



Consumer Perspectives on Automobile Insurance

2022

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June 24, 2022

Mathew Wesolowski, Consumer Representative



TABLE OF CONTENTS

LETTER TO BOARD CHAIR	1
AUTOMOBILE INSURANCE RATE BOARD	2
THE CONSUMER REPRESENTATIVE	2
PREFACE	3
SURVEY METHODOLOGY	3
CONSUMER EXPECTATIONS	4
SURVEY RESULTS	5
OTHER FACTORS	11
PREMIUM COMPARISONS	13
CONSUMER PURCHASE BEHAVIOR	14
FOCUS GROUPS	15
HOW ARE THE SURVEY RESULTS USED	16
MY OBSERVATIONS	17
Y-STATION REPORT	18

June 24, 2022

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

Dear Ms. Butler:

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 are a valued stakeholder in the insurance industry. Their 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.

This review encompasses a many of relevant issues concerning to the availability and affordability of automobile insurance. The views expressed in this report are those of Alberta consumers. A synopsis of consumer comments is included based on surveys conducted by an independent research company and the undersigned.

Please accept the following as my report to the AIRB, and I look forward to discussing my findings on August 18, 2022 at the Annual Review Meeting.

Sincerely,

Mathew Wesolowski
Consumer Representative



Mathew Wesolowski
Consumer Representative

Automobile Insurance Rate Board

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 Consumer Representative

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.

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.

Mathew Wesolowski was appointed as Consumer Representative effective September 1, 2020. He is a retired senior insurance executive with over 38 years of experience in the insurance industry, most recently as Alberta Motor Association Insurance Company's Chief Operating Officer. He has extensive experience with consumer organizations responding to members' needs and concerns.

Throughout his career, Mathew has been involved with numerous boards and committees including Insurance Bureau of Canada (IBC) Board of Directors, IBC Alberta Committee, and IBC National Personal Lines Committee. He has presented at numerous insurance industry conferences and seminars.

Mathew holds a Bachelor of Science with a major in psychology and a Bachelor of Law. He has held positions of Chief Privacy Officer, Chief Compliance Officer, Chief Anti Money Laundering Officer and Whistle Blower Officer.



Preface

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 variables when making decision. The Consumer Representative's role is to represent the consumer's voice in all decisions made by the AIRB.

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 report, which must include a report from the AIRB Consumer Representative.

The purpose of this report is to provide an overview of consumer perspectives in Alberta automobile insurance, as determined through the survey and focus groups conducted in 2022. The report also explores how the perspectives of Albertans has changed year-to-year and evaluates correlations between consumer knowledge and quantitative market data.

Survey Methodology

In 2022, the AIRB contracted the services of Y Station to collect data to assess consumer awareness and perceptions regarding insurance rates over the past year. Appendix A provides a full copy of their report.

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 panel survey through social media supplemented by telephone surveys and focus groups.

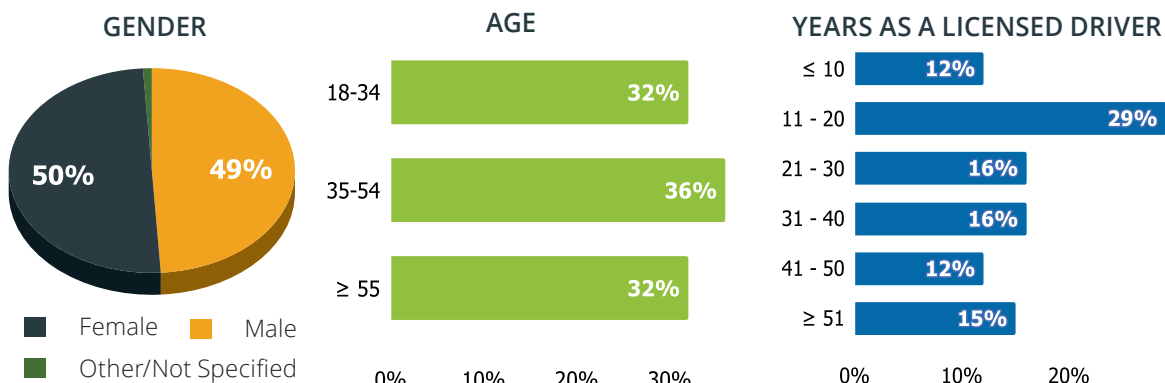
For 2022, Y Station obtained consumer feedback through an online panel survey, marketed via social media, a telephone survey and focus groups. All participants had to be at least 18 years of age, responsible for the purchase of vehicle insurance for their household's private passenger vehicles and their 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 Albertan's 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 2022 survey was 941, with 639 respondents to the online panel survey and 302 respondents to the telephone survey.

In 2022, we found more respondents participated in the telephone survey and fewer chose to participate through online panel. Anecdotally we believe this is a result of general survey burn out through online panels which increased during the COVID-19 pandemic.

DEMOGRAPHICS OF ALL SURVEY RESPONDENTS



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.



STABILITY

- 💡 Insurance premiums are stable over time, with expected inflationary adjustments. 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 consumers have options of insurer and coverages to meet their specific needs.
- 💡 Insurers provide 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.

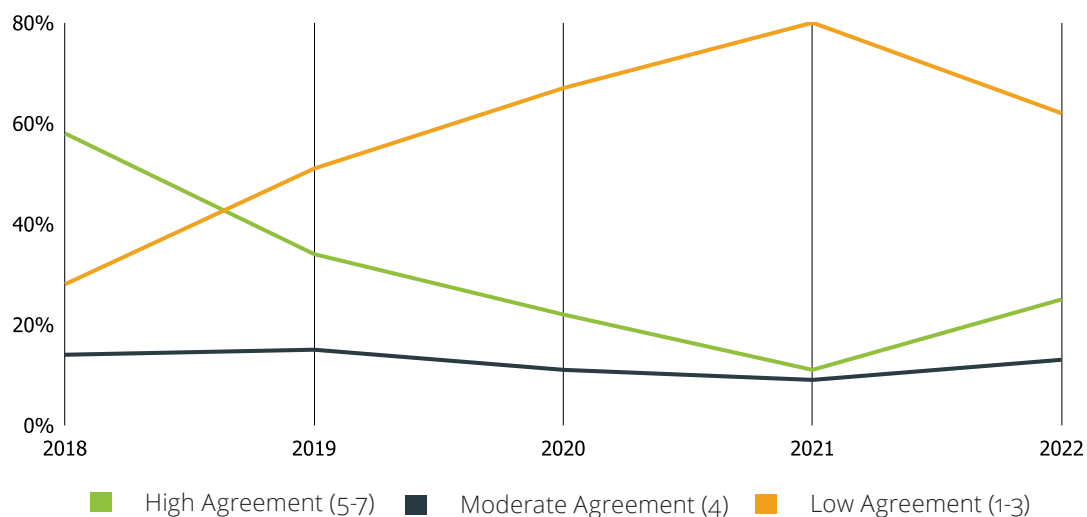
Survey Results

PREMIUMS

The survey collected 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 their premiums are fair and reasonable has decreased significantly from 2018 to 2021, before rebounding slightly in 2022. In 2022, 25% of respondents had high level of agreement, up from 11% in 2021.

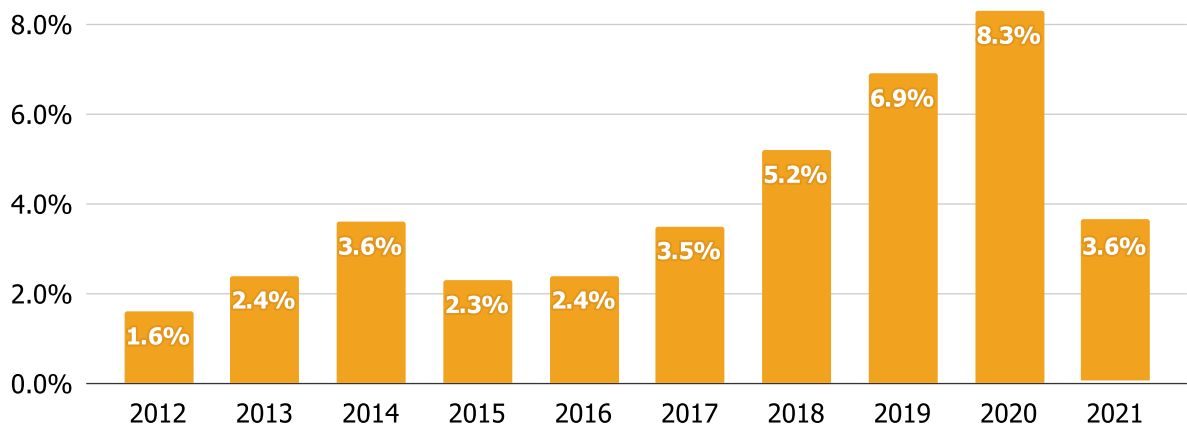
AUTOMOBILE INSURANCE PREMIUMS ARE FAIR AND REASONABLE



When asked: **"Were you aware that some Alberta drivers are facing increases in insurance premiums?"**, 89% stated they were aware. The results signify most consumers' perspectives accurately align with the

market data; the AIRB has seen higher than average increases to average premiums in previous years. In 2021, we saw the return to a competitive marketplace, following the expiry of the rate limitation.

CHANGE IN AVERAGE PREMIUMS BY YEAR

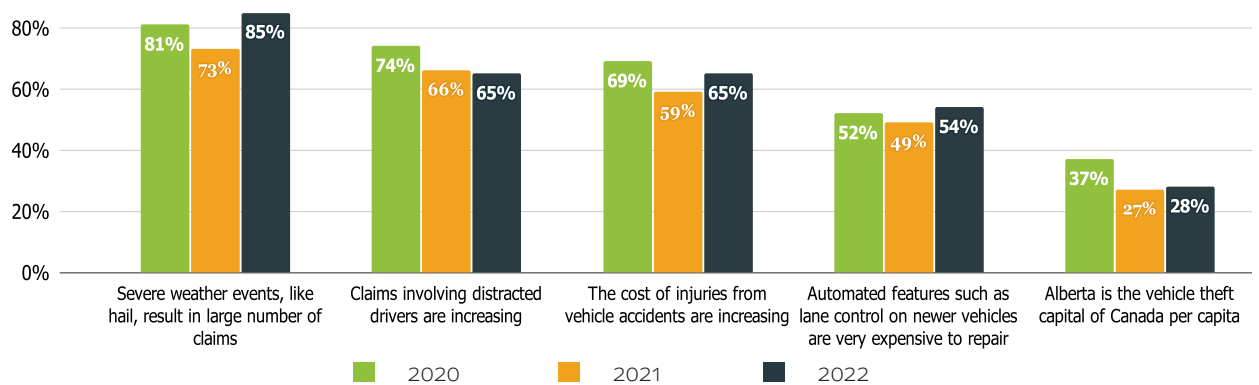


Source: GISA 2021 - Auto-1005-AB

With consumers experiencing larger than average increases to premiums in recent years, a new question was added starting in 2020 regarding factors contributing to the increasing insurance rates in Alberta. When asked: **“Were you aware the following factors contribute to the rising cost of insurance?”** Many Albertans demonstrated a high level of awareness for some of the factors

contributing to increased rates. However, other factors were relatively unknown to Albertans. When reviewing the results over the last three years, there is slight change in the responses. However, severe weather is consistently a well known factor contributing to increased premiums and vehicle theft continues to be a lesser known factor.

