

# Today's auto insurance market

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The auto insurance market has undergone many changes in the past year, and you may find yourself, along with many other Canadians, inundated with flyers in your mailbox from insurance companies actively competing for your business. This past year's trend is often referred to as a "soft market" within the insurance industry. A soft insurance market is typically characterized by a strong focus on building new business, where insurance companies aggressively market their products and try to attract new customers by offering innovative features and discounts, and most importantly, lowering their rates.

Many consumers don't believe

it makes sense to shop for their insurance at this time; but there could be nothing further from the truth. With more companies competing for business, there is a wider range of prices available for essentially the same coverage. Consumers who don't shop around may

be paying a lot more than they have to for their auto insurance. While it is easy to review and accept the renewal notice from your current insurer, especially if your premium decreased, the insurance company who offered you the lowest premium last year may not be the insurance company to give you the lowest premium today. Due to the current range of available premiums, only shopping around can ensure you are getting the lowest premium available.

Shopping around for your auto insurance can benefit all styles of drivers, whether your driving history is excellent, mediocre or otherwise. Premiums for experienced drivers with no tickets, accidents or claims vary dramatically. And since tickets and accidents don't always have the same negative effect on your insurance premium, one insurer may increase your premium by 20 per cent after one speeding tick-

et, while another won't increase your premium unless you are convicted a second or third time.

To illustrate this point, kanetix, Canada's online insurance marketplace, looked at over 8,000 recent online auto insurance quotes provided to visitors with no previous tickets, accidents or claims. Each of these visitors received premiums from on average 10 of Canada's most competitive insurance providers, which includes financial institutions, brokers and direct writers. The lowest and highest premium from each visitor's quote was then recorded and the average difference in premium was calculated. The results showed that premiums differed by over \$900!

The burning question posed by so many consumers is then, how can premiums vary so significantly when the coverage provided is equal? The simplest answer is that insurance premiums are set to cover

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the cost of future claims, and every insurance company has a unique model for determining this future risk. While factors such as driving experience, convictions, accidents and claims, place of residence and the kind of vehicle being driven are common to all insurers and do weigh heavily in determining risk, there are other considerations insurers make when calculating and interpreting risk. Since each company weighs the past and predicts the future differently, the risk, and thus the premium, will vary from one insurer to another.

Consumers can easily save money and take advantage of the current range in premiums by obtaining quotes from various insurance suppliers in a comparison format. And for those consumers overwhelmed by the pile of flyers at their doorstep, insurance quotes are now readily available online, making shopping easy and efficient. ■