

# Consumer Perspectives on Automobile Insurance

Presented to the  
Automobile Insurance Rate Board  
August 15, 2017

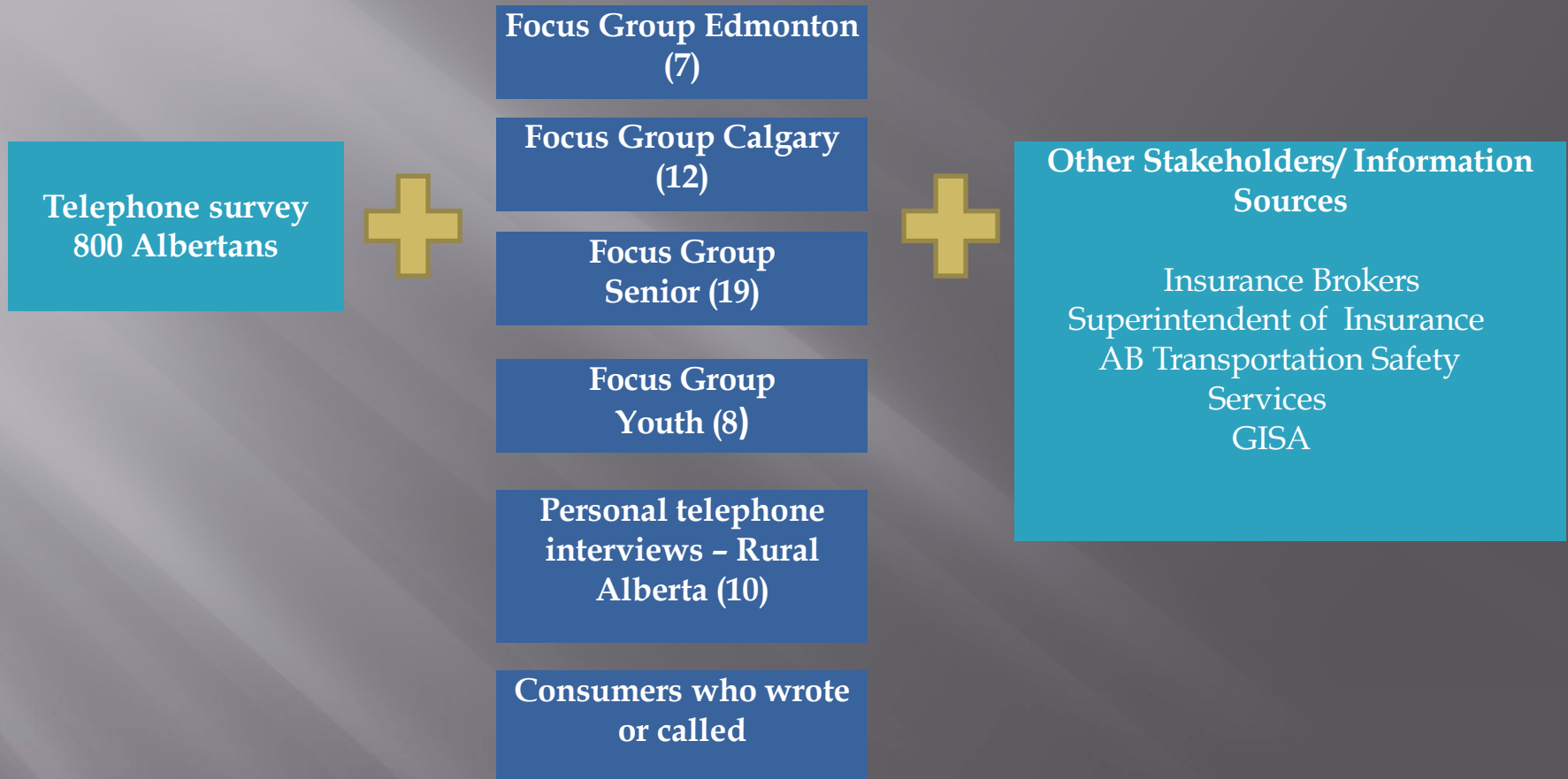
Chris Daniel, Consumer Representative



# My Role As Consumer Representative

- Work independently to collect consumers comments and concerns.
- 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.
- Whether they sought for competitive quotes.
- Their experience in resolving claims.
- Their impression of premiums in Alberta.
- Their views on:
  - Penalties for excessive speeding
  - How Alberta insurance premiums compare to other provinces
  - Demerits and increased fines for distracted driving
  - Safety of autonomous vehicles
  - Driving while under the influence of cannabis
  - Government's Traffic Safety Program
  - Auto insurance fraud and organized crime
  - Use of booster seats

# 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 sound advice and good service.

# What I Found

## General Focus Groups

### Synopsis of Opinions

- Increasing number of drivers feel their premiums are not reasonable.
- More severe penalties and effective education for distracted driving.
- Concerned about the safety of driving while under the influence of cannabis.

