



# METHODOLOGY

## Car Insurance Star Ratings & Awards

May 2019

### What are the Canstar Car Insurance Star Ratings?

Canstar *Car Insurance Star Ratings* use a sophisticated and unique ratings methodology that compares both price and features across comprehensive car insurance products.

Canstar's star ratings represent a shortlist of products, enabling consumers to narrow their search to products that have been assessed and ranked. The results are reflected in a consumer-friendly five-star concept with five stars representing outstanding value to the consumer. Ratings range from five to one star. Five-star rated products have been assessed as offering outstanding value to consumers.

### What types of products are evaluated for Canstar's *Car Insurance Star Ratings*?

To be eligible for evaluation in Canstar's *Car Insurance Star Ratings*, a policy must meet the following criteria:

- It is a comprehensive car insurance policy
- For comparison purposes, a quote is available:
  - Directly from the provider, online or via phone
  - For all postcodes considered within each profile

### How are the Canstar Car Insurance Star Ratings calculated?

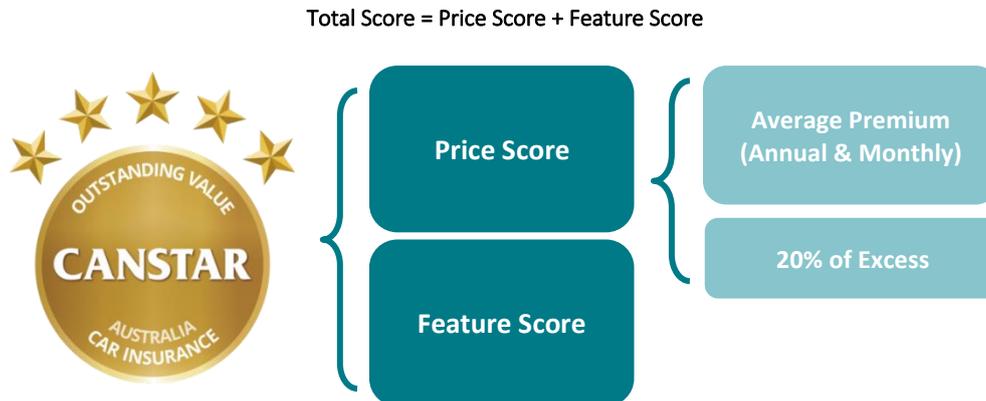
Car Insurance policies included in the Canstar *Car Insurance Star Ratings* are assessed across a total of 26 profiles, across six consumer profiles within six states, as follows:



## Star Ratings Methodology

Each eligible car insurance policy reviewed for the Canstar *Car Insurance Star Ratings* is awarded points for its comparative pricing and the array of features attached to the policy. Points are aggregated to achieve a price score and a feature score.

To arrive at the total score, Canstar applies a weight against the price score and the feature score. The weights reflect the relative importance of price and features in determining which policies offer outstanding value to consumers. This method can be summarised as:



The table below provides a breakdown of the weights allocated to the price score and feature score for each profile:

Profile	Price	Features
Under 25 year old Male/Female	80%	20%
25-29 year old Driver	75%	25%
30-49 year old Driver	70%	30%
50+ year old Driver	70%	30%
Family with Young Driver	70%	30%

### Price Score

The price score takes into consideration annual and monthly insurance premiums as well as the policy excess. The quotes used for the Canstar *Car Insurance Star Ratings* are for new policies as opposed to renewal prices, which can differ. Products are compared to each other, with the lowest cost product awarded the highest price score. All other products are awarded a score based on their relative cost against the lowest cost policy.

### Quoting Assumptions

Some key assumptions made when obtaining quotes relate to the driver's age and address, and the type of the car being insured. For quoting purposes, thirty addresses are selected within each state.

### Car Make/Model

While we recognise that the type, make, model and age of all cars available in the market cannot be represented, for comparison purposes we select three different car makes and models (one new and two used) to represent each profile, one car being new and the other two cars being 5 years old.