AWARENESS OF FACTORS CONTRIBUTING TO THE RISING COSTS OF INSURANCE

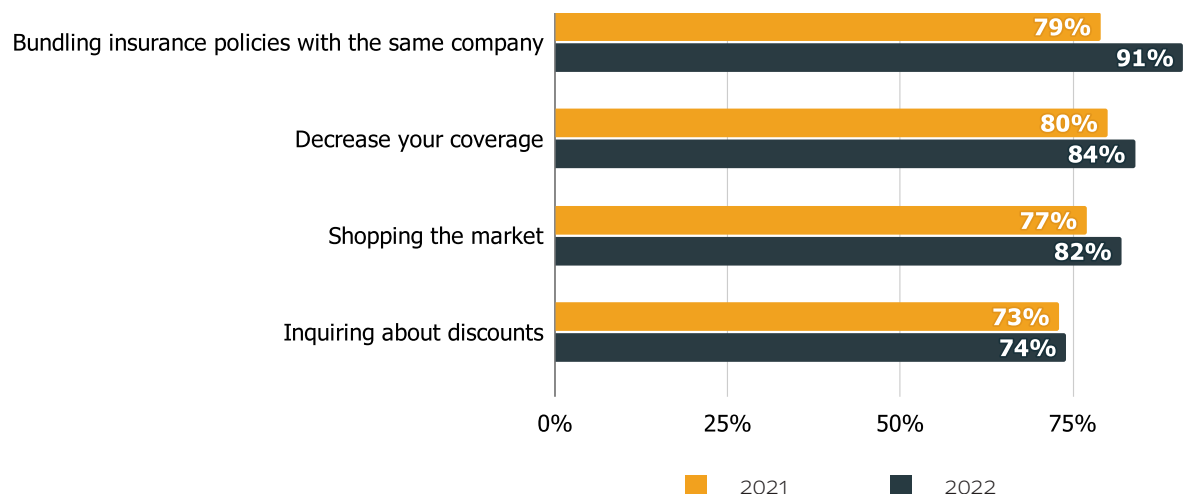


Note: Respondents could select multiple responses

Starting in 2021, the survey included a question to evaluate awareness of options consumers have for reducing their insurance premiums. When asked: **“Before today, were you aware the following actions could reduce your vehicle insurance?”** respondents indicated

a high level of awareness. Awareness has increased in 2022, on all actions as compared to the results in 2021.

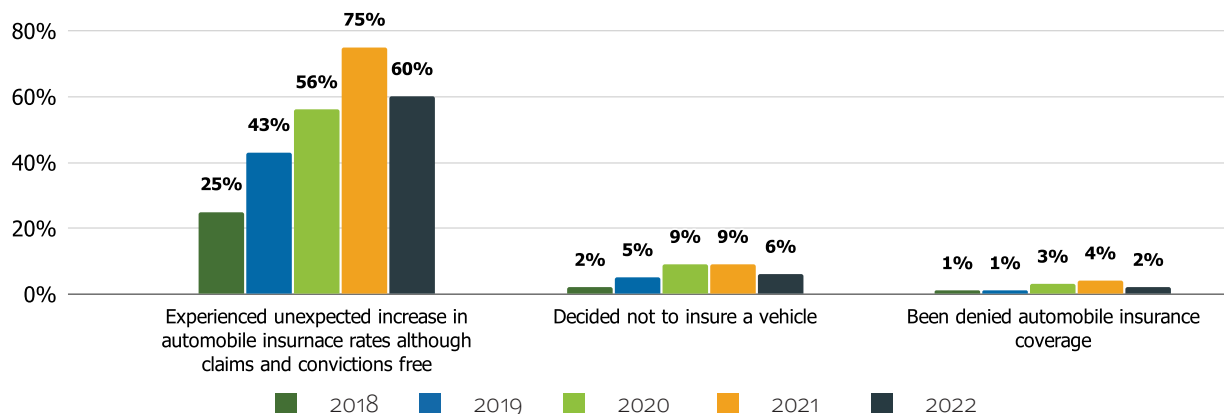
AWARENESS OF ACTIONS THAT COULD REDUCE PREMIUMS



The survey also explored consumer experiences with rate changes, expectations regarding rate changes, purchasing behaviour, and decisions made. We asked consumers if any household members had a specific experience or made a specific decision about

their insurance in the last two years. This year 60% of consumers indicated they experienced an unexpected increase in automobile insurance rates even though they were claims and convictions free, down from 75% in the prior year.

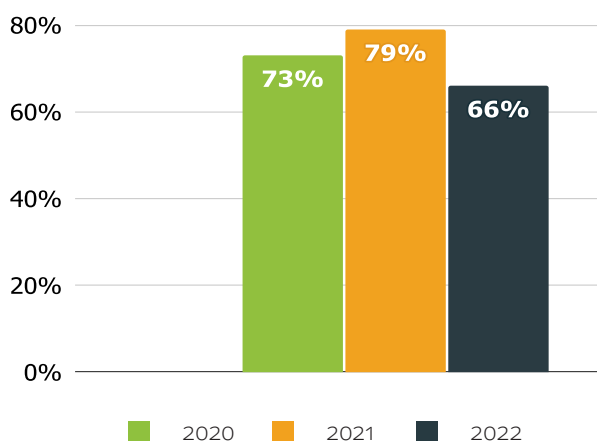
CONSUMER EXPERIENCE AND DECISION MAKING



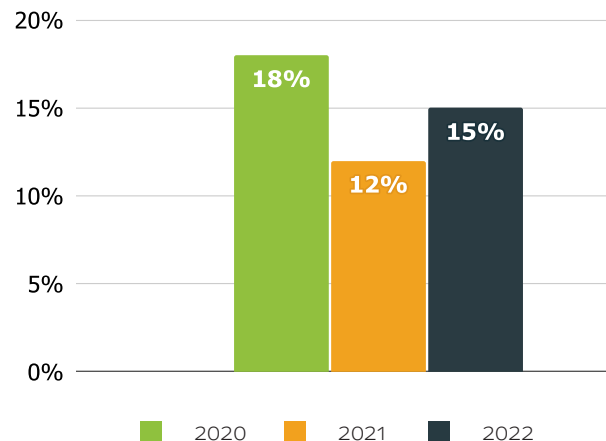
In 2020, given average premiums were increasing and more consumers were experiencing rate increases, a new question was included in the Consumer Perception Survey to determine what source of information consumers rely on regarding rate changes. We asked this question to evaluate the quality and satisfaction with the information provided to them. A significant portion of consumers looked to their broker or agent to provide information as to why their premiums were increasing. However, the survey

results indicated the information provided by brokers and agents was not sufficient. Of those consumers who experienced rate increases in 2022, 66% contacted their broker or agent for an explanation and only 15% of those individuals felt they received a satisfactory explanation. When comparing the results from the last three years, the data suggests consumers are seeking explanations for rate increases, while consumers are consistently not satisfied with the information received.

CONSUMERS THAT CONTACTED THEIR BROKER OR AGENT FOR AN EXPLANATION AS TO WHY THEIR PREMIUMS INCREASED



CONSUMERS THAT FELT THEIR BROKERS OR AGENT PROVIDED A SATISFACTORY EXPLANATION AS TO WHY THEIR PREMIUMS INCREASED



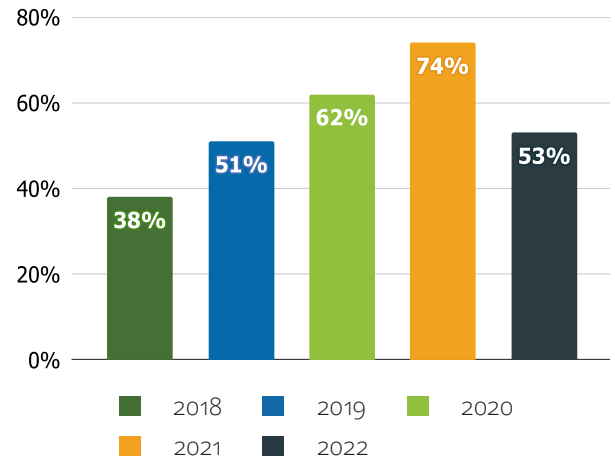
PURCHASE BEHAVIOUR

Alberta has a competitive insurance market with 44 individual insurers actively offering private passenger vehicle coverage, with each insurer providing basic required coverages plus some unique coverage and pricing options. The AIRB indicated they have seen an increasing number of consumers inquiring about premium increases. The AIRB continues to assist consumers in a number of ways including understanding what is the cause of their increases and encouraging them to obtain competitive quotes.

The survey asked, **“At any time in the past 2 years, have you sought competitive quotes?”**

The results indicated more consumers sought competitive quotes in 2020 and 2021. In 2022, the results are in-line with 2019, with 53% of consumers seeking competitive quotes.

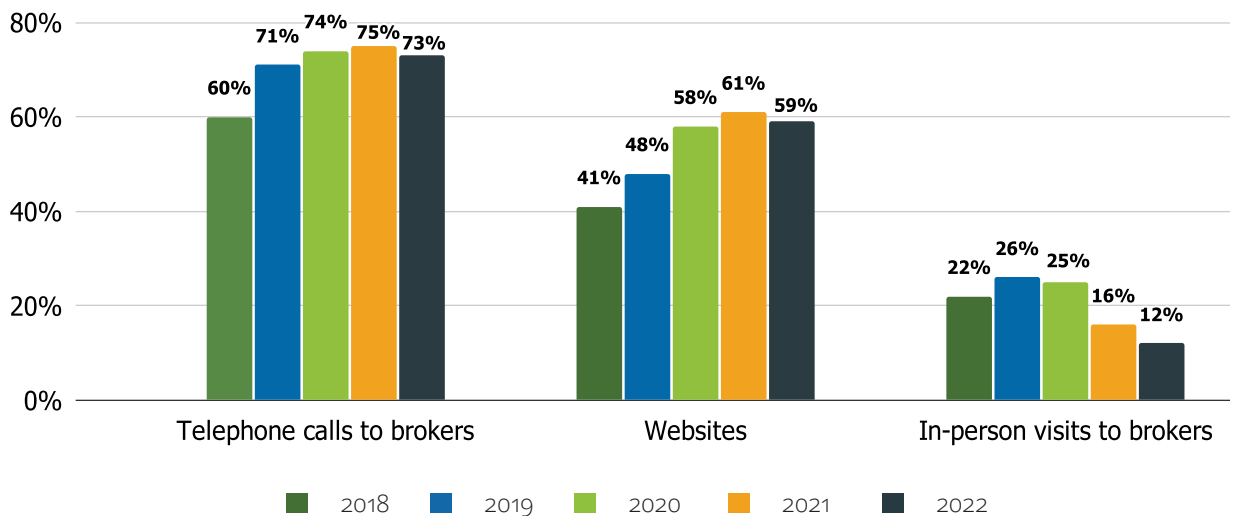
CONSUMERS THAT SOUGHT COMPETITIVE QUOTES IN THE PAST TWO YEARS



To evaluate consumer purchase behaviour, the survey also asked respondents, **“Where did you get these competitive quotes?”** Results indicated the most common methods for obtaining vehicle insurance quotes was calling brokers and visiting websites, which provide insurance quotes. The results for both methods

remained relatively consistent when compared to 2021. It is important to note restrictions and changes in shopping habits due to COVID-19 likely influenced the method of obtaining quotes in the last two years.

METHOD OF OBTAINING QUOTES

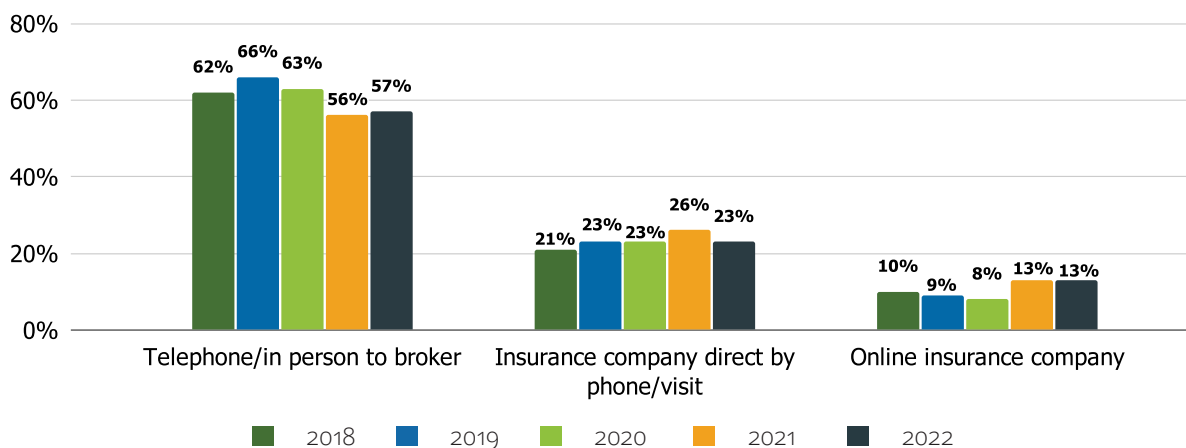


Note: Some responded Other

We asked consumers who sought competitive quotes before purchasing: **“When you made your decision to purchase insurance what method did you use?”** Their behavior remained consistent over the previous five years. The majority of consumers surveyed

made their purchase decision speaking directly with their insurance company or broker. In 2022, we also asked if it was easy to obtain a quote, and 64% found the process straightforward.