# What I Found

## Youth Focus Group

### Synopsis of Opinions

- 67% had obtained competitive quotes.
- 75% felt premiums were not reasonable.
- 75% would be willing to try Usage Based Insurance.
- Current fine and demerits are not enough of a deterrent for distracted driving.
- Suggested the use of more graphic videos and social media to raise awareness of the dangers of distracted driving.

# What I Found

## Premium Affordability

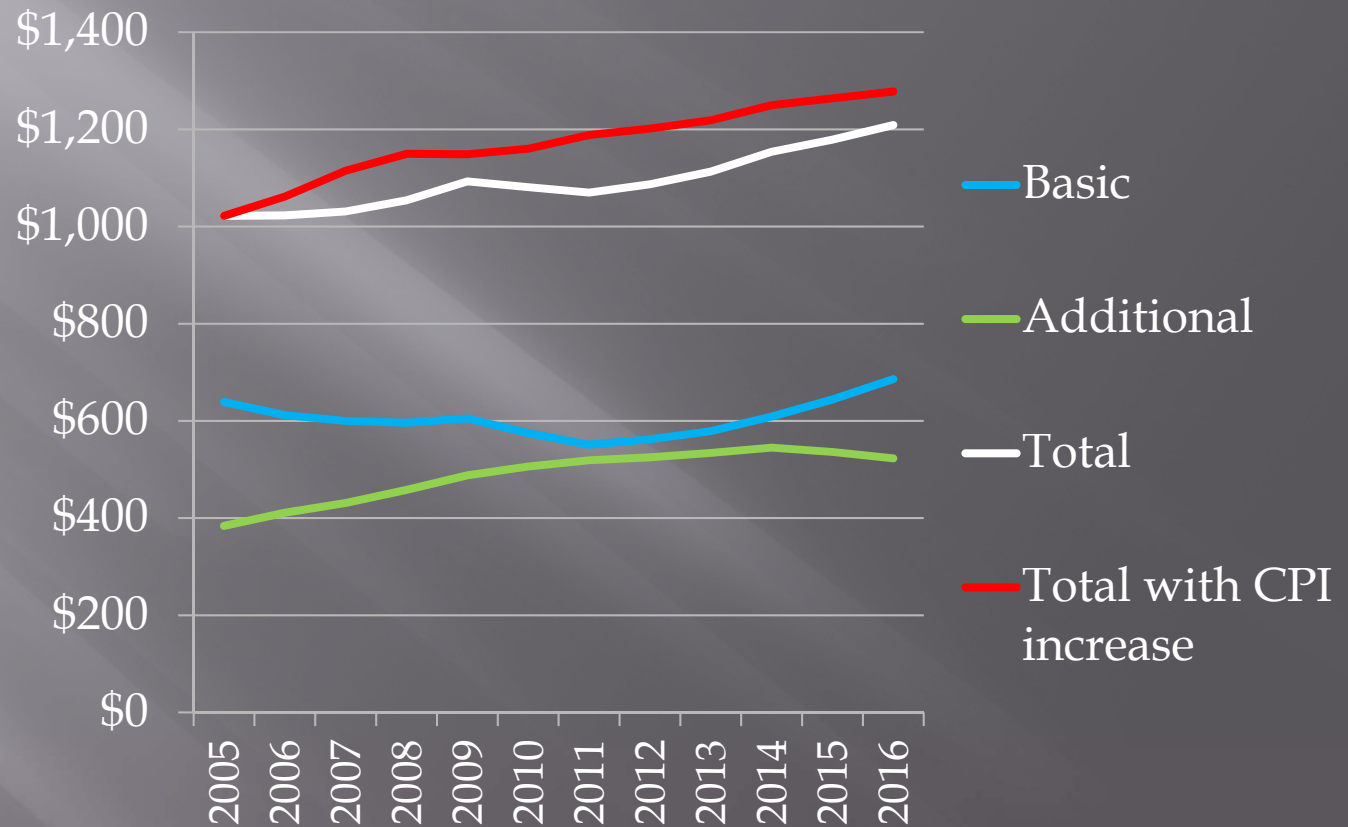
- 46% of consumers surveyed (telephone survey) agreed that premiums are 'fair and reasonable' – compared to 60% in 2016 (46% in 2005).
- 'Good drivers' with an accident free history would like to see more discounts for good drivers e.g. Usage Based Insurance.



