

2024

Consumer Perspective on Automobile Insurance



Consumer Perspectives on Automobile Insurance

June 21, 2024

Catherine Manten
Consumer Representative






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Jamie Hotte
Board Chair
Automobile Insurance Rate Board
Suite 2440, 10303 Jasper Avenue
Edmonton, AB T5J 3N6

Dear Mr. Hotte:

In my capacity of the Automobile Insurance Rate Board's (AIRB) Consumer Representative, I have conducted an independent and impartial review of consumer opinions and perspectives on automobile insurance in Alberta. Consumers views and opinions are critical given the mandatory nature of automobile insurance coverage in Alberta. My review and this report is to ensure consumers are adequately represented and have a voice in decisions made by the AIRB.

This review encompasses many relevant issues concerning the availability and affordability of automobile insurance. The views expressed in this report are those of Alberta consumers. A synopsis of consumer sentiments is based on the survey conducted by an independent research company earlier this year.

Please accept the following as my report to the AIRB, and I look forward to discussing my findings on August 15, 2024 at the Annual Review Meeting.

Sincerely,

Catherine Manten
Consumer Representative

Consumer Representative

The President of Treasury Board and Minister of Finance (Minister) and the Government of Alberta formed the Automobile Insurance Rate Board (AIRB) through the Insurance Act, as an independent regulatory board in 2004. The AIRB is responsible for regulating automobile insurance rating programs for all classes of vehicles in Alberta and providing automobile insurance information to enable consumers to make informed decisions.

The AIRB's vision is for automobile insurance to be accessible, equitable, and sustainable for all Albertans. The AIRB monitors industry trends and developments to inform its board members, and ensure consideration of all viewpoints and market conditions when making decisions. The Consumer Representative's role is to represent the consumer's voice in all decisions made by the AIRB.

In accordance with the Insurance Act, the Minister appoints a Consumer Representative to ensure Albertans have a voice when the AIRB is carrying out its mandate. The Insurance Act requires the Consumer Representative "must have expertise and experience in consumer issues in the area of automobile insurance, but may not be an adjuster, broker or agent, or a director or officer of an insurance company or financial institution.

Since the first appointment in 2004, the Consumer Representative has sought to engage Albertans on topical issues related to automobile insurance including information relevant to other ministries, such as traffic safety.

The AIRB is required under Section 9 of the Automobile Insurance Premiums Regulation to conduct an annual review of automobile insurance trends and premiums relating to basic and additional coverage for private passenger vehicles. The AIRB is required to provide the Minister with an annual review report, which must include a report from the AIRB Consumer Representative.



Catherine Manten
Consumer Representative

Catherine Manten was appointed to the role of Consumer Representative on May 9, 2024, following nearly a year in the role as Public Member. Ms. Manten is the Chief Administrative Officer of Kaizen Automotive Group, where she has gained firsthand experience on issues Alberta drivers face when purchasing and insuring a vehicle. She brings over 30 years of progressively responsible experience in Finance, Administration, Operations and HR in multi-dealer point operations to the role. Catherine has led her teams through the start-up, acquisition, turnaround, and growth modes and has spent the past 18 years gaining experience in retail sales, change management, business development, financial analysis, and forecasting in Canada and the United States. In addition to the AIRB, Catherine also serves on the Board of Directors for the Alberta Motor Vehicle Industry Council, McDougall House and Fear is Not Love.



Observations

During my time with the AIRB I have observed the AIRB's commitment to ensuring affordable rates for Albertans, all while maintaining the industry's sustainability.

In 2023, heightened media and political focus kept automobile insurance affordability at the forefront for consumers. Several government announcements concerning automobile insurance rates led to some confusion among Albertans regarding their expectations at policy renewal. As a result, there was a notable increase in consumer calls to the AIRB.

Last year, 30% of the consumer calls to the AIRB about rates were specifically regarding the Government's January 2023 rate pause. There was misunderstanding about why premiums may have increased during the rate pause. There were also calls about the November 2023 announcement of a rate cap for good drivers, accounting for 9% of the total calls about insurance rates. As a result of the calls, the AIRB posted information explaining the reason for a possible premium increase, and used paid social media advertising to reach Albertans.

Despite the increased consumer sensitivity to rate changes in 2023, overall automobile insurance rates only increased 1.7% in the first half of 2023 (well below the rate of inflation). As a likely result, more respondents to this year's survey said the premium they pay is fair and reasonable. This is a positive sign but overall confidence in insurance rates still remains low.

Many respondents indicated they reached out to the insurance industry (brokers and agents) for explanations for premium increases. They continue to be dissatisfied with the answers they receive. This points to a need for additional consumer education on automobile insurance.

The AIRB held an educational seminar in November 2023 with the aim of educating brokers and agents on the reason for rising insurance premiums. This information would then be shared with consumers. Another seminar will be held in June 2024. However, industry needs to improve its communication with policyholders and educate them on both the value of insurance and ways to manage their insurance budgets.

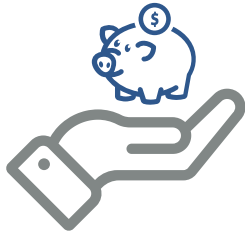
Automobile insurance is often considered a "grudge purchase" because it's something people buy not out of desire, but out of necessity or obligation. It is perhaps due to the nature of a "grudge purchase" less time is spent on shopping the market despite the large difference in premiums charged by insurers. Just over half (53%) of respondents to our survey indicated they sought competitive quotes when renewing the automobile insurance.

