



Comparison of Auto Insurance Rates in BC and Alberta

January 2020

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EXECUTIVE SUMMARY

In 2019 the Insurance Corporation of BC (“ICBC”) introduced significant changes to the auto insurance system in BC. To understand the impact of the changes to ICBC’s insurance system and the impact those changes will have on auto insurance premiums, the Insurance Bureau of Canada (“IBC”) engaged MNP to review the changes and compare BC and Alberta’s auto insurance systems and the price consumers pay for insurance. In March 2019, prior to the changes being implemented, MNP issued a report comparing premiums in BC and Alberta before and after the changes based on information available as of February 2019.

Following the implementation of the changes IBC engaged MNP to update the comparison of premiums in BC and Alberta based on information available as of January 2020.

Review of BC and Alberta’s Auto Insurance Systems

Between April 1, 2019 and September 1, 2019, the following changes to BC’s auto insurance system came into effect:

- Introduction of a definition of minor injuries, and a cap of \$5,500 on payouts for pain and suffering related to minor injuries.
- Increases in accident benefits (e.g., wage loss, medical costs, funeral expenses and death benefits).
- Changes to the rating system that is used to set premiums to better reflect a driver’s risk.
- Expansion of BC’s Civil Resolution Tribunal’s jurisdiction to include disputes involving minor injury claims, accident benefit entitlements, and liability decisions for motor vehicle injury claims below.¹

Our review of the insurance systems in BC and Alberta suggests that as of September 2019 the system in BC is substantially similar to the system in Alberta (see Table A). Both provinces have similar mandatory auto insurance coverage levels with tort-based insurance systems including a minor injury cap. However, the definitions of minor injuries and the minor injury cap amounts differ between the two provinces. The systems in BC and Alberta differ in terms of the market structure and the manner in which insurance is sold.

¹ Civil Resolution Tribunal. “Province of BC Expands Civil Resolution Tribunal’s Jurisdiction”. Retrieved from: <https://civilresolutionbc.ca/province-bc-expands-civil-resolution-tribunals-jurisdiction/>

Table A: Comparison of the Insurance Systems in Alberta and BC

	BC	Alberta
Tort-based Insurance Model	Yes	Yes
Minor Injury Cap	\$5,500	\$5,296
Regulation of Insurance Rates	BC Utilities Commission	Automobile Insurance Rate Board
Features of Mandatory Auto Insurance Coverage:		
Third-Party Liability	\$200,000, property damage capped at \$20,000	\$200,000, property damage capped at \$10,000
Accident Benefits		
Medical Coverage	Up to \$300,000 ²	Up to \$50,000
Hit and Run Coverage	Up to \$200,000	Up to \$200,000 for personal injuries caused by uninsured or unknown drivers is provided through the Alberta Motor Vehicle Accident Claims program.
Wage Loss Payments	Up to \$740 per week	Up to \$400 per week for earners. \$135 per week for non-earners.
Death Benefits	Up to \$30,000	\$10,000 plus \$2,000 for each dependent survivor after first, plus \$15,000 for first survivor and \$4,000 for each remaining survivor.
At-fault Claim Repayment	Up to \$2,000 without affecting premiums.	Accidents involving third parties must be reported and may affect premiums.
Claim Forgiveness	Provided after 20 years of driving experience and accident-free for the last 10 years.	Typically, an optional feature available at an additional cost.
Access to Insurance	Basic Autoplan provides all eligible drivers who require auto insurance access to it.	The Insurance Act mandates that all eligible drivers who require auto insurance have access to it.
Calculation of Premiums	Risk-based model	Risk-based model
Distribution Model	Brokerage model where entry to the market is restricted.	Multiple channels including brokers, agents, and direct from the insurer.
Management of Settlements	Similar process in both provinces	
Appeals and Disputes for Claims Involving Minor Injuries	Independent third party Civil Resolution Tribunal handles disputes for claims below \$50,000.	To resolve disputes over whether or not an injury is minor a certified examiner (independent third party) is appointed. For other disputes both sides appoint representatives to appraise the amount of the loss, and if necessary an umpire (independent third party) is selected to provide a final decision.

² According to the Attorney General of BC approximately 40 cases per year reached the previous cap of \$150,000. (Official Report of Debates (Hansard). Third Session, 41st Parliament (2018), May 10, 2018. Available here: <https://www.leg.bc.ca/content/Hansard/41st3rd/20180510am-Hansard-n133.html> (Accessed January 14, 2020).)

As shown in Table A, BC has higher limits for accident benefits. To illustrate the impacts of the higher coverage limits in BC we compared the average injury claim payment in BC and Alberta between 2013 and 2018, the most recent period for which data were available (Table B). According to the Attorney General of BC the higher limits for accident benefits introduced in 2019 were expected to increase payments for claims by approximately \$200 million per year (\$3,300 per claim).³ Table B suggests that once the increase in payments for accident benefits and the reductions in payouts for pain and suffering for minor injuries are factored in, the benefits that will be paid out in BC are not expected to be substantially higher than in Alberta for most claimants despite BC having higher coverage limits.