# What I Found

## Premium Stability

- 2016 vs 2005**
- Basic Coverage increased 7.4%
  - Additional Coverage increased 36.2%
  - Total Coverage increased 18.3%
  - CPI increased 25.1%



GISA auto-7001AB, as of Dec 31, 2016

# What I Found

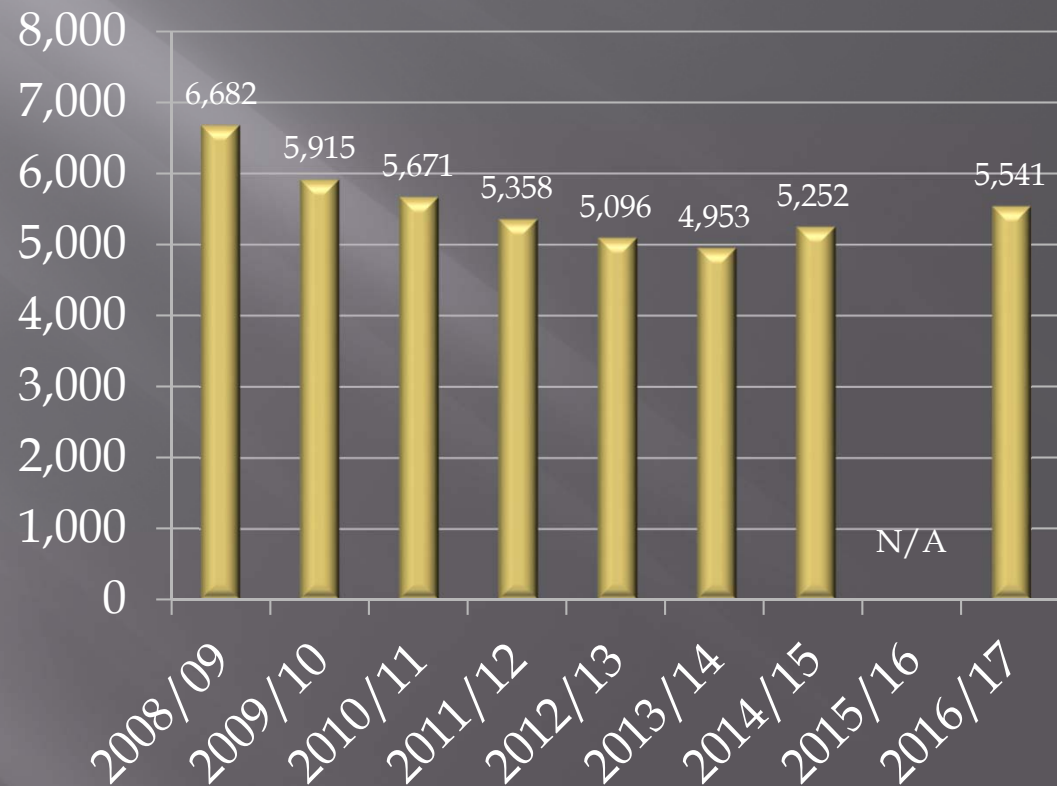
## Availability of Insurance

Insurance is available to all.

Convictions increased 6% over the past two years.

In Alberta, the fine for the first offense is \$2,875.

### Convictions for Driving Without Insurance (April 1<sup>st</sup> to March 31<sup>st</sup>)



Note: 2015/16 data is not available due to a system collection error.

