

THE ‘GREYING’ OF ICBC’S POLICYHOLDERS

In 2014, ICBC sold approximately 2.8 million Basic insurance policies (net premiums written) for personal use. This was an increase of 160,000, or 6.1%, over the sales for 2010. This paper reviews the policies sold by four age groupings to identify trends and potential issues that may affect the future price of Basic insurance policies.¹ During the four years under review there has been a marked increase in the number of policies sold to those aged 65 and over, however the age segmented growth pattern generally reflects the growth in the total population. Table 1 also shows the ratio of each age grouping in 2010 and 2014.

TABLE 1 Percentage Growth in Basic Personal Policies and Ratios of Sales
By Age Group, 2010 to 2014¹

AGE GROUP	Policies Sold 2014	BC Population	Ratio 2010	Ratio 2014
Under 25 years	0.4	2.4	6.1	5.9
25 to 39 years	3.4	2.2	22.9	22.5
40 to 64 years	2.4	1.5	53.7	52.3
65 and over	23.3	23.7	17.3	19.3

Of the 160,000 four-year increase in personal policies sold, 98,600 (62%) were purchased by those aged 65 and over, while only 600 were attributed to those 24 years and younger. As a percentage of the BC population, all age groups except the 65 and older purchased less policies in 2014 than in 2010; for example, of the under 25 age group 6.1% had Basic insurance in 2010 compared to 5.9% in 2014.

YOUNG DRIVERS/POLICYHOLDERS

Recently, the Vancouver Sun published an article on the decline in the number of youth aged 16 to 21 who are licensed to drive in British Columbia.² The reasons for the decline are attributed to lifestyle changes, improved public transportation in metro Vancouver, and affordability at a time when young people have weaker attachment to full time employment.

¹ Policies and ratios by age grouping from ICBC 2015 Rate Request, IR 2, RM 4.2-3, see http://www.bcuc.com/Documents/Proceedings/2016/DOC_45605_B-11_ICBC-IR-Response.pdf and population data from BC Stats.

² <http://vancouversun.com/news/local-news/fewer-b-c-youth-opting-to-get-behind-the-wheel>

ICBC publishes driver license information on its website.³ Table 2 shows the ratio of drivers licensed to Basic policyholders in 2010 and 2014.

Table 2 Percentage of Licensed Drivers to Policyholders,
2010 to 2014

AGE GROUP	2010	2014
Under 25 years	12.0	11.4
25 to 39 years	25.1	24.6
40 to 64 years	47.5	45.8
65 and older	15.4	18.1

The data suggest that it is not just young drivers who are demonstrating a lower propensity to purchase insurance as the drivers in all age groups under 65 years are purchasing insurance at rates lower than recorded in 2010.

IMPACT OF 'GREYING' OF POLICYHOLDERS

Older drivers have a lower risk of crashes than do young, especially young male, drivers. Lower risk policyholders receive a safe driving discount on their insurance policies, while higher risk pay more. If ICBC actuaries are accurate the price charged should reflect the lower claim and driving ticket history.

Over time, all else being equal, as fewer young drivers purchase insurance both the average and total Basic premium revenue will decline. In theory, the Basic cost of claims should reflect this decline in overall risk.

Government policy requires ICBC to provide a 25% premium discount on Basic insurance for policyholders aged 65 and older and who insure for pleasure use only. The discount does not apply to Optional insurance.

In effect, drivers younger than 65 are subsidizing drivers 65 and older. ICBC does not provide the value of this subsidy, but it can be estimated for 2014 at approximately \$85 million.⁴

Demographic projects indicate that the 65 and older proportion of the population will continue to increase. Combined with the declining proportion of young drivers purchasing insurance, ICBC will be required to raise Basic rates higher than would be the case in the absence of these social trends.

This was noted in ICBC's "Final Argument" submission during the BC utilities Commission's 2015 rate requirements review. ICBC stated that the "average premium that ICBC expects to collect from

³ <http://www.icbc.com/about-icbc/newsroom/Documents/population.pdf>

⁴ Assuming an average Basic premium of \$700 and 480,000 policies produces approximately \$335 million in revenue; a 25% discount produces \$250 million in revenue.

policyholders continues to decrease due to increasing proportions of seniors who have a lower premium on average and drivers with higher levels of discounts.”⁵

At a time when the Basic insurance program is under severe financial pressure from rising claims costs the government should consider the elimination of this requirement that younger drivers subsidize those aged 65 and older. The Saskatchewan Auto Fund does not provide a seniors’ discount, and the writer is not aware of any other public or private auto insurer providing a general seniors discount separate from any safe driver discount. No other provincial self-supporting Crown corporation provides a price discount for seniors, and the government agreed to fund the BC Ferries corporation’s seniors’ rate program in 2014.⁶

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The writer is a retired senior BC government public servant who’s paper on the 40-year financial history of ICBC was published by *BC Studies* in 2013. The same academic journal will be publishing his paper describing the BC government’s manipulation of the finances of BC Hydro from 2008 to 2014 in the fall. He has been an intervener in the BC Utilities Commission’s 2014 and 2015 reviews of ICBC’s rate requests.

⁵ BC Utilities Commission, ICBC 2015 Rate Requirements, Final Argument, March 8, 2016, p. 33.

⁶ <http://www.timescolonist.com/news/local/half-price-seniors-fare-a-bonus-for-b-c-ferries-1.915150>