The types of vehicles used in the rating are shown below:

Profile	New Car Description	Used Car 1 (5 year old Car)	Used Car 2 (5 year old Car)
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Under 25 Year Old Male/Female	4-cylinder medium hatchback	4-cylinder medium sedan	4-cylinder medium hatchback
25-29 Year Old Driver	4-cylinder medium sedan	4-cylinder medium sedan	4-cylinder medium SUV
30-49 Year Old Driver	4-cylinder medium SUV	4-cylinder medium sedan	4-cylinder medium SUV
50+ Year Old Driver	4-cylinder medium sedan	4-cylinder medium sedan	4-cylinder medium SUV
Family With Young Driver	4-cylinder large sedan	4-cylinder medium sedan	4-cylinder medium SUV

## Excesses

Excess options offered by providers vary. For comparison purposes, the excess amounts used for quotes (i.e. the “target excess”) differ by state. When the target excess amount is not offered as an option for a product, the closest excess amount is instead selected. When there is more than once excess amount of equal distance from the target excess, the lower excess amount is selected.

Profile	Target Excess
New South Wales	\$700
Victoria	\$750
Queensland	\$650
South Australia	\$600
Western Australia	\$750
Tasmania	\$600

## Annual/Monthly Premium and Excess

As the target excess cannot always be met, this has an influence on the annual or monthly premiums. To combat the inequality created through a lower annual or monthly premium derived from a higher excess and conversely a higher annual or monthly premium with a lower excess. Canstar applies 20% of the excess to the annual premium. 20% represents the frequency of claims per years per 100 car insurance policies.

## Feature Score

The feature score takes into account a number of features across six different categories as well as considering components within the customer claims satisfaction survey. Individual features are allocated points and each category, and subcategory, are assigned a weighting. The product with the highest feature score is allocated the maximum score, with all remaining products indexed against it.

The feature categories and subcategories, with assigned weights for each profile considered, are as follows:

Category/Subcategory	Weight
<b>Application</b>	<b>10%</b>
Application Channels	70%
Premium and Discounts	20%
Application Conditions	10%
<b>Payment</b>	<b>5%</b>
<b>Cover</b>	<b>40%</b>
After Accident Care	15%
Events Cover	15%
Excess Options	10%
Public Liability	10%
Rental Car	10%
Repairs	10%
Vehicle Cover	10%
Personal Effects	5%
Windscreen Cover	5%
Death Benefit	2.5%
Other Cover	2.5%
Roadside Assistance	2.5%
Trailer Cover	2.5%
<b>Service</b>	<b>10%</b>
Customer Self-Service	50%
Insurer Support Services	50%
<b>Claims</b>	<b>30%</b>
Claims Satisfaction	95%
<i>Claims Components</i>	90%
- <i>Communication</i>	20%
- <i>Quality</i>	20%
- <i>Ease</i>	15%
- <i>Process</i>	15%
- <i>Speed</i>	15%
- <i>Timeliness</i>	15%
<i>Customer Retention</i>	10%
Claims Channels	5%
<b>Cancellation</b>	<b>5%</b>

## How are the Awards for Car Insurance Calculated?

The Awards for Outstanding Value Car Insurance recognises the cumulative performance of insurers at both a state and national level in the underlying consumer profiles.

### State Awards

To be eligible for a state award a provider must meet the following criteria:

- The policy must be available directly to consumers, not limited solely to those of a particular age group.
- The institution must underwrite its own insurance or be a wholly owned subsidiary of a general insurer.
- For comparison purposes, a quote must be available:
  - Directly from the provider, online, or via phone
  - For all postcodes considered within each profile
  - For all profiles within the state being considered.

For each state, a State Award for Outstanding Value Car Insurance is provided to the insurer who has the highest cumulative performance across the considered profiles. State award winners are not necessarily the best value in every profile, as the award aims to recognise a consistently strong offering across the entire market.

The table below provides the weights applied to each individual profile when determining the award winner for each state.

