



# GUIDE SHOPPING FOR AUTO INSURANCE





# Stop & Get Informed

This guide is a tool to help Alberta drivers find the right balance between how much you pay for auto insurance and the level of coverage you receive.

This guide contains five sections to help you navigate shopping for auto insurance:

- 1** Where Should You Start & What Affects the Cost of Auto Insurance?
- 2** What Type of Coverage is Right for You?
- 3** What Do You Need When Seeking a Quote?
- 4** Who Should You Contact & How?
- 5** How to Save Money When Shopping for Auto Insurance?



# Section 1

## Where Should You Start?

### Auto Insurance is Required in Alberta Don't Drive Without it

Driving without insurance in Canada is illegal, and getting caught driving uninsured can result in hefty fines, jail time, and the suspension of your driver's licence.

As an Alberta driver, you have choices when it comes to purchasing auto insurance. Each choice you make affects the coverage you receive and your *premium*, the amount of money

a company charges for insurance. The key to getting the most out of your premium dollars is *comparison shopping* — shop around and compare quotes from insurance companies.

Before you start shopping, consider what insurance coverage you need, then compare how much the same coverage would cost from several different insurance companies.

### Comparison Shopping Takes Time But the Effort Can Pay Off

Shopping around for insurance may result in a lower premium since different companies charge different rates for the same products and services. Some companies employ agents or brokers to sell policies, while others sell policies through call centres or their websites. Consider all your shopping options before purchasing a policy.

You can use the [AIRB's Rate Comparison Tool](#) to help identify which insurance companies have lower premiums for different driver profiles.

### Make Sure You Understand What Your Policy Covers

Auto insurance policies are divided into different coverages based on the type of claim paid in the event of an accident. A *claim* is a request to an insurance company for a reimbursement of a loss covered by the terms of an insurance policy. If you are unfamiliar with any of the coverages or terms used in insurance policies, refer to the [Purchasing Insurance section of the AIRB website](#); it includes information on the types of auto insurance coverage available.

Agents, brokers, and insurance companies must inform you of your coverage options when you are applying for a new policy, or at any time upon request if you are already insured. You have the right to know how each choice might affect your payments and what coverage you would have in the event of an accident.

### Understand Your Needs

Here are some of the questions you should ask yourself before choosing the insurance coverage to meet your needs. For help on these questions and on the different coverages, refer to [Understanding Alberta's Auto Insurance – A Guide for Alberta Drivers](#).

#### 1. How old is your vehicle?

If your vehicle is older and the value has decreased, you may want to compare the compensation for your vehicle from your insurance company with the premium and deductible paid to make a claim for an at-fault accident.

Not purchasing collision coverage means you do not receive compensation to repair or replace your vehicle if you are at-fault in a collision, but it also means you may save money if the additional cost of coverage is close to the amount you would receive from a claim.

#### 2. Do you lease or finance your vehicle?

If yes, your financing agreement may require you to purchase collision and comprehensive coverage.

#### 3. How much of a deductible can I afford to pay in event of a loss?

A deductible is the amount you must pay before your insurance company will repair or replace your vehicle. Increasing a deductible means you are taking on more risk, for which your insurance company will reduce your premium—however, the lowered premium may not be enough to justify the additional risk you will bear.

## What Affects the Cost of Auto Insurance?

Auto insurance premiums differ depending on the company, driver, vehicle, and coverage amount. When you apply for auto insurance, companies will consider a variety of factors to determine the risk you possess, and the likelihood you will experience an accident and make a claim.

Not all insurance companies consider the same factors when determining your premium, but there are some common factors used which may impact your premium:

1. **Driving record** - your driving experience, years licenced, traffic violations, and claims history.
2. **Type of vehicle** - the year, make, model, and value of your vehicle.

3. **Geographical area** - where you drive and park your vehicle. More claims filed by drivers in the same area or rating territory as you will increase your premium.
4. **Vehicle use** - The distance you drive to get to work or school, and whether the vehicle is driven for personal or business use.

In addition, there are several external factors which affect premiums. Refer to [Why Rates Increase](#) for more information.

## Section 2

### What Type of Coverage is Right for You?

The next step to shopping for auto insurance is to choose the right coverage for you. Auto insurance is mandatory in Alberta, but there are also some optional coverages to protect your vehicle.

