

## CROSS-CANADA COMPARISON OF AUTOMOBILE INSURANCE RATES

In 2003 the Consumers' Association of Canada published a provincial survey of auto insurance rates. Since then the Saskatchewan Government Insurance (SGI) has prepared a similar survey, which it has filed with the Saskatchewan Rate Review Panel when seeking changes to Basic insurance price levels. The survey looks at 22 cities chosen to represent major cities, rural and northern communities (in BC the cities are Vancouver, Fort St. John and Penticton). The survey encompassed 34 different driver/vehicle combinations. Driver profiles include the driving records and driver history and the related discounts and penalties. The rates quoted for B.C. were obtained from ICBC. The third party liability limit is \$2 million and the damage deductible is \$500.

The following average rates are from the 2013 and 2012 surveys:

|                  | <u>2013</u> | <u>2012</u> |
|------------------|-------------|-------------|
| British Columbia | \$1,431     | \$1,380     |
| Alberta          | \$2,127     | \$2,155     |
| Saskatchewan     | \$1,061     | \$1,050     |
| Manitoba         | \$1,013     | \$1,045     |
| Ontario          | \$3,782     | \$3,846     |
| Quebec           | \$1,316     | \$1,484     |
| New Brunswick    | \$1,741     | \$1,723     |
| Nova Scotia      | \$1,820     | \$1,922     |

In British Columbia, Saskatchewan and Manitoba auto insurance is provided by a public sector Crown corporation which has a monopoly on compulsory Basic insurance for third party liability and other basic benefits. All three have similar benefits for certain claims, such as medical and rehabilitation expenses and income replacement. However, there are some important differences. The Saskatchewan Auto Fund (SFA) and the Manitoba Public Insurance (MPI) do not allow the not-at fault party to claim for

pain and suffering. They do allow the at-fault party to claim for property damage subject to a \$700 (SAF) and \$500 (MPI) deductible.<sup>1</sup>

The rate comparison does not separate the average cost of Basic insurance from the additional or Optional coverage. What is clear from the 2013 survey is the rates for the public insurers are significantly lower than those in the rest of the country. The comparison also gives rise to the question as to why ICBC's rates are some 35 percent higher than those in Saskatchewan and Manitoba.

One obvious area is the difference in the number and cost of bodily injury claims. While the coverage includes no-fault caps on benefits B.C. is the only province that allows the not-at-fault party to sue for damages, including pain and suffering. Other provinces have tried to regulate the auto insurance benefits to reduce the cost of insurance and enhance coverage, or in Ontario to limit the profits of the private insurers.

A review of ICBC's and SAF's 2013 claims and expenditures confirms that ICBC's bodily injury costs were about 80 per cent of total claims costs, with property damage about 19 percent. Property damage for SAF was about 64 per cent of total claims costs. Part of the explanation for the difference is that the SAF Basic program covers at-fault vehicle damage, in B.C this was initially in Basic, but legislated to Optional in the early years.

Does the higher weighting of bodily injury claim in B.C. explain the 35 percent difference in cost? On an average cost per claim basis the SAF was about \$50,000 while ICBC was \$39,000. A full analysis of the difference in cost is beyond the writer's limited knowledge and resources.

One aspect of the higher average cost for auto insurance in B.C. is the amount included in the rates to maintain the capital reserve. The following shows the capital reserve per policy (annualized) for 2013 for ICBC and Saskatchewan. ICBC ended 2013 with \$1.7 billion in basic equity, or approximately \$500 per policy, and \$800 per policy for Optional.

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<sup>1</sup> See Manitoba Public Insurance "2014 Rate Application - Vol. III" AI.2 for a comparison of coverages.

|                 | <u>ICBC</u>    | <u>SAF/SGI</u>  |
|-----------------|----------------|-----------------|
| BASIC           |                |                 |
| No. of policies | 2.98 million   | 1.11 million    |
| Equity '000     | \$1.71 billion | \$162.8 million |
| Equity / policy | \$575          | \$147           |
| MCT %           | 149            | 58              |
| OPTIONAL        |                |                 |
| No. of policies | 2.40 million   | 0.6 million     |
| Equity '000     | \$1.93 billion | \$295 million   |
| Equity / policy | \$800          | \$490           |
| MCT %           | 304            | 231             |

In Saskatchewan the Optional auto insurance is operated as a component of the Saskatchewan Government Insurance, which provides full property and casualty insurance in Alberta, Ontario and the maritimes. Only 26 percent of their 2013 revenue came from auto insurance purchased by Saskatchewan residents.<sup>2</sup>

Richard McCandless

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<sup>2</sup> Crown Investments Corporation of Saskatchewan, Annual Report 2013, April, 2014.