Table B: Average Accident Benefit and Injury Claim Payouts, 2013 to 2018

	BC		Alberta	
	Accident Benefits Claim	Total Injury Claim	Accident Benefits Claim	Total Injury Claim
2013	\$2,503	\$36,969	\$3,652	\$32,192
2014	\$3,030	\$40,513	\$3,639	\$34,873
2015	\$3,482	\$44,239	\$4,485	\$40,795
2016*	\$3,239	\$45,163	\$4,677	\$44,848
2017*	\$2,885	\$50,658	\$5,200	\$44,373
2018	Not available	Not available	\$5,764	\$46,082

Source: ICBC BIIS Exhibits I, II, III, V Oct 16, 2018 and December 31, 2016. For Alberta, values were calculated by IBC using data from the General Insurance Statistical Agency.

Findings

To illustrate how premiums in BC compare with premiums offered by private insurers, MNP compared the auto insurance premiums for representative drivers in BC with auto insurance premiums for representative drivers in Alberta. Quotes were obtained for representative drivers with comparable vehicles and vehicle use in each province and include \$1,000,000 in third-party liability, collision (\$500 deductible), and comprehensive (\$300 for BC and \$250 for Alberta). Please note that premiums quoted here are not directly comparable to the premiums published in March 2019 as changes were made to the driver profiles to comply with ICBC's information requirements for obtaining a quote.

As shown in Table C we found that most drivers would be expected to pay higher premiums for similar coverage in BC than they would in Alberta. Drivers using their vehicles for daily commuting were estimated to pay up to 42 percent more in BC, while drivers using their vehicles for pleasure were estimated to pay between 6 percent and 76 percent more in BC. The exception was an experienced driver with one at-fault accident. In this case the premium was estimated to be 10 percent lower in BC compared with the lowest quoted premium in Alberta.

³ Official Report of Debates (Hansard). Third Session, 41st Parliament (2018), May 10, 2018. Available here: <https://www.leg.bc.ca/content/Hansard/41st3rd/20180510am-Hansard-n133.html> (Accessed February 1, 2019).

Table C: Premiums in BC and Alberta

	British Columbia		Alberta	
	Location	Premium January 2020	Location	Premium January 2020
Experienced Drivers Without At-Fault Accidents				
Small-Business Owner	Surrey	\$1,953	Calgary	\$1,380
Family	Langley	\$1,985	Calgary Area	\$1,516
Young Parents	Vancouver	\$1,967	Calgary	\$1,500
Seniors	North Vancouver	\$1,417	Calgary Area	\$1,130
Single Individual	Kelowna	\$1,499	Red Deer	\$1,448
Inexperienced Drivers				
New Driver (City)	Burnaby	\$4,319	Calgary	\$3,491
New Driver (Rural)	Kamloops	\$3,194	Medicine Hat	\$2,393
Young Driver	Prince George	\$1,757	Fort McMurray	\$1,340
Experienced Drivers with One At-Fault Accident				
Driver with an Accident	Surrey	\$2,805	Calgary	\$3,090
Multiple Drivers with Different Risk Profiles				
Family with New Driver (City)	Richmond	\$2,540	Edmonton	\$2,398
Family with New Driver (Rural)	Kelowna	\$1,956	Red Deer	\$1,835
Recreational Vehicles and Motorcycles				
Luxury Car	Burnaby	\$2,394	Calgary	\$1,730
Recreational Vehicle	Victoria	\$1,036	Edmonton	\$590
Motorcycle	Fraser Valley	\$1,908	St. Albert	\$1,806

1 INTRODUCTION

1.1 Background and Purpose

In British Columbia (“BC”) the Insurance Corporation of BC (“ICBC”), a provincial Crown Corporation, is responsible for providing mandatory auto insurance. Optional insurance coverage may be purchased from ICBC or private insurance companies.

In 2019 a number of changes were introduced to BC’s auto insurance system in an effort to address financial issues at ICBC. To understand the impact of the changes on auto insurance premiums, the Insurance Bureau of Canada (“IBC”) engaged MNP to undertake a review of the changes and compare BC and Alberta’s auto insurance systems and the price consumers pay for insurance. In March 2019, prior to the changes being implemented, MNP issued a report comparing premiums in BC and Alberta before and after the changes based on information available as of February 2019.

The changes to BC’s system came into effect between April 2019 and September 2019. To assess how the changes impacted premiums IBC engaged MNP to update the comparison of premiums in BC and Alberta based on information available as of January 2020.

1.2 Scope of Study

The scope of the study included:

- Identifying driver profiles that were used to compare premiums in BC and Alberta.
- Gathering insurance quotes and information on representative drivers in BC and Alberta.
- Estimating premiums for representative drivers in both provinces.
- Developing a report that summarizes the findings.

1.3 Structure of the Report

The remainder of the report is structured as follows:

- Section 2 describes the methodology and approach used by MNP in undertaking the study.
- Section 3 provides a high-level overview of the auto insurance systems in BC and Alberta.
- Section 4 compares auto insurance premiums in BC and Alberta based on representative driver profiles.
- Section 5 provides a summary of report findings.

1.4 Limitations

MNP has relied upon the completeness, accuracy and fair presentation of all information and data obtained from IBC, brokers in Alberta and BC, and public sources, believed to be reliable. The accuracy and reliability of the findings and opinions expressed in the presentation are conditional upon the completeness, accuracy and fair presentation of the information underlying them. As a result, we caution readers not to rely upon any findings or opinions expressed for business or investment decisions and disclaim any liability to any party who relies upon them as such.

