

# BC Auto Insurance FAQs

## What is government insurance?

In Canada, both public and private insurers provide auto insurance. Governments run the auto insurance system in British Columbia, Saskatchewan and Manitoba. In Quebec, the public insurer manages the insurance regime for bodily injuries only.

## How much does government insurance cost?

The system in BC is one of the most expensive in the country. A recent review by Ernst & Young warns that those costs could increase further – potentially 30 per cent in the next two years - unless the government overhauls ICBC's basic insurance program.

The cost to of establishing and running a government-run or insurance company is estimated to be in the hundreds of millions of dollars. Costs include:

- Taxpayer subsidies. Due to higher claims payouts and mandated, artificially lower premiums, all public auto insurers in Canada require taxpayer subsidies.
- Reduced private-sector investment. Private home, auto and business insurers directly invest in the provinces in which they do business.

## Does government insurance offer better service?

Government insurance provides limited choice for customers. It also provides a one-size-fits-all solution with, for example, fixed deductibles and no multi-vehicle discounts. Private insurers compete to offer the lowest possible rates, strong service delivery and a wider range of policy options.

Government insurance companies have a monopoly so they have no incentive to develop new services. Privately run auto insurance companies have created product innovations, such as first-accident forgiveness, usage-based insurance, replacement cost coverage and roadside assistance.

## **What can the private insurance market do for BC?**

Canada's private insurers want to serve BC drivers so that they can take advantage of the benefits that competition and choice bring to auto insurance.

The insurance industry supports the position that the private sector economy is the foundation to creating wealth, and the province's auto insurance market should be viewed and treated no differently.

A private insurance market has the potential to be a financial windfall for the government. In 2015, Ontario's car, home and business insurers were the source of approximately \$2.7 billion in tax and levy revenues for the province. Furthermore the provincial broker's association reported that the income tax value to the province was estimated at about \$230 million. Insurance brokerages were reported to pay an estimated \$40.8 million in business taxes per annum, while municipalities benefitted from another \$12.6 million paid in annual commercial property taxes.

It is time to take another look at a private run system so that consumers are free to purchase the optional insurance that provides the best coverage at the best price.

## **Why is a private insurance system better?**

Competition delivers more choice and value. Auto insurance is purchased competitively in almost every jurisdiction in North America. Most people believe in the free market for nearly all the products they buy. In fact, some provincial governments deregulated several former public monopolies in recent years and consumers are benefiting from increased options.

Insurance rates reflect true cost. Premiums in a competitive environment reflect the real cost of insuring a driver. For example, auto insurance premiums are based on factors that affect the frequency and cost of claims. It's the cost of claims that determines the premium level for private insurance consumers.

## **How are BC Drivers treated by ICBC?**

Drivers in British Columbia continue to pay among the highest premiums for auto insurance in Canada, while receiving less from their coverage when making a claim than drivers in provinces with competition and choice.

And that price could increase even further. A new review by Ernst & Young warns drivers those costs could increase further – potentially 30 per cent in the next two years - unless the government overhauls ICBC's basic insurance program.

In the end, we firmly believe that BC drivers should be the ones to make the decision of what auto insurance market is best for them. That's what competition gives them: choice.

## **How would BC drivers benefit from a private market?**

Competition provides a powerful incentive for a company to keep prices down, to deliver the best service, and to understand and meet customer needs. Auto insurance is no exception.

However, ICBC faces no competition in the basic auto insurance market and the result has been increasing prices, largely unchecked.

Where ICBC faces competition – in the optional market – prices have changed little and even decreased.

While optional auto insurance is open to competition, the conditions under which private insurers operate gives ICBC a substantial advantage and make it challenging to offer consumers the benefits that come with true competition and choice.

Canada's private auto insurers want to serve British Columbians so that they can take advantage of the benefits of competition and choice in auto insurance.