Albertans were clear in their survey comments, affordability is their top concern with 72% of comments falling into the "insurance rates are too high" category. Less than 2% were concerned about compensation for victims of collisions.

There is always much more which can be done to improve consumer confidence in automobile insurance in Alberta. It will take the joint effort of government and the insurance industry to build-up consumer trust through education and transparent communication. I look forward to working with all our partners to achieve this goal.

Consumer Expectations

To operate a motor vehicle, legislation requires drivers to carry a minimum limit of basic coverage (third party liability, direct compensation for property damage and accident benefits). Given automobile insurance is mandatory, consumers have expectations regarding their insurance coverage options.



Affordability

- ▶ Premiums are equitable and accurately align with the risk profile of the driver and the cost to provide the coverage.
- ▶ Insurers manage costs to avoid unexpected increases at renewal.
- ▶ Premium changes are clearly explained by insurance professionals, and options to reduce rates are provided to consumers.



Stability

- ▶ Insurance premiums are stable over time, with expected inflationary adjustments ensuring stability for Alberta drivers when budgeting for automobile insurance.
- ▶ Only drivers with a change in risk profile, due to convictions or claims, see significant increases.



Accessibility

- ▶ Insurance is available to all drivers, regardless of their risk profile.
- ▶ A competitive marketplace where drivers have options of insurer and coverages to meet their specific needs.
- ▶ Insurers provide full coverage to all drivers without placing obstacles in the purchase process.



Customer Service

- ▶ Insurance professionals are well educated and trained to assist consumers in understanding their coverage needs, changes to their premiums, and ensuring they are adequately insured.
- ▶ Insurers settle claims fairly and expediently.

Stability, accessibility and customer service are all tied to issues of affordability. A stable product is one with predictability in price without sudden, unexpected changes in price. Accessibility means drivers have choice in coverage and insurer. Customer service means consumers are informed and capable of making decisions on coverage and ways to save money.

Automobile insurance affordability is achievable with some effort and research. By shopping the market, adjusting coverage and asking about discounts, Albertans can find automobile insurance to fit their budget and provide the protection needed on the road.



Survey Methodology

The purpose of this report is to provide an overview of consumer perspectives in Alberta automobile insurance, as determined through the survey conducted in January 2024. The report also explores how the perspectives of Albertans have changed year-to-year and evaluates correlations between consumer knowledge and quantitative market data.

The AIRB contracted the services of Y Station to collect data to assess consumer awareness and perceptions regarding insurance rates over the past year.

Prior to 2019, the AIRB primarily collected data through telephone surveys supplemented by small focus groups and individual telephone interviews. In 2019, the collection process was changed, introducing an online survey through social media supplemented by telephone surveys and focus groups.

For 2024, Y Station obtained consumer feedback through an online survey, marketed through social media, and a telephone survey. All participants had to be at least 18 years of age, responsible for the purchase of vehicle insurance for their household's private passenger vehicles and their vehicle must be for on-road use. Further, all participants had to declare they do not work in marketing research, news media, the insurance industry or for the Superintendent of Insurance or the AIRB.

The surveys included both quantitative and qualitative questions to collect data comparable to previous years to ensure the voice of Albertans was captured.

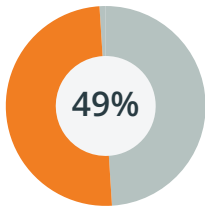
To ensure the survey sample was statistically representative of Albertans' opinions, Y Station closely monitored the demographics. They established quotas to ensure a minimum number of participants for online panel and telephone surveys were completed in each of the locations: Edmonton, Calgary, other urban and rural areas. Other monitored demographics included gender, age, and years of driving experience. The total number of respondents for the 2024 survey was 1000, with 631 respondents to the online survey and 369 respondents to the telephone survey.

Again in 2024, we found more respondents participated in the online survey and fewer chose to participate through telephone. In 2023 there were 941 individuals surveyed (639 online and 302 by phone).

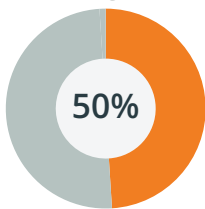
This year we added additional awareness questions to help us establish a baseline to measure planned consumer education activities.