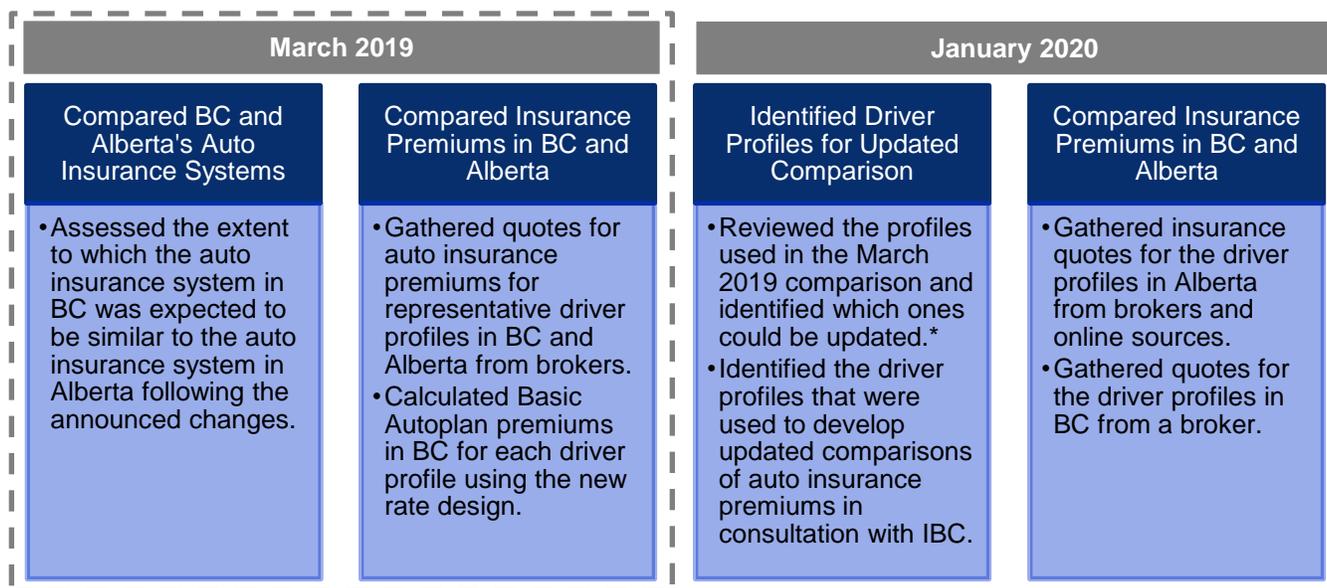
This report is provided for information purposes and is intended for general guidance only. It should not be regarded as or as a substitute for personalized business or investment advice.

Before taking any particular course of action, readers should contact their own professional advisor to discuss matters in the context of their particular situation.

2 METHODOLOGY AND DATA SOURCES

2.1 Approach

To assess the impact of the changes to BC’s insurance system, we employed the following approach:



* With the changes to the insurance system, ICBC introduced a new quoting system that requires a driver’s license number and a vehicle identification number (“VIN”). Consequently, the profiles that were used in this study are based on driver’s licenses and VINs provided by volunteers who agreed to share the information with MNP for the purposes of this study and the profiles do not exactly match the profiles used in the March 2019 report.

2.2 Data Sources

Data used in the study were gathered from a combination of primary and secondary sources. Primary research was used to gather insurance quotes and secondary sources were used to gather the information used in the review of auto insurance systems in BC and Alberta.

3 COMPARISON OF BC AND ALBERTA'S AUTO INSURANCE SYSTEMS

Between April 1, 2019 and September 1, 2019 a number of changes to BC's auto insurance system came into effect. The changes to BC's auto insurance system included:

- Introducing a definition of minor injuries, and a cap of \$5,500 on payouts for pain and suffering related to minor injuries.
- Increases in accident benefits (e.g., wage loss, medical costs, funeral expenses and death benefits).
- Changes to the rating system that is used to set premiums to better reflect a driver's risk.
- Expansion of BC's Civil Resolution Tribunal's jurisdiction to include disputes involving minor injury claims, accident benefit entitlements, and liability decisions for motor vehicle injury claims below.⁴

In February 2019, prior to the changes, MNP undertook a review of the proposed changes at the request of IBC. Based on the information available MNP compared the auto insurance system in BC following the changes with the auto insurance system in Alberta. The complete report is available at <http://assets.ibr.ca/Documents/Auto%20Insurance/BC-Auto/Comparison-of-Auto-Insurance-in-BC-and-Alberta.pdf>.

Our review of the insurance systems in BC and Alberta suggests that following the introduction of the changes in September 2019, the system in BC is substantially similar to the system in Alberta (see Table 2). Similarities include:

- Both provinces have tort-based insurance systems with a minor injury cap. The definition of minor injuries in BC is broader and covers a wider range of conditions.
- Regulatory oversight is provided by two independent entities, one that is responsible for regulating rates and one that is responsible for regulating the business of insurance.
- Premiums in both provinces are set based on identified risk-factors.

