HIGHER RISK ALBERTA DRIVERS DENIED OPTIONAL COVERAGE

More stories are coming to light of how auto insurers in Alberta have raised their underwriting standards, making it difficult or impossible for higher risk vehicle owners to purchase adequate insurance.

The *CBC News* reported that Alberta drivers who have been convicted of a distracted driving violation are being denied the optional collision and comprehensive insurance, which also makes it difficult to secure a loan for a new vehicle.[1] Collision insurance covers damage to the driver's vehicle while comprehensive insurance covers other damages such as theft and fire. Additional third-party liability above the $200,000 Basic comprehensive coverage can also be purchased as optional coverage.

The Alberta "Crisis" in Auto Insurance

The *CBC News* reported that some of the insurance brokers are blaming the tighter underwriting standards on the 5% cap on auto insurance rates implemented by the former NDP government in November 2017. The cap expired Aug. 31 and Alberta's UCP government has said it will not be renewed.[2]

The limit apparently caused a number of insurers to stop selling insurance in Alberta resulting in policyholders paying much higher costs for the insurance they were able to purchase. The insurance brokers association of Alberta launched a task force to development recommendations to confront the "crisis" in auto insurance in response to the large increase in rates and the limitation on coverage.[3]

New ICBC Rate Structure Mirrors Private Insurers

On 1 September 2019, ICBC launched its new premium design for Basic insurance. The purpose of the new rate design is to reapportion the cost of Basic insurance between lower and higher-risk drivers. The new ICBC scheme is similar to that employed by the private insurers in that younger drivers and those who are responsible for a claim will face much higher premiums. ICBC and the government argue that the new scheme is

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[1] https://www.cbc.ca/news/canada/edmonton/distracted-driving-tickets-insurance-1.5289746

[2] http://www.bcpolicyperspectives.com/media/attachments/view/doc/commentary_alberta_five_percent_september_3_2019_2/pdf/commentary_alberta_five_percent_september_3_2019_2.pdf

[3] http://www.bcpolicyperspectives.com/media/attachments/view/doc/commentary_price_hikes_in_alberta_and_ontario_4_august_2019/pdf/commentary_price_hikes_in_alberta_and_ontario_4_august_2019.pdf

fairer, but many young drivers and families with young drivers are now seeing large increases in the price of Basic.[4]

The government also announced that convictions for moving violations, which include distracted driving, will now be assessed when determining the price of ICBC's Optional insurance.[5] Despite ICBC claiming that the Basic rate redesign would be revenue neutral, this change to the Optional rates will result in greater revenue for ICBC.

ICBC asserts that including the driving convictions in the determination of the Optional premium will incent drivers to improve their driving behaviour. ICBC failed to mention that these drivers with violation convictions are already paying a financial penalty to ICBC based on the number of accumulated penalty points.[6] ICBC includes this additional penalty revenue in its total premium revenue.

By using the violation convictions as a rating factor in determining the price of Optional insurance ICBC is penalizing drivers/policyholders a third time. The first financial penalty is the initial violation fine (which is forwarded by the government to the municipalities); the second is the penalty point fine paid to ICBC directly by the driver; while the third is the financial impact of the violation on the calculation of the premium when the driver seeks to renew their Optional insurance.

We do not know how many drivers or policyholders will be affected by the inclusion of moving violation convictions in the calculation of the Optional rates. ICBC does not make any (past or future) Optional sales or claims information available for this $2.6 billion program, claiming that to do so would threaten the commercial viability of the program.

As time passes and more ICBC policyholders are faced with steep increases in Basic and Optional premiums (and associated fines), it remains to be seen whether more B.C. drivers will be purchasing less coverage (underinsured) or driving without any insurance.

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The writer is a retired senior BC government public servant whose paper describing the BC government's manipulation of the finances of BC Hydro from 2008 to 2014 was published by *BC Studies* in November 2016. *BC Studies* published his paper on the 40-year financial history of ICBC in 2013. He is an intervener in the BC Utilities Commission's current review of B.C. Hydro's rate request.

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[4] https://vancouversun.com/news/local-news/surrey-teen-gets-sticker-shock-under-icbcs-new-rate-structure
[5] https://www.icbc.com/about-icbc/newsroom/Pages/2019-june06.aspx
[6] The government hiked the financial penalties associated with the violation convictions by 20% in 2018 and a further 20% this year. For more information see
http://www.bcpolicyperspectives.com/media/attachments/view/doc/commentary_icbc_financial_penalties_nov_2018/pdf/commentary_icbc_financial_penalties_nov_2018.pdf