



CONSUMER REPRESENTATIVE

June 15, 2010

Calgary

Merle Taylor



Purpose of Presentation

- ◆ To reflect on feedback received from consumers.
- ◆ To present information that is relevant to the Board's deliberations.




Process

- ◆ Contracted a survey of Albertans
- ◆ Personal interviews with 35 respondents
- ◆ Consulted with other organizations
- ◆ Additional research



Premiums

- 70% of consumers surveyed agreed that premiums are ‘fair and reasonable’ – compared 75% in 2009
- Many drivers with no ‘at fault claims’ still feel that they pay too much and that the difference in premium between good drivers and poor drivers is not large enough.

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- AIRB has ordered reductions to mandatory premiums of 18% since 2004.
 - Overall, average premiums have increased by 6.8% since 2005—largely because of increases to optional coverage.

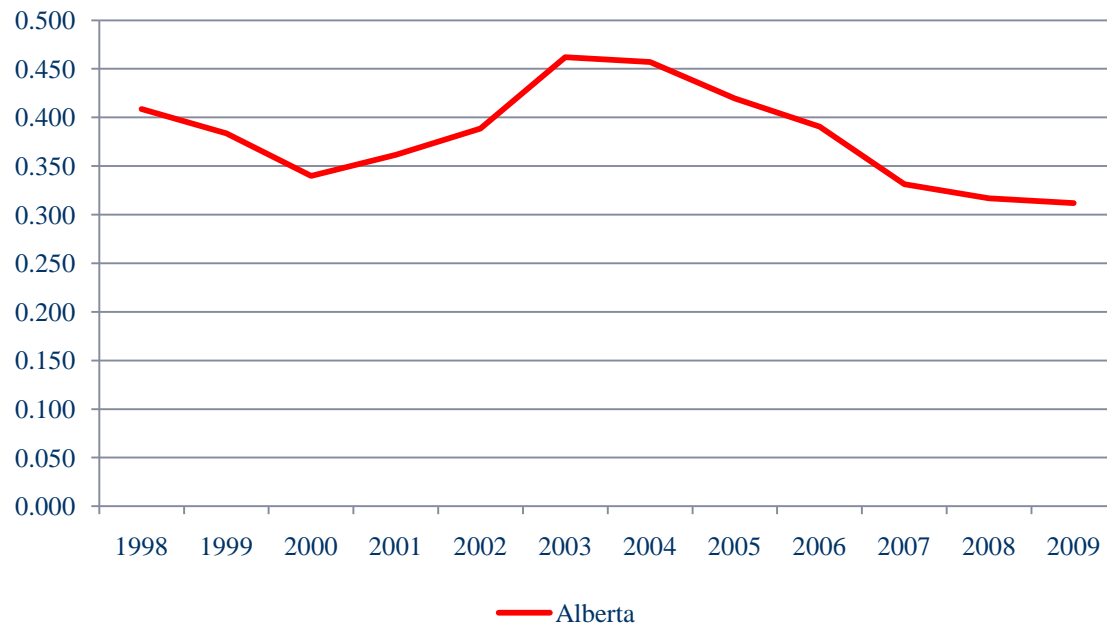


Availability of Coverage

- Prior to reforms, availability was a problem
- Some individuals were driving without insurance.
- Some consumers in rural areas identified a problem with uninsured drivers.
- The number of convictions of uninsured drivers is again increasing.
- Number of claims against the Motor Vehicle Accident Claim Fund compared to third party claims is decreasing.

Motor Vehicle Accident Claims decreasing - indicates that % of Uninsured Drivers is Decreasing since 2004