Features of the mandatory insurance product do vary in terms of coverages and limits. As noted above, one of the changes to the system in 2019 was increases to accident benefit coverage limits. When the increased limits were announced the Attorney General of BC estimated that the higher limits were expected to increase payments for claims by approximately \$200 million per year (\$3,300 per claim).⁵

To illustrate the impact of the higher limits on accident benefits coverage in BC we compared the average accident benefit claim and the average total injury claim between 2013 and 2018 in BC and Alberta (Table 1), the most recent period for which data were available. Average accident benefits claims in Alberta ranged from \$3,600 to \$5,800 and total injury claim values (which include both accident benefits and awards for bodily injury) were between \$32,000 and \$46,000 over the period, while in BC average accident benefit claim values were between \$2,500 and \$3,500 and total injury claim values were between \$37,000 and \$51,000. This suggests that once the increase in payments for accident benefits and the reductions in payouts for pain and suffering for minor injuries are factored in, the benefits that will be paid out in BC are not expected to be substantially higher than in Alberta for most claimants despite BC having higher coverage limits.

⁴ Civil Resolution Tribunal. "Province of BC Expands Civil Resolution Tribunal's Jurisdiction". Retrieved from: <https://civilresolutionbc.ca/province-bc-expands-civil-resolution-tribunals-jurisdiction/>

⁵ Official Report of Debates (Hansard). Third Session, 41st Parliament (2018), May 10, 2018. Available here: <https://www.leg.bc.ca/content/Hansard/41st3rd/20180510am-Hansard-n133.html> (Accessed February 1, 2019).

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2018	Not available	Not available	\$5,764	\$46,082

Source: ICBC BIIIS Exhibits I, II, III, V Oct 16, 2018 and December 31, 2016. For Alberta, values were calculated by IBC using data from the General Insurance Statistical Agency.

* In 2016 ICBC transitioned from a fiscal year-end of December 31 to a fiscal year-end of March 31. BC data for 2016 is for the 15-month transitional period and for 2017 is for fiscal 2017/2018.

The two systems differ in terms of the market structure and the way that insurance is sold. In BC, ICBC has a monopoly on Basic Autoplan, with limited competition only in the optional market, and insurance is sold through a brokerage model where entry is restricted. Whereas in Alberta, all auto insurance is sold and distributed through a competitive market.

Table 2: Comparison of the Insurance Systems in Alberta and BC

	BC	Alberta
Tort-based Insurance Model	Yes	Yes
Minor Injury Cap	\$5,500	\$5,296
Regulation of Insurance Rates	BC Utilities Commission	Automobile Insurance Rate Board
Features of Mandatory Auto Insurance Coverage:		
Third-Party Liability	\$200,000, property damage capped at \$20,000	\$200,000, property damage capped at \$10,000
Accident Benefits		
Medical Coverage	Up to \$300,000 ⁶	Up to \$50,000
Hit and Run Coverage	Up to \$200,000	Up to \$200,000 for personal injuries caused by uninsured or unknown drivers is provided through the Alberta Motor Vehicle Accident Claims program.
Wage Loss Payments	Up to \$740 per week	Up to \$400 per week for earners. \$135 per week for non-earners.
Death Benefits	Up to \$30,000	\$10,000 plus \$2,000 for each dependent survivor after first, plus \$15,000 for first survivor and \$4,000 for each remaining survivor.
At-fault Claim Repayment	Up to \$2,000 without affecting premiums.	Accidents involving third parties must be reported and may affect premiums.
Claim Forgiveness	Provided after 20 years of driving experience and accident-free for the last 10 years.	Typically, an optional feature available at an additional cost.
Access to Insurance	Basic Autoplan provides all eligible drivers who require auto insurance access to it.	The Insurance Act mandates that all eligible drivers who require auto insurance have access to it.
Calculation of Premiums	Risk-based model	Risk-based model
Distribution Model	Brokerage model where entry to the market is restricted.	Multiple channels including brokers, agents, and direct from the insurer.
Management of Settlements	Similar process in both provinces	
Appeals and Disputes for Claims Involving Minor Injuries	Independent third party Civil Resolution Tribunal handles disputes for claims below \$50,000.	To resolve disputes over whether or not an injury is minor a certified examiner (independent third party) is appointed. For other disputes both sides appoint representatives to appraise the amount of the loss, and if necessary an umpire (independent third party) is selected to provide a final decision.

⁶ According to the Attorney General of BC approximately 40 cases per year reached the previous cap of \$150,000. (Official Report of Debates (Hansard). Third Session, 41st Parliament (2018), May 10, 2018. Available here: <https://www.leg.bc.ca/content/Hansard/41st3rd/20180510am-Hansard-n133.html> (Accessed January 14, 2020).)

4 COMPARISON OF AUTO INSURANCE PREMIUMS IN BC AND ALBERTA

To illustrate how the changes to BC's auto insurance system affect individual drivers, MNP compared the auto insurance premiums for representative drivers in BC with auto insurance premiums for representative drivers in Alberta.

The representative driver profiles used for the comparison were developed in consultation with IBC and included the following:

- Experienced drivers without at-fault accidents (15 or more years of driving experience) using their vehicles for business, work purposes, or pleasure.
- Inexperienced and young drivers without at-fault accidents (less than 15 years of driving experience).
- Experienced driver with an at-fault accident.
- Multiple drivers with different risk profiles insured on a vehicle.
- A luxury vehicle, a recreational vehicle and a motorcycle.

Please note that premiums quoted here are not directly comparable to the premiums published in March 2019 as changes were made to the driver profiles to comply with ICBC's information requirements for obtaining a quote.⁷

The following assumptions were used to calculate the applicable premium for each policy in BC:

- Third-party liability was \$1,000,000.
- The deductible for collision coverage was \$500.
- The deductible for comprehensive coverage was \$300.
- The driver(s) had been in BC for more three years.
- The driver(s) was not eligible for a disability discount.
- The vehicle was valued under \$150,000.
- The vehicle did not have autonomous emergency braking technology.

