

# Consumer Perspectives on Automobile Insurance

Presented to the Automobile Insurance Rate  
Board

August 18, 2015

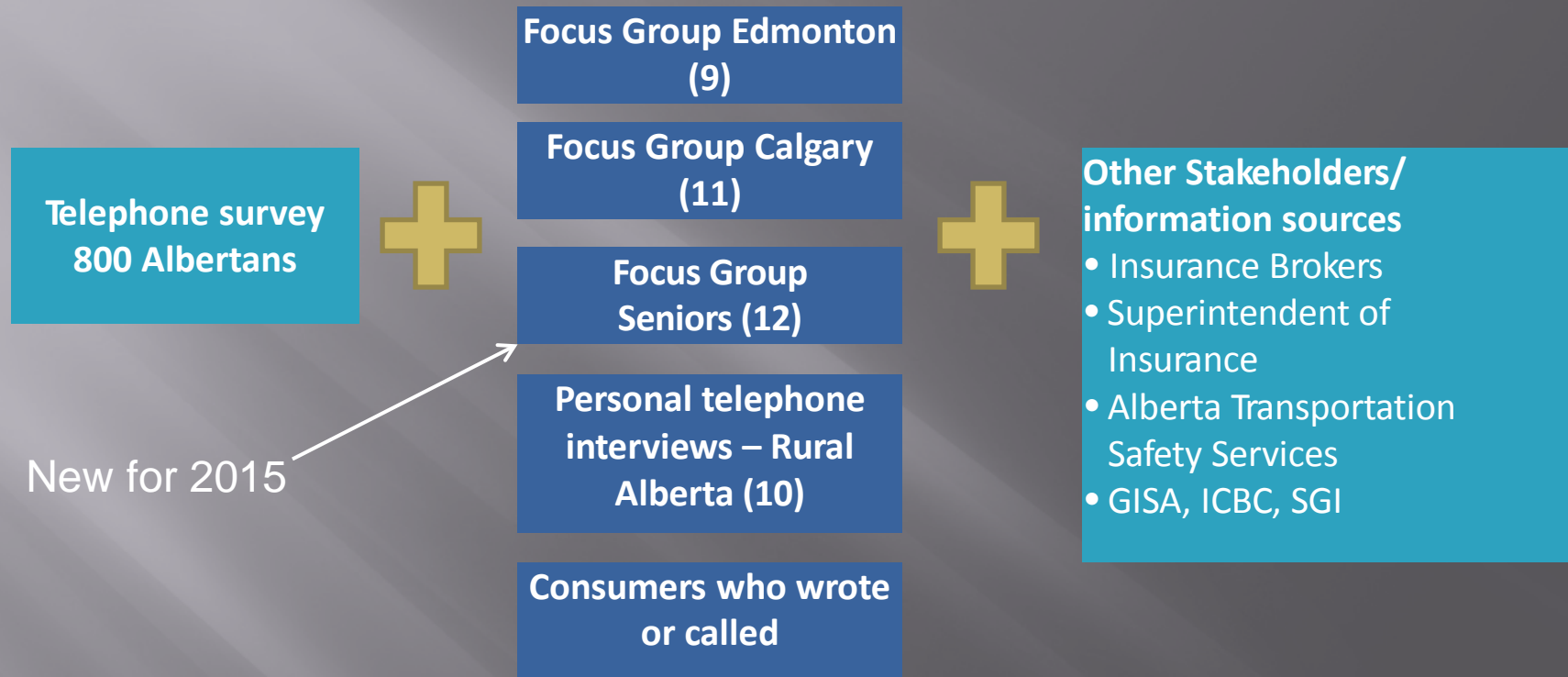
Chris Daniel, Consumer Representative



# My Role As Consumer Rep.

- Work independently to collect consumers comments and concerns
- Then forward these comments and concerns to the Board
- A robust consumer voice is vital to the accountable and efficient delivery of Auto Insurance in Alberta

# How I connected with consumers...



Young drivers were captured by including age bands in the telephone survey.

# Survey Questions

- Consumers' experience obtaining auto insurance
- Did they shop for quotes
- Their experience in resolving claims
- Their impression of premiums in Alberta
- Their views on:
  - Usage Based Insurance
  - Demerits & increased fines for distracted driving
  - Auto insurance fraud
  - Government's Traffic Safety Program



# What Auto Insurance Consumers Expect?

- **Affordable**
  - If premiums are too high, drivers may risk driving without insurance.
- **Stable**
  - Significant premium increases in one year are difficult to manage
- **Available**
  - Even drivers with a poor record need to be able to buy insurance.
- **Service**
  - Consumers expect good service

# What I Found

## General Focus Groups

### —Synopsis of Opinions

- More discounts for better drivers
- More severe penalties for distracted drivers
- Improved consistency in road signage throughout Province
- Improved “Driver Education” programs
- More emphasis on enforcement and detection of high risk drivers

