



CONSUMER REPRESENTATIVE

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Edmonton

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What do auto insurance consumers expect?

- **Affordability**

If premiums are too high, drivers may risk driving without insurance.

- **Rate Stability**

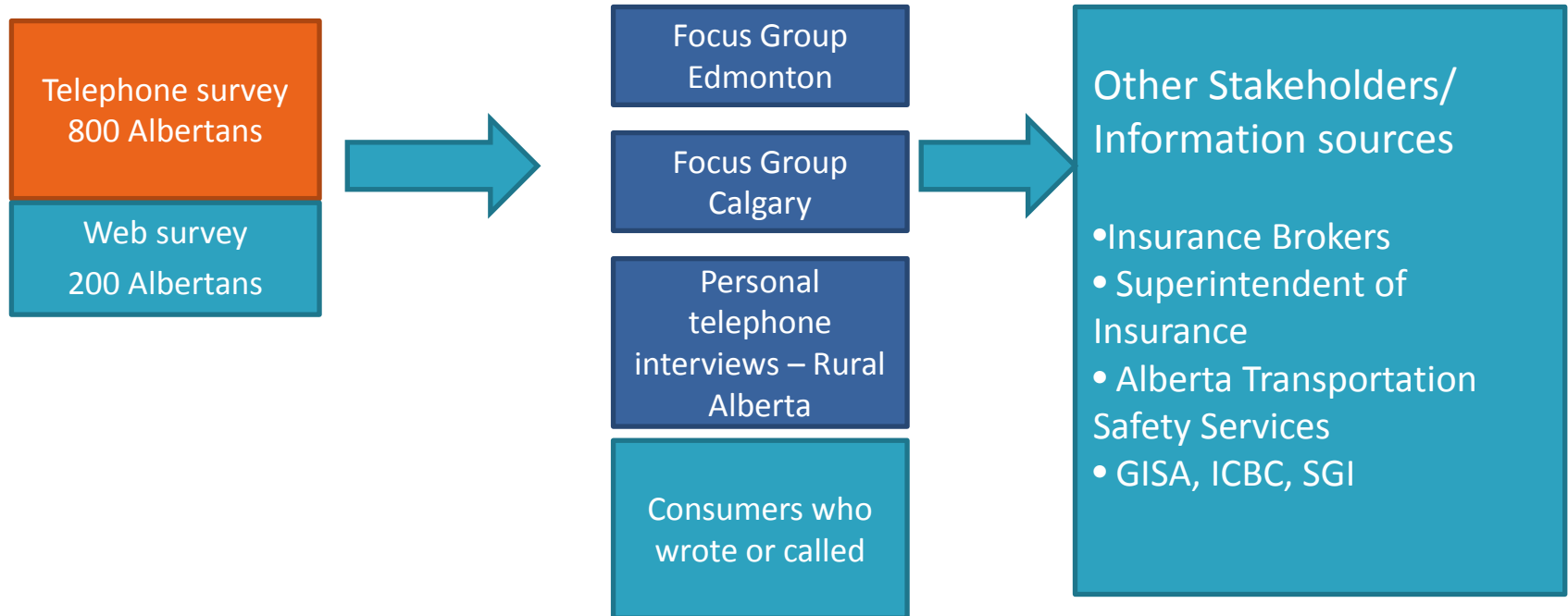
Significant premium increases in one year are difficult to manage

- **Availability**

Even drivers with a poor record need to be able to get insurance.



How I connected with consumers...



Are premiums reasonable?

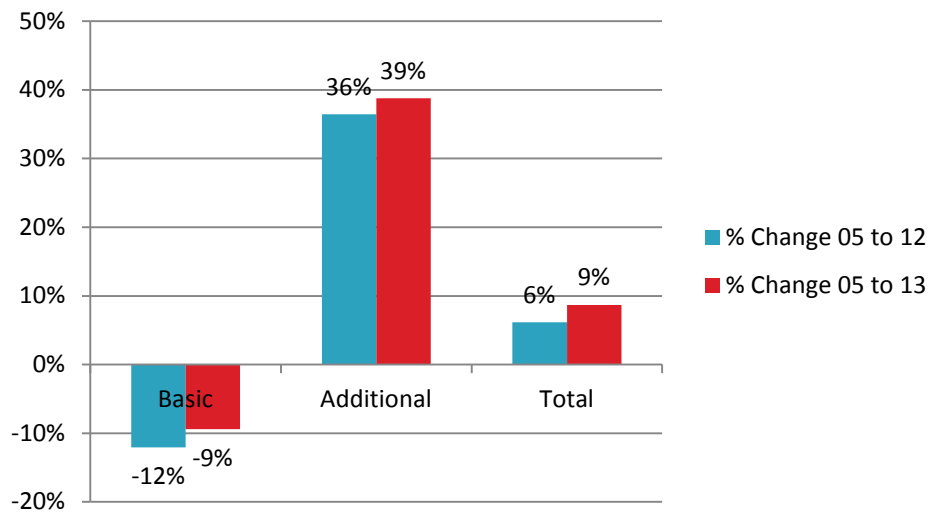
- **57%** of consumers surveyed agreed that premiums are ‘fair and reasonable’ – compared to 55% in 2013. 46% in 2005.
- Many drivers with no ‘at fault claims’ still feel that they pay too much and that the difference in premium between good drivers and poor drivers is not large enough.
- Calls to the Superintendent of Insurance have not increased in the past year.



