

INTACT FINANCIAL ABANDONS THE BC AUTO INSURANCE MARKET

A few days after the NDP government was re-elected, and thereby ensuring that ICBC would continue as the sole provider of compulsory auto insurance, Intact Financial corporation announced that it was vacating the BC auto insurance market.

Intact Financial, (together with its online subsidiary belairedirect) is the largest auto insurer in Canada based on market share. Intact Financial and Economical Insurance (together with its online subsidiary sonnet) are the main investor-owned insurance companies currently selling Optional auto insurance in this province. While ICBC does not disclose the relative market shares of the Optional market, it is reliably estimated that ICBC enjoys approximately 90% of the Optional policy sales, and the private insurers split the remaining policies (approximately 260,000).

The Rationale

During the recent provincial election, the Liberal party endorsed the proposal of the private insurers and pledged to eliminate ICBC's monopoly over the compulsory Basic insurance. The defeat of the Liberals ensures that the ICBC monopoly will continue. More importantly, it ensures that the market for Optional injury coverage will dramatically shrink as the new no-fault model becomes operational in May 2021.

Louis Gagnon, the Canadian operations president of the company, stated that insurance consumers should have choice and flexibility in buying insurance. But the prospect of the no-fault model necessitated the wind-up of auto insurance sales. "We have been closely assessing the optional automobile insurance market in British Columbia for some time and made the decision to shift focus to our other lines of business and providing enhanced services to consumers."¹

Both Intact Financial and belairdirect will stop writing new auto insurance business on 1 December 2020, and renewals on 1 January 2021. They will remain in the personal property and commercial insurance lines.

¹ <https://www.collisionrepairmag.com/pulling-out-of-the-pacific-intact-auto-insurance-to-leave-b-c/>

Why Optional Insurance Will No Longer Be Profitable

The government announced that the new no-fault liability model will see the cap on injury payments increase from \$300,000 to some \$7.5 million, similar to what is in place in the no-fault jurisdictions of Saskatchewan and Manitoba. The increase will practically eliminate the market for Optional injury coverage, leaving some room for additional coverage where the planned limit on wage loss may be deemed inadequate.²

In February 2020, I suggested that the private insurers may see their Optional insurance market disappear when the no-fault scheme becomes operational: “The adoption of the no-fault care-based model will likely mean the end of private auto insurers competing for the Optional injury liability market (although the material damage market will still be open for competition). A no-fault enhanced care model practically eliminates the current distinction between the compulsory Basic injury liability coverage and the Optional coverage.”³

Intact Pivots to the UK

As the Optional auto insurance market closes in BC, Intact appears to be pivoting to selling insurance in Britain. It just announced a potential joint acquisition of the RSA Insurance Group, where it would pay approximately \$4.0 billion. This would be a major acquisition for the Toronto based insurer.⁴

©Richard McCandless November 6, 2020. <http://www.bcpolicyperspectives.com/>

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 was an intervener in the BC Utilities Commission’s recent reviews of ICBC’s and B.C. Hydro’s rate requests.

² <https://www.canadianunderwriter.ca/insurance/intact-to-exit-this-line-of-business-1004199129/>

³

http://www.bcpolicyperspectives.com/media/attachments/view/doc/commentary_no_fault_care_model_16_february_2020_2/pdf/commentary_no_fault_care_model_16_february_2020_2.pdf

⁴ <https://www.bloomberg.com/news/articles/2020-11-05/u-k-insurer-rsa-is-said-to-draw-interest-from-canada-s-intact>