Premiums for BC were gathered through a broker and were based on premiums for Basic Autoplan and ICBC optional coverage in effect in January 2020. The new rate design includes a three-year transition period between September 2019 and September 2022 during which there are caps on the annual changes in Basic Autoplan premiums. Consequently, the full effect of the changes in the rate design may not be reflected in premiums presented here.

To estimate premiums in Alberta we gathered quotes for each driver profile through a broker in Alberta and online insurance quote engines. The broker provided quotes from three insurance companies that offered basic and optional insurance for each profile. The quotes provided were based on third-party liability coverage of \$1,000,000, a deductible for comprehensive coverage of \$250 and a deductible of \$500 for collision. Where

⁷ ICBC's quoting system requires a valid driver's license and VIN be provided. The profiles used in this study were based on driver's licenses and VINs provided by volunteers who agreed to share the information with MNP for the purposes of this study and do not exactly match the profiles used in the March 2019 report.

applicable, the quotes for Alberta also included discounts for bundling of products (e.g., home and auto) and driver training for profiles with drivers under the age of 25.

A list of characteristics and assumptions used to gather quotes in Alberta and the number of companies that provided quotes for comparable coverage is provided in Appendix A.

Quotes for drivers in Alberta exhibited significant variation and the difference between the highest and lowest was often several hundred dollars. Insurance companies price products to attract particular market segments. For a given level of coverage, customers would be expected to choose from the lowest priced options available to them. Consequently, we compared quotes for BC with the lowest quote for Alberta. The range of quotes for each profile is provided in Appendix A.⁸

4.1 Experienced Drivers without At-Fault Accidents

Table 3 shows the profiles of experienced drivers without any at-fault accidents within the previous 10 years that were used for the comparisons. The principal drivers all had a minimum of 19 years of driving experience and used the vehicle for either commuting to work, business purposes, or pleasure.

Table 3: Selected Driver Profiles – Experienced Drivers Without At-Fault Accidents

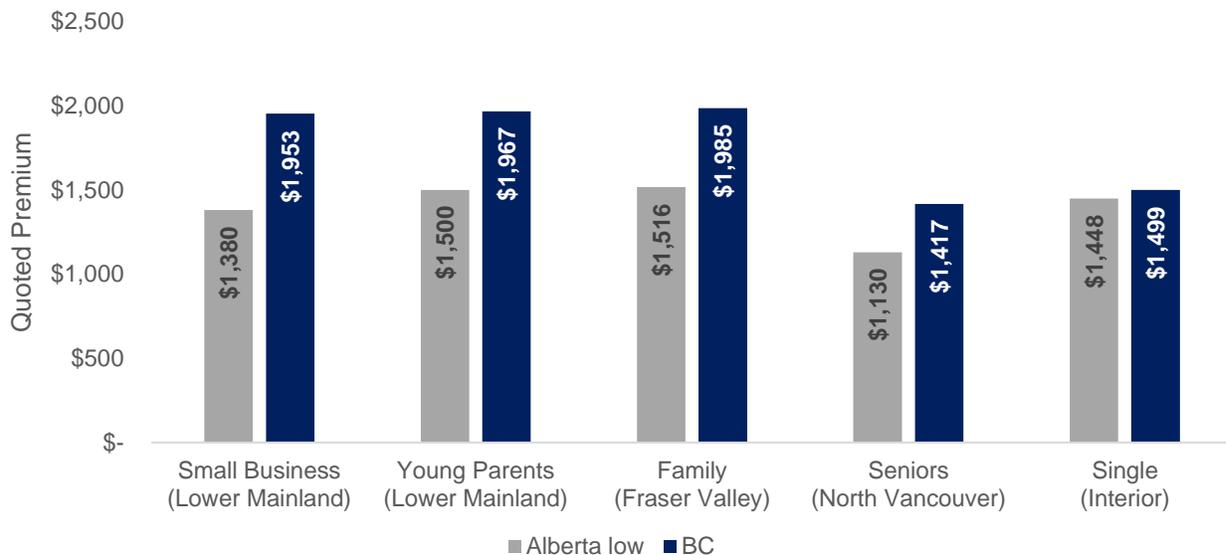
	Small-Business Owner (Lower Mainland)	Young Parents (Lower Mainland)	Family (Fraser Valley)	Senior (Lower Mainland)	Single (Interior)
Principal Driver	49-year-old male	35-year-old female	54-year-old female	64-year-old male	51-year-old female
Driving Experience	25 years	19 years	38 years	38 years	33 years
Other Driver(s):					
Additional Driver	None	34-year-old male with 12 years of experience	59-year-old male with 40 years of experience	63-year-old female with 38 years of experience	None
Type of Use	Business	Commute to work (less than 15km one way) or pleasure	Commute to work (greater than 15km one-way)	Pleasure	Commute to work (less than 15km one way) or pleasure
Type of Vehicle	2014 Ford F-150	2014 Honda Civic	2012 Honda Accord	2014 Buick LaCrosse	2016 Toyota Camry
Location BC	Surrey	Vancouver	Langley	North Vancouver	Kelowna
Location AB	Calgary Area	Calgary Area	Calgary Area	Calgary Area	Red Deer