Premiums have increased since 2012 by 2.4%

- Premiums for basic (mandatory) coverage have **decreased since 2005 by 9%**.
- Premiums for additional (optional) coverage have **increased over that period by 39%**.
- Overall, premiums have increased by less than 1% per year since 2005.

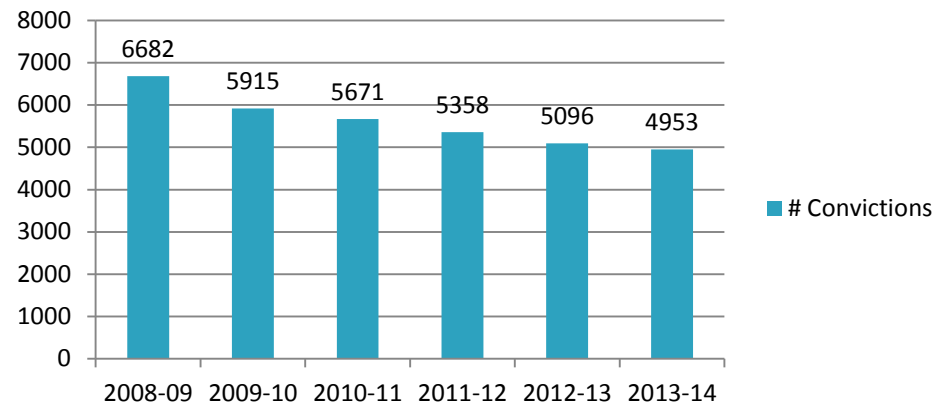
Change in Written Premiums Since 2005



Availability Encourages Drivers to Carry Insurance

- Insurance is available to all drivers.
- Convictions decreased again this year by 3%
- Drivers at the highest grid steps are paying between \$4000 and \$7000 per year for basic insurance.

Convictions for Driving without Insurance





Overall, good drivers subsidize drivers with a poor driving record

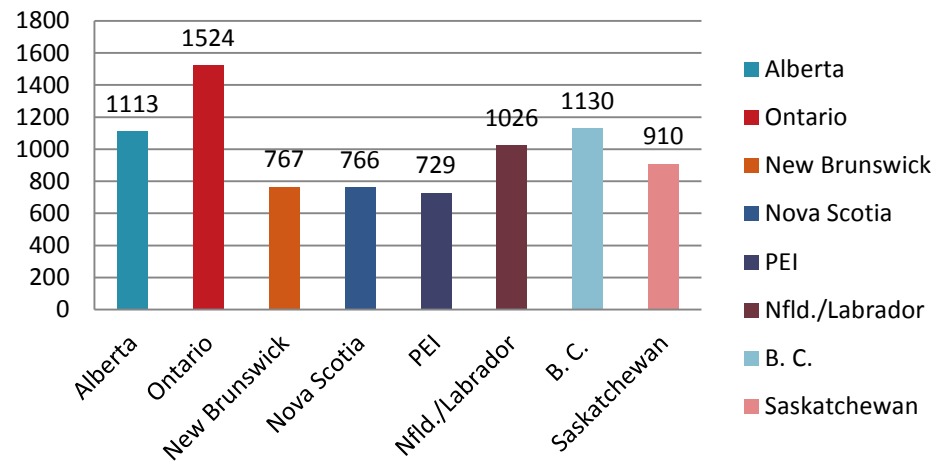
- Premiums for drivers with ‘at fault’ accidents and demerits that are **‘off the grid’** are insufficient to cover their loss costs
- Premiums for vehicles that are **‘on the grid’** may be too high.



Alberta's Premiums are Reasonable Compared to other Provinces

- Average rates are higher than the Maritimes and Saskatchewan.
- Average rates are slightly lower than B.C. and significantly lower than Ontario.

