

**ARE B.C. DRIVERS ADEQUATELY INSURED?**

A recent report by the Insurance Brokers Association of Saskatchewan (IBAS) revealed that about half of the 815,000 policyholders in that province are inadequately insured.<sup>1</sup> The IBAS believes that the \$200,000 maximum third-party liability insurance included in the compulsory Basic insurance is inadequate, and policyholders need additional coverage available through either the public Saskatchewan Government Insurance or private insurers.

IBAS chief executive Derek Lothian stated; “Saskatchewan’s public auto insurance system is unlike any in the country, and it is one of the most stable and affordable .... But the fact remains many drivers in the province don’t understand basic insurance is not enough to properly protect themselves from all accidents — especially those caused by them and their vehicles.” He said that the large percentage of drivers with inadequate insurance “represents a significant consumer and public safety risk and must be addressed.”

The IBAS compared the situation in Saskatchewan to that in Manitoba, which also has a public insurance monopoly operating the Basic compulsory program. In Manitoba about 90% of the policyholders purchase additional optional coverage.

**What is the Situation in British Columbia?**

Do drivers in this province have adequate third-party liability insurance? ICBC does not publicly report on most aspects of the Optional program, including such fundamental information such as the number of policies sold.

ICBC provides limited financial information on its compulsory Basic program and on the Optional program in its annual report, and no program level information in its three-year service plan. Our public auto insurer does provide a large amount of statistics and financial data on the Basic program as part of the annual rate change request submitted to the B.C. Utilities Commission (BCUC), but no historical summary of key service measures and performance indicators.

The BCUC does not have jurisdiction over ICBC’s Optional program. In theory, because ICBC’s Optional coverage competes with the private insurers for sales, the market regulates the price and coverage needs. However, ICBC has become adept at invoking

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<sup>1</sup> <https://www.insurancebusinessmag.com/ca/news/breaking-news/ibas-high-percentage-of-saskatchewan-drivers-not-adequately-insured-168159.aspx>

the threat of losing market share to the private insurers as a reason for imposing a form of information black-out as regards to almost all aspects of the Optional program.

### **The Optional Program Cash Machine is Now Empty**

Various provincial governments have been willing to allow this veil of secrecy to remain in place. In fact, the government has exploited the lack of public oversight of the Optional program to circumvent the more open BCUC review process. The Liberal government ordered ICBC to fund a \$400 million corporate “transformation program” from the Optional program,<sup>2</sup> and last year the NDP government ordered that the extraordinary costs associated with the massive changes to the Basic coverage and process be funded from the Optional program.<sup>3</sup>

When asked for details on the product reform funding as part of the BCUC review of the 2019 Basic rate request ICBC stated; “As noted in this Application, all ICBC funding of [product change] costs from March 5, 2018 onward is funded entirely by Optional insurance. ICBC’s Optional insurance business is a competitive business that is not subject to regulation by the Commission. ICBC thus respectfully submits that the oversight of the [product change] implementation costs lies with Government, not the BCUC.”<sup>4</sup> Attorney General Eby later provided a summary of the extraordinary costs being charged to the Optional program during the debate of his ministry’s Estimates on May 29, 2019.<sup>5</sup>

From 2012 to 2017/18 the government ordered ICBC to transfer approximately \$1.98 billion in Optional operating and capital funds to subsidize the Basic program. No Optional subsidy occurred in 2018/19 because the Optional program equity had been completely depleted (as had the Basic equity).

With the Optional program lacking any capital reserve to provide a financial cushion in the advent of an unforeseen adverse event, the taxpayer is now directly responsible to cover any claims beyond those funding through premium and other revenue. One would expect that this high degree of exposure would incent the government to force ICBC to be more transparent about the operation of the Optional program.

### **Optional Sales Can Be Inferred**

While ICBC does not publicly report on Optional sales, the numbers can be inferred using an annual customer survey questionnaire. Annually ICBC asks a sample of Basic

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<sup>2</sup> <https://vancouversun.com/news/local-news/icbc-rolls-out-massive-computer-system-project-for-brokers>

<sup>3</sup> See letter from Attorney General Eby to ICBC Chair MacPhail of February 13, 2018 at pdf 61/1419 in [https://www.bcuc.com/Documents/Proceedings/2018/DOC\\_53062\\_B-1-ICBC-2019-RRA.pdf](https://www.bcuc.com/Documents/Proceedings/2018/DOC_53062_B-1-ICBC-2019-RRA.pdf)

<sup>4</sup> See IR 1, RM 1.13 (pdf 776/1357) in [https://www.bcuc.com/Documents/Proceedings/2019/DOC\\_53549\\_B-2-ICBC-Responses-to-BCUC-Intervener-IRI.pdf](https://www.bcuc.com/Documents/Proceedings/2019/DOC_53549_B-2-ICBC-Responses-to-BCUC-Intervener-IRI.pdf)

<sup>5</sup> <https://www.leg.bc.ca/documents-data/debate-transcripts/41st-parliament/4th-session/20190528pm-CommitteeC-Blues> approximately 16:55 hours.

policyholders whether they purchase Optional coverage, and if so, whether they buy it from ICBC.

Based on the survey results we can estimate that about 96% of Basic private vehicle policyholders also purchase Optional insurance. Of this number, ICBC enjoys about 90% of the market, although this declined slightly in 2017.<sup>6</sup> In 2017/18, ICBC reported that it had sold approximately 3.0 million Basic personal (as opposed to commercial) policies. If 96% of these policyholders also purchased Optional coverage the Optional total policies would be 2.88 million policies, of which 2.55 million purchased their extra protection from ICBC.

Unfortunately, ICBC has given notice to the B.C. Utilities Commission that it intends to stop collecting the Optional survey information – or at least it intends to stop providing the results. This conforms to a trend at ICBC to make even less information available on its operating performance.

### **B.C. Drivers Well Insured**

Based on the results of the customer questionnaire it appears that B.C. drivers are well covered for third-party liability insurance, although we do not know the average amount of additional coverage purchased.

But if ICBC proceeds to end even the current minimal reporting of the Optional purchases we will not be able to answer this important policy question in the future. This would be a retrogressive step at a time when ICBC needs to be seen as fulfilling a socially useful role.

As I wrote in my Commentary of 25 January 2019; “The government should instruct ICBC management to make more operational information available and thereby rebuild the public’s trust in our public auto insurer.”<sup>7</sup>

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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 ICBC’s 2019 rate request.

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[http://www.bcpolicyperspectives.com/media/attachments/view/doc/commentary\\_optional\\_24\\_january\\_2019/pdf/commentary\\_optional\\_24\\_january\\_2019.pdf](http://www.bcpolicyperspectives.com/media/attachments/view/doc/commentary_optional_24_january_2019/pdf/commentary_optional_24_january_2019.pdf)

<sup>7</sup> Ibid.