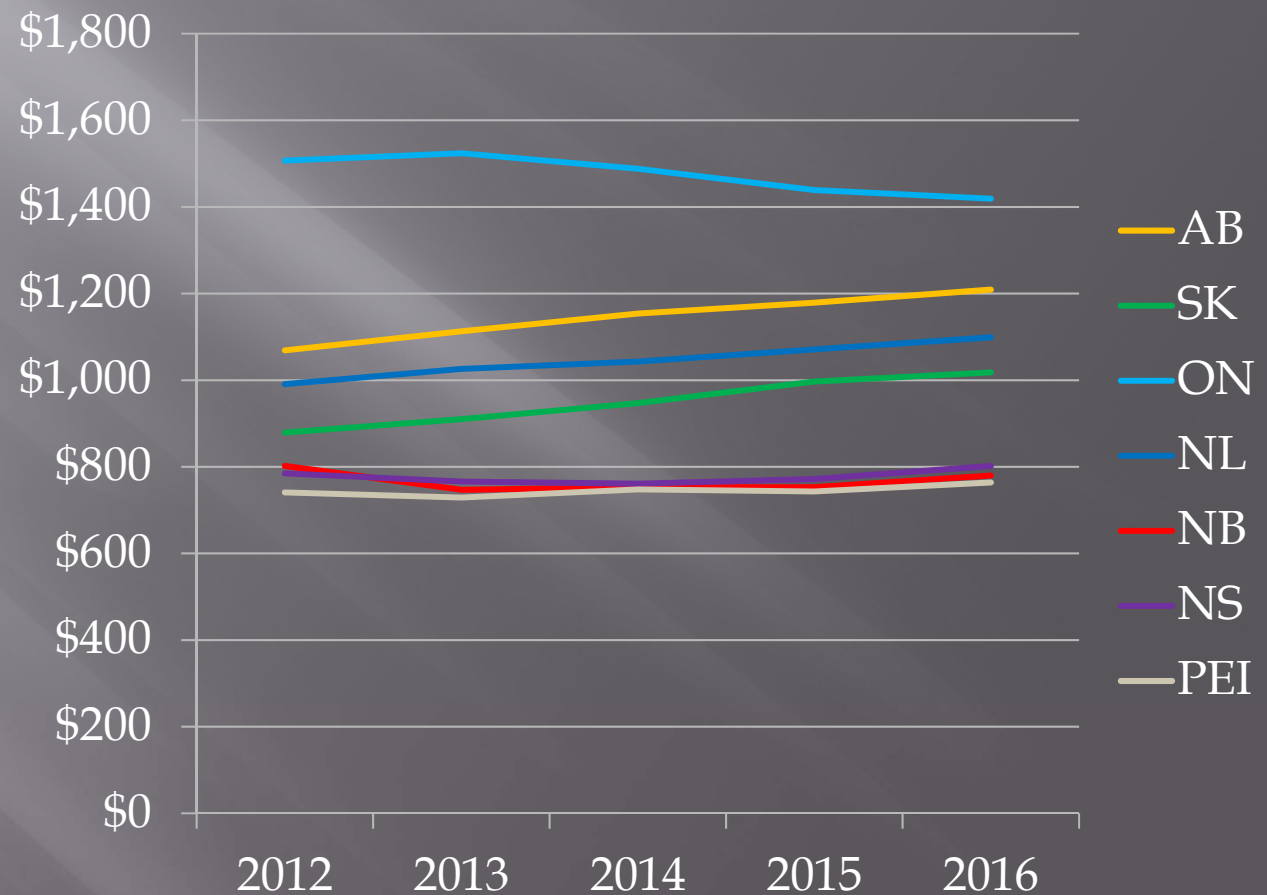
# Premiums for “High Risk” Drivers

- 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

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

## Average Total Premium 2012-2016



Note: Data for B.C. is not available.

# General

## Consumer complaints

- Office of Superintendent indicates call volumes remain stable, mainly seeking information.
- The AIRB indicates call volumes remain stable, but the callers are expressing a higher level of concern regarding the magnitude of their premium increases.

## Competition

- Survey, 35% of consumers obtained a competitive quote; this has increase by 3% over the past year.
- Of those, 89% 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. In addition, insurance companies can apply a surcharge to your premium.
- 84% of those surveyed felt that penalties are inadequate. Agreed that increase enforcement is the only way to curtail this dangerous habit.



# 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

- 50% (70% in 2016) of the respondents indicated a high level of concern.
- 74% (85% in 2016) 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 still affordable for the majority of drivers.
- Rates (Premiums) have increased over the past few years, however, at a slightly lower level than the CPI.
- The 'All Comers Rule' continues to be effective in making insurance available to all drivers.
- Given the current economic climate, the consumer is far more focused on insurance premiums than in the past as evidenced in the "Focus Group" responses.
- Consumers are concerned as to how regulators will monitor the use of Cannabis while driving, given the proposed change in use and distribution for 2018.

# Considerations for the AIRB

- Given the current economic environment in Alberta, any rate (premium) increase has a greater impact on consumers' disposable incomes.
- User Based Insurance has a higher acceptance by consumers. As we move forward ensure that rates for non-participants are fair – particularly for additional coverage, where the Grid is not in place.
- Consumers more than before would like to see additional rewards for better drivers (e.g. UBI).

# Questions Brought to My Attention

- Compared to the previous survey when consumers were asked if their premiums were reasonable, an increasing number have cited that their premiums were unreasonable and are continuing to rise each year. What are some of the reasons provided and can you explain the difference for the results between focus groups in Calgary and Edmonton?
- While the number of complaints received by the AIRB has remained the same, the complaints have focused more on the magnitude of the premium increases. What level of increase are we talking about?

# Questions Brought to My Attention

- Consumers seem to strongly believe that the “Distracted Driving” penalties are not enough. What if any suggestions were provided by consumers to reduce the incidences of distracted driving?
- In your chart you compare the average premiums for other provinces. Why are some increasing at a higher rate than others and one in particular has decreased? Why were premiums for BC not included?

# Questions?