#### Mandatory Coverages

1. **Accident benefits** help cover the cost of medical expenses following a collision. This type of coverage can be claimed no matter which party was at-fault for an accident, and it can help pay for the medical expenses of the driver, passenger, or any pedestrians involved. Some examples of medical expenses covered include rehabilitation, prescription medications, and physical therapy.  
**For Example:** When you lose control of your vehicle and hit a tree in the winter. You suffered injury from the accident. Your Accident benefits will cover the treatments of your injury.
2. **Direct compensation for property damage (DCPD)** protects drivers if they get into an accident which was not their fault. This type of coverage offers compensation if your vehicle or contents are damaged in the accident as well as loss of use of the vehicle. DCPD covers a portion of the repairs based on the percentage you were not at fault for an accident.  
**For Example:** While you are driving through an intersection, another driver runs the red light and collides with your vehicle. You are deemed not at fault by your insurance company. DCPD will pay to fix or replace your vehicle.
3. **Third-party liability** protects drivers if they get into an accident they are at-fault for. For example, if you cause a collision resulting in bodily injury or property damage, liability coverage helps cover the cost of medical expenses or vehicle repairs to a third party. It can also help pay for any necessary court fees or legal counsel. In Alberta, drivers must always hold a minimum of \$200,000 in third-party liability coverage; however, most drivers choose \$1,000,000 or \$2,000,000 in coverage.  
**For Example:** When you follow too close, and rear end the vehicle in front causing property damage to the vehicle and bodily injury to another driver. Your third-party liability will pay to fix the other driver's vehicle and the treatment of the driver's injury.

## Optional Coverages

1. **Collision coverage** protects the policyholder if they get into an accident with another vehicle or object on the road. You can receive compensation to help pay for any property damage resulting from the accident, such as a damaged vehicle in need of repair.

**For Example:** You ran the stop sign at an intersection and hit another vehicle. Your vehicle is damaged. You are responsible for the crash. Collision will pay to fix or replace your vehicle.

2. **Comprehensive coverage** protects drivers against a wide range of unforeseen events. Since standard auto insurance coverage in Canada does not protect drivers from non-collision related circumstances, comprehensive coverage can safeguard your vehicle against insured perils like theft, vandalism, falling objects, water damage, and fire.

**For Example:** You are driving to Banff and a deer ran into the road. You aren't able to stop. Colliding with the deer caused damage to your vehicle. Comprehensive will pay to fix or replace your vehicle.

3. **Specified perils coverage** is a more limited version of comprehensive coverage. It covers damage from specific events such as fire, lightning, theft, etc.

**For Example:** Your vehicle is struck by lightning in a thunderstorm. Specified perils will pay to fix or replace your vehicle.

4. **All perils coverage** is the broadest form of coverage. It not only covers everything under collision and comprehensive, but also includes slightly broader theft protections.

**For Example:** You have a new roommate who you don't know very well. Your roommate stole your vehicle. All perils will pay to replace your vehicle.

5. **Endorsements** are listed in your insurance policy and can broaden, restrict, or clarify your coverage. There are several types of endorsements offered, so it is best to ask your agent or broker to ensure you have the coverage you need. Some examples of common endorsements are:

- ▶ **SEF 13D Limited Glass Coverage** – Reduces the coverage on glasses on your vehicle, therefore, it will lower your premium. It typically excludes front windshield from certain damages.
- ▶ **SEF 18 Replacement Cost** - If you're the first owner of a vehicle, replacement cost coverage is designed to replace your vehicle in the event of a total loss within a specific period. If the same vehicle model can't be sourced, an equivalent replacement vehicle or the listed replacement cost (\$) may be provided.
- ▶ **SEF 20 Loss of Use** - Pays for a rental vehicle or alternate transportation (taxis, rideshares, transit fares, etc.) while your vehicle is being repaired.
- ▶ **SEF 27 Legal Liability for Damage to Non-Owned Automobiles** – Extends the physical damage coverage (collision, comprehensive, specified perils, or all perils) you currently carry on your insured vehicle to a rental vehicle when you are away on vacation or business.
- ▶ **SEF 39 Accident Forgiveness** - Protects your driving record and helps prevent your insurance premium from increasing if you have an at-fault collision claim.
- ▶ **SEF 43(R) Limited Waiver of Depreciation** - If you are buying, leasing, or financing a new vehicle, a limited waiver of depreciation reimburses the replacement value to the driver if damage occurs within a certain period after purchase; the period varies by insurance company. In the event of a total loss within the period, the driver is reimbursed the purchase price of the vehicle.
- ▶ **SEF 44 Family Protection** - Protects you and any passengers in your vehicle if you're involved in an accident with an at-fault driver who does not have insurance or doesn't have enough insurance. This endorsement may also protect against hit-and-runs.

