

Barnhouse, Rebecca AG:EX

From: s.22
Sent: Wednesday, January 16, 2019 10:21 AM
To: Scott, Douglas S AG:EX
Cc: Cairns, Holly AG:EX
Subject: Ontario

Everybody thinks they pay too much for auto insurance.

https://www.insurancebusinessmag.com/ca/news/auto/insurers-react-fixing-ontarios-auto-insurance-very-challenging-122410.aspx?utm_source=hs&utm_medium=20190116&utm_campaign=WIBCA-Newsletter&utm_content=D983809D-3C18-4C3F-B2CB-4900E2C97173&tu=D983809D-3C18-4C3F-B2CB-4900E2C97173&hsenc=p2ANqtz-8S5ODT19nWtEK7EZYk-ForWJuVwDRiSB7xqhvh_Q5FRPeldszs1Etz1M8YCeCoZNiVvCteRWuACWcPw2JyJF-EBYtoFA&hsmi=69042656

s.22

Barnhouse, Rebecca AG:EX

From: Tupper, Chris <Chris.Tupper@icbc.com>
Sent: Thursday, February 7, 2019 3:18 PM
To: Cairns, Holly AG:EX
Subject: FW: Marshall report

Best,
Chris

From: Tupper, Chris
Sent: Thursday, February 07, 2019 2:40 PM
To: 'Smith, George AG:EX'
Cc: Matthews, Lindsay (Lindsay.Matthews@icbc.com)
Subject: Marshall report

Hi George - The "Marshall report" from Ontario (2017) describes Ontario as having the highest premiums in Canada. Don Forgeron, IBC CEO mentioned and quoted in a Canadian underwriter story:

That report was "probably the best description we have to date of what is wrong" with Ontario auto, Don Forgeron, chief executive officer of Insurance Bureau of Canada, said during a speech shortly after the release of the Marshall report, which contains 35 recommendations. Marshall criticized the current auto insurance regime for many perceived weaknesses, including duelling assessments from lawyers and health practitioners.

Link: <https://www.canadianunderwriter.ca/legislation-regulation/marshall-report-on-ontario-auto-dead-1004149970/>

Here is a link to the report and provincial comparison:
<https://www.fin.gov.on.ca/en/autoinsurance/fair-benefits.pdf>

Calculation method	Province	Avg. Written Premium
Per vehicle – private passenger vehicles (PPV) (1)	Ontario	1,458
Per vehicle – PPV (1)	New Brunswick	763
Per vehicle – PPV (1)	Newfoundland and Labrador	1,090
Per vehicle – PPV (1)	Nova Scotia	783
Per vehicle – PPV (1)	Prince Edward Island	755
Per vehicle – PPV (1)	Alberta	1,179
Per vehicle – PPV (1)	Northwest Territories	974
Per vehicle – PPV (1)	Yukon	806
Per vehicle – PPV (1)	Nunavut	968
Per vehicle – PPV (5)	British Columbia (ICBC +private)	1,316
Per vehicle – PPV (4)	Quebec (public+private)	724
Per vehicle – all vehicles (2)	Saskatchewan Auto Fund only	775
Per vehicle – PPV (3)	Manitoba Public Insurance only	1,001

Source: Based on (1) General Insurance Statistical Agency, (2) Saskatchewan Government Insurance Annual Report, (3) Manitoba Public Insurance 2017 Rate Application, (4) Société de l'assurance automobile du Québec, (5) Written premium data from Insurance Corporation of British Columbia and MSA Research Inc.

Claims are per accident year in Ontario, Alberta, the Atlantic provinces, N.W.T., Yukon and Nunavut

Best,
Chris

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From: [Sutherland, Aaron](#)
To: [Smith, George AG:EX](#)
Subject: IBC News Release - Canadian Auto Insurance Rates - July 2018
Date: Tuesday, July 17, 2018 10:02:45 AM
Attachments: image008.png
image009.png
image010.png
image011.png
Canadian Auto Insurance Rates NR - July 2018.docx

Hi George,

I hope you're enjoying the summer.

I wanted to advise that the General Insurance Statistical Agency (GISA, the national body of regulators) has now provided the average auto insurance premiums for the country for 2017 (they are always 6 months behind in their data collection). As such, my organization will be releasing the attached NR later today. Please note, GISA's data continues to show that ICBC has the highest premiums in the country.

If you have any concerns with the attached or the timing of the release (or if you'd just like to discuss further) please let me know. I've also flagged for Jeff Groot, and Nicole in your comms shop.