Survey Demographics

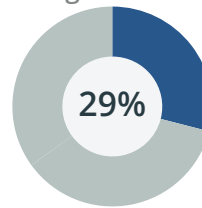
Women



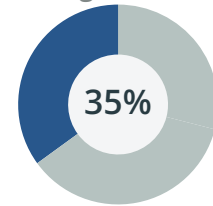
Men



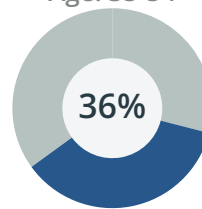
Age: 18-34



Age: ≥ 55



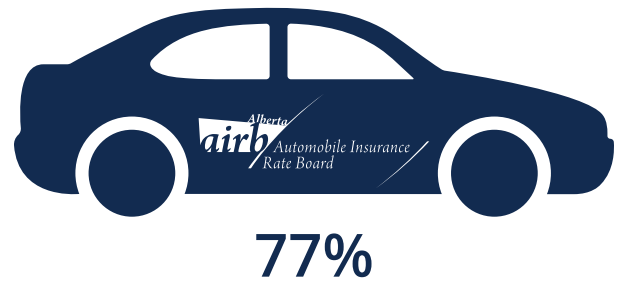
Age: 35-54



Live in Urban Communities

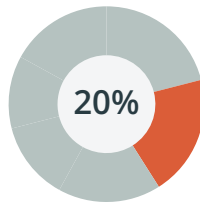


Total Unaware of AIRB

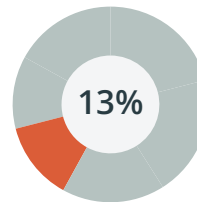


Note: Total Unaided & Aided Combined

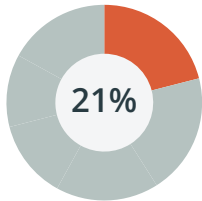
Years: 11-20



Years: 31-40



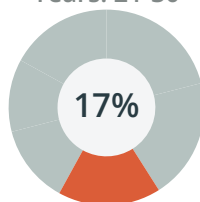
Years: ≤ 10



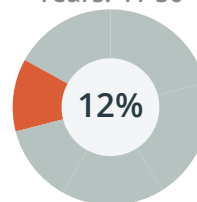
Licensed Driver



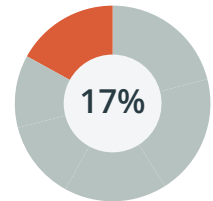
Years: 21-30



Years: 41-50



Years: ≥ 51



Note: Some responded prefer not to say for some of the categories

Survey Results

Awareness

We made changes to the survey this year to accurately gauge Albertans' awareness of the role government plays in regulating automobile insurance rating programs. Expectedly, awareness of the AIRB was low. However, the number of respondents unaware government regulated automobile insurance rating programs in Alberta was surprisingly high. If Albertans are not aware of the government role in automobile

insurance, they are less likely to look to government for consumer education resources and places to seek assistance when they have an issue or concern.

Edmonton respondents (56%) were more likely to be aware of government's role in regulating automobile insurance rating programs than any other region.

Awareness the Government Regulated Auto Insurance



46%

Have NOT Heard of the AIRB (Aided)¹

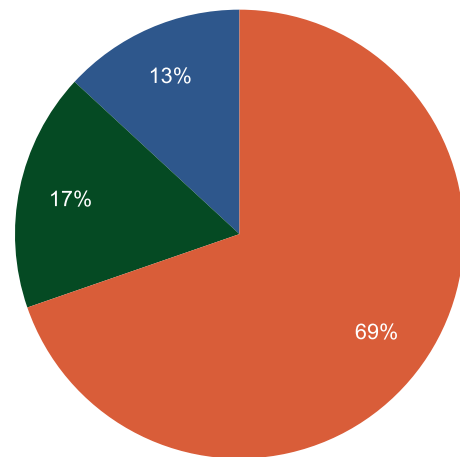


69%

Consumer Confidence

Another question we added to the survey this year was a personal assessment of confidence when purchasing automobile insurance. We asked "How confident are you about making purchasing decisions regarding automobile insurance?" We found 69% of respondents have high confidence when purchasing automobile insurance. Men are more likely to be completely confident (22%) compared to women (12%).

Confidence in Auto Insurance Purchase Decision



■ Low Agreement (1-3) ■ Moderate Agreement (4) ■ High Agreement (5-7)

Personal confidence can be important when buying automobile insurance. Confidence can be beneficial when deciding on insurance rates. A confident buyer may be more successful in securing a better price because they are aware of their options and they are likely to engage in comparison shopping. Confidence can also make someone more assertive in seeking discounts or asking questions about their policy. This can result in better coverage or cost savings. Overall, personal confidence can help someone make informed decisions, advocate for themselves, and feel secure in their choice of automobile insurance coverage.

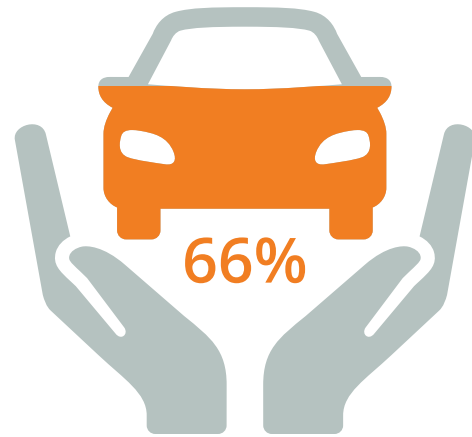
¹ Aided awareness prompts the respondent with a name "Have you heard of the AIRB?" Unaided asks without the name "Do you know who regulates automobile insurance rating programs in Alberta?"



While confidence in one’s ability to purchase insurance is relatively high, when asked a specific question about part of the insurance product introduced three years ago, direct compensation for property damage (DCPD), most respondents had never heard of it. This brings up the question about whether some respondents are overly confident without completely understanding the product they are purchasing.

The education aspect of the introduction of DCPD was led by the insurance industry. Given the survey results three years later, it’s worth re-examining what was, or was not done in order to using learnings for future product reform education efforts.