# Section 3

## What Do You Need When Seeking a Quote?

The first step to shopping for auto insurance is gathering the documents and information you will need to provide a broker, agent, or prospective insurance company. Organizing this information before you start will streamline the entire auto insurance shopping process, so be sure to come prepared with the following:

- 1. Current insurance policy** - Assuming this is not your first-time purchasing auto insurance, you will need to provide the details of your current policy. At a minimum, your broker will require the name of your current insurance company, your policy number, and the renewal date of your policy. However, they will often require a full breakdown of the coverages, limits, and deductibles on the policy. We suggest bringing a copy of your policy with you for ease.
- 2. Driver's licence** - The next piece of documentation you need is your driver's licence. An insurance company will take note of your driver's licence number and its expiry date. Your licence must be valid to obtain auto insurance. If your licence recently expired or is about to expire, you will need to renew it before you can purchase a new auto insurance policy. Furthermore, if someone else in your household drives your vehicle, you must also provide copies of their driver's licences clearly showing the numbers and expiry dates.
- 3. Vehicle's make, model, year, and identification number (VIN)** - To accurately calculate an insurance premium, your insurance company will need to know the type of vehicle you drive. This will help them determine the value of your vehicle, which influences insurance rates. An insurance broker may also ask about the condition of the vehicle, as well as its trim level and any special features it has (e.g. two-wheel vs. four-wheel drive, security devices like anti-theft locks).
- 4. Traffic violations** - Insurance companies can only provide accurate auto insurance quotes if they know your driving history. Therefore, drivers must be prepared to provide information about any traffic violations or convictions from the past few years (e.g., traffic tickets, DUIs). The information needed varies by the insurance company but may require the dates and types of violations.

- 5. Claims history** - A history of all insurance claims made to your past insurance provider(s) is also required. These claims can be for anything from accident-related claims like fender benders to comprehensive claims, such as vandalism, theft, or windshield damage.
- 6. Letter of experience** - If you recently moved from another province or country, the insurance company might require a letter of experience. A letter of experience, or claims experience letter, is an up-to-date record of your insurance history provided by your past or current insurance provider. It serves as a reference and can provide your new insurance company with a detailed breakdown of your claim and driving history.
- 7. Credit Consent** - Insurance companies may request credit consent as part of their quoting process. Credit consent is required if you are requesting a payment plan. In addition, insurance companies use credit score as part of their risk assessment and may offer a discount depending on your credit score. Different insurance companies may have different policies regarding the use of credit consent. Insurance companies must comply with regulations and laws when using credit information. It is always recommended to speak with insurance companies or brokers to find out more.

Complete the [Shopping the Market Worksheet](#), and keep it handy, as it offers a place to record the information an insurance company will generally need to accurately quote you a premium.

We recommend you contact four (or more) insurance companies and request a quote for the coverage you need: basic (third-party liability, accident benefits, direct compensation for property damage (DCPD), and additional (collision, comprehensive, specified perils, or all perils endorsements) with the same deductible amount.

Be sure to ask the total annual premium and payment options. Most insurance companies will allow you to make installment payments, so make sure you are comparing the price of total annual premiums.

If you feel you need a higher level of coverage, discuss your options with an agent or broker. Remember, you have the right to change the amount of coverage you have or the amount of your deductibles when your policy is up for renewal.

# Section 4

## Who Should You Contact & How?

The next step to shopping the market is to consult with an insurance broker or agent. Once you've gathered the necessary information and know what coverage you're looking for, you can decide which insurance representative to contact to help you find your coverage at the best price.

Regardless of which option you choose, you can be assured they are all licenced and have extensive knowledge of the insurance industry and the current market.

### Insurance Broker

An insurance broker works independently of insurance companies; they have knowledge about multiple companies' offerings. This allows them to shop around on a customer's behalf to the insurance companies they represent. You can reach most brokers by phone, e-mail, online, or in-person at their office.

If you choose an insurance broker, they will provide you with quotes from the insurance companies they represent. A broker can take care of the legwork by quoting for three or four companies.

To find a broker click [here](#).

- ▶ Aviva Insurance Company
- ▶ Canadian Farm Insurance Corp.<sup>1</sup>
- ▶ Chubb Insurance Company of Canada
- ▶ Definity Insurance Company
- ▶ Dominion of Canada General Insurance Company, The
- ▶ Intact Insurance Company
- ▶ Optimum West Insurance Company Inc.
- ▶ Peace Hills General Insurance Company
- ▶ Pembridge Insurance Company
- ▶ Portage La Prairie Mutual Insurance Company, The
- ▶ SGI CANADA Insurance Services Ltd.
- ▶ Traders General Insurance Company
- ▶ Wawanesa Mutual Insurance Company, The
- ▶ Zenith Insurance Company
- ▶ Zurich Insurance Company Ltd.

Alberta has a competitive insurance market with insurance companies selling through brokers and agents. Consider if the insurance companies you want to get quotes from can be obtained through your broker or if you need to contact the insurance company directly – through their agent or website.