# What I Found

## Seniors Focus Group

### —Synopsis of Opinions

- Usage Based Insurance for all seniors
- Systems to deactivate cell phone use
- Winter driving courses for new drivers
- Signs that display driver speed in high collision areas
- Increased penalties for subsequent offences cascading fines
- Improved road markings

# What I Found

## Premium Affordability

- 59% of consumers surveyed agreed that premiums are 'fair and reasonable' – compared to 57% in 2014 (46% in 2005).
- 'Good drivers' still feel they pay too much and would like to see more discounts for good drivers e.g. Usage Based Insurance

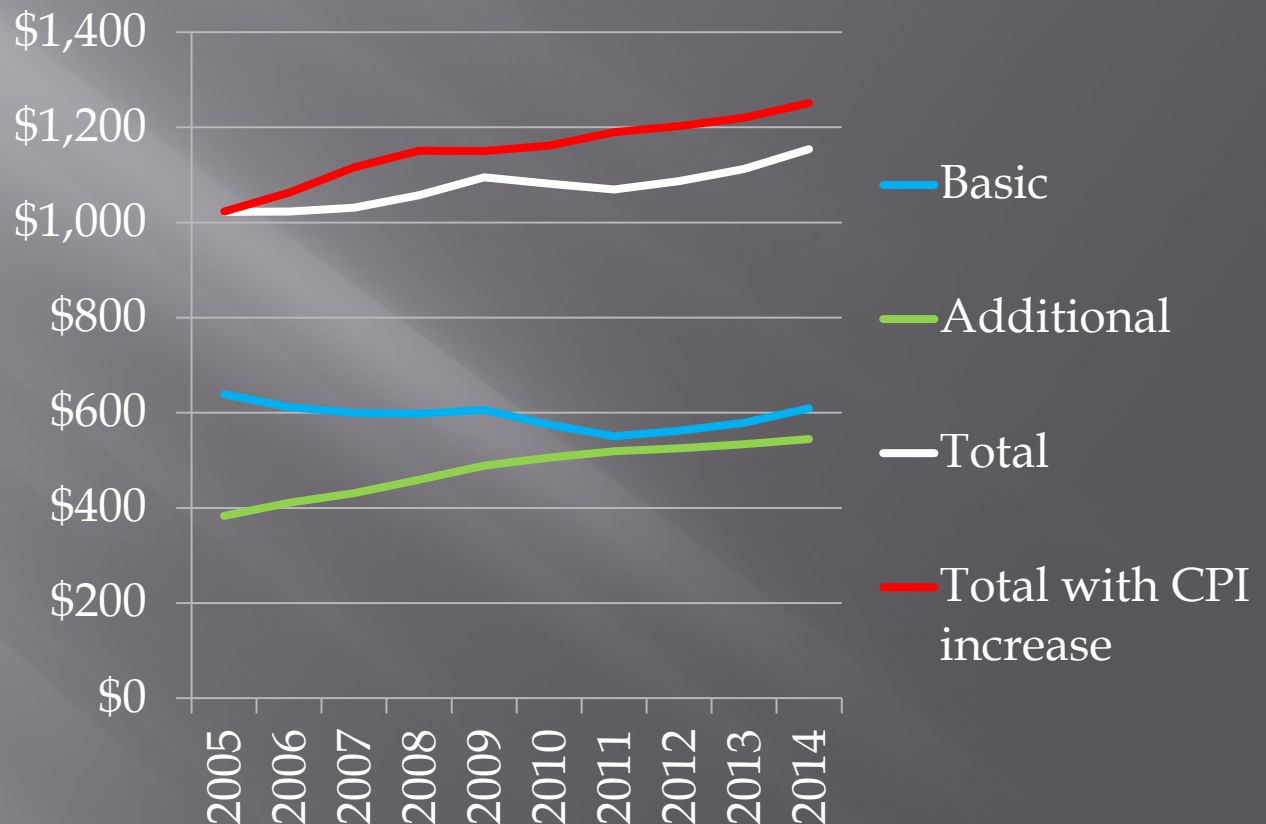


# What I Found

## Premium Stability

2014 vs 2005

- Basic Coverage decreased 5%
- Additional Coverage increased 42%
- Total Coverage increased 13%
- CPI increased 22%