Have NOT Heard of DCPD

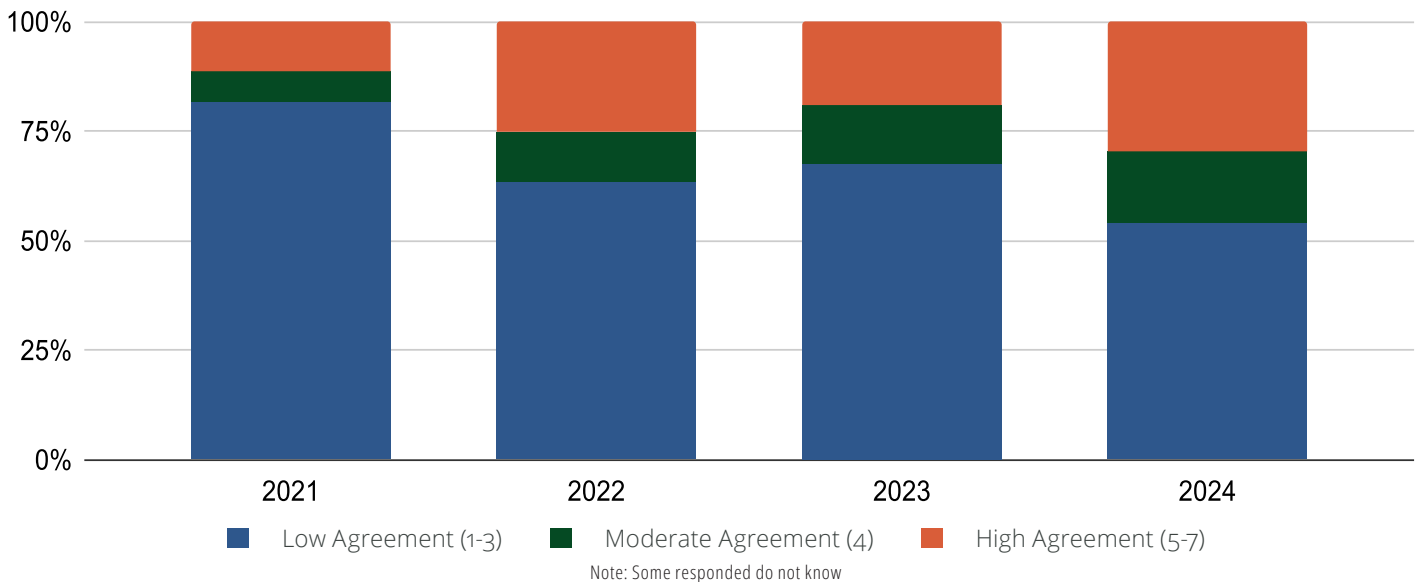


Premiums

A top-line question of our survey each year is the consumer’s level of agreement with the statement *“Automobile insurance premiums are fair and reasonable.”* We found the percentage of consumers surveyed who indicated a high level of agreement with their premiums are fair and reasonable has increased significantly since 2023. The 10% improvement may be

the result of government efforts on affordability such as the rate pause and the new rate cap for Good drivers. In addition, insurance premiums in the first half of 2023 increased only 1.7%, well below the cost of inflation. The results of our survey indicate consumers are feeling more comfortable with their automobile insurance premium.

Automobile Insurance Premiums are Fair & Reasonable



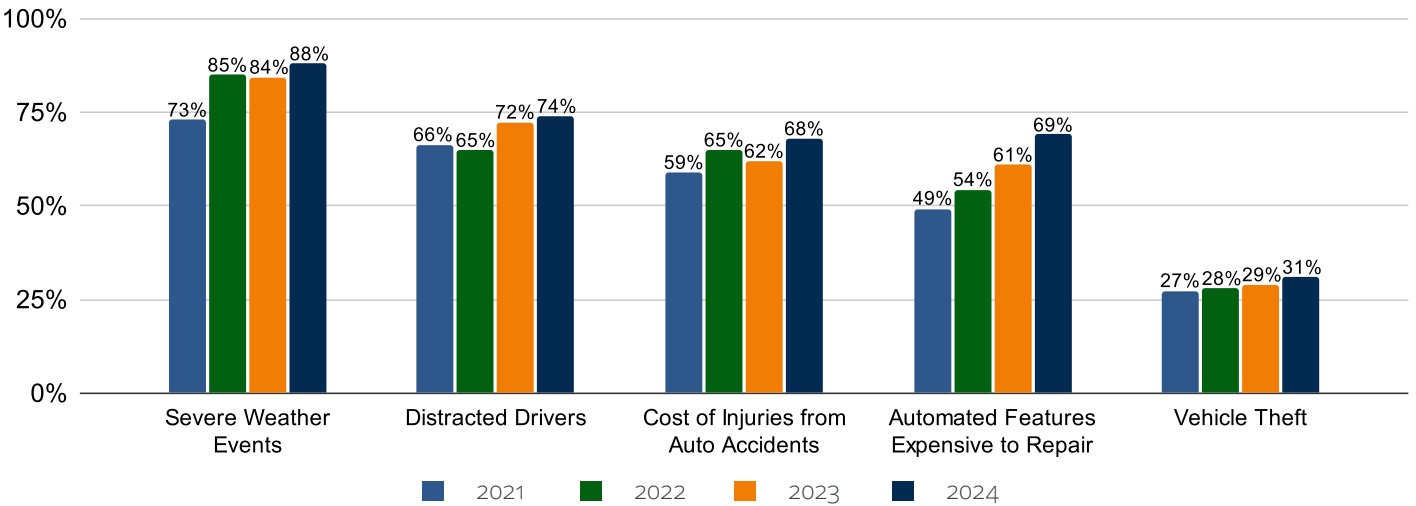


When asked, *“Were you aware the following factors contribute to the rising cost of insurance”*, there was a high level of awareness for most factors. There was a significant improvement in awareness the cost of injuries from vehicle accidents. The other area which saw a change year-over-year was an improved awareness of automated features, such as lane control,

costing more to repair. Despite increased media attention there wasn't a high awareness of Alberta being the vehicle theft capital of Canada (per capita).