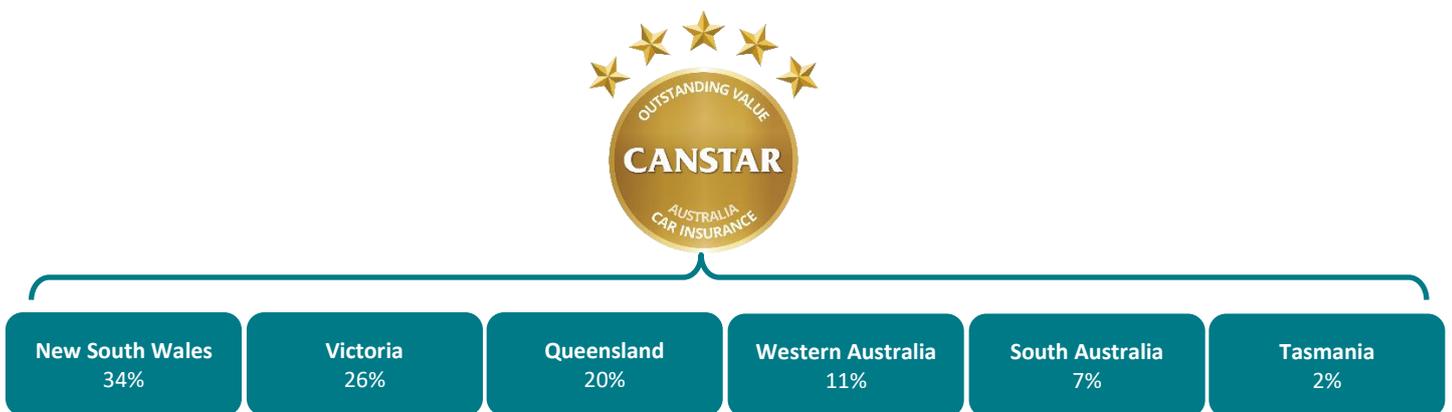


## National Awards

To be eligible for a national award a provider must meet the following criteria:

- The policy must be available directly to consumers, not limited solely to those of a particular age group.
- The institution must underwrite its own insurance or be a wholly owned subsidiary of a general insurer.
- The insurance provider must have a national presence.
- For comparison purposes, a quote must be available:
  - Directly from the provider, online, or via phone
  - For all postcodes considered within each profile
  - For all profiles within the state being considered.

The National Award is awarded based on the cumulative score across all profiles and all states. The same weight is placed on each profile as with the state awards, with each state then receiving a weight based on population representation according to annual Australian Bureau of Statistics (ABS) data, as follows:



## Outstanding Claims Service Award

An Award for Outstanding Claims Service recognises insurers for a combination of customer claims satisfaction, considering claim components and retention post claim, and product features specifically related to claims.

To be eligible for consideration towards an Outstanding Claims Service Award, a provider must meet the following criteria:

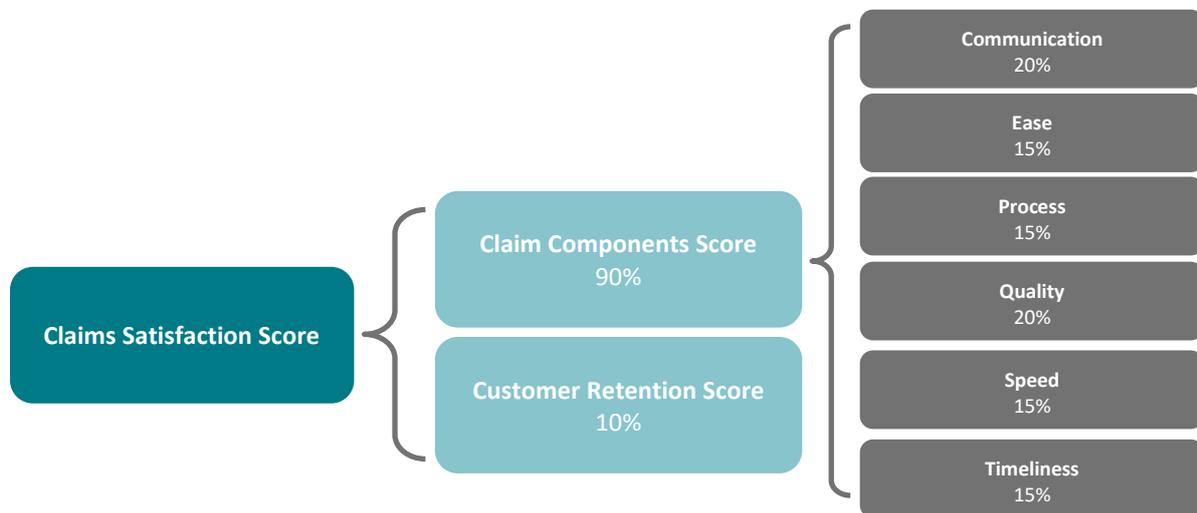
- A policy must be available to all consumer profiles and all states considered.

