

**INSURANCE BUREAU OF CANADA ENDORSES OPTIONAL NO-FAULT:  
DOES THIS FORESHADOW ALBERTA’S DIRECTION?**

The Insurance Bureau of Canada (IBC) is the industry association representing the main investor owned insurance companies in Canada. It represents its members in advocating changes to government legislation and policies respecting the auto insurance sector.

In a recent interview Aaron Sutherland, IBC’s vice president for western Canada, provided some comments and suggestions about how pressures on auto insurance rates in Alberta could be moderated or reduced. The insurers in Alberta have seen their margins reduced because of a government imposed rate freeze (“rate pause”) instituted prior to the 29 May election. Following the re-election of the government Premier Danielle Smith has tasked finance minister Nate Horner to develop options for making auto and property insurance more affordable.<sup>1</sup>

Mr. Horner acknowledged that the freeze was meant to be a short-term relief measure: “It was meant to be a short-term affordability measure, right at the peak of the affordability crisis.”<sup>2</sup>

The IBC has been working with the Alberta government on possible changes to the current hybrid-tort liability model.<sup>3</sup> Mr. Sutherland has been lobbying the government to keep rate increases at affordable levels by giving policyholders more choice in coverage; “We think the best way we can (improve affordability) is to give drivers more choice in what it is that they’re buying.”<sup>4</sup>

**IBC Supports No-Fault as Option**

In addition to suggesting that government reduce its taxes on the auto industry, Mr. Sutherland now says that the IBC supports policyholders having the choice of foregoing pain and suffering payments in exchange for lower rates. “If they want to keep this coverage, great, nothing changes. If they don’t, they could see potential savings on their

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[https://www.bcpolicyperspectives.com/media/attachments/view/doc/commentary\\_alberta\\_quest\\_23\\_july\\_2023/pdf/commentary\\_alberta\\_quest\\_23\\_july\\_2023.pdf](https://www.bcpolicyperspectives.com/media/attachments/view/doc/commentary_alberta_quest_23_july_2023/pdf/commentary_alberta_quest_23_july_2023.pdf)

<sup>2</sup> <https://calgaryherald.com/news/local-news/albertans-auto-insurance-company-pulls-out>

<sup>3</sup> Alberta imposes a cap on pain and suffering payments for minor injury claims.

<sup>4</sup> <https://calgaryherald.com/news/local-news/albertans-auto-insurance-company-pulls-out>

premium. We believe the choice driver should have can help tangibly improve the price.”<sup>5</sup>

This is similar to the Saskatchewan model where the policyholder can choose a tort (sue for pain and suffering and other damages), or the no-fault system. The vast majority of policyholders in Saskatchewan choose the no-fault model.

### **Foreshadowing?**

Does this support for the option of a no-fault liability model, in addition to the current hybrid-tort scheme, foreshadow a decision by the Alberta government? It has the advantage of appeasing those interests that support the current model, as well as offering the prospect of lower rates under the no-fault (“choice”) system. The extra costs incurred by the insurers to administrate both models will ultimately be passed on to policyholders thereby reducing the ultimate claim cost savings.

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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 reviews of ICBC’s and BC Hydro’s rate requests.

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<sup>5</sup> <https://www.insurancebusinessmag.com/ca/news/auto-motor/why-extreme-weather-events-may-prompt-auto-insurance-reforms-460673.aspx>