For more information on specific trends and impacts on the automobile insurance market in Alberta, see the [2024 Market and Trends Report](#).

Awareness of Factors Contributing to the Rising Costs of Insurance

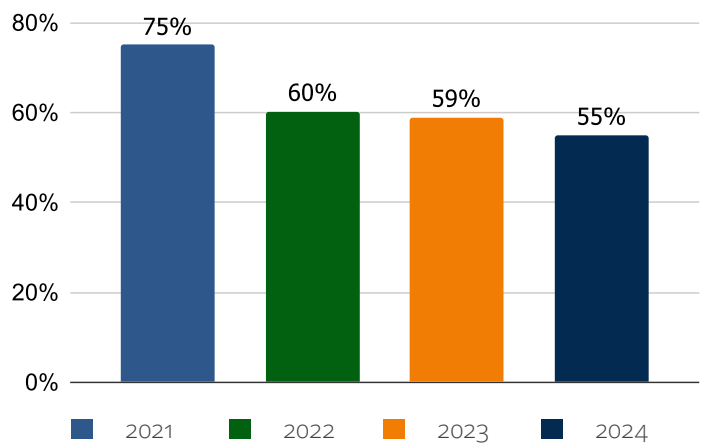


Purchasing Auto Insurance

Alberta has a competitive insurance market with 41 individual insurers actively offering private passenger vehicle coverage, with each insurer providing basic required coverages plus some unique coverage and pricing options. The survey explored consumer experience when purchasing automobile insurance.

We asked respondents if, in the last two years, they or anyone in their household, experienced an unexpected increase in the cost of automobile insurance, although you have no claims and convictions. We found 55% of respondents indicated they had an unexpected increase. This is similar to the last two years surveys and much lower than the peak of 75% in 2021. Respondents from Calgary were more likely to report an unexpected increase (61% of respondents).

Consumer Experienced Unexpected Increase Although Claims & Convictions Free





Last year we asked a new question, *“Have you or someone else in your household experienced a decrease in the cost of your automobile insurance?”* The results this year are consistent with 2023, 16% experienced a decrease. Respondents 18-34 years old were more likely to report they experienced a decrease in the cost of their automobile insurance (21%) compared respondents 55+ (13%).

Consumer Experienced a Decrease in Automobile Insurance Cost



We also asked respondents *“Have you or someone in your household decided not to insure your vehicle?”* We found 6% indicated they had not insured a vehicle, which is slightly lower than the 8% in 2023. As this remains a steady number over the years surveyed, (5-9%) the decision to not insure a vehicle is likely not related to affordability concerns or decisions to drive uninsured.

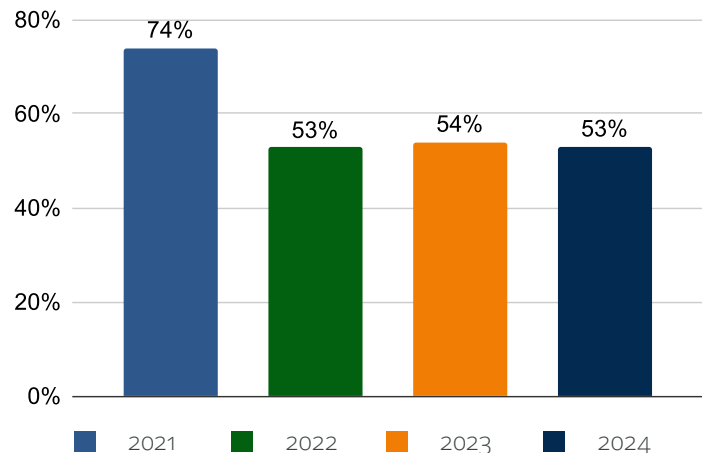
Respondents were also asked *“Have you been denied automobile insurance coverage?”*, which is an insurer decision. The response was 2% higher (4% of respondents in 2024 vs 2% in 2023) doubling the total in a single year.

Shopping the Market

In Alberta’s competitive marketplace, drivers should explore their options by shopping the automobile insurance market. The [AIRB comparative rating tool](#) lets Albertans compare the automobile insurance rates of the most common profiles of Alberta drivers. It does not provide specific rate quotes, but rather general rates based on risk characteristics. The results of the comparative rating tool can guide you to insurers who may be a good fit for your profile and budget.

The survey asked *“At any time in the past 2 years, have you sought competitive quotes?”* This year’s results are almost identical to the 2023 results. Digging deeper into responses, we note while the percentage of respondents seeking competitive quotes remains steady, the number of quote each respondent obtained went up. We found 79% of respondents sought quotes from two to four insurers.

