

AUTO INSURANCE THAT'S

GOOD FOR B.C.



Insurance that meets the changing needs of vehicle drivers has always been, and will continue to be, a challenge for governments. B.C. is on the right track. B.C.'s insurance brokers believe in our system and the government's current course of action.



Canadian auto insurance is a societal dilemma.

Insurance is a financial first-responder. Its ability to restore claimants and beneficiaries quickly and reliably after a loss is the financial underpinning of our economy. **Insurance is an instrument of social policy.** For all types of losses and compensation, government and the private insurance market determine which will respond and to what limit. The protection gaps that lead to extreme hardship are therefore prevented or mitigated.

Automobiles have the capacity to be lethal; nearly 300 people¹ die in road-related incidents in B.C. each year. Success in insuring for the high level of risk inherent in vehicle use has **always depended on responsible provincial government oversight and regulation.**

That's why British Columbia established **ICBC as a Crown corporation** in 1973.

¹ Motor Vehicle Related Fatalities 10-year Statistics for B.C. 2007-2016, www.gov.bc.ca/roadsafetybc

B.C. has had the right answer for more than four decades. Other provinces don't compare.

In 45+ years, **every B.C. driver has consistently had access to universal coverage and limits at an affordable price** – over their entire driving life. No age group, demographic or region has suffered a loss of access to vehicle insurance.

“In the 45 years the Corporation has operated, the insuring public in B.C. has never faced a lack of market, a withdrawal of market, or an inability to insure any driver. What private coverage province can compete with that?”

Doug Guedes, broker and 2006 IBABC president

Public auto insurance ensures that **all drivers in B.C. have the same access** to auto insurance, which protects them as well as all other road users. As a result of providing accessible public auto insurance, B.C.'s estimated uninsured rate is less than two per cent – much lower than other jurisdictions in North America with rates ranging from four to 20%, or even higher in some cases.

Thanks to low levels of fraud, and economies of scale in system integration, auto **insurance has been largely stable** and any profits derived have stayed in B.C. Approximately 91% of premiums are returned to customers in the form of claims payments, which compares to approximately 56% for private insurers, which typically have higher expenses and higher profits that don't stay in B.C.

Auto insurance must evolve with society.

Technological advances in vehicles, and the rights and care of victims **will continue to challenge** the delivery of quality, affordable auto insurance. The cost of injury claims has soared by 43% in the past five years, and are projected to total \$3.67 billion in 2018 alone.

The B.C. system is meeting consumer needs better than those of most other Canadian provinces. Governments in Alberta and Ontario, among others, have instituted caps on the amount that insurers can raise rates year-over-year, keeping rates artificially lower than they need to be to cover costs. In Alberta insurers are paying out \$1.28 in claims for every \$1 in premiums that they bring in. This has led some insurers in Alberta to cease providing insurance to subsets of the population, certain communities, or to exit the market altogether, leading the Insurance Bureau of Canada – normally the loudest proponents of private auto insurance – to admit, “Alberta auto is in crisis.”

Being the best is within our reach with the remedies that are underway.

- Substantial improvements to ICBC's accident benefits will improve the care available for anyone who is injured in a crash. **ICBC will be able to fund these increased benefits** though reduced legal costs, a limit on payouts for pain and suffering for minor injuries and a new dispute resolution model – all resulting in projected net savings of \$1 billion annually.
- **Government and ICBC are also modernizing ICBC's insurance system** to ensure all drivers pay premiums that more accurately reflect the risk they represent on the road. In addition, a number of road safety initiatives are underway, aimed at lowering crashes and mitigating the current financial pressures on ICBC.
- **B.C. brokers understand** the auto-insurance dilemma. We have studied the alternatives to the public system for B.C. **and have yet to see a universally available, consumer-friendly option** that represents long-term and sustainable value for B.C. auto insurance consumers.

Insurance brokers believe in the B.C. system and the current reforms.

We are explaining the changes to B.C. drivers, and letting them know that our auto insurance system is on the right track.

It's what we do.



AUTO INSURANCE FOR ALL BRITISH COLUMBIANS

Universally available coverage and limits, whereby no risks are refused coverage. Consumers have access to the same products and services at all Autoplan brokerages; brokerages compete on service for a further benefit to the consumer. The optional portion of the auto insurance market is about 40% of the total market and is open to private competition today; yet private coverage is not consistently available to brokers and their clients throughout the province.

Mandatory insurance requirements, which can only be efficiently enforced when integrated with policing in a public system, virtually eliminates the number of uninsured drivers and reduces the high costs of uninsured motorist protection.

Non-discriminatory rating, which does not base rates on age, gender, or marital status.

Efficient linkage between licensing, motor vehicle registration, and basic liability coverage eliminates redundancy.

Economies of scale made possible by the size of the B.C. insurance market, which enable brokers also offering Autoplan to operate with the full spectrum of products and from B.C.'s smallest communities to major urban, high-traffic locations, all offering convenient access and extended hours of operation.

B.C. ownership of a substantial investment. Whereas some sectors of the global insurance market have required injections of capital during the past decade, ICBC surpluses have solely benefited the citizens of B.C.

B.C. drivers have **access to coverage over their entire lifetime**. British Columbians have historically enjoyed premium cost stability, and have avoided the pricing and coverage turmoil regularly experienced in Alberta, Ontario, and the Atlantic provinces.

“**Longtime ICBC watchers will recall the short, impressive tenure of the late Nick Geer, who the Campbell Liberals recruited in 2001, ostensibly to privatize auto insurance. No ideologue, Geer studied the business and concluded that privatization would be a mistake: the system works.**

“But government interference has since endangered ICBC’s solvency and a lack of transparency has undermined public support. The current government has a chance to fix that – and the fate of a worthy enterprise hangs in the balance.”

Richard Littlemore,
Vancouver Sun, Feb. 3, 2018

The **centralized database** for integrated components of vehicle registration, driver licensing, claims and repairs, medical/bodily injury data, police enforcement, debt collection and the courts allow for system-wide efficiencies.

Historically ICBC has offered comparatively **high accident benefits**, even with the recent \$5,500 cap on minor injuries. Most medical costs are covered by the injured person’s insurance policy and to a lesser extent by the provincial health-care system. ICBC maintains centralized data on all claims, which reduces fraud and keeps costs down.

Efficient collection of motor vehicle debts and fines by the broker force, which imposes government-ordered sanctions for motor-vehicle violations, Family Maintenance Enforcement Program debts, environmental non-compliance, and other outstanding provincial fines.



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