### Insurance Agent

An insurance agent represents one specific company and specializes in their product offerings. You may reach most agents by phone, e-mail, or online. Some insurance companies have agents with offices to enable in-person discussions about your policy. Some companies offer you the opportunity to purchase insurance directly from their website and if you need assistance, an insurance agent is available to assist you.

If you choose an insurance agent, you will need to contact each insurance company directly, as their agents only represent their company.

- ▶ Alberta Motor Association Insurance Company
- ▶ Allstate Insurance Company of Canada
- ▶ Aviva General Insurance Company
- ▶ Belair Insurance Company Inc.
- ▶ Certas Direct Insurance Company
- ▶ Certas Home and Auto Insurance Company
- ▶ Co-operators General Insurance Company
- ▶ Millennium Insurance Corporation
- ▶ Personal Insurance Company, The
- ▶ Primum Insurance Company
- ▶ Security National Insurance Company



# Section 5

## How to Save Money When Shopping for Auto Insurance?

Beyond discounts, there are a few other ways drivers can save money on auto insurance:

- 1. Choose annual over monthly payments** - Did you know paying for auto insurance in one annual installment can save you money? Many insurance companies charge an administrative fee every time you make a payment, which is why paying annually usually ends up being cheaper than paying monthly.
- 2. Increase your policy deductible** - Raising your auto insurance deductible by as little as \$500 or \$1,000 can lower your premium. So, if you're looking to save money on auto insurance, raising your deductible may be a worthwhile option. However, policyholders should think carefully before raising their deductibles because in the event of a claim, they would be responsible for paying the full amount of the deductible before the insurance company provides reimbursement. Therefore, a driver should never increase their deductible to an amount they cannot afford to pay.
- 3. Maintain a clean driving record** - Insurance companies reward drivers with clean driving records. To achieve a stellar record, you must drive safely and responsibly, obeying the rules of the road, and avoiding accidents or traffic violations. Enrolling in a defensive driving course can also contribute to a clean driving record. Ultimately, even if your record is not clean enough to qualify for a safe driver discount, the fewer incidents on your record, the lower your insurance premium is likely to be.
- 4. Compare at least four different quotes** - Shopping around for auto insurance, whether you do it yourself or through an insurance broker, is the only way to ensure you get the best possible rate. Comparison shopping will prevent you from falling into the trap of settling for one provider without proper research. Since insurance companies are constantly reviewing their results, and adjusting the formula used to set the rate, the prices of policies change all the time. For this reason, it's important to compare your options every time your policy is up for renewal. Never assume your existing policy and insurance company still offer the best rate. Instead, obtain quotes and evaluate each option.

Rather than simply choosing the least expensive rate, assess quotes according to the following:

- ▶ **The details of your quote** - To receive an accurate quote, provide as much information as possible (e.g. your driver's licence number, vehicle details, traffic violations history, and claims history). In addition, be sure to provide each insurance company with the same details so you can fairly compare each quote. Once a quote has been provided, remember to double check your information is accurately reflected in the quote.
- ▶ **The coverage and deductibles included with the quote** - Chances are, the quote with the cheapest rate may also offer the least amount of coverage and the largest deductible. Depending on your vehicle, driving record, and driving habits, the minimum coverage may not be enough to suit your needs. Make sure to carefully consider the coverage you need and the deductible you are willing to take on.
- ▶ **Your payment options** - Compare quotes according to the payment options. For example, do all providers give you the option of paying monthly, or are you required to pay annually? Are additional fees charged if you pay monthly rather than annually and what are they?
- ▶ **Eligible discounts** - You should always ask about discounts (conditions and amounts) and factor in any discounts you qualify for into the quote. Though one quote might seem like the best value, this may not be the case when you adjust for discounts for safe drivers, bundling policies, or winter tires.

Comparing multiple auto insurance quotes not only prevents you from overpaying for auto insurance, but also provides drivers with peace of mind.

## Never Lie to Your Insurance Company

When faced with high premiums, some drivers might be tempted to provide false or misleading information to qualify for a lower rate. Providing a different address, leaving a driver off the policy, underestimating your annual mileage, or leaving out the vehicle is used for business and personal reasons are all examples of ways policyholders might lie to get better rates. While you might temporarily experience lower rates, your insurance company will find out about the lie when you need to file a claim. These drivers can suffer serious consequences like

having to pay the full costs of damages for a collision themselves. In addition, your company may cancel your policy, which would leave you without coverage and make it much harder to find a policy in the future. If you can find a policy, you also might only qualify for high-risk auto insurance which is much more expensive. This is why it is always best to be up front and truthful to your insurance company from the start.





## Automobile Insurance Rate Board

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