Figure 1 compares the premiums paid by experienced drivers in BC with the premiums paid in Alberta. Experienced drivers in the Lower Mainland and Fraser Valley that use their vehicle to travel to and from work

⁸ Please also note that there was a cap of five percent on cumulative annual rate increase in auto insurance premiums in Alberta between December 2018 and August 2019. The rate cap did not apply to individual policies, rather, rate changes were not permitted to result in an increase of more than five percent in gross premiums. The quotes used in our analysis include rate increases approved following removal of the cap.

or for business purposes were estimated to pay between \$467 (31 percent) and \$573 (42 percent) more in BC compared with the lowest quoted premium for Alberta. Senior drivers on the North Shore that use their vehicle for pleasure were estimated to pay \$287 (25 percent) more compared with the lowest quoted premium for senior drivers in Alberta. Premiums for individuals in the Interior with at least 19 years of driving experience and no at-fault accidents were estimated to pay \$51 (4 percent) more in BC compared with the lowest quoted premium for Alberta.

Figure 1: Comparison of Premiums in BC and Alberta – Experienced Drivers Without At-Fault Accidents



4.2 Inexperienced Drivers

Table 4 shows the profiles of inexperienced drivers that were used for the comparisons. The profiles included a young driver with nine years of driving experience and new drivers with two years of driving experience.

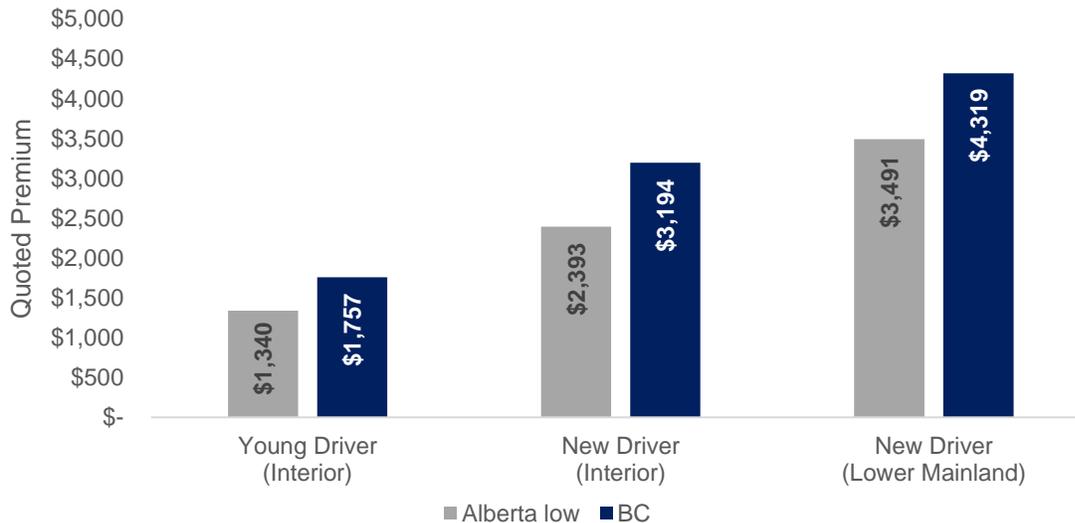
Table 4: Selected Driver Profiles – Inexperienced Drivers

	Young Driver (Interior)	New Driver (Interior)	New Driver (Lower Mainland)
Principal Driver	26-year-old male	24-year-old female	24-year-old female
Driving Experience	9 years	2 years*	2 years*
Other Driver(s):	None	None	None
Type of Use	Commute to work (less than 15km one way) or pleasure	Commute to school (less than 15km one way)	Commute to school (less than 15km one way)
Type of Vehicle	2010 Ford F-150	2008 Honda Civic LX (2 Door Coupe)	2008 Honda Civic LX (2 Door Coupe)
Location BC	Prince George	Kamloops	Burnaby
Location AB	Fort McMurray	Medicine Hat	Calgary

* Profile assumes the driver has completed driver training within the past 3 years and an applicable discount has been included in the quoted premium for Alberta.

Figure 2 compares the premiums paid by inexperienced drivers in BC with premiums paid in Alberta. Young drivers in the Interior were estimated to pay approximately \$417 (31 percent) more in BC compared with the lowest quoted premium for Alberta. Inexperienced drivers with approximately 2 years of driving experience were estimated to pay \$801 (33 percent) more in the Interior and \$828 (24 percent) more in the Lower Mainland more for similar coverage compared with lowest quoted premiums in Alberta.

Figure 2: Comparison of Premiums in BC and Alberta – Inexperienced Drivers



4.3 Experienced Drivers with an At-Fault Accident

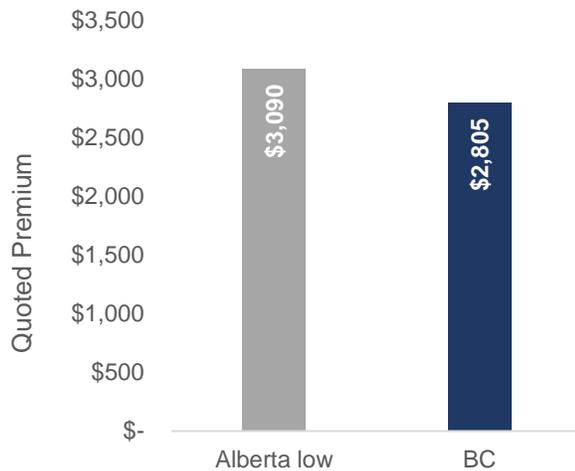
Table 5 shows the profile of an experienced driver with one at-fault accident that was used for the comparison. The driver had 19 years of driving experience and used the vehicle mainly for commuting to work. The at-fault accident was in 2016.

