

Consumer Perspectives on Automobile Insurance

Presented to the Automobile Insurance Rate
Board

August 16, 2016

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...



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
 - Organized Crime
 - Transportation Network Companies (Uber, Lyft etc.)

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

Youth Focus Group

Synopsis of Opinions

- Majority felt insurance coverage offered assurances and security
- 50% had obtain competitive quotes
- Majority felt premiums were fair
- Most would be willing to try Usage Based Insurance
- 38% had utilized TNC. All in favor of regulation for TNC; main concern was to protect the uninformed passenger
- Excellent understanding and respect the ramifications of not driving responsibility – one of those being increased premiums

What I Found

Premium Affordability

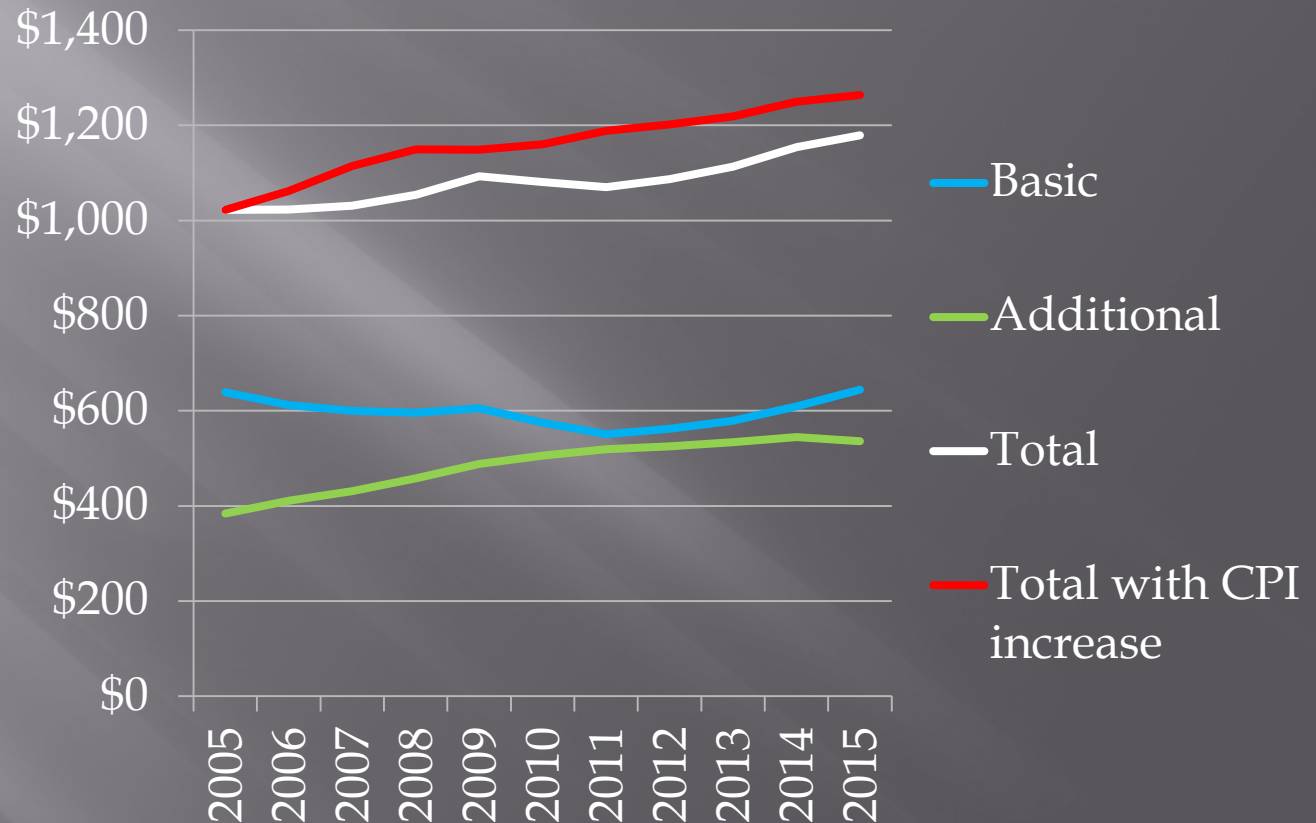
- 60% of consumers surveyed agreed that premiums are 'fair and reasonable' – compared to 59% in 2015 (46% in 2005).
- 'Good drivers' with an accident free history would like to see more discounts for good drivers e.g. Usage Based Insurance