METHOD OF PURCHASE DECISION



Note: Some responded Do not know

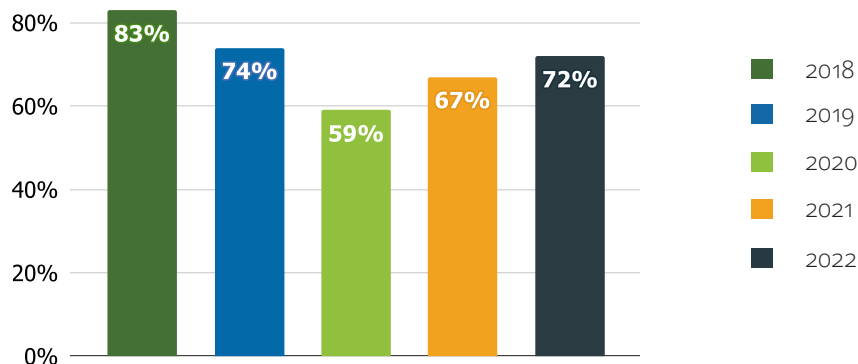
CLAIMS

One of the ways in which consumers measure the value of their insurance policy is the level of service they receive through the claims process. The survey explored the number of consumers who made a claim and their experiences during the claims process.

Of the consumers surveyed, when asked, **“Have you had a collision in the last six years,**

for which you claimed from insurance for medical treatment?” we found, 6% of respondents answered “yes”, and of those 72% stated they were able to access sufficient medical treatment for their injuries. This number has varied in the recent five years, ranging from 83% in 2018 to 59% in 2020.

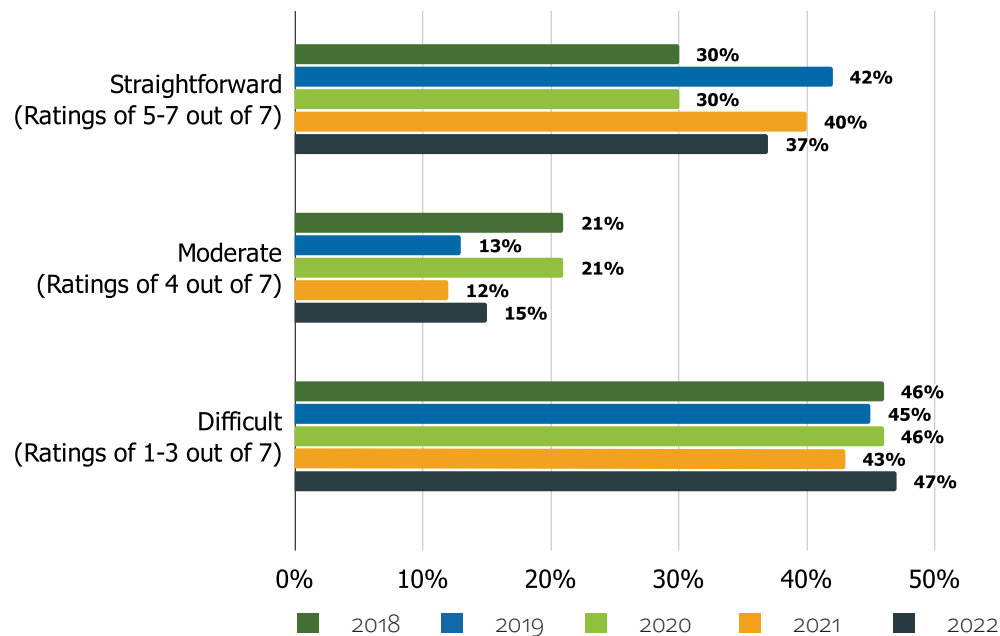
RESPONDENTS THAT WERE ABLE TO ACCESS APPROPRIATE MEDICAL TREATMENT FOR INJURIES SUSTAINED IN A COLLISION



Of the consumers surveyed, when asked, **“Have you had a collision in the last six years, for which you claimed from insurance for injury compensation?”** we found 6% of respondents answered “yes” and of those 37% stated their experience making and settling

a claim for compensation of injuries was straightforward. This number has decreased slightly from 40% in 2021. Notably, there was a corresponding increase from 43% to 47% of those who found the process difficult.

EXPERIENCE MAKING A CLAIM AND SETTLING THE CLAIM

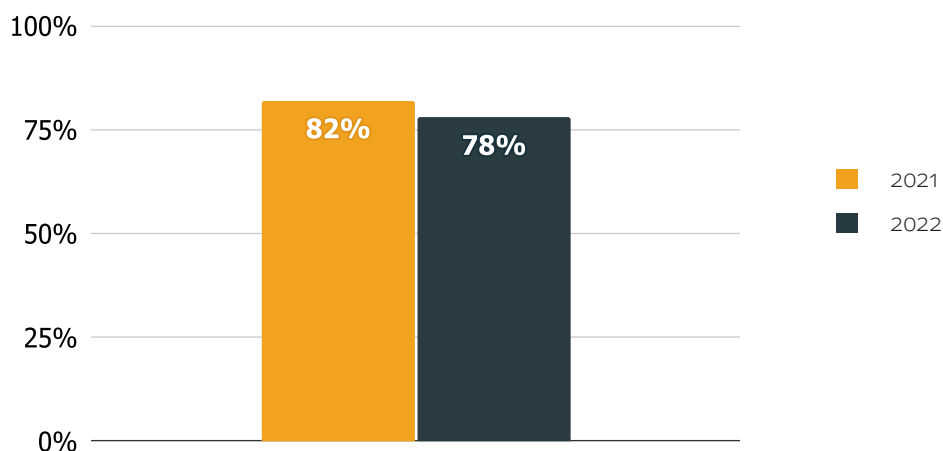


Note: Some responded Do not know

Of the consumers surveyed, when asked, **“Have you had a vehicle accident in the last six years, for which you claimed for repair or damage to your vehicle from your insurance company?”** we found 20% of respondents

answered “yes” and of those 78% stated their experience making and settling a claim for repairs to their vehicle was straightforward. This number has decreased from 82% in 2021.

RESPONDENTS WERE ABLE TO ACCESS APPROPRIATE REPAIR SERVICES OR COMPENSATION FOR DAMAGES SUSTAINED IN A COLLISION



Other Factors

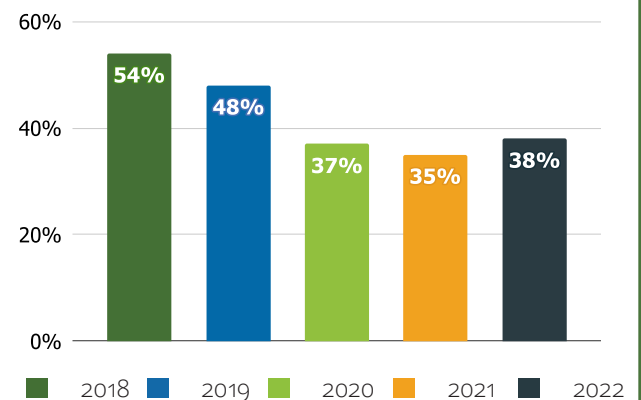
There are several other factors that may influence the premiums a consumer pays for vehicle insurance, and the perceptions they have. Some of these additional factors, which formed part of the survey, included usage based insurance, pay-as-you-go insurance, and direct compensation for property damage.

USAGE BASED INSURANCE

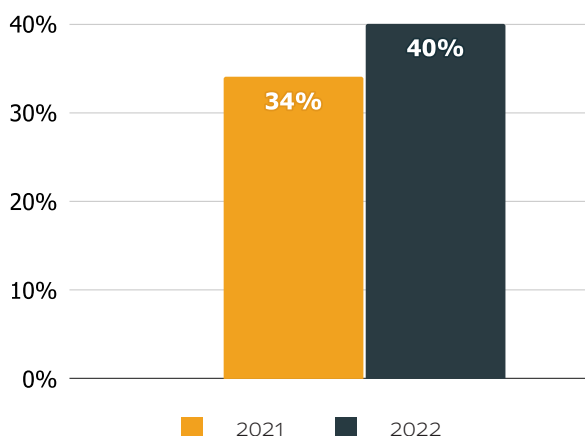
Usage based insurance (UBI) is a program offered in Alberta allowing a driver the opportunity to receive a discount based on their individual driving behaviors, reducing insurance premiums for those drivers demonstrating safe driving behaviors. The driver maintains a base rate, however, the driver's premium may be reduced based on parameters such as time driven, kilometers driven, GPS data, not speeding, little to no hard braking and time of day.

In 2022, 38% of respondents indicated they would consider signing up for UBI. Interest in UBI has remained consistent year-over-year for the past three years. The number of drivers responding with "It depends" has also remained constant over the past three years with most common responses citing it would depend on cost/discount, eligibility criteria and level of privacy. The survey results over the past five years demonstrate insurers looking to introduce a UBI program in the province will need to ensure clear communications on the benefits and risks of such programs – transparency will be key to increasing interest.

INTEREST IN USAGE BASED INSURANCE



INFLUENCE OF SURCHARGE ON INTEREST IN USAGE BASED INSURANCE



For the 2021 survey, the AIRB added a new question to regarding UBI. We asked consumers: **"Would your answer to the previous question change if you knew you would pay more if you demonstrated un-safe driving behaviours?"** This year 40% of respondents indicated their answer would change, and a number of consumers said it depends on cost, how driving behaviours are measured, and the criteria/eligibility.

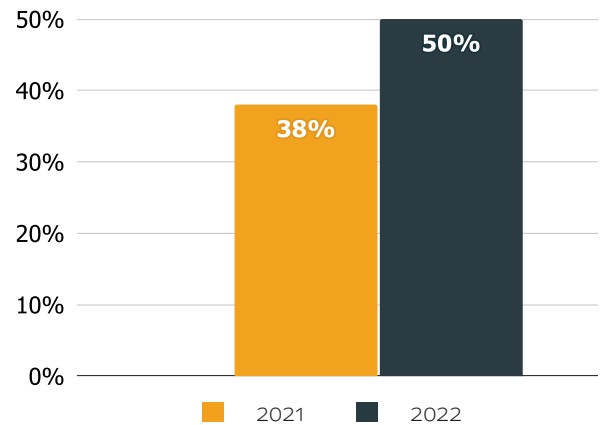
PAY-AS-YOU-GO INSURANCE

Starting in 2021, we added a question to the survey, about pay-as-you-go insurance. This is another form of UBI, where instead of paying a fixed monthly fee, drivers pay based on the number of kilometers they drive. Pay-as-you-go is designed for low-mileage drivers, such as those who utilize public transit frequently or retirees. Currently, insurers within the Province of Alberta do not offer pay-as-you-go coverage options.

We asked **“Would you consider signing up for pay-as-you-go insurance for you and/or other drivers in the household if insurance companies offered it to you?”**

In 2022, 50% of respondents indicated they would consider signing up for pay-as-you-go insurance. This was a significant increase, up from 38% in 2021 to 50% in 2022. This increase may be due, in part, to the number of individuals who worked from home during the pandemic. Those who responded “it depends” cited cost and the criteria/eligibility as the primary considerations.