Consumers Who sought Competitive Quotes in the Past Two Years



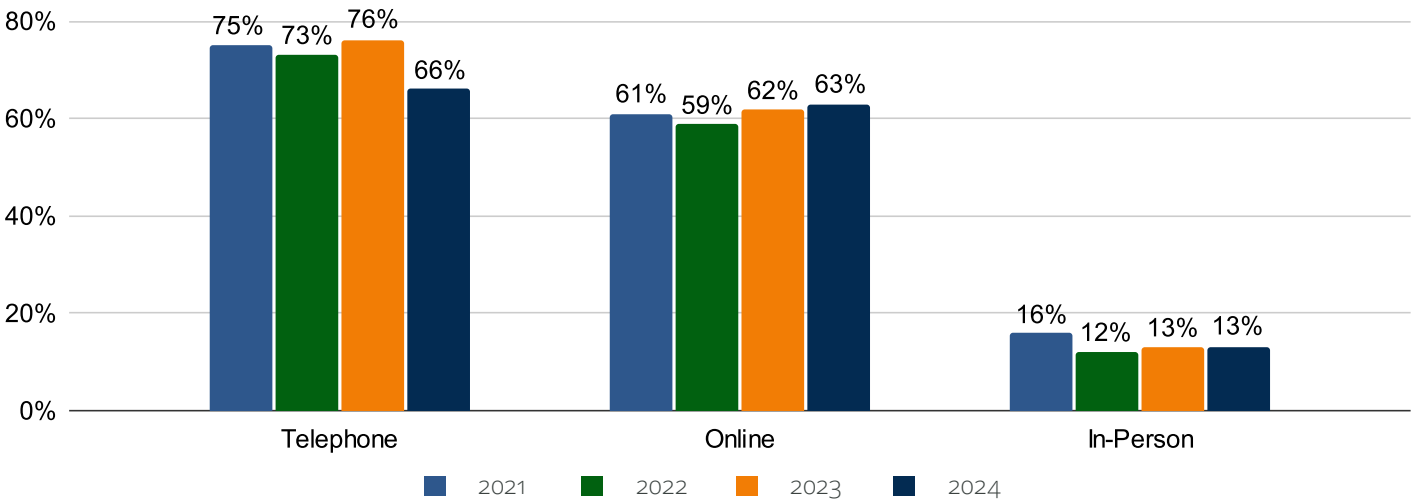
The ease of obtaining quotes has dropped slightly this year, with 17% of respondents saying the process was “very straightforward”, compared to 28% in 2023. This may have led to the lower number of respondents switching insurance companies (21% vs 26% in 2023).



To evaluate consumer purchase behaviour, the survey also asked respondents, *"Where did you get these competitive quotes?"* Calling a broker, agent or insurance company remains the predominant way respondents obtained quotes but at 66% a decrease of

ten points from 2023. We are seeing a continuing trend of Albertans looking for insurance quotes from online sources. Respondents aged 18-34 were more likely to obtain more than five quotes when shopping the market.

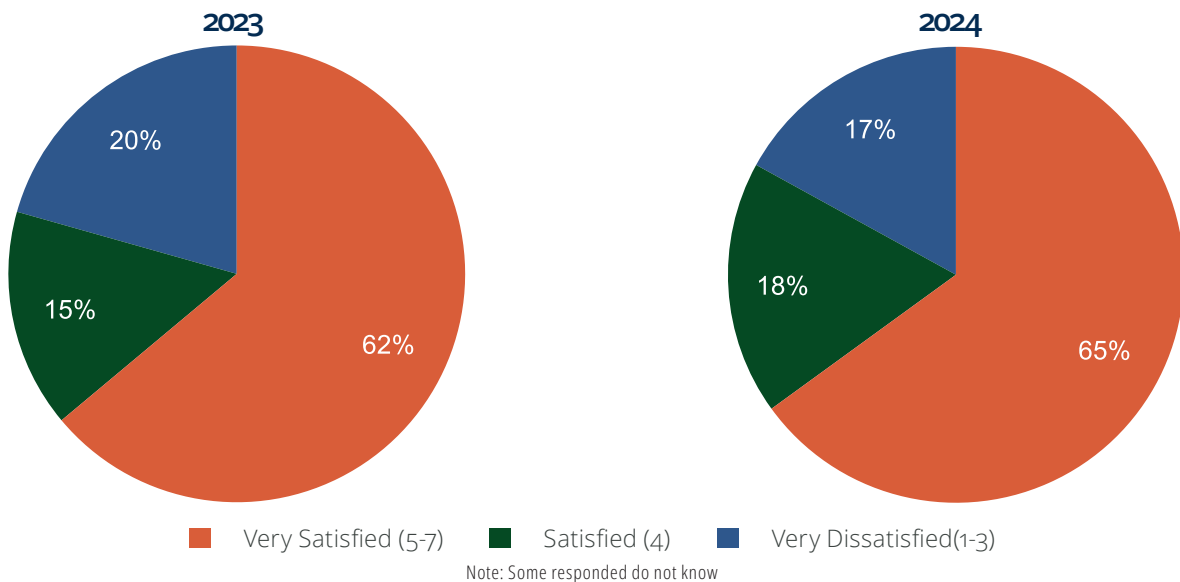
Method of Obtaining Quotes



When looking at social media, respondents stated they would be most likely to go to Facebook (11%) or Reddit (11%) for information on purchasing automobile insurance. Respondents ages 55+ (85%) are more likely to indicate they do not use social media to find automobile insurance information compared to 18-34 (61%) or 35-54 (72%).

