

TERMINOLOGY ADDS TO PUBLIC CONFUSION ABOUT ICBC'S FINANCES

In August 2018, the government announced a 40% increase in the financial penalties imposed on those drivers who have amassed four or more points from traffic convictions, and to drivers who are convicted of more serious driving offenses.¹ The increase will be in two phases; 20% on 1 November 2018 and 20% on 1 November 2019.

These two driver-based financial penalties are called the Driver Penalty Premium (DPP)² and the Driver Risk Premium (DRP)³. A third driver-based financial penalty, called the Multiple Crash Premium, is being eliminated and the concept incorporated into the new Basic premium formula beginning in September 2019.

A Penalty, Not a Premium

ICBC has called the DPP and the DRP financial penalties “premiums.” However, this nomenclature adds confusion when the public attempts to understand how their vehicle insurance premium is calculated. Most dictionaries define a premium as, among other things, as a payment for an insurance contract.

The DPP and the DRP are linked to a driver's license, not to the Basic insurance policy which is based on the vehicle. They relate to driving infractions caused by the driver, regardless of whether that driver is an ICBC policyholder.

The Saskatchewan and Manitoba public auto insurers have similar conviction-based financial penalties linked to the driver's license, but they report it as “other revenue” rather than premium revenue.

Is the 40% a Cash Grab?

It has been suggested by some that the 40% increase in the driver point penalties is nothing more than a cash grab. The rationale for the increase is that the financial penalty should increase in the same percentage as the increase in the Basic insurance premium, which increased by a cumulative 45% from 2011 to 2017.

¹

http://www.bcpolicyperspectives.com/media/attachments/view/doc/occasional_paper_no_59_16august_2018/pdf/occasional_paper_no_59_16august_2018.pdf

² <https://www.icbc.com/driver-licensing/tickets/Pages/Driver-Penalty-Points.aspx>

³ <https://www.icbc.com/driver-licensing/tickets/Pages/Driver-Risk-Premium.aspx>

In fact, the actual driver penalty payments received as a percentage of the vehicle premium earned revenue in 2017/18 was 0.43%. A 40% increase in the \$22.8 million paid that year would increase the amount to about \$32 million, which would have increased the percentage to approximately 0.60%, or about the same percentage as was received in 2013.

TABLE 1 – DRIVER PENALTY REVENUE as PER CENT of VEHICLE REVENUE (\$=million)

	2012	2013	2014	2015	2016/17e	2017/18	+40%
Penalty Revenue	25.0	23.9	22.8	20.7	20.8	22.8	32.0
Ratio to Premium Revenue %	0.66	0.61	0.54	0.47	0.43	0.43	0.60

Source: ICBC annual reports.

The increase will generate some additional revenue for the Basic insurance program, which may be the equivalent to about 0.4% of a general rate increase.

Public Perception of ICBC

According to a comparison published by the Manitoba public auto insurer, ICBC has a generally poor rating of public support compared to the two other public auto insurers.

The following are from the 15 June 2018 Basic rate increase submission of the Manitoba Public Insurance to its regulator supporting a 2.2% rate increase request for 2019.⁴ SGI refers to the Saskatchewan Government Insurance auto insurer. Both the Manitoba and Saskatchewan Basic insurance are essentially no-fault programs.

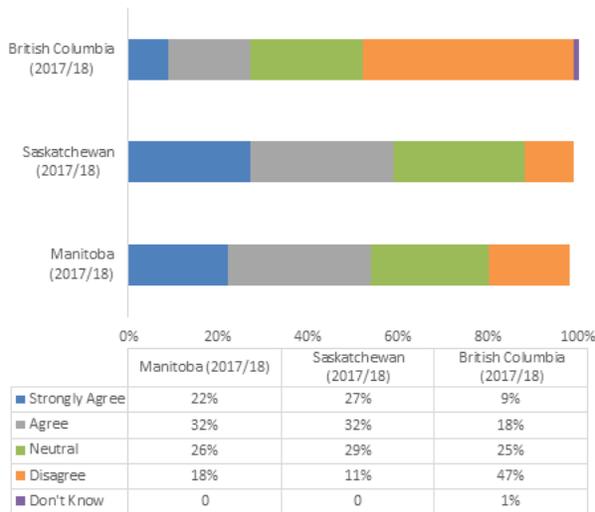
BMK.7.1.2 Value for Money

About six in ten Saskatchewan residents (61% in 1 2017/18) and Manitobans (57% in 2017/18) say that the cost of vehicle insurance has a positive impact on how they feel about their vehicle insurer. Only one-quarter of British Columbia residents say the same (25% in 2017/18).