MVAC as ratio of TPL Claims



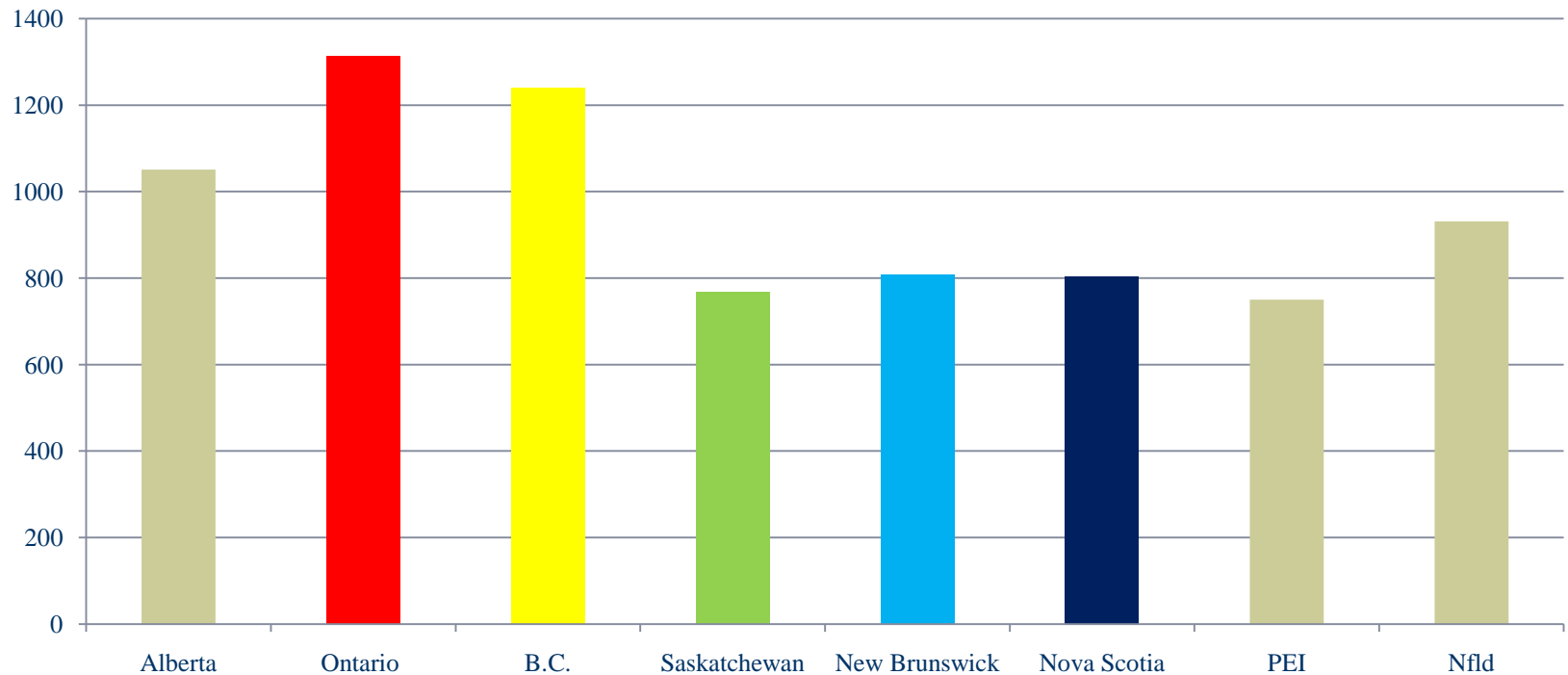


Minor Injuries

- Court decision creates a more certain environment for both insurers and the AIRB
- Rate stability benefits consumers

Comparison to Other Provinces

Average Premium by Province, 2008



Source : Insurance Bureau of Canada , SGI, ICBC



Consumer Complaints

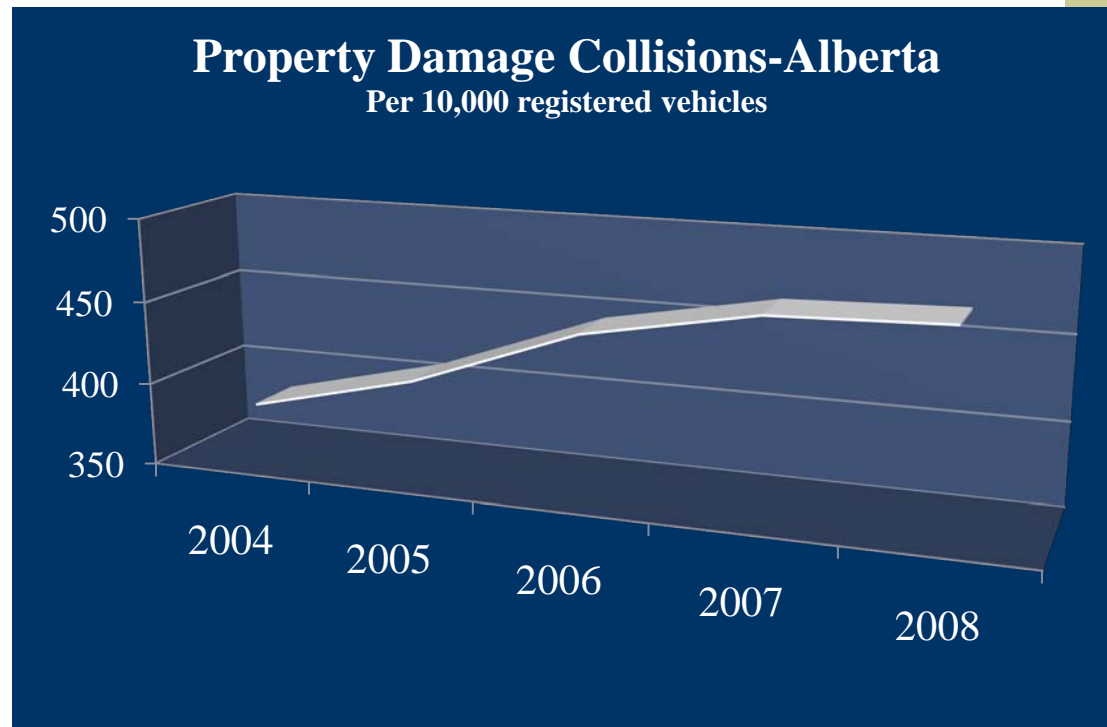
- ◆ No increase in calls to the Superintendent of Insurance.