INTEREST IN PAY-AS-YOU-GO INSURANCE

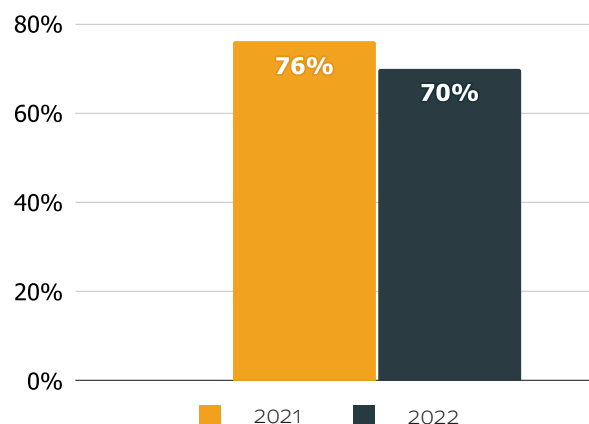


DIRECT COMPENSATION FOR PROPERTY DAMAGE

Direct compensation for property damage (DCPD) was introduced as part of the Automobile Insurance Reforms announced in October 2020. DCPD replaced the property damage portion of the third party liability coverage on your automobile insurance policy effective January 1, 2022. The main intent of this change is to provide consumers with

an efficient way to process vehicle damage claims. This year we asked consumers if, before today, they had heard of DCPD. Only 35% of respondents were familiar with DCPD. As more Albertans see DCPD on their renewals, throughout 2022, we anticipate the consumer's knowledge of DCPD will increase. The AIRB's [website](#) has information on this change.

AWARENESS OF THE AFFECT OF CONVICTIONS ON INSURANCE PREMIUMS



CONVICTIONS

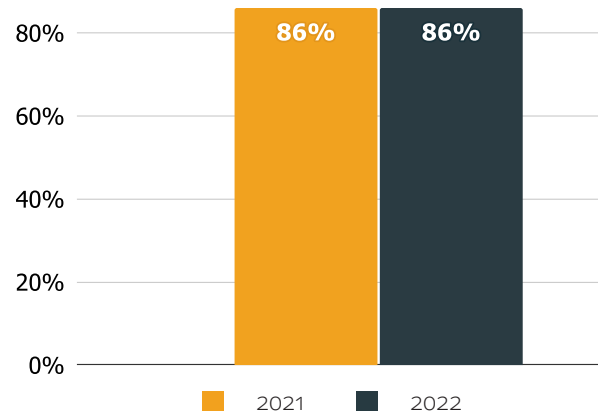
Convictions are indicative of unsafe driving behavior and increase the likelihood of being involved in an accident. Convictions have a direct impact on the premium a person pays. The impact changes depending on the number of convictions. Too many convictions may result in the suspension of your driver's license.

Starting in 2021, we asked **“Were you aware driving convictions could affect your vehicle insurance premiums to the extent they do?”**, 70% of respondents responded they were aware; this is down from 76% in the prior year.

INFLUENCE OF VEHICLE ON INSURANCE

The make, model and year of vehicle driven can greatly affect a driver's insurance premiums. When purchasing a vehicle, some drivers will explore vehicle insurance options beforehand, and factor the cost of insurance into their final vehicle purchase decision. Starting in 2021, we asked **"Were you aware the vehicle you drive can greatly affect your premiums?"** The response was consistent year over year with 86% of respondents aware, however in 2022, 72% of respondents did not factor the insurance cost into the decision to purchase a vehicle, up from 63% in 2021.

AWARENESS OF THE AFFECT THE VEHICLE YOU DRIVE HAS ON PREMIUMS

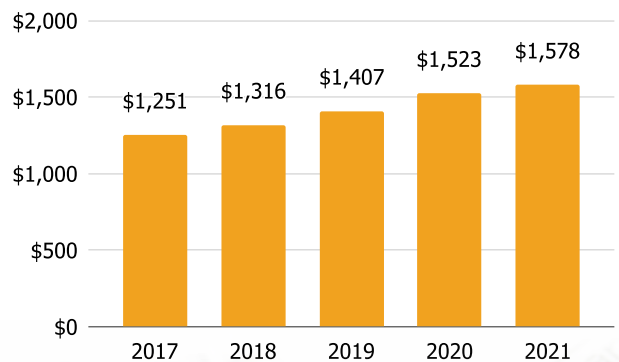


Premium Comparisons

ALBERTA PREMIUM

The average annual premium for a private passenger vehicle in 2021 was \$1,578; this has increased from \$1,523 in 2020, representing a 3.6% rate increase.

AVERAGE ANNUAL PREMIUM



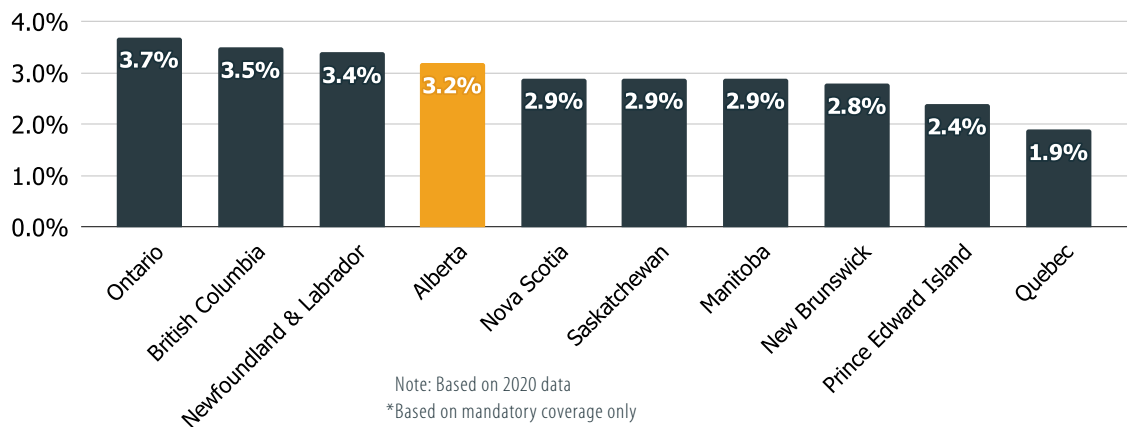
Source: GISA 2021 - Auto-1005-AB

PROVINCIAL PREMIUM COMPARISON

When comparing vehicle insurance premiums with other provinces, the AIRB benchmarks the percentage of individual after-tax income Albertans spend on the average insurance premium.

The average individual after-tax income spent on vehicle insurance premiums in Alberta is 3.2%, slightly above of the 3.0% average of all the provinces included in the comparison.

AVERAGE PREMIUM AS A PERCENT OF INDIVIDUAL AFTER-TAX INCOME BY PROVINCE



Sentiments observed from the consumer surveys are not solely heard in Alberta. Many common themes regarding consumer perceptions on automobile insurance exist across Canada.

- 💡 Confidence in the system is low;
- 💡 Greater transparency is needed;

- 💡 Drivers should be given the opportunity to reduce their premiums; and,
- 💡 Innovation, which lower costs, enhance choice, and develop safer driving behaviors should be adopted.

Consumer Purchase Behavior

Survey results suggest Alberta drivers are concerned about the affordability of automobile insurance. Affordability issues resulting in the number of consumers purchasing less insurance coverage and driving without insurance can have a significant societal impact. The AIRB saw a significant decrease in convictions for no insurance from April 1, 2020 to March 31, 2021. The number of convictions for no insurance had been trending downward since 2016. The 2021 result is likely due to COVID-19 and reduced mobility. There

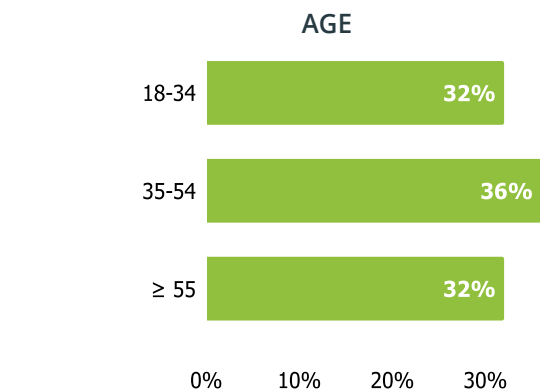
was a slight decrease in the percentage of consumers who opted to purchase collision coverage from 2017 to 2021. The percentage of consumers who purchased collision coverage decreased from 73.86% to 72.24%. Affordability is not the only factor in the decision to purchase collision coverages. Many consumers are required to carry collision coverages for financial agreements and consumers may choose to remove collision coverage as their vehicle depreciates.

Focus Groups

In 2022, the AIRB held four online focus groups, each with separate target demographics. In total, there were 28 focus group participants, with 16 male and 12 female attendees. We invited participants to strive for appropriate geographic representation throughout Alberta. The majority of actual focus group attendees were urban (68%) compared to rural (32%). This could indicate urban drivers are more concerned with automobile insurance.

In each focus group, attendees participated in an open discussion providing their opinions on automobile insurance in Alberta. We asked a number of questions about automobile insurance. Some key sentiments observed in the focus groups were:

- Focus group participants more often agreed with the statement “Automobile Insurance Premiums Are Fair and Reasonable”, than those who responded in the online and phone surveys. Most participants indicated their current premium is manageable but if it was to increase they would have concerns.



- Most participants felt automobile insurance was reasonably understandable, citing insurance professionals and online resources as adequate resources for information. Many participants suggested it would be beneficial if the policy included a one page plain language summary to assist them to understand specific details in their policy they should be aware of.
- The majority of participants indicated they shop around for insurance every two years. Most stayed with their current insurance company.
- Most participants were aware of usage based insurance. The majority of participants would only use it if it lowered their premiums. Concerns over the sharing of data, having more than one driver using the vehicle and distrust in the app's ability to judge driving behavior were cited.
- Most participants were aware driving convictions may affect their premiums. A couple participants were unclear on what constitutes distracted driving, but most agreed policyholders who drive distracted should have increased premiums.



How are the Survey Results Used

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.

As part of the AIRB mandate, the AIRB ensures consumers have access to the information they need to make informed choices about automobile insurance. In this year's survey, consumer responses suggest insurance is becoming a bigger concern. Consumers indicated they were experiencing unexpected increases in premiums more often and

that more simple, easily understandable information about automobile insurance would be appreciated. Consumers also indicated they were not satisfied with the information currently available to them by their insurers, brokers or agents. The AIRB believes consumers would benefit from an increased understanding of vehicle insurance, coverages, and the factors affecting their premium.

The AIRB continues to consider strategies to improve the overall level of understanding of insurance amongst consumers along with enhancing stakeholder engagement. The AIRB continues to work with stakeholders to ensure clear consistent information is available.



My Observations

Albertans continue to be concerned about insurance premiums. While the number of survey participants who indicated a high level of agreement their premiums are fair and reasonable increased in 2022 to 25% from 11% in 2021, 25% is still considerably down from agreement levels in 2018 and 2019. Affordability is a term Albertans have heard a lot in recent months. Costs have risen on goods and services consumers rely on for daily living such as utilities and groceries. It is not surprising to hear frustration from them on increasing automobile insurance rates, especially when they have not had any tickets or claims. Alberta has a competitive marketplace for automobile insurance, and one way drivers can save on automobile insurance is to shop the market. Over half of Albertans surveyed indicated they sought competitive quotes in the last two years. During focus groups, we heard several reasons why they do not shop for a better price, and the main reason was the time required and the lack of ease in changing insurance providers. We heard many of them rely on their broker or agent for advice and assistance in obtaining the best price. Of particular note, when Albertans contacted their broker or agent for an explanation as to why premiums increased only 15% of those consumers felt that their broker or agent provided a satisfactory explanation.

Albertans, like in previous years, confirmed

they find automobile insurance to be a complex product. Many thought the use of plain language and a one page summary page of details they need to be aware of would be helpful. If they had questions, they would contact their broker or agent, but again consumers were generally not pleased with the explanation provided. Most were not aware of other resources online nor the AIRB website. Albertans suggested they would find it helpful if all insurers, as part of their communications listed the online resources.