What I Found

Premium Stability

2015 vs 2005

- Basic Coverage increased 0.8%
- Additional Coverage increased 40%
- Total Coverage increased 15%
- CPI increased 24%



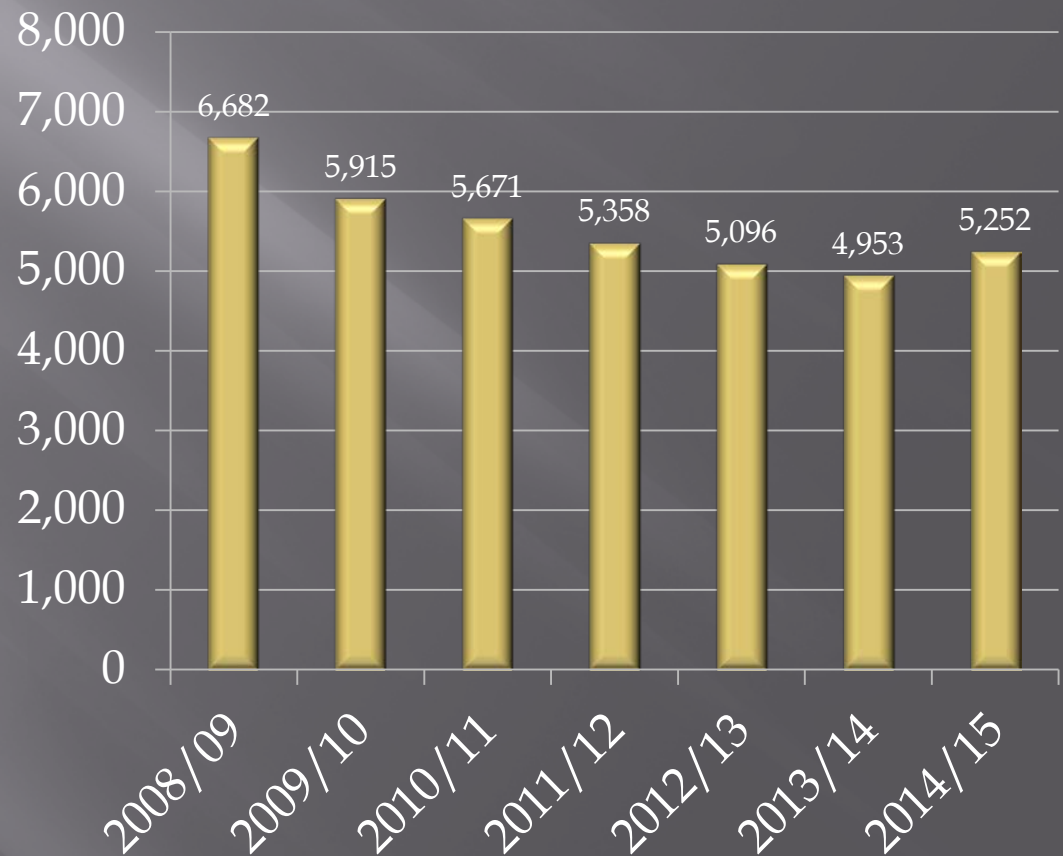
GISA auto-7001AB, as of Dec 31, 2015

What I Found

Availability of Insurance

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

Convictions for Driving Without Insurance



Note: 2015/16 data was not available at the time of publication of this presentation.

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 2015

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



Note: Data for B.C. was not available at the time of publication of this presentation.