Traffic Safety

- ◆ Traffic safety is an issue to consumers.
- ◆ The rate of collisions in Alberta continues to increase but at a much lower rate.

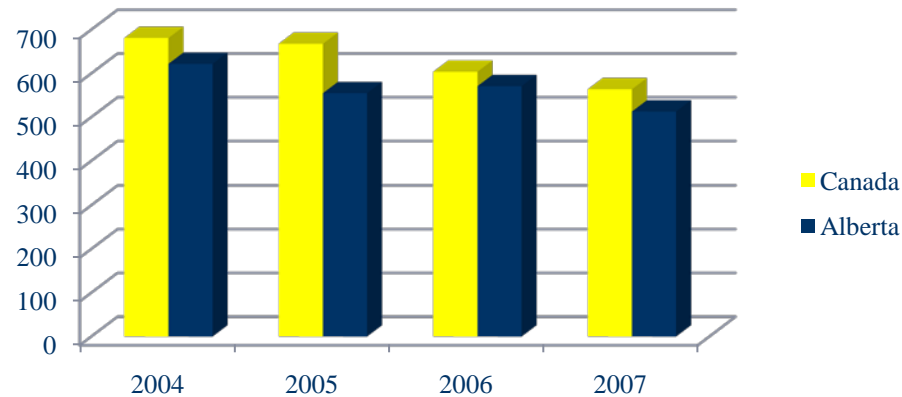
Collision rates resulting in property damage continue to increase but at a much lower rate.



Source: Alberta Traffic Collision Statistics, 2008
Based on Statistics Canada and Service Alberta data.

Injury rates continue to fall. Alberta has a lower rate than other provinces.

Injury Rates – Alberta/Canada
per Billion Vehicle Kilometres Travelled



Source: Alberta Traffic Collision Statistics, 2008
Based on Statistics Canada and Service Alberta data.

Competition

- ◆ 35% of consumers polled obtained a competitive quote for insurance – 89% stayed with their existing insurer – unchanged from 2008.
- ◆ Compared to 58% in 2005 who obtained a quote and 40% in 2008. In 2005, 84% stayed with their insurer.
- ◆ Those that switched enjoyed substantial reductions.

Transparency

- ◆ Consumers are frustrated with ‘insurance lingo’.
- ◆ Insurance brokers are unable to determine the underlying reasons for a change in premium.
- ◆ Consumers do not want ‘more paper’ as a solution to the problem.



Credit Scoring

- ◆ 48% of consumers in the telephone survey were not comfortable with the use of credit scoring as a rating factor.
- ◆ Viewed it as an invasion of privacy and not relevant to driving habits.

Profitability of Insurers

- ◆ The AIRB targets a profit of 7% of premium as profit.
- ◆ This calculates to a Return on Equity of approximately 12%
- ◆ Insurers increased their reserves during period of uncertainty related to minor injury cap.
- ◆ Releasing those reserves resulted in unusual profits for 2009.

Mandated Adjustment

- ◆ Given the profitability of insurers, consumers would be critical of any increase in rates.
- ◆ As far as consumers are concerned, rates have increased, not decreased, over the past 5 years.
- ◆ Consumers care primarily about the amount of premiums. They are interested in the no-fault system that would probably lower premiums.