The focus groups were an opportunity to connect with Albertans and resulted in good dialogue and exchange of information. We were able to share information and connect them to resources that will aid them in understanding different aspects of insurance. Additionally, the AIRB uses the design of the questions in the survey to serve as a medium to provide education, however, overall there continues to be an increased need for public education on insurance. I look forward to working with the AIRB staff and other industry stakeholders on how to improve the consumer confidence in automobile insurance.

Y Station Report - AIRB 2022 Public Perception Survey



Study Background and Methodology

Since 2008, Y Station has conducted the Alberta Automobile Insurance Rate Board (AIRB) Consumer Awareness and Perception Survey (“Consumer Survey”). To assess any potential changes in consumer awareness and perception regarding insurance rates over the past year, the AIRB repeated the Consumer Survey in 2022.

For the 2022 version of the survey, Y Station conducted a total of 941 surveys with Albertans who reported managing automobile insurance for their household's private passenger vehicles. An online survey (n=639) and a telephone survey (n=302) were used as the methodology. To ensure that their representation in the sample was proportionate to their representation in the province, each geographical region was associated a weight for analysis purposes.

Executive Summary – Purchasing Behaviour

- Half of respondents (53%; a significant decrease from 74% in 2021) reported obtaining competitive quotes at any time in the past 2 years, prior to making a decision about which company to purchase insurance from.
- Those who sought competitive quotes before purchasing their insurance (n=475) most frequently made telephone calls to brokers (73%).
- Over half (57%) of those who sought competitive quotes decided to purchase insurance via telephone/in person with a broker.
- With regards to respondent loyalty to their policy and/or company in the past 2 years¹:
 - 84% of all respondents **remained with their existing carrier** (a significant increase from 73% in 2021);
 - 38% of all respondents **obtained a new policy** (a significant decrease from 43% in 2021); and
 - 24% of all respondents **switched insurance companies** (a significant decrease from 28% in 2021).

Executive Summary - Perceptions on Automobile Insurance

60% reported having **experienced an unexpected increase in insurance rates although they have no claims and convictions** (a significant decrease from 75% in 2021);

6% **decided not to insure a vehicle** (comparable to 9% in 2021); and

2% **reported having been denied automobile insurance coverage** in the past 2 years (comparable to 4% in 2021).

25% of respondents (a significant increase from 11% in 2021) agreed their insurance premiums are fair and reasonable. 86% were aware that some Alberta drivers are facing increases in vehicle insurance premiums.

Over one-third of respondents (38%; comparable to 35% in 2021) would consider signing up for usage-based insurance. 50% would consider signing up for pay-as-you-go insurance (a significant increase from 38% in 2021).

Executive Summary – Convictions, Winter Tires

70% of respondents were aware driving convictions could affect their vehicle insurance premiums to the extent that they do (a significant decrease from 76% in 2021).

77% of respondents agreed drivers who install winter tires on their vehicle or vehicles should receive a discount on their vehicle insurance policy (a significant increase from 73% in 2021).

While 86% of respondents were aware the vehicle they drive can greatly affect their vehicle insurance premiums, only 26% agreed that the cost of vehicle insurance factored into their final purchase decision.

Executive Summary – Household Insurance Profile

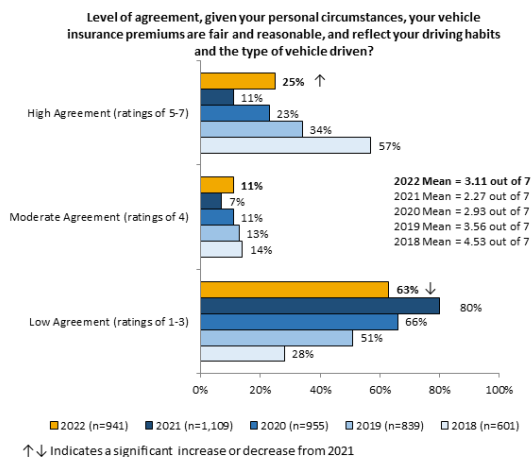
10% of respondents were involved in a motor vehicle accident in the past two years.

Of those who were involved in any motor vehicle accidents in the past two years (n=90):

- 10% indicated someone in their household had been involved in a **collision with another vehicle** in the past 2 years and did not report a claim (comparable to 15% in 2021);
- 4% indicated someone in their household had been involved in a **collision not involving another vehicle** and did not report a claim (a significant decrease from 12% in 2021); and
- 7% indicated someone in their household had experienced a **non-collision incident** (e.g., property damage caused by fire, theft, hail, or vandalism) and did not report a claim (comparable to 11% in 2021).

85% of respondents reported their household had not made any at-fault claims in the past 6 years, while 12% had made one (1) claim.

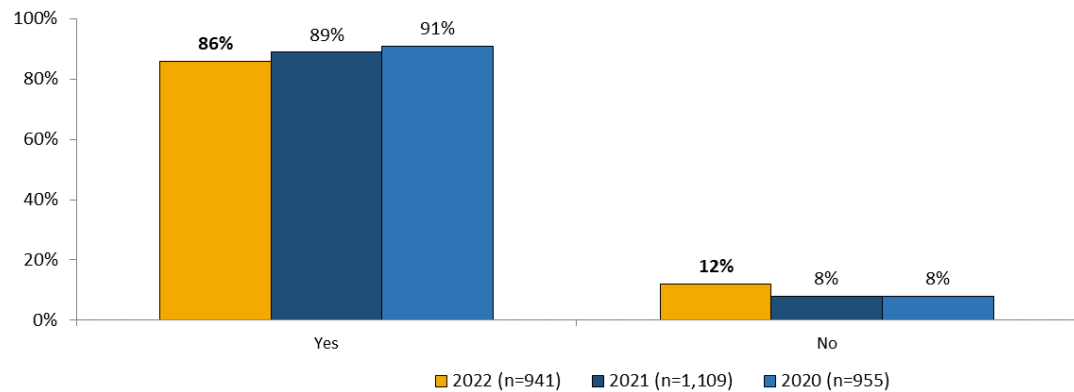
Perceptions of Automobile Insurance



Using a scale of 1 to 7, how strongly do you agree that, given your personal circumstances, your automobile insurance premiums are fair and reasonable?					
	Percent of Respondents				
	2022 (n=941)	2021 (n=1,109)	2020 (n=955)	2019 (n=839)	2018 (n=601)
(7) Completely agree	6	3	5	12	14
(6)	6	3	6	8	20
(5)	13	5	11	14	24
(4)	11	7	11	13	14
(3)	21	16	18	15	12
(2)	15	16	18	13	7
(1) Do not agree at all	26	48	31	23	9
Don't Know/Not Stated	2	1	1	2	1
Mean	3.11 out of 7	2.27 out of 7	2.93 out of 7	3.56 out of 7	4.53 out of 7

Perceptions of Automobile Insurance

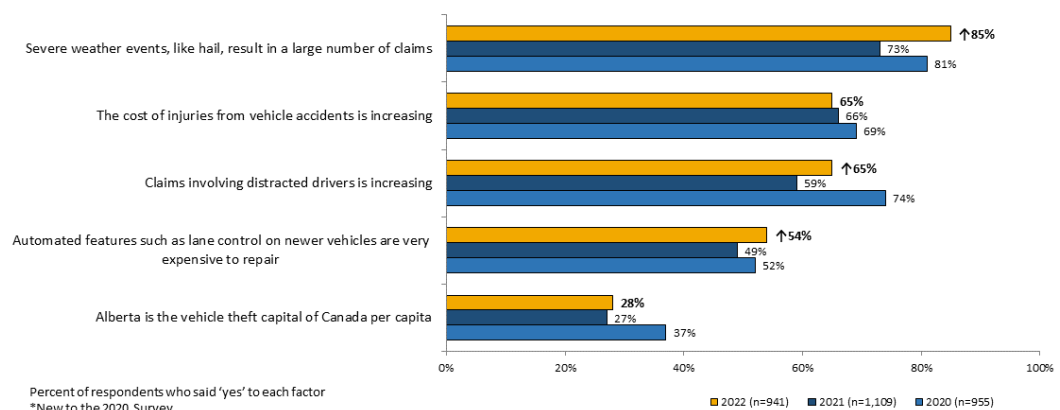
Were you aware some Alberta drivers are facing increases in vehicle insurance premiums?*



*New to the 2020 survey

Perceptions of Automobile Insurance

Were you aware the following factors contribute to the rising cost of insurance?*



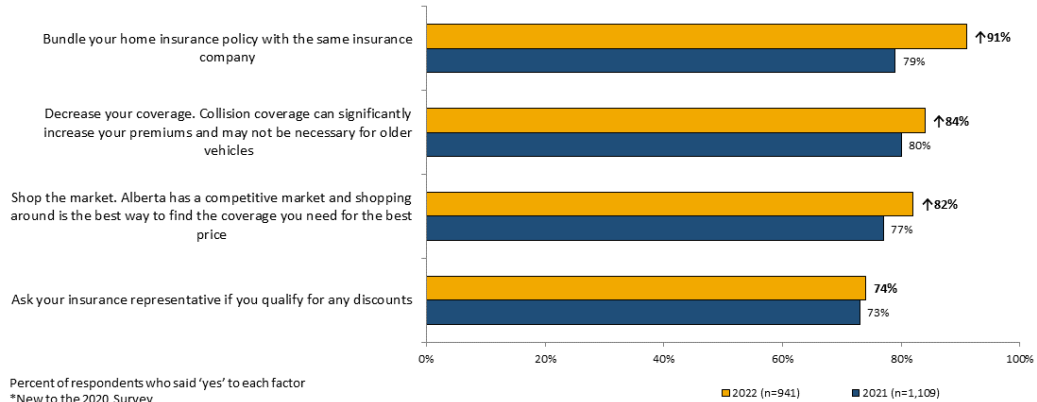
Percent of respondents who said 'yes' to each factor

*New to the 2020 Survey

↑ Indicates a significant increase from 2021

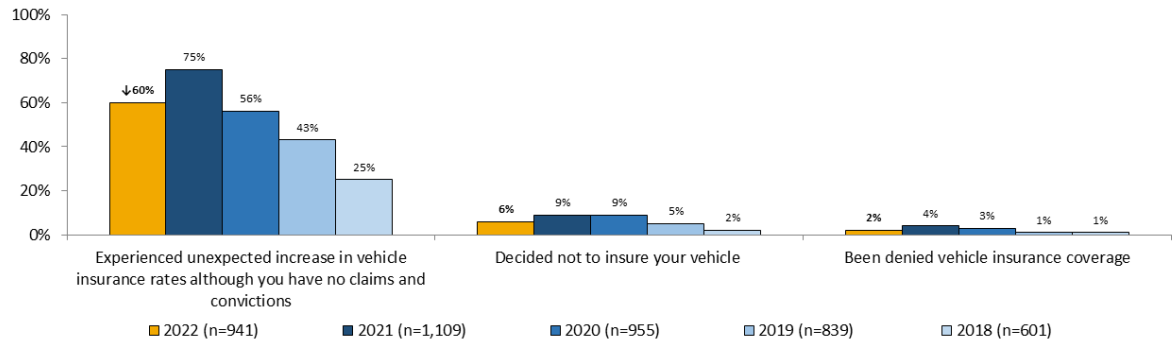
Reducing Automobile Insurance

Before today, were you aware the following actions could reduce your vehicle insurance?*



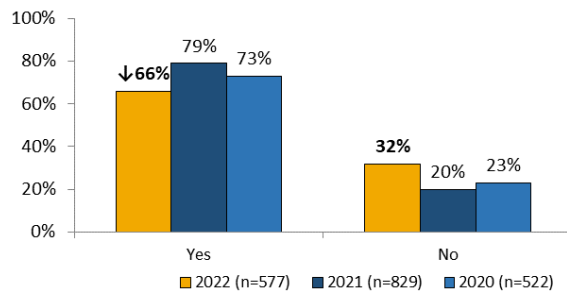
Perceptions of Automobile Insurance

In the last 2 years, have you, or anyone else in your household...?