An Outstanding Claims Service Award is provided to an insurer based on the cumulative score across their claims satisfaction score and claims feature score, summarised below with respective weights:



### Claims Satisfaction Score

A national survey is conducted to measure the satisfaction level of consumers with their recent car insurance claims experience. The claims satisfaction score takes into account survey responses regarding claim components and customer retention, as shown below:



A claim components score is calculated for an insurer based on responses from survey respondents regarding their level of satisfaction with company-specific claim components; communication, ease, process, quality, speed and timeliness. Each component is assigned a weighting based on its contribution to overall satisfaction. The product with the highest score is allocated the maximum score, with all remaining products indexed against it.

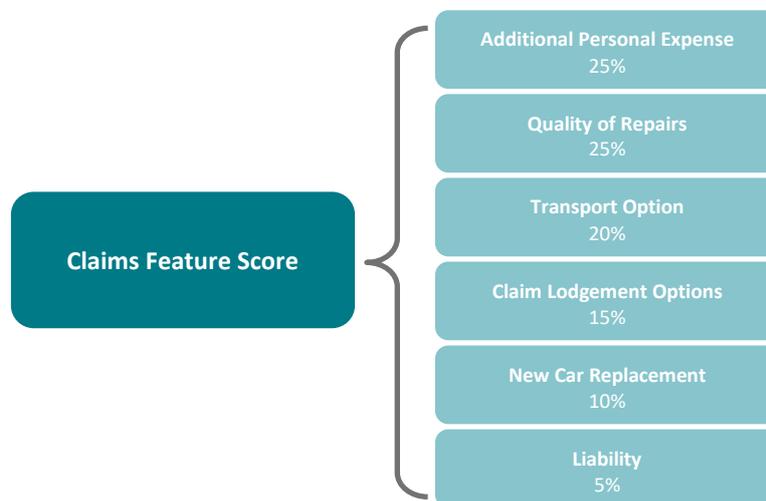
An insurer's customer retention score is calculated based on whether survey respondents remained with the insurer following their claim. The product with the highest score in this area is allocated the maximum customer retention score, with all remaining products indexed against it.

For companies that do not receive at least 30 responses:

- if the insurer belongs to an insurance network, they are given the average claims satisfaction score across the insurance network
- if they do not belong to an insurance network, they are given an adjusted average of the claims satisfaction score across all providers (subtracting the standard error from the mean).

### Claims Feature Score

The Claims Feature score is the cumulative score across features related specifically to when a claim is made following an accident, such as emergency repairs and accommodation, genuine parts, car hire, liability cover, replacement car, etc. Points are allocated to the available features at the time of claim. Products are indexed relative to the top scorer; with the best performing product assigned the maximum claims feature score.



## Does Canstar rate all products available in the market?

Canstar endeavours to include the majority of product providers in the market and to compare the product features most relevant to consumers. However, this process is not always possible, and it may be that not every product in the market is included in the rating nor every feature compared that is relevant to specific consumers.

## How often are products reviewed for awards or star ratings purposes?

All ratings are fully recalculated every twelve months based on the latest product offerings within the market. Additionally, Canstar monitors product changes on an ongoing basis. Star rating and award results are published in a variety of mediums (newspapers, magazines, television, websites, etc).

## Does Canstar rate other product areas?

Canstar researches, compares and rates the suite of banking, wealth and insurance products listed below. These star ratings and awards use similar methodologies to guarantee quality, consistency and transparency. Results are freely available to consumers who use the star ratings as a guide to product excellence. The use of similar star ratings logos also builds consumer recognition of quality products across all categories. Please access the Canstar website at [www.canstar.com.au](http://www.canstar.com.au) if you would like to view the latest star ratings reports of interest.



- Account Based Pensions
- Agribusiness
- Business Banking
- Car Insurance
- Car Loans
- Credit Cards
- Deposit Accounts
- Direct Life Insurance
- First Home Buyer
- Health Insurance
- Home & Contents
- Home Loans
- Landlord Insurance
- Managed Investments
- Margin Lending
- Online Banking
- Online Share Trading
- Package Banking
- Personal Loans
- Pet Insurance
- Reward Programs
- Superannuation
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- Travel Insurance
- Travel Money Cards
- Youth Banking

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