Satisfaction with the level of service at point of sale took a slight dip compared to 2023. We found 65% of respondents were dissatisfied largely with the insurance rate (e.g. too high, increased). There were also reports of poor customer service (24%), unhelpful/unknowledgeable staff (18%) and inaccurate information or confusing information (10%).

Satisfaction with Level of Service at Point of Sale Provided by Insurance Company

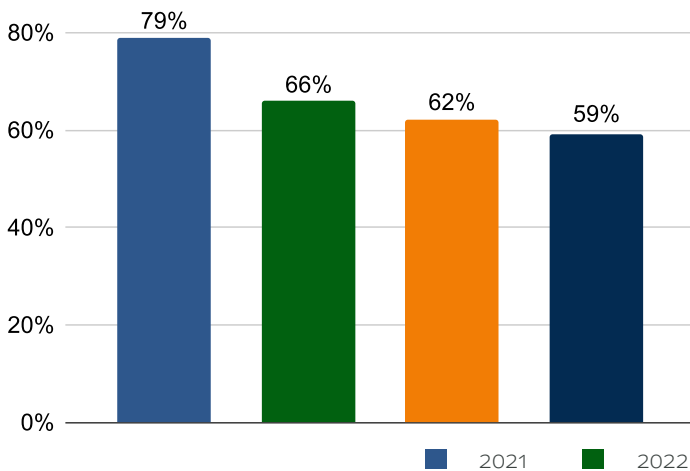




Communication

A significant number of Albertans rely on their broker or agent to provide information as to why their premiums are increasing. 59% of respondents contacted their broker or agent for explanation.

Consumers Who Contacted Their Brokers/Agent for an Explanation as to Why Their Premiums Increased

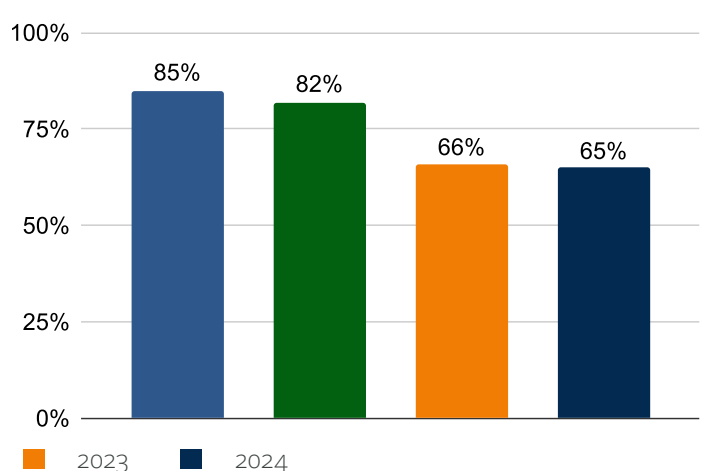


The AIRB conducted a survey in June 2023 to the eleven largest insurance groups, by market share, offering automobile insurance in Alberta. The purpose of the study was to focus a consumer lens to insurer communications to better understand the reason for increased frustration and misunderstanding at policy renewal time. All eleven insurers responded to the request to provide:

- ▶ Information sent to policyholders at renewal;
- ▶ Materials sent to the insurer's distribution channel (agent or broker) to support explaining premium changes, and
- ▶ Consumer education information on the insurer's website related to understanding changes in premiums.

However, survey results continue to indicate information provided by brokers and agents was not sufficient. Of those consumers who experienced rate increases in 2023 and reached out for an explanation, 65% were dissatisfied with the response.

Consumers Who Felt Their Brokers/Agent Didn't Provide Satisfactory Explanation as to Why Their Premium Increased



A key finding of the study showed insurers almost solely rely on agents and brokers to communicate reasons for premium changes; detailed premium change information is not provided directly to the policyholder. In fact, the previous year's premium is not displayed in the documents for comparison – it is up to the policyholder to retrieve the information themselves or reach-out to a broker or agent. Some, but not all, brokers and agents reach-out to the clients at renewal time but this is not consistent.

Our survey results show consumer dissatisfaction with the information communicated by their broker or agent and this remains an area the insurance industry should work to improve.

Driving Habits

COVID-19 brought about a change in traffic patterns with so many Albertans working from home. Since the end of the pandemic, the insurance industry has been struggling to determine whether our traffic patterns have reached a “new normal.”

Last year we included the question “*Since COVID-19 restrictions were lifted, are you driving the same amount, less, or more than before the start of the pandemic in March 2020?*” We’re seeing an increase in self-reported driving behaviour with a sharp increase in those reporting driving “more”. With such a shift over 2023 numbers we may have not reached the “new normal” of driving patterns.

