

July 6, 2020

Hon. John Horgan
Premier of British Columbia
West Annex, Parliament Buildings
Victoria, BC V8V 1X4

Via email: premier@gov.bc.ca

Dear Premier Horgan:

On behalf of Insurance Bureau of Canada (IBC) and Canada's property and casualty insurer members, I would like to share our recommendations regarding the intended design of the province's no-fault auto insurance system.

For years, the Insurance Corporation of British Columbia (ICBC) has blocked competition in BC's optional insurance market and denied drivers the choice they deserve. ICBC's failure to make detailed claims information publicly available and its refusal to provide other insurers with access to a driver's accident and infraction record – both of which ICBC uses to price its products – means that other insurers lack the critical information they need to compete with the Crown insurer. This arbitrary, anti-competitive business practice has not only reduced affordability, it has contributed to creating the most expensive automobile insurance system in Canada.

The move to a no-fault system provides a unique opportunity for the province to address this inequity, and to create a more competitive market that gives drivers the choice they deserve. Yet, as currently envisioned, BC's reforms will create new barriers that will further stifle competition and limit consumer choice, and risks driving other insurers out of BC's auto insurance market entirely. This will lead to higher prices for car insurance at a time when drivers can least afford it, though it need not be the case.

The province has articulated its belief that only government should be responsible for the health and recovery of British Columbians after an accident, and so will maintain ICBC's monopoly over no-fault's accident benefits coverages. In order to reduce costs, no-fault systems include strict treatment limits for accident victims, and deprive those with serious injuries of any legal recourse if they are not receiving the benefits they need to recover. For this reason, IBC believes no-fault does not serve the best interests of drivers, however the government has been clear in its desire to undertake this change. There is, however, no policy rationale or public good to defend the proposed expansion of ICBC's monopoly over vehicle damage insurance, or to make it more difficult for other insurers to compete in that market.

In May 2021, ICBC will launch its new Basic Vehicle Damage coverage – a mandatory product that will only be available from ICBC, which will cover all vehicle repairs when a driver is not at fault for a collision. While drivers have a choice in a portion of this coverage today – it is included in the excess third-party liability market – ICBC's Basic Vehicle Damage coverage will deny drivers choice for this insurance, shrink the size of the optional market, and, ultimately, will increase costs for consumers.

A better, more affordable no-fault auto insurance system would allow drivers to purchase all of their vehicle damage coverage – both mandatory and optional – from any insurer they choose.

Indeed, this is how auto insurance is provided in Quebec, the province with the lowest auto insurance premiums in the country. Similar to ICBC's monopoly on basic insurance, the Quebec government has a monopoly on the provision of no-fault insurance for injury claims. However, Quebec's system provides full consumer choice in vehicle damage coverages, whether they are mandatory or optional, and provides all insurers with equal access to the data that ICBC refuses to provide. This hybrid system allows drivers to choose their car insurance from nearly 50 different providers and has resulted in total average premiums of \$717, which is less than half of what ICBC projects its average no-fault coverage to be (\$1,500).

When IBC met with Attorney General David Eby, in December 2019, the Minister expressed a desire to provide consumers with more choice in the optional auto insurance marketplace. The Minister suggested that IBC and the government could work together to ensure that all insurers would have access to the same data that ICBC uses to price its products, and that drivers would be required to give their consent for the sharing of the information that any insurer – including ICBC – could use to price their premiums. Such a system would provide consumer choice, encourage innovation and, most importantly, ensure that British Columbians have access to the most affordable car insurance possible.

In the spirit of those discussions, IBC would like to provide your government with the attached legislative amendments to Bill 11, the Vehicle Insurance Amendment Act. If enacted, these amendments would create a competitive market in the vehicle damage insurance market and provide consumer choice in that coverage, whether it is mandatory or optional. Most importantly, these amendments will improve the affordability of auto insurance in BC over the long term, particularly if government were to also provide all insurers with equal access to driver abstracts and provincial claims information.

With the introduction of no-fault insurance in 2021, government has a unique opportunity to improve consumer choice by having a vehicle damage insurance market that is open to full competition. Canada's property and casualty insurers want to be part of the solution to the affordability challenges facing BC drivers. We hope that your government will consider changes to allow other insurers the opportunity to provide drivers with the choice and savings they deserve.

Sincerely,



Donald W. J. Forgeron
President & CEO, Insurance Bureau of Canada

CC: Minister David Eby, Attorney General of BC
Andrew Wilkinson, Q.C., MLA, Leader of the Official Opposition
Adam Olsen, MLA, Leader of the BC Green Caucus