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, the trend has reverted to increase by 3.0% since 2013
 - 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, 90% remained with existing insurer, consistent with the past 5 years (2005 58% competitive quote)

Distracted Driving

- Current penalties are \$287 fine along with 3 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

- Approved for use in AB effective April 1, 2016.
- 'Good drivers' and inexperienced drivers with a good driving history should pay less with UBI.
- 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

- 70% of the respondents indicated a high level of concern
- 85% 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

Transportation Network Companies

- **Definition of Transportation Network Companies**

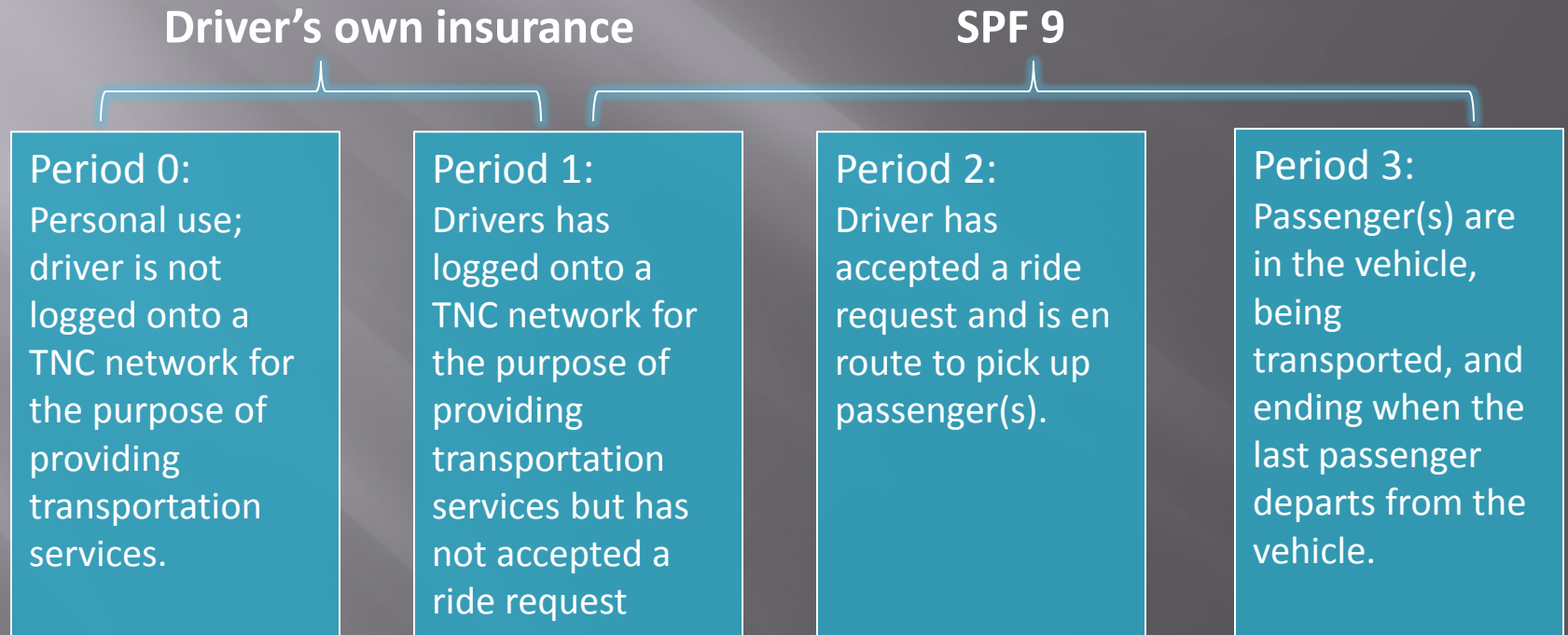
Wikipedia: A transportation network company (TNC) connects paying passengers with drivers who provide the transportation on their own non-commercial vehicles. All parties connect to the service via website and mobile apps. TNCs include Lyft, Cabify, Uber, Via, Ola Cabs, Wingz, GrabCar and Didi Kuaidi.

Transportation Network Companies

- Effective July 1, 2016, TNC became available to Albertans, as well as the TNC insurance policy form.
- Survey & Focus Groups:
 - All in favor of regulation for TNC companies
 - 90% of the Calgary focus group participants have not utilized a TNC
 - No participant from Edmonton focus group and Seniors group has utilized a TNC
 - 38% of Youth group participants have utilized TNC

Transportation Network Companies

- How are TNC drivers and passengers protected by insurance?



Conclusions

- Auto insurance is affordable for most drivers.
- Rates are stable - Total premiums have been increasing at a lower rate than inflation 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?