Driving Amount Since Pandemic Restrictions Have Been Lifted



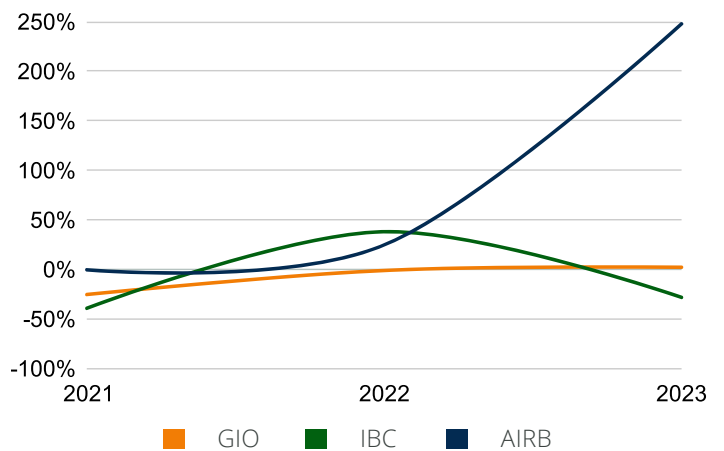
Complaint Resolution

AIRB’s call volume increased almost 250% between 2022 and 2023. Callers were concerned with premium affordability, rating questions and concerns about how the government’s automobile insurance announcements were being implemented by insurers. Early data shows call volume for 2024 is trending even higher than 2023. Albertans can also contact other organizations for automobile insurance concerns and questions.

The General Insurance OmbudService (GIO) was created in 2002 as an independent dispute resolution service provides free and impartial help for Canadian consumers of home, automobile and business insurance. The GIO can be reached at 1-877-225-0446.

Insurance Bureau of Canada (IBC) is a national industry association representing the Canadian property and casualty insurance market. IBC offers regional consumer information centres to address consumer questions. IBC’s consumer information centre can be reached at 1-844-2ASK-IBC (1-844-227-5422).

Percentage Change Over Previous Years Call Volumes





Who to Contact

Questions About Your Auto Insurance?



Broker & Agent

The first point of contact is the broker, agent, or direct writer, who sold you your auto insurance. Brokers and agents will represent your best interests, and may offer independent advice on resolving issues or addressing concerns about your automobile insurance.

Insurance Company

If your concerns were not addressed or you were not able to reach a resolution with your broker, agent, or direct writer, your next step is to contact your insurance company's Complaint Liaison Officer or Ombudsperson.

General Insurance OmbudService (GIO)

If your insurance broker, agent, or insurance company representative has not resolved your concerns, the next step is to contact the GIO.

The GIO is an independent organization helping Albertans resolve their concerns, questions, or disputes with their auto insurer by providing mediation services, free of charge. More information about the GIO and how their process works is available on their website at giocanada.org.

Questions About Auto Insurance Regulation?



Automobile Insurance Rate Board (AIRB)

If your concern is about AIRB rules and processes used to regulate the calculation of automobile insurance premiums, you may contact us at 780-427-5428 or airb@gov.ab.ca. To call toll-free within Alberta, dial 310-0000 then 780-427-5428.

Superintendent of Insurance

If your concern is about the operation of the auto insurance system, the experience obtaining coverage, or the resolution of a claim, contact your broker or call the Office of the Superintendent of Insurance at 780-427-8322 or tbf.insurance@gov.ab.ca. To call toll-free within Alberta, dial 310-0000 then 780-427-8322.



Conclusion

The AIRB values the feedback from consumers through the annual survey. The Consumer Representative shares the aggregate results with other government departments relevant to their work, and considers the consumers' viewpoint in the review of filings and new initiatives.

Since the 2023 Consumer Perspectives report the AIRB Board and staff have undertaken several initiatives to improve consumer education in Alberta.

The [Consumer Experience at Renewal](#) report took a consumer's perspective to insurer communications to better understand the reason for increased frustration and misunderstanding at policy renewal time. This report identified gaps in information, highlighted best practices and made other recommendations to improve communication to Alberta policyholders both through their broker or agent and directly from their insurer.

A one-day educational seminar for brokers and agents took place in November 2023 with a focus on the cost pressures driving automobile insurance premiums. A second seminar is planned for June 2024 to discuss other issues currently facing industry and consumers.

An Industry Advisory Committee was established in January 2024 to provide insight and advice to the AIRB for consumer education. The committee members have diverse backgrounds in the insurance industry. Using their front-line experience, the AIRB will be able to tailor education activities to best address the current issues facing consumers.

In addition, the AIRB issued a bulletin (Bulletin 09-2023) requiring insurers to undertake additional communication to their policyholders regarding the Good Driver rate cap. The AIRB clarified it is incumbent

upon insurers to explain details of why a premium for a good driver could increase above the announced 3.7% rate cap. The AIRB also required insurers to communicate about the good driver rate cap to policyholders who already received a renewal notice for a 2024 renewal.

The AIRB has developed a consumer-friendly website (airbfordrivers.ca) with advice and sources of information to guide Albertans through their purchase of automobile insurance.

Minister Horner tabled the Government of Alberta's 2024-2025 budget on February 29, 2024. The Ministry of Treasury Board and Finance's business plan cites "support the Alberta Automobile Insurance Rate Board to further their mandate of providing education and information related to auto insurance on an ongoing basis" as an initiative supporting key objectives. To fund this commitment the Ministry's budget includes an increase to the AIRB's budget. This increase in funding will allow the AIRB to build on the work previously undertaken to expand our focus on education and information sharing and launch a broader awareness campaign aimed at informing Alberta's drivers on auto insurance.

We will also be creating a new Consumer Advisory Panel to provide direct consumer feedback on the AIRB's consumer education plans and to raise issues and concerns facing consumers in Alberta. To apply to join the Advisory Panel, visit airbfordrivers.ca.



Questions/ Comments

Automobile Insurance Rate Board



airb@gov.ab.ca



airbfordrivers.ca