People were asked to rate the extent to which they agree or disagree that their vehicle insurer provides them or residents of their province with good value for their money. Saskatchewan residents are most likely to say they get good value for their money from their vehicle insurer (59% in 2017/18). Slightly fewer Manitobans (55% in 2017/18) also agree with this statement. Manitoba's rating remains well above the rating for ICBC (27%) in 2017/18.

⁴ https://apps.mpi.mb.ca/Rate-Application/2019/GRA/2019_GRA.pdf page pdf 231/4424.

Figure BMK-25: Proportion who agree that their vehicle insurer provides good value, by province¹¹



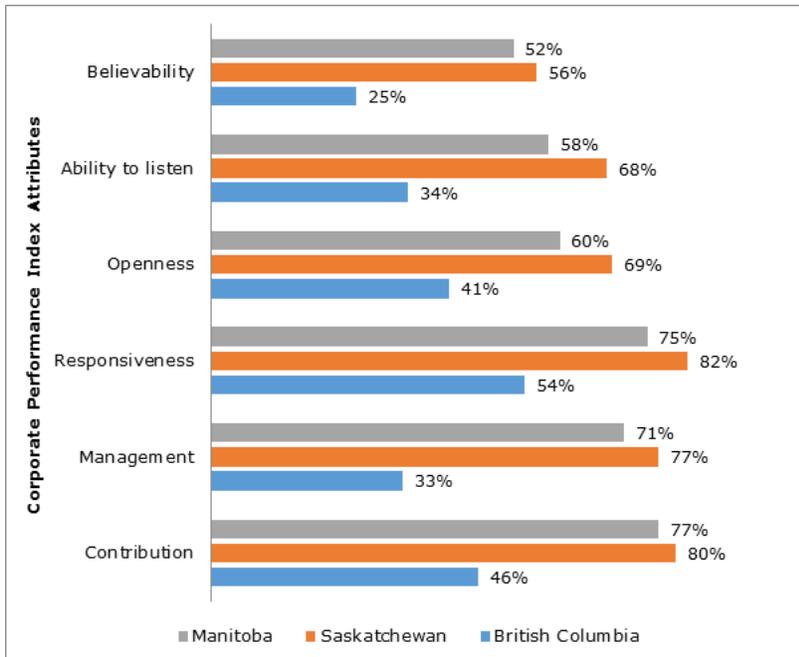
BMK.7.1.4 Corporate Performance Index

Manitobans were asked to rate their vehicle insurer on six attributes ¹ used to calculate the Corporate Performance Index. These attributes are:

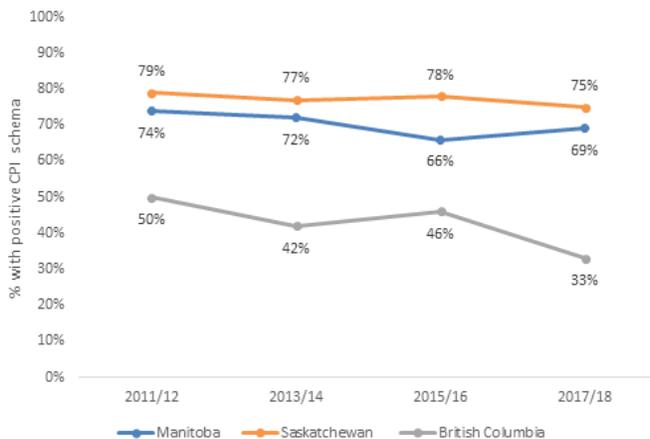
- Overall management
- Social and economic contribution to the province
- Responsiveness to the public
- Listening to the concerns of the public
- Openness to new ideas
- Believability of the statements the Corporation makes to the public and in the media.

Taken together, MPI’s Corporate Performance Index provides a valid and reliable measurement for corporate performance. MPI’s scores are slightly lower than those of SGI but again higher than those of ICBC.

Figure BMK-27: Proportion of residents with positive ratings for Corporate Performance Index Attributes, by province: 2017/18



BMK.7.1.5 Overall Corporate Performance Index Over Time



The public’s perception of ICBC is well below the favourable ratings of the customers of SGI and the MPI and has been declining in recent years. A more open and transparent operation, including a simplified design to calculate individual premiums, would begin to restore public confidence in our public auto insurer. Let’s start by ending the confusion between a penalty and a premium.

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