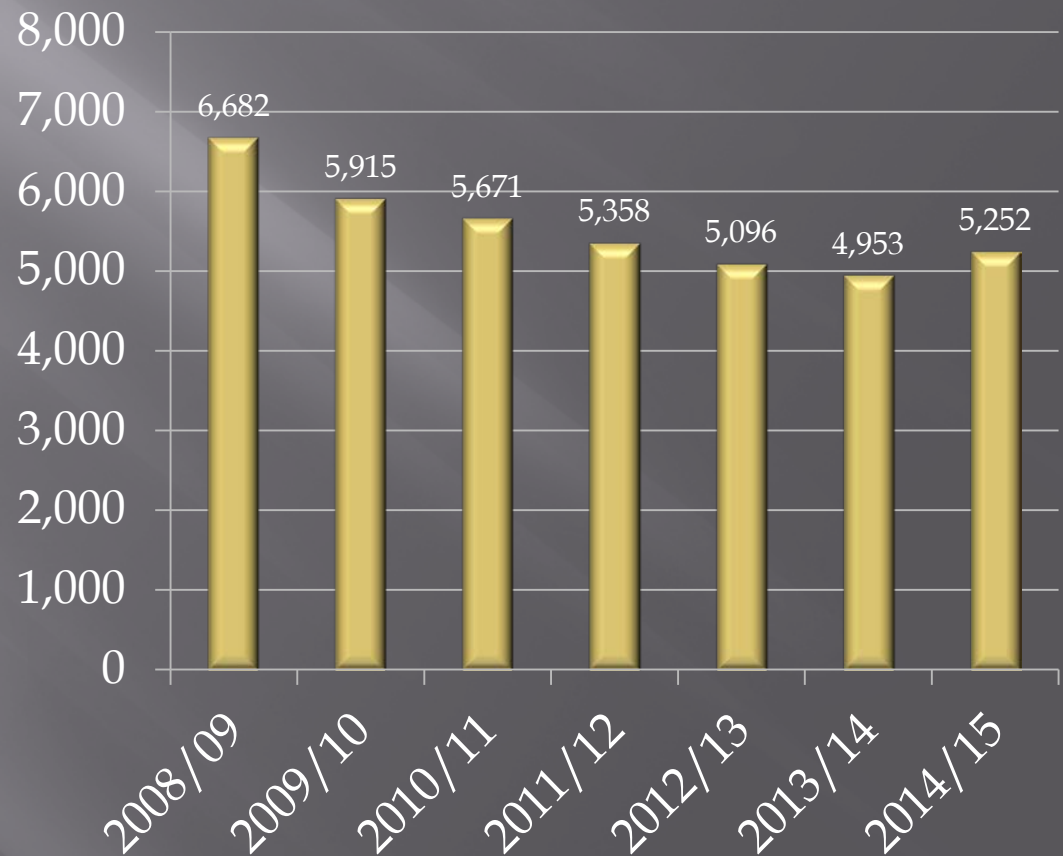
GISA auto-7001AB, as of Dec 31, 2014

# What I Found

## Availability of Insurance

- Insurance is available to all
- Convictions increased 6% in 2014/15

Convictions for Driving Without Insurance



# Premiums for “High Risk” Drivers

- Consumers feel “high risk” drivers should pay more
- Risk is that if premiums are too high:
  - Consumers may drive without insurance
  - Driver pays for damage even if not at fault
- Protection exists in:
  - All-comers rule & Grid System

# Provincial Premium Comparison

Average Total Premium 2014

- AB rates are lower than Ontario
- AB rates are higher than the Maritimes



# General

- **Consumer complaints**
  - Office of Superintendent indicates call volumes remain stable, mainly seeking information
- **Traffic Safety**
  - While injury accidents on a per capita basis have been declining, 2013 showed an increase of 2.4%
  - Survey, 86% agreed traffic safety should be a priority
  - Survey, 58% agreed Alberta is using the right approach
- **Competition**
  - Survey, 27% of consumers obtained a competitive quote, slightly higher than previous years
  - Of those, 89% remained with existing insurer, consistent with the past 5 years (2005 58% competitive quote)



# Distracted Driving

- Current penalties are \$287 fine – no demerits
- 84% of those surveyed felt that penalties are inadequate. Agreed that demerit points would increase compliance.



# Usage Based Insurance

- **Definition of Usage Based Insurance**

Wikipedia: Usage-based insurance (UBI) also known as pay as you drive (PAYD) and pay how you drive (PHYD) and mile-based auto insurance, is a type of vehicle insurance whereby the costs are dependent upon type of vehicle used, measured against time, distance, behaviour and place.

# Usage Based Insurance

- ‘Good drivers’ and inexperienced drivers with a good driving history should pay less with UBI.
- As UBI becomes more pervasive, risk may be that poor drivers may pay more.
  - In addition, these drivers may increasingly forego buying insurance.
- Consumers are interested in Usage Based Insurance but have concerns and questions about privacy and access to data.
- The IBAA prefers a universal platform.



# Organized Crime

- This topic is new to the 2015 survey
- 71% of the respondents indicated a high level of concern
- 82% of the respondents were in support of the initiative to pool industry-wide insurance data for the purpose of detecting and preventing organized automobile fraud

# 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.
- Consumers indicate their experience related to customer service for both the purchase of insurance and claims service is favorable.



# Considerations for the AIRB

- Gradual increases in rates are preferable to a significant hike in one year.
- If Usage Based Insurance 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.

# Questions?