Perceptions of Automobile Insurance

Did you contact your insurance representative for an explanation as to why your premium increased?*

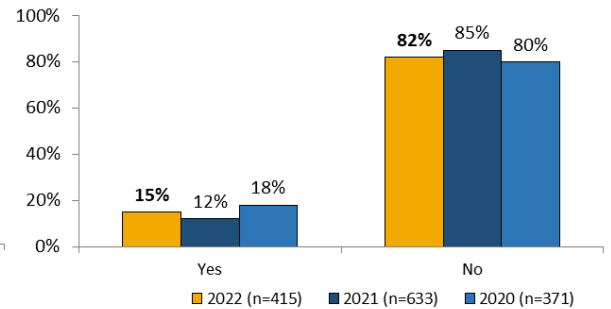


*New to the 2020 survey

Base: Respondents that experienced unexpected increase in vehicle insurance rates although have no claims and convictions

↓ Indicates a significant decrease from 2021

Did your insurance representative provide you with a satisfactory explanation as to why your premium increased?*

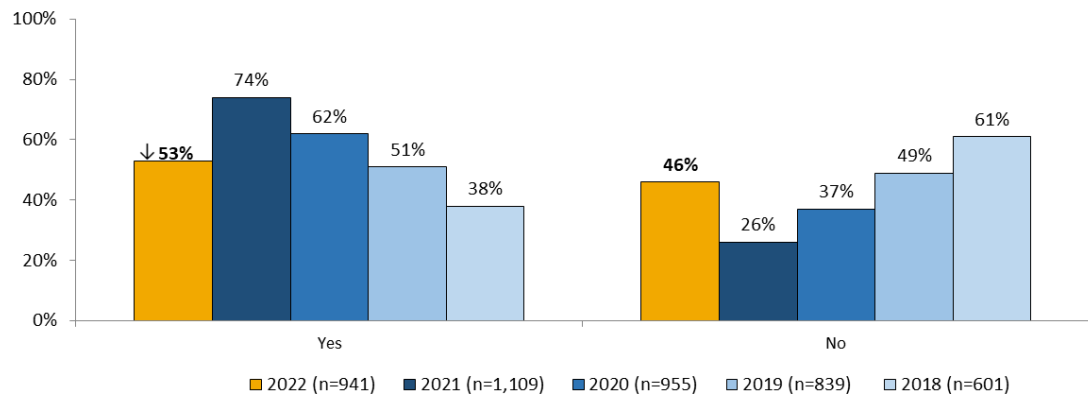


*New to the 2020 survey

Base: Respondents that contacted their insurance representative for an explanation as to why their premium increased

Purchasing Behaviour

At any time in the past 2 years, have you sought competitive quotes?

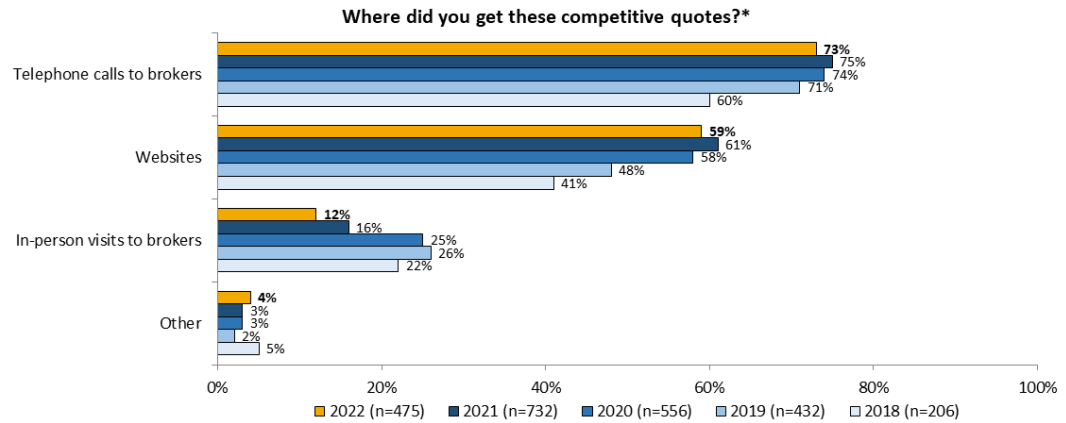


↓ Indicates a significant decrease from 2021

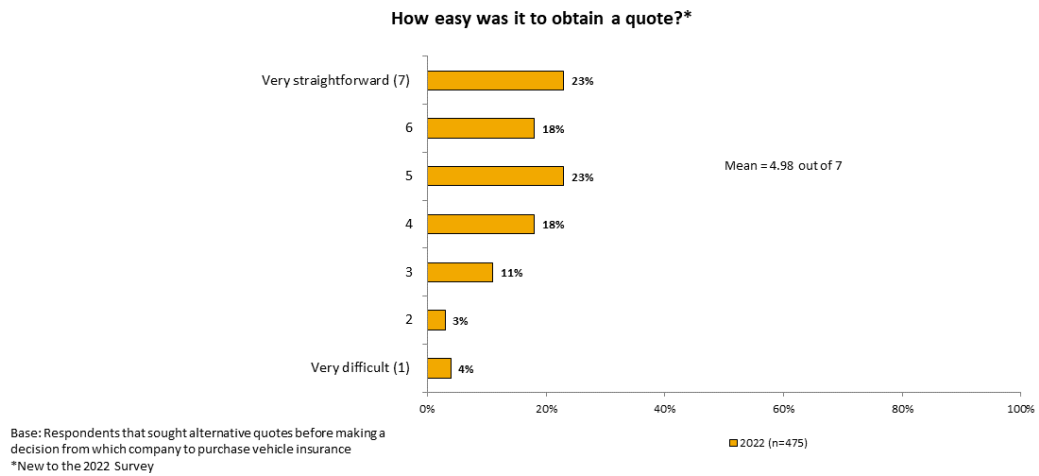
Purchasing Behaviour

How many quotes did you obtain while shopping for insurance?							
Base: Respondents who sought competitive quotes before purchasing automobile insurance	Percent of Respondents						
	2022 (n=475)	2021 (n=732)	2020 (n=556)	2019 (n=432)	2018 (n=206)	2017 (n=256)	2016 (n=222)
One (1) quote	10	8	10	7	15	10	10
Two (2) to four (4) quotes	73	65	72	80	78	83	83
Five (5) or more quotes	15	25	16	12	7	5	5

Purchasing Behaviour

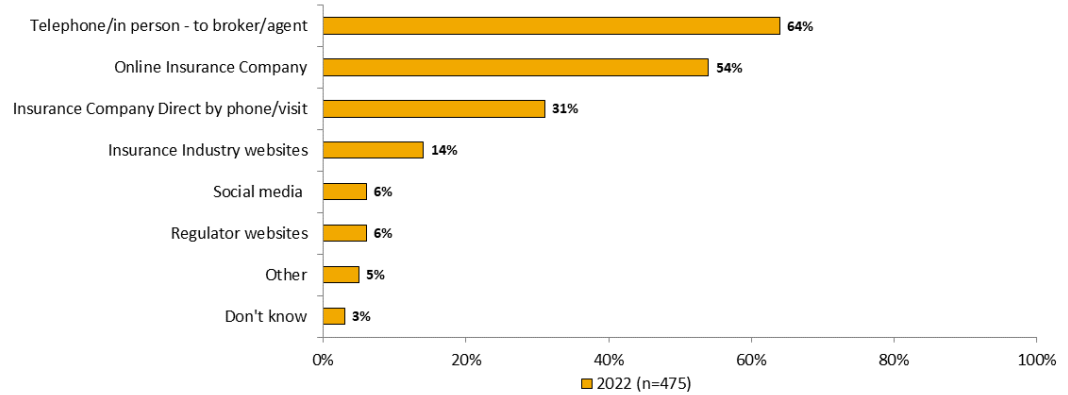


Purchasing Behaviour



Purchasing Behaviour

What information sources did you use to assist you in making your insurance purchase decision?*



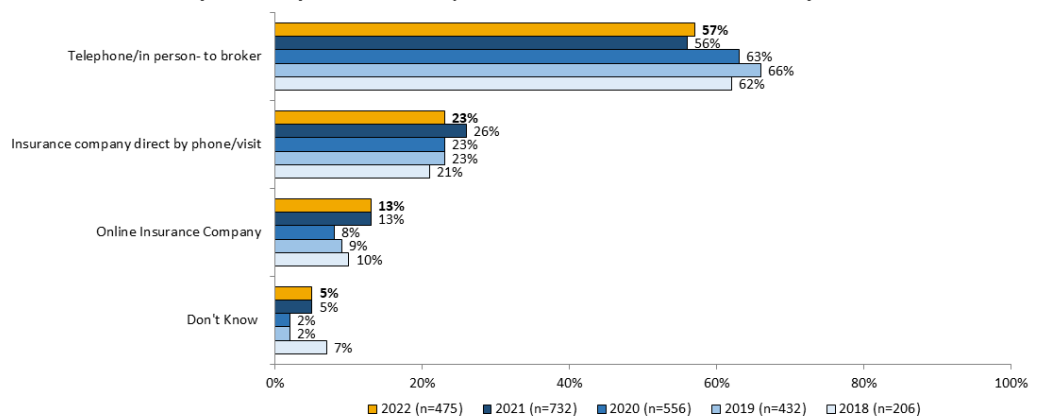
Base: Respondents who sought competitive quotes before purchasing automobile insurance

*Multiple Responses

New to the 2022 survey

Purchasing Behaviour

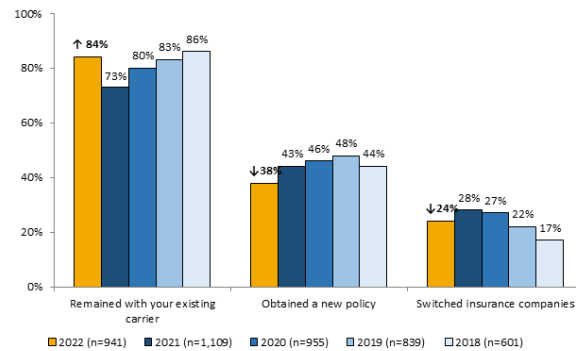
When you made your decision to purchase insurance what method did you use?



Base: Respondents who sought competitive quotes before purchasing automobile insurance

Purchasing Behaviour

In the last 2 years, have you, for any of your vehicles...?*



*Percent of respondents who said "yes".
 ↑ ↓ Indicates a significant increase or decrease from 2021

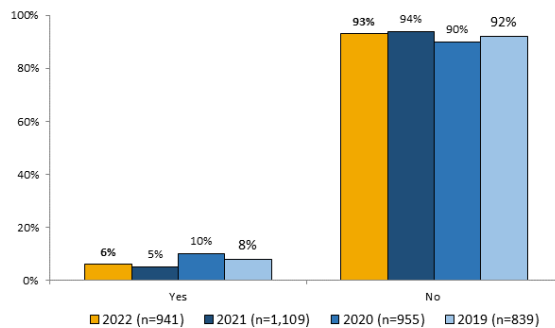
What led to the decision to switch from the prior automobile insurance company?*

- Able to find a lower premium 90%
- Insurance representative was not helpful or knowledgeable 18%
- Poor claims service 14%
- Payment plan was not being offered 11%
- Desired coverage not available 10%
- Moved/relocated 1%
- Prefers to deal with local provider 1%
- Don't Know/Not Stated 3%

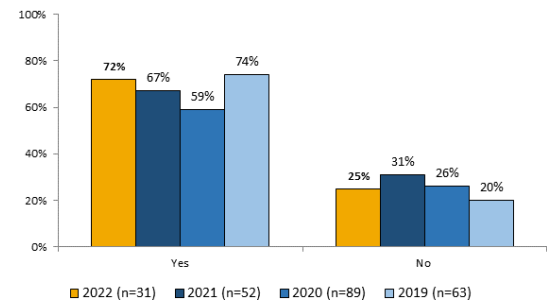
n=178
 Base: Respondents who switched insurance companies in the last 2 years
 *Multiple responses

Perceptions of Automobile Insurance

Have you had a vehicle accident in the last 6 years, for which you claimed for medical treatment from your insurance company?

