

## **The Choice is CLEAR**

### **Now there is a better way for insurance companies to rate cars**

Do you ever wonder why you pay the car insurance premium you do? Until recently, premiums have been set based on two variables: the driving record of the individual drivers, and the Manufacturers' Suggested Retail Price (MSRP). While your individual driving record accurately reflects your past driving history, what about the MSRP? The Manufacturers' Suggested Retail Price is exactly that: suggested. It has been used to set premiums because few insurance companies have had adequate information about the claim costs incurred by individual car makes and models out on the road. The creation of the CLEAR system has changed this.

Developed by the Vehicle Information Centre of Canada (VICC) – a non-profit organization - the Canadian Loss Experience Automobile Rating (CLEAR) system allows car insurers to predict future claims more accurately. This means that insurance companies can reward car owners for buying vehicles that experience fewer and smaller losses, as well as for their driving records.

### **How the CLEAR system works**

Various makes and models have different claim costs. The addition of loss-prevention features such as airbags, side-impact door reinforcements, and anti-theft devices can create even more difference in premiums. Under the old system using the MSRP, these features were difficult to account for when determining premiums. The problem was that it may be unfair to charge the owner of the car that is better-designed and better-equipped a higher insurance premium than others. The CLEAR system remedies this by tracking the actual claims experiences of various makes and models of cars, so insurers can tailor premiums more fairly.

### **How will this affect me?**

As the CLEAR system is gradually introduced, many Canadian insurance companies are adopting it. The CLEAR system is slowly being adapted to market conditions, taking the best interests of consumers into account.

Insurance regulators agree with the implementation of the CLEAR system. In fact, the Consumers' Association of Canada says that CLEAR "will lead to a fairer system for motorists so that safe vehicles do not continue to subsidize those vehicles with higher loss costs." A fairer system of determining insurance premiums will positively affect all insurance consumers. As well, because the CLEAR system rewards drivers for choosing safer cars and loss-prevention features, manufacturers will also be encouraged to build safer, less damage-prone vehicles.

### **Before you buy your next car**

Now that the CLEAR system will be used to determine insurance premiums, you will want to use this to your advantage. Before you purchase your next vehicle – new or used - check with your broker or insurance agent for more information. Ask how you can obtain a copy of the VICC pamphlets, Choosing Your Car, How Cars Measure Up, and Car Theft!