do not capture all necessary elements.

For these reasons, IBC recommends that 27.8% be selected as the operating expense benchmark and we find RCS's recommended 27.8% reasonable.

Profit Provision
As outlined in the AIRB's Excess Profit Results report, industry's average return on premium was -9% for 2025. While an improvement from the -21% in 2024, this figure is alarming and should raise concern for the AIRB and government alike of Alberta's competitive marketplace and insurer's appetite for competing in the market.

To mitigate trends of insurers exiting the market or restricting offerings, the AIRB should do more to attract capacity back to the marketplace and promote greater choice for consumers. To do so, and as mentioned, IBC strongly recommends that the AIRB work with the Alberta government to remove its Excess Profit framework prior to the implementation of Care-First.

Conclusion
IBC appreciates the opportunity to provide input for the 2025 Annual Review. The current state of the auto insurance market in Alberta has presented significant challenges for insurers operating in this space, and the trend factors put forward by RCS highlight the growing pressures under today's system that are expected to continue in the near-term. It is critical that the AIRB work with government to inform and educate them of these system pressures and discuss opportunities for regulatory improvements to ensure that Care-First proceeds as planned to deliver savings to drivers and long-term product stability in the years ahead.

We hope this commentary assists the AIRB in its deliberations. If you would like to discuss this further, please do not hesitate to reach out to me at 1-604-349-8046 or Asutherland@ibc.ca.

Sincerely,

Aaron Sutherland
Vice President, Western and Pacific
Insurance Bureau of Canada