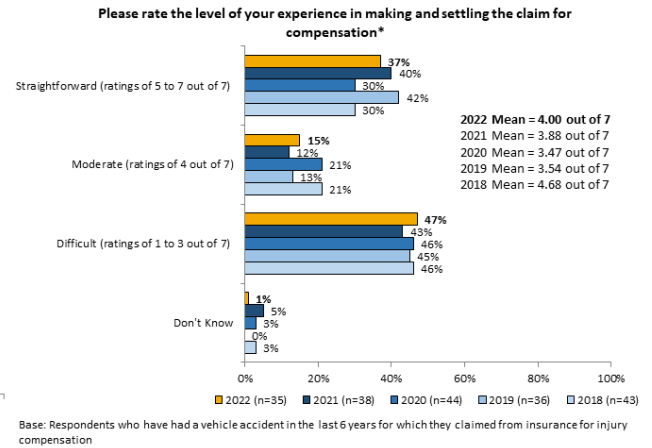
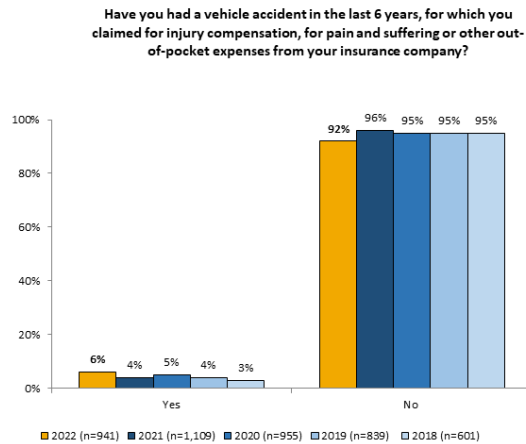


If you claimed for treatment, were you able to access appropriate medical treatment for your injuries?*

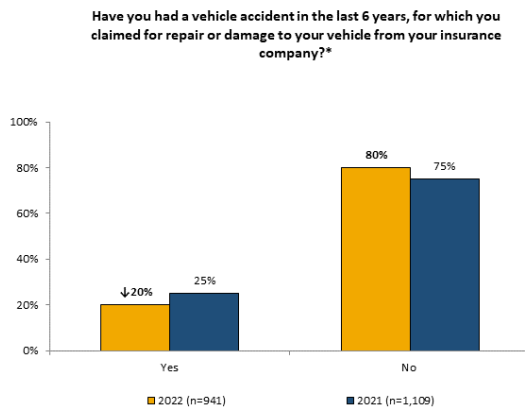


Base: Respondents that have had a vehicle accident in the last 6 years, for which medical treatment was claimed from their insurance company

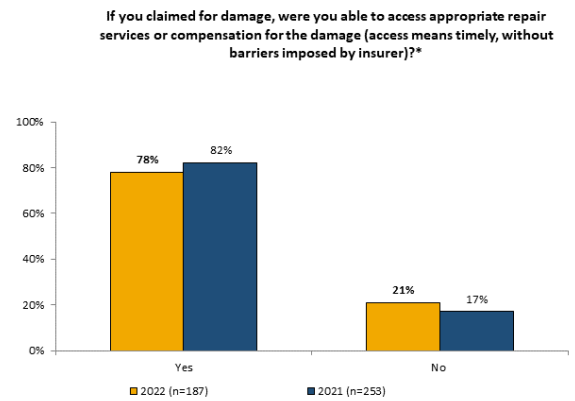
Perceptions of Automobile Insurance



Perceptions of Automobile Insurance



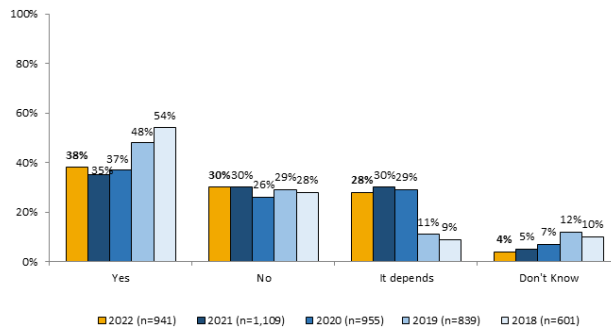
*New to the 2021 survey
↓ Indicates a significant decrease from 2021



*New to the 2021 survey
Base: Respondents that have had a vehicle accident in the last 6 years, for which repair or damage to their vehicle was claimed from their insurance company

Usage-Based Insurance

Would you consider signing up for usage-based insurance when your insurance companies make it available to you?

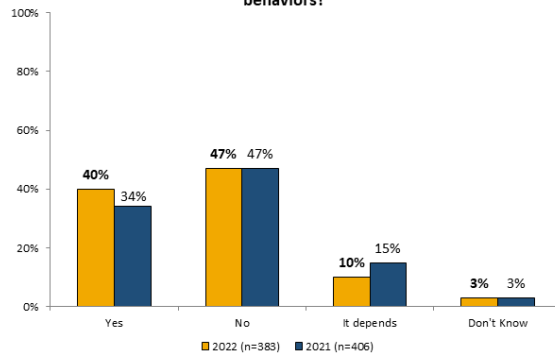


It depends on (n=249)

- The discount/cost 42%
- The criteria/eligibility 19%
- If my privacy/rights would be violated 19%
- Would need more information/details 11%
- If it provides some leeway/accounts for situations that impact my driving 7%
- The accuracy of data 3%
- The insurance coverage 1%
- The reputation of the company 1%
- If device would be installed in my vehicle 1%
- What my spouse/partner says <1%
- The ease of use <1%

Usage-Based Insurance

Would your answer to the previous question change if you knew you would pay more if you demonstrate unsafe driving behaviors?



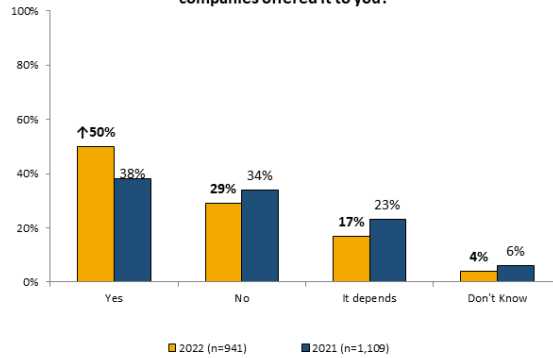
It depends on (n=41)

- The cost 40%
- How unsafe driving behaviours are measured 40%
- My driving habits 5%
- The accuracy of data 5%
- The insurance coverage 2%
- The criteria/eligibility 1%
- Need more information/details on user-based insurance, in general 1%
- The reputation of the company 1%

*New to the 2021 survey
Base: Respondents that would consider signing up for Usage Based Insurance for you and / or for other drivers in the household when their insurance companies make it available to them

Pay-As-You-Go Insurance

Would you consider signing up for pay-as-you-go insurance for you and / or for other drivers in the household if insurance companies offered it to you?



*New to the 2021 survey

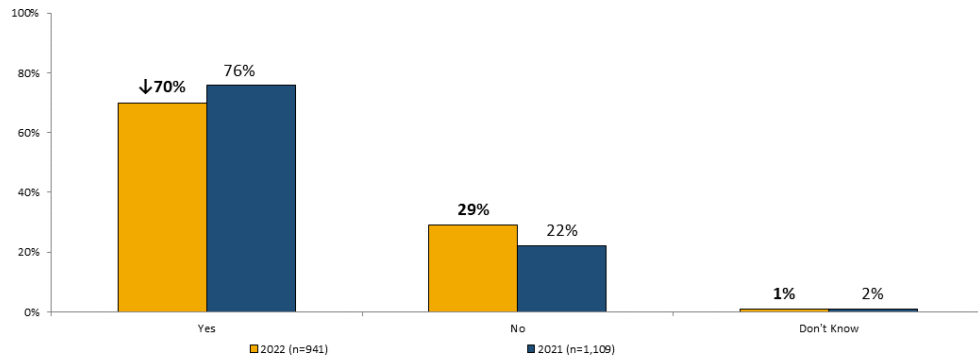
↑ Indicates a significant increase from 2021

It depends on (n=167)

• The discount/cost	61%
• The criteria/eligibility	20%
• Need more information/details on pay-as-you-go insurance, in general	6%
• The insurance coverage	4%
• My personal situation	3%
• If my privacy/rights would be violated	2%
• The COVID-19 pandemic situation (general)	1%
• The reputation of the company (in general)	<1%

Convictions

As a purchaser of vehicle insurance in Alberta, were you aware driving convictions could affect your vehicle insurance premiums to the extent that they do?

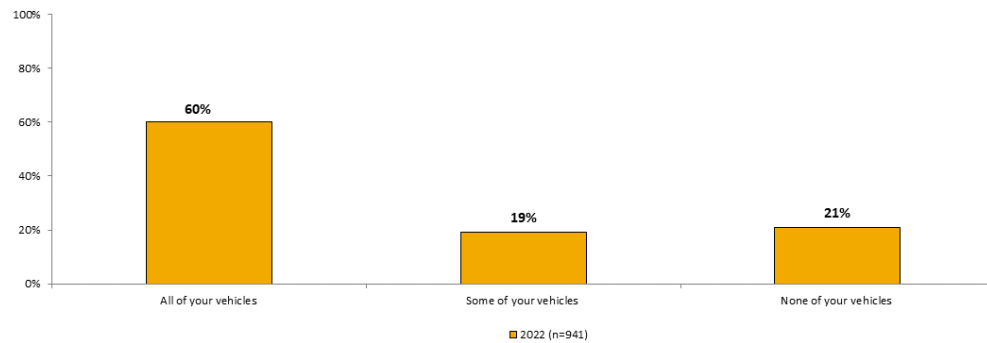


*New to the 2021 survey

↓ Indicates a significant decrease from 2021

Winter Tires

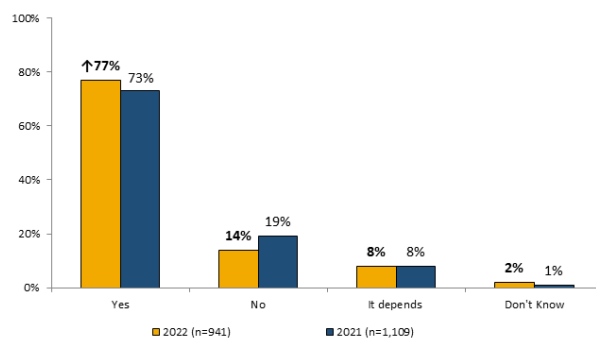
Do you have winter tires on...



*New to the 2022 survey

Winter Tires

Do you agree drivers who install winter tires on their vehicle(s) should receive a discount on their vehicle insurance policy?



*New to the 2021 survey

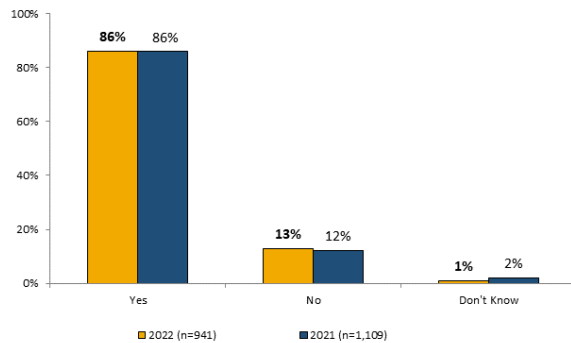
↑ Indicates a significant increase from 2021

It depends on (n=100)

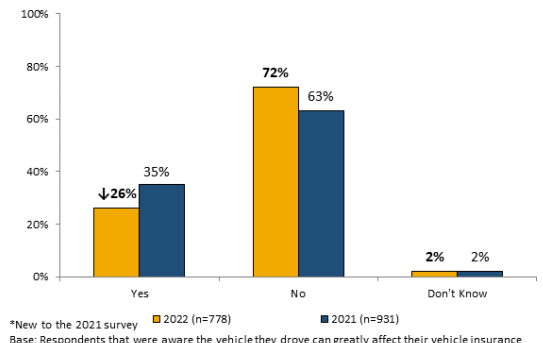
- The tire condition/quality 25%
- The cost of winter tires/tire installation 23%
- The person's driving behaviors/habits/experience 22%
- Where the person is driving to/how far they are driving 7%
- The type/size of vehicle 7%
- The weather conditions 6%
- Need more information/details 4%

Influence of Vehicle on Insurance

As a purchaser of vehicle insurance in Alberta, were you aware the vehicle you drive can greatly affect your vehicle insurance premiums?

