

## CORRESPONDENCE WITH ARRON SUTHERLAND of the INSURANCE BUREAU of CANADA

### Email to writer of August 14, 2019.

Hi Richard,

I read your latest commentary on my organization's news release yesterday. Kudos on the quick turnaround.

GISA is the national body of provincial insurance regulators who oversee auto insurance markets across Canada. Its interesting to hear that you disagree with their methodology. GISA uses their comparison of the average price paid to help them better understand the performance of the auto insurance markets they regulate. While I certainly respect your position, I have to defer to their expertise as to how best to calculate the average premium.

At IBC, we always strive to be fair and entirely accurate. That's why I was dismayed to read your commentary yesterday. However, I also feel compelled to point out our concerns with each of the "problems" you make note of:

1. You question our assumption that ICBC private passenger vehicle premiums are 87.1% of their total. As clearly referenced in our news release, this measure was taken from ICBC's rate application to the BCUC (page 1,315 – 1,318). On those pages ICBC's lists total Private Passenger Vehicle (PPV) premiums (\$2.6 billion), commercial premiums (\$324 m), motorcycle premiums (\$48 m), and ATV premiums (\$1.2 m). By comparing PPV premiums (\$2.6 bn) to the total (\$2.97 bn), you get 87.1%. I would suggest you amend your commentary to reflect this.
2. The Quebec number includes everything you mention (compulsory third party coverage, plus property damage and other extensions). SAAQ is their public insurer, so was listed in the sourcing. But private insurers provide coverage for the vehicles, and this was included in the total price. So your argument here is incorrect.
3. Yes, we only used ICBC's prices and adjusted for this - the theme here was comparing ICBC's prices to the average other Canadians pay where they can shop around and find savings.
4. Here you are correct. ICBC does provide driver licensing and road safety initiatives which makes their insurance more expensive by about \$50 a policy (\$160 million divided by 3 million drivers). However, this is a cost drivers must pay on renewal and should be included. If government disagrees, road safety and extra policing should be funded by government proper.
5. You are correct that ICBC's accident benefit *limits* are higher. However, the actual claims received paint a very different picture. In 2018, ICBC's average injury claim size (which includes the accident benefits your referring to) was \$50,658 vs. Ontario at \$48,423 or Alberta at \$46,082. It's also important to note that very few ever reach the limit (only 40 people did in 2017 and those that do often receive an increased tort award as a result). Its why government doubled accident benefits last year.

In light of the above, your methodology appears to make incorrect assumptions and removes costs that drivers are forced to pay here in BC. Unfortunately for drivers, they don't have the same luxury you apply.

In contrast, the methodology we put out yesterday was an average of the actual amount drivers are paying in BC based on the methodology used by GISA. We continue to view this as the superior comparison.

I would welcome the opportunity to discuss the above with you directly, as well as any other concerns you may have with anything my organization has put forward.

Sincerely,

**Aaron Sutherland**

*Vice-President, Pacific*

## **Response to Aaron Sutherland**

Aaron,

Thank you for your comments about my paper, and your continuing efforts to keep ICBC's poor finances in the media's spotlight.

I support public compulsory auto insurance for a variety of reasons, but fundamentally because there are existing models that demonstrate that both affordable prices and good coverage can be achieved. The key, of course, is the tort vs no-fault model. The second key is to keep politicians away from the rate-setting process. This was the main difference between the situation respecting ICBC and the situation in Saskatchewan and Manitoba. As you know the Ontario government has been wrestling with the high cost of auto insurance for many years, and the insurers in Alberta are now suffering because of a government edict that interfered with the authority of the independent review board.

In terms of the GISA methodology for calculating average premium rates, I prefer the actual quote model as being more accurate. I discussed the two approaches in my paper of September 8, 2017:

*The private vehicle interprovincial comparisons developed by the GISA are based on the companies' premium revenue collected divided by the number of policies written.... The use of aggregate premium revenue and cost information may have some uses, but to infer that it represents a reasonable approximation of the cost of insuring a private passenger vehicle is too great a stretch. For example, total revenue and sales will include short-term low-cost utility trailers and motorcycle insurance that depress the average price. The GISA information excludes data on high risk drivers, which tends to lower the price results.*

*A better approach to developing comparative interprovincial averages uses actual quotes for similar drivers, operating the same vehicle in similar urban or rural settings. These actual prices will ensure that the same damage deductibles and third-party liability coverage is applied, variations that*

*become too aggregated using the GISA methodology. The actual quote approach also better reflects variations in the accident benefits (Part 7 benefits in BC) provided, and the fact that three jurisdictions restrict claims for pain and suffering for the basic coverage. (pages 2/3)*

[http://www.bcpolicy Perspectives.com/media/attachments/view/doc/occasional\\_paper\\_no\\_40\\_8\\_september\\_2017/pdf/occasional\\_paper\\_no\\_40\\_8\\_september\\_2017.pdf](http://www.bcpolicy Perspectives.com/media/attachments/view/doc/occasional_paper_no_40_8_september_2017/pdf/occasional_paper_no_40_8_september_2017.pdf)

This approach is also supported by Dr. Rose Devlin who has studied the various provincial models.

While the Saskatchewan Government Insurance has not published its quote-based interprovincial comparisons for some years (because it has not requested a Basic general rate increase), the Manitoba Public Insurance has recently published quote-based comparisons; see

[http://www.bcpolicy Perspectives.com/media/attachments/view/doc/commentary\\_manitoba\\_public\\_insurance\\_2020\\_gra\\_7\\_july\\_2019\\_2/pdf/commentary\\_manitoba\\_public\\_insurance\\_2020\\_gra\\_7\\_july\\_2019\\_2.pdf](http://www.bcpolicy Perspectives.com/media/attachments/view/doc/commentary_manitoba_public_insurance_2020_gra_7_july_2019_2/pdf/commentary_manitoba_public_insurance_2020_gra_7_july_2019_2.pdf)

Of course, these quote-based averages are for 2017 and do not reflect ICBC's large operating losses in that year.

In terms of your specific points about my assumptions I do not intend to engage in a detailed discussion. My assumptions are provided in my paper. You are correct that the road safety, non-insurance costs and the enhanced benefits required by the government are included in the price that drivers must pay ICBC. I excluded these costs to attempt to compare to cost of private insurance jurisdictions...which I thought was the fundamental objective of the IBC media release. Your note confirms that the IBC numbers are some hybrid comparison.

Sincerely,

Richard