Table 5: Selected Driver Profiles – Experienced Drivers with At-Fault Accidents

	Experienced Driver with an Accident (Lower Mainland)
Principal Driver	36-year-old male
Driving Experience	19 years
At-Fault Accidents	One at-fault accident 3 years prior (2016)
Other Driver(s):	None
Type of Use	Commute to work (greater than 15km one-way)
Type of Vehicle	2016 Toyota Camry
Location BC	Surrey
Location AB	Calgary

Figure 3 compares premiums paid by an experienced driver with one at-fault accident in BC with premiums paid in Alberta. Drivers with one at-fault accident were estimated to pay \$285 (10 percent) less in BC compared to the lowest quoted premium in Alberta.

Figure 3: Comparison of Premiums in BC and Alberta – Experienced Drivers with One At-Fault Accident



4.4 Multiple Drivers with Different Risk Profiles Insured on a Vehicle

Table 6 shows the profiles of families with a new driver listed as additional driver on the policy that were used in the comparisons. The drivers listed consist of experienced couples and a new driver. None of the drivers have any at-fault accidents.

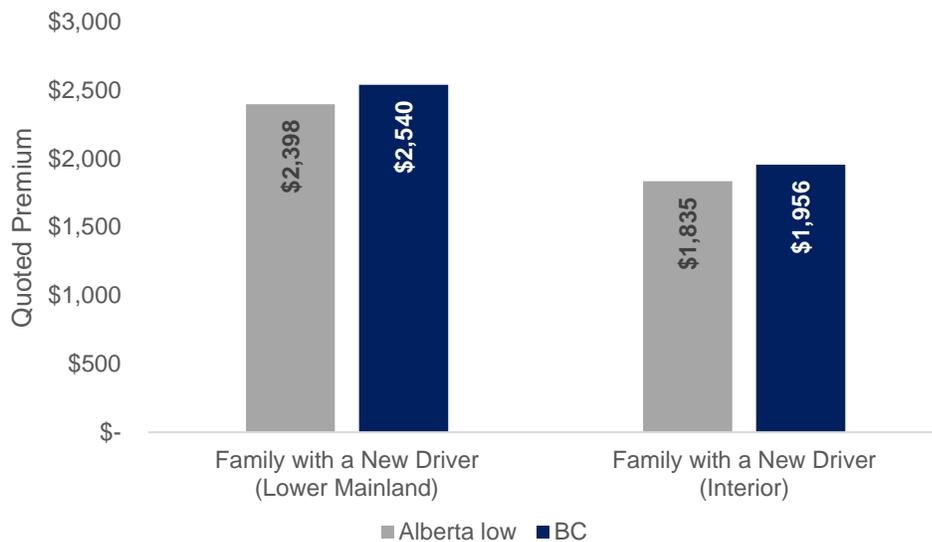
Table 6: Selected Profiles – Drivers with Multiple Risk Profiles Insured on a Vehicle

	Family with a New Driver (Lower Mainland)	Family with a New Driver (Interior)
Principal Driver	59-year-old male	59-year-old male
Driving Experience	38 years	38 years
Other Driver(s):		
Driver 1	54-year-old female with 38 years of driving experience	54-year-old female with 38 years of driving experience
Driver 2	24-year-old female with 2 years of driving experience*	24-year-old female with 2 years of driving experience*
Type of Use	Commute to work (greater than 15km one-way)	Commute to work (greater than 15km one-way)
Type of Vehicle	2012 Honda Accord	2012 Honda Accord
Location BC	Richmond	Kelowna
Location Ab	Edmonton	Red Deer

* Profile assumes the driver has completed driver training within the past 3 years and an applicable discount has been included in the quoted premium for Alberta.

Figure 4 compares premiums paid by families with a new driver listed on the policy in BC with premiums paid in Alberta. The premiums for families with a new driver were estimated to be approximately 6 percent higher in BC compared with the lowest quoted premium in Alberta.

Figure 4: Comparison of Premiums in BC and Alberta – Families with A New Driver on the Policy



4.5 Recreational Vehicles and Motorcycles

Table 7 shows the profiles of drivers of luxury vehicles, recreational vehicles and motorcycles that were used for the comparisons. The drivers were experienced with a minimum of 25 years of driving experience, and no at-fault accidents.

Table 7: Selected Driver Profiles – Luxury Vehicles, Recreational Vehicles and Motorcycles

	Luxury Car (Lower Mainland)	Recreational Vehicle (Vancouver Island)	Motorcycle (Fraser Valley)
Principal Driver	51-year-old female	64-year-old male	49-year-old male
Driving Experience	33 years	38 years	25 years
Other Driver(s):	None	None	None
Type of Use	Pleasure	Pleasure	Pleasure
Type of Vehicle	2019 Tesla Model S	2010 Class C Motorhome	2010 Harley Davidson Motorcycle
Location BC	Burnaby	Victoria	Fraser Valley
Location AB	Calgary	Edmonton	St. Albert

Figure 5 compares premiums paid by drivers of luxury vehicles, recreational vehicles and motorcycles in BC with premiums paid in Alberta. Premiums for a luxury car in the Lower Mainland were estimated to be approximately \$664 (38 percent) higher in BC compared with the lowest quoted premium in Alberta. Premiums for recreational vehicles were estimated to be \$446 (76 percent) higher in BC compared with the quoted premium in Alberta while premiums for motorcycles were estimated to be \$102 (6 percent) higher in BC compared with the quoted premium in Alberta.⁹

⁹ Please note that only one quote was received for the recreational vehicle and motorcycle in Alberta.