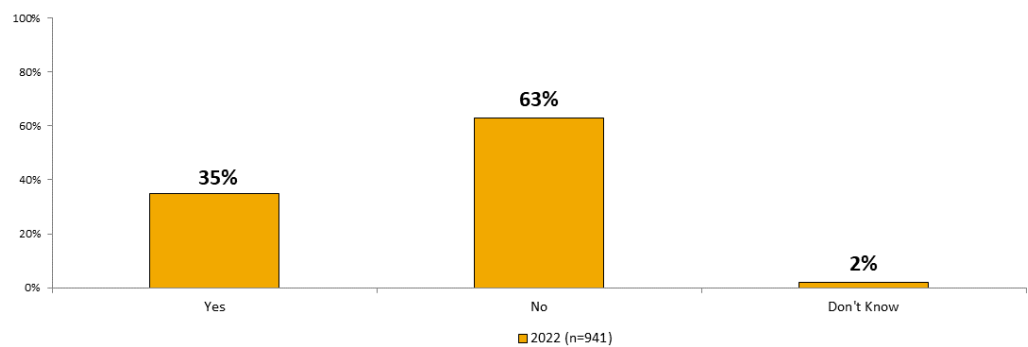


For your most recent vehicle purchase, was the cost of vehicle insurance factored into your final purchase decision?

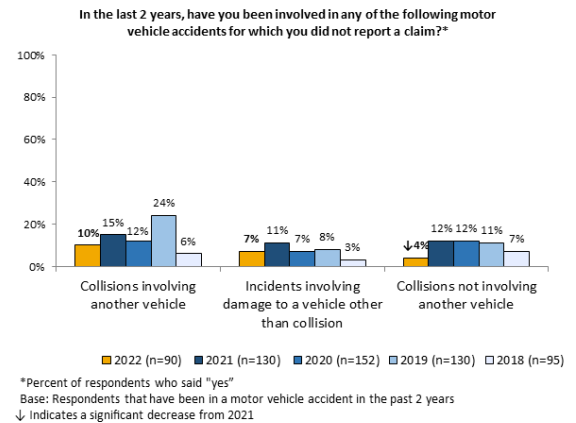
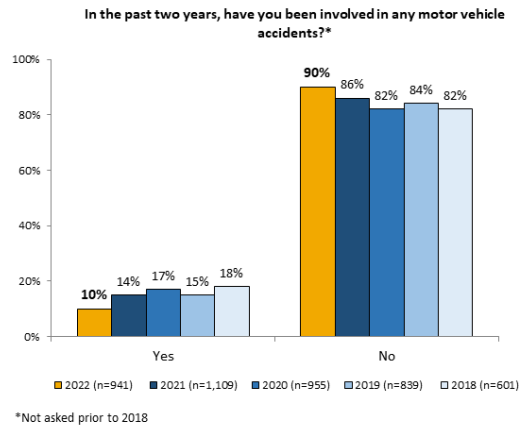


Direct Compensation for Property Damage

Before today, have you heard about DCPD?



Household Insurance Profile



Household Insurance Profile

Why did you choose not to report your claim(s)?*

● Very little damage to my vehicle or damage amount was below the deductible	56%
● Did not want my premiums to increase	27%
● No damage to my vehicle	7%
● Agreed to settle with other driver	3%
● Don't know/not stated	15%

n=27

Base: Respondents who have been involved in any collisions/incident in the past 2 years, and did not report a claim for their collision/incident

*Multiple responses

Use caution interpreting results when n<30

Demographics

	Percent of Respondents							
	2022 (n=941)	2021 (n=1,109)	2020 (n=955)	2019 (n=839)	2018 (n=601)	2017 (n=800)	2016 (n=800)	2015 (n=800)
Gender								
Male	49	49	50	56	50	50	50	50
Female	50	50	50	43	50	50	50	50
Gender X	<1	-	-	-	-	-	-	-
Not Specified	1	1	-	-	-	-	-	-
Age								
18 to 34 years old	32	32	32	30	32	33	4	9
35 to 54 years old	36	36	36	21	36	38	25	34
55 years of age or older	32	32	32	50	32	29	67	57
Mean	48.40 years	47.59 years	46.8 years	50.7 years	47.1 years	46.8 years	61.0 years	57.4 years
For how many years have you been a licensed driver?								
10 years or less	11	18	19	15	20	18	2	6
11 to 20 years	29	20	21	19	21	21	7	10
21 to 30 years	16	16	15	8	17	19	16	19
31 to 40 years	16	19	18	16	19	19	23	23
41 to 50 years	12	15	16	25	12	13	28	19
More than 50 years	15	12	10	16	11	11	24	23
Mean	29.6 years	28.9 years	28.3 years	32.7 years	27.8 years	28.2 years	41.3 years	38.2 years

	Percent of Respondents							
	2022 (n=941)	2021 (n=1,109)	2020 (n=955)	2019 (n=835)	2018 (n=601)	2017 (n=800)	2016 (n=800)	2015 (n=800)
How many licensed drivers do you arrange insurance for in your household?								
One (1) driver	38	43	41	39	35	30	30	32
Two (2) drivers	52	43	47	49	53	51	54	53
Three (3) drivers	6	6	7	7	6	14	9	9
Four (4) drivers	2	2	3	3	3	4	4	4
Five (5) or more drivers	1	1	<1	<1	1	1	1	1
None	<1	3	1	1	2	1	1	1
Mean	1.73 drivers	1.63 drivers	1.73 drivers	1.74 drivers	1.86 drivers	1.95 drivers	1.91 drivers	1.95 drivers

	Percent of Respondents		
	2022 (n=941)	2021 (n=1,109)	2020 (n=955)
How many times in the past 6 years have you or someone covered by your insurance policy had an at-fault claim?			
None	85	80	80
One (1)	12	16	16
Two (2)	3	3	2
Three (3)	<1	<1	1
Four (4)	-	<1	<1
Five (5) or more	-	<1	<1
Don't Know	1	1	1
Mean	0.18	0.24	1.26

Y Station Report - AIRB 2022 Focus Group Summary



Research Purpose and Objectives

- The Alberta Automobile Insurance Rate Board (AIRB) contracted Y Station to recruit for focus groups and analyze the qualitative data to assess any potential changes in consumer awareness and perception regarding insurance rates in Alberta over the past year.
- Specifically, the areas covered were as follow:
 - Perceptions of insurance.
 - Complaints escalated with insurance companies.
 - Injury claims.
 - Insurance rate shopping.
 - Influence of vehicle choice on insurance.
 - Direct Compensation for property damage.
 - Distracted driving and convictions.
 - Usage based and pay-as-you-go insurance.

Methodology

- As part of this research, four (4) focus groups were conducted with the following audiences:
 - Urban drivers aged 26 to 59 (n=10).
 - Rural drivers aged 26 to 59 (n=3).
 - Senior drivers aged 60 and older (n=9).
 - Youth drivers aged 18 to 25 (n=6).
- The focus groups were facilitated by Mathew Wesolowski, Consumer Representative at AIRB. The sessions lasted approximately 2 hours each.

Perceptions of Insurance

- The majority of participants had 2 or more drivers in their household and at least 2 vehicles. Those in the senior group were more likely to have more than 2 vehicles, while those in the urban group were more likely to have 1 vehicle. None of the participants currently held vehicle insurance outside of Alberta.
- Participants were asked if the amount they pay for their premium is reasonable for the coverage they receive. In general, many participants mentioned that their rate is currently manageable. However, if they were to increase, it would be a cause for concern. Many participants mentioned that they had expected their rates to decrease due to driving less because of the pandemic and continuing to drive with a clean driving record. However, they mentioned that their rates have increased year-over-year past the rate of inflation.

"No major complaints until about 3 years ago when [rates] started going up. We've been claim free for the last 10 years. I used to be able to work with my broker to find discounts and deals but that doesn't happen anymore.. I thought my rates would go down over time. There's no rationale as to why they're going up...It's dejecting."

- Focus Group Participant

Types of Coverage

- Most participants were aware of the differences across the various types of coverage, with a few unaware of Section B – Accident Benefits.
- Many participants agreed that insurance in Alberta is reasonably understandable, particularly if their broker walks through their coverage with them, or if they have been driving for many years. It was suggested by many participants that their policies could include a summary portion written in plain language to help them better understand the specific details of their policy. This would also be helpful for newcomers or new drivers.

"When you're talking to an agent it seems like it makes sense, but once you get the paper it's like 'what did I just agree to?' For first-time buyers it's a bit daunting. I wish the language was a bit more plain or easy to understand."

- Focus Group Participant

Insurance Denial, Unexpected Rate Increase, and Escalated Complaints

- None of the participants have been denied automobile insurance coverage. A few participants mentioned their rates increasing after an accident or a couple of speeding tickets. One participant mentioned their rate increased by \$500 annually even though they remained claims and ticket free. Once they reached out to their broker, this was adjusted.
- While not specifically an 'escalated complaint', a couple of participants mentioned they had negotiated a buy-out for their vehicle after an accident as they were not satisfied with the original offer.

Claims and Direct Compensation For Property Damage

- A few participants had collisions in the last 6 years for which they claimed from insurance for injury compensation. Most mentioned that settling their claim was straightforward. One participant mentioned it was difficult because they had to provide many proof of injury documents, and their insurer and the other driver's insurer had difficulties coordinating.
- About half of the participants were aware of Direct Compensation for Property Damage.

ystation

Shopping Around and the Influence of Vehicle Selection on Insurance

- The majority of participants shop around for insurance 3 to 5 times every couple of years. Typically, they do this shopping online or over the phone. After shopping around, most participants stayed with their current insurance company. Those who switched insurance providers mentioned that the process was simple.
- All participants were aware that the vehicle they drive can affect their vehicle insurance premiums. A couple participants mentioned that this had impacted their vehicle-buying decisions, while a few mentioned that they will buy the vehicle they want no matter the insurance rate.

Two participants thought that red vehicles were more expensive to insure.

Convictions and Distracted Driving

- The majority of participants were aware that driving convictions could affect their vehicle insurance premiums and that insurance companies can increase premiums due to a distractive driving conviction.
- While a couple of participants mentioned they were unclear on what constitutes distracted driving, nearly all participants agreed that insurance companies should be allowed to increase premiums due to distracted driving convictions. A few participants mentioned that many people do not take driving seriously as a responsibility.

Usage Based and Pay As You Go Insurance

- Most participants were aware of user-based insurance. The majority would not use this insurance if it was available to them or would only use it if it would lower their premiums. Reasons for this included more than one driver using the vehicle, not comfortable sharing their data, or they didn't trust that the app would know whether their driving was safe or not. For example, sometimes a driver is required to speed to merge into traffic or hit the brakes to avoid a collision.
- A couple participants mentioned they have used an app through an insurance company that monitored their driving, with less than satisfactory results. According to these users, the app would measure brakes as 'hard breaks' too often or would use too much of their phone's battery life.
- Over half of the respondents were interested in pay as you go insurance, particularly since many are driving less due to the pandemic. Some participants (the rural participants especially) were curious if this type of insurance would factor in the driving locations, as 5,000 KM of city driving is different than highway driving.

Questions or Comments:

Mathew Wesolowski
Consumer Representative

Email: airb@gov.ab.ca