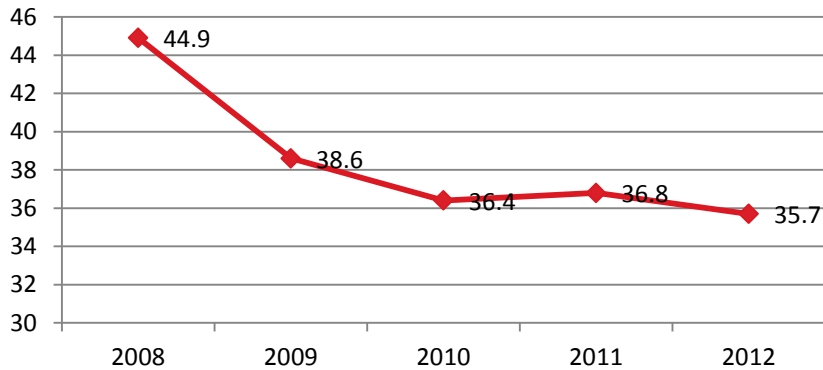
Average Written Premium (\$), 2013



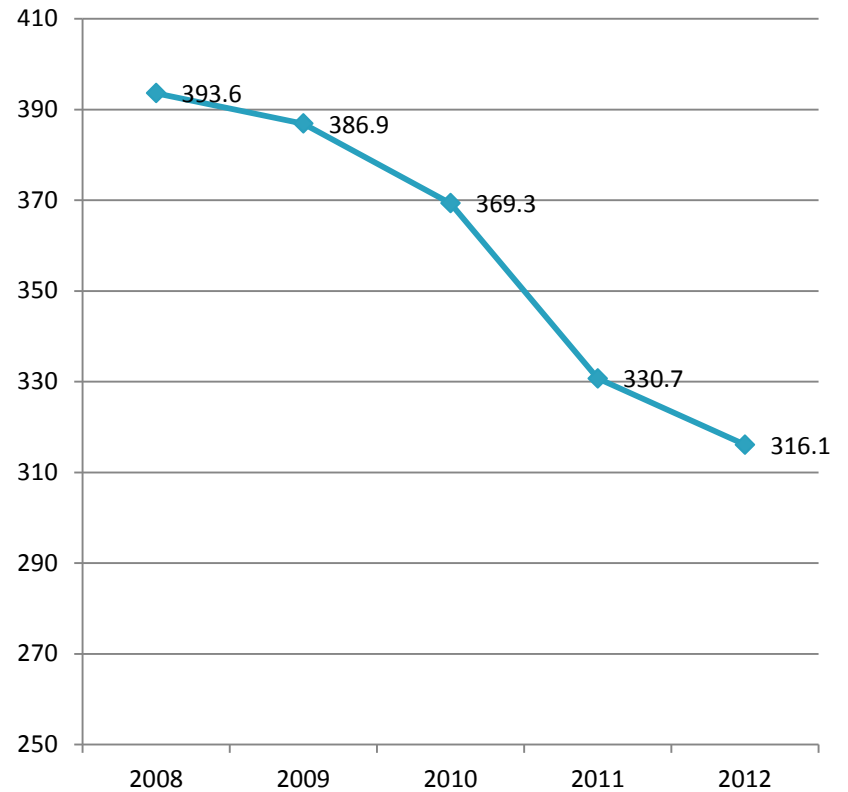
Traffic Safety

Incidence of Accidents on a Per Capita basis continues to decrease

Injury Collisions Incidents per 10,000 Population



Property Damage Only Incidents per 10,000 Population



Source: www.transportation.alberta.ca/statistics, September 2013

Distracted Driving

- Current penalties are \$172 fine – no demerits
- 83% of those surveyed felt that penalties are inadequate. Agreed that demerit points would increase compliance.





Consumers are 'shopping around' less than in 2005

- 35% of consumers polled obtained a competitive quote for insurance – 86% stayed with their existing insurer. This compares to 58% who 'shopped around' in 2005.
- The survey indicates that consumers continue to rely on their broker or direct writer for quotes.
- Some respondents felt that on-line quoting had limited value.



Consumer Response to Usage Based Insurance

- **Good drivers** and inexperienced drivers with a good driving history **should pay less** if they opt for UBI.
- As UBI becomes more pervasive there is a **risk that drivers with a poor driving record will pay more** than they do under current plans.
- There is a risk that these drivers will increasingly forego buying insurance.
- Consumers are interested in UBI but have concerns and questions about **privacy and access to data**.
- The **IBAA** prefers a **universal platform**.

Changes to Regulatory Process should benefit consumers

- Consumers support the regulation of both mandatory and additional coverage
- The new process should allow a rebalancing of rates between mandatory and additional coverage.



Conclusions

- Auto insurance is **affordable** for most drivers
- Rates are **stable** - Total premiums have increased by less than 1% per year since 2005.
- The 'all comers rule' continues to be effective in making insurance **available**.

Considerations for the AIRB

- Gradual increases in rates are preferable to a significant hike in one year.
- If UBI is introduced, ensure that rates for non-participants are fair— particularly for additional coverage, where the grid is not in place.
- Rates for new drivers and those with poor driving records need to be fair, not punitive.