Figure 5: Comparison of Premiums in BC and Alberta – Luxury Vehicles, Recreational Vehicles and Motorcycles*



*Only one quote was available for Recreational Vehicles and Motorcycles in Alberta

5 SUMMARY OF FINDINGS

Our review of the insurance systems in BC and Alberta suggests that the auto insurance system in BC following the introduction of the changes in September 2019, is substantially similar to the system in Alberta. However, the two systems differ in terms of the market structure and the manner in which insurance is sold.

The comparison of the auto insurance premiums paid by drivers in BC and Alberta showed that most drivers would be expected to pay higher premiums for similar coverage in BC than they would in Alberta. Compared with the lowest quoted premium in Alberta:

- Premiums for experienced drivers without at-fault accidents using their vehicles for work or business purposes were estimated to be between 31 percent and 42 percent more in BC.
- Premiums for inexperienced drivers were estimated to be between 24 percent and 33 percent more in BC.
- Premiums for families with a new driver were estimated to be six percent more in BC.
- Premiums for luxury and recreational vehicles were estimated to be 38 percent and 76 percent more in BC, respectively, while premiums for motorcycles were estimated to be 6 percent more in BC.
- Premiums for senior drivers using their vehicles for pleasure were estimated to be 25 percent more in BC.
- Premiums for experienced drivers in the Interior were estimated to be similar in BC.
- Premiums for experienced drivers with one at-fault accident were estimated to be 10 percent less in BC.

APPENDIX A – SUMMARY OF QUOTES FOR ALBERTA

MNP obtained the quotes for Alberta from a broker as well as three online resources including www.lowestrates.ca, kanetix.ca, and www.tdinsurance.com/quote/car/alberta. The quotes were from insurance companies that offered basic and optional insurance and are based on the following coverages:

- Third-party liability was \$1,000,000.
- The deductible for collision coverage was \$500.
- The deductible for comprehensive coverage was \$250.

Table 8 shows the number of quotes used to estimate premiums in Alberta, the lowest quote received, the range of quotes received, as well as the number of quotes received that were lower than the quoted premium for BC.

Table 8: Number of Quotes and Premiums by Profile

Alberta	Location	Quotes Received	Lowest Quote	Quoted Range	Quotes Lower than BC
Experienced Drivers Without At-Fault Accidents					
Small-Business Owner	Calgary	6	\$1,380	\$1,380 - \$2,275	2
Young Parents (Lower Mainland)	Calgary	6	\$1,500	\$1,500 - \$2,312	3
Family (Fraser Valley)	Calgary Area	6	\$1,516	\$1,516 - \$2,166	4
Seniors (North Shore)	Calgary Area	6	\$1,130	\$1,130 - \$1,977	2
Single (Interior)	Red Deer	6	\$1,448	\$1,448 - \$2,196	2
Inexperienced Drivers					
New Driver (Lower Mainland)	Calgary	6	\$3,491	\$3,491 - \$7,026	4
New Driver (Interior)	Medicine Hat	6	\$2,393	\$2,393 - \$6,580	3
Young Driver (North)	Fort McMurray	6	\$1,340	\$1,340 - \$2,647	3
Experienced Driver with One At-Fault Accident					
Driver with an Accident (Lower Mainland)	Calgary	5	\$3,090	\$3,090 - \$3,508	0
Multiple Drivers with Different Risk Profiles					
Family with a New Driver (Lower Mainland)	Edmonton	6	\$2,398	\$2,398 - \$3,767	2
Family with a New Driver (Interior)	Red Deer	6	\$1,835	\$1,835 - \$3,311	1
Recreational Vehicles and Motorcycles					
Luxury Car	Calgary	6	\$1,730	\$1,730 - 2,379	6
Recreational Vehicle	Edmonton	1	\$590	n/a	1
Motorcycle	St. Albert	1	\$1,806	n/a	1

APPENDIX B – ABOUT MNP

MNP is the fastest growing major chartered accountancy and business advisory firm in Canada. Founded in 1958, MNP has grown to more than 80 offices and 5,000 team members across Canada. In British Columbia, MNP has more than 800 staff located in 20 offices throughout the province. The map below shows our office locations.

MNP provides a wide range of accounting, finance and business advisory services to clients. These include:

- Assurance
- Taxation
- Corporate Finance
- Mergers and Acquisitions
- Enterprise Risk Services
- Forensic Accounting
- Consulting
- Insolvency and Corporate Recovery
- Succession
- Valuations and Litigation Support



About MNP's Economics and Research Practice

Economic and industry studies are carried out by MNP's Economics and Research practice. Based in Vancouver, the Economics and Research practice consists of a team of professionals that has a successful track record of assisting clients with a wide variety of financial and economic impact studies. Our work has encompassed a wide range of programs, industries, company operations and policy initiatives and has helped clients with decision-making, communication of economic and financial contributions, documentation of the value of initiatives and activities and development of public policy.