Cheers,

Aaron Sutherland

Vice-President, Pacific

Insurance Bureau of Canada

T: 604-684-3635 ext. 223

C: 604-349-8046

www.ibc.ca



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BC drivers pay the highest auto insurance premiums in Canada

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Page 03 to/à Page 04

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From: s.22
To: [Eby, David](#)
Cc: [Smith, George AG:EX](#)
Subject: FW: Comparision of Auto Insurance Rates
Date: Tuesday, October 16, 2018 12:13:17 PM
Attachments: Commentary ICBC Rates 16 October 2018.pdf

For information.

From: Richard McCandless

Sent: October 16, 2018 12:11 PM

To: 'Adam Sterling (Adam.Sterling@bellmedia.ca)'; 'Andrew MacLeod'; 'Charlie Smith (gs.info@straight.com)'; 'Dave Obee (dobee@timescolonist.com)'; 'David Ball (david.ball@metronews.ca)'; 'Gary Mason (gmason@globeandmail.com)'; 'George Smith (george.smith@gov.bc.ca)'; 'ghoekstra@postmedia.com'; 'Ian Bailey (IBailey@globeandmail.com)'; 'imulgrew@postmedia.com'; 'Jake Costello (jake.costello@cbc.ca)'; 'John Hua'; 'John O'Dowd (john@cknw.com)'; 'Jon McComb (jon@cknw.com)'; 'Justine Hunter (JHunter@globeandmail.com)'; 'Keith Baldrey'; 'Les Leyne (LLeYne@timescolonist.com)'; 'Liza Yuzda'; 'lkines@timescolonist.com'; 'Marcella Benardo (Marcella.Bernardo@vancouverradio.rogers.com)'; 'Matt Prepost (editor@ahnfsj.ca)'; 'Mike Macdonald'; 'Mike Smyth (msmyth@postmedia.com)'; 'Omand, Geordon'; 'paul willcocks'; 'Richard Zussman'; 'rshaw@postmedia.com'; 'trenshaw@biv.com'; 'Vaughn Palmer (vpalmer@vancouver.sun.com)'; 'Wendy Stueck (wstueck@globeandmail.com)'

Subject: Comparision of Auto Insurance Rates

The private auto insurers and the Taxpayers' Federation have been asserting that ICBC's rates are the highest in Canada. This is not correct. The attached Commentary updates information I first published last year.

Richard McCandless

COMMENTARY

ICBC

FACT CHECK: ICBC'S RATES ARE NOT THE HIGHEST IN CANADA

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Page 07

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From: [XT:Tupper, Chris GCPE:IN](#)
To: [Smith, George AG:EX](#); [Harder, Derrick AG:EX](#); [Scott, Samantha AG:EX](#); [Milne, Gala AG:EX](#)
Cc: [Van Schaik, Connie](#); [Cairns, Holly AG:EX](#)
Subject: Insurance Fact Sheet
Date: Thursday, January 31, 2019 8:01:00 AM
Attachments: Public v Private insurance fact sheet.docx

Hi there;

As you may have seen recently in some of the clips, Aaron Sutherland with IBC has been touring the province advocating for the privatization of auto insurance - a long standing interest of his private insurance members. While we support dialogue on these kinds of things, regrettably some arguments being advanced are misleading or incorrect.

Attached is a fact sheet that can be used to respond to some of arguments being raised by the IBC which may be of use to you. And given that IBC appears to be travelling the province to deliver their messages at the local level, you may want to consider sharing this among MLAs as well.

Let me know if we can help or support on this any further.

Best - Chris

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Public v Private Auto Insurance – Fact Sheet

Challenges of B.C.'s current auto insurance system

- Whether we have a public or private auto insurance system in B.C., the same underlying problems of a record number of crashes and claims, and record high claims costs, would still need to be addressed – simply making a change to private insurance would not solve these issues.
- The major issue with B.C. auto insurance is the rising cost of injury claims which have soared by 43 per cent in just five years; projected to total \$3.67 billion in 2018 alone, spurred by an increasing number of injury claims which are becoming legally represented.
- These pressures led ICBC to make a record loss in its last fiscal year of \$1.3 billion, with another sizeable net loss projected for this fiscal year.

Struggles facing private auto insurance systems across Canada

- There is no doubt there are some serious, and well-publicized, challenges with our current auto insurance system here in B.C. but simply making a change to a private insurance model will not make those challenges go away.
- Private insurance companies across Canada are also facing serious challenges, leading the Insurance Bureau of Canada's (IBC) president to recently write that "auto insurance systems across the country are broken".
- Governments in Alberta and Ontario, among others, have instituted caps on the amount that insurers can raise rates year-over-year, keeping rates artificially lower than they need to be to cover costs. This has led the IBC and several insurance carriers to strongly lobby their respective governments to remove these caps on rates.
- The IBC has said that restricting rate increases in Alberta to five per cent is "unsustainable" – on average, insurers are paying out \$1.28 in claims for every \$1 in premiums that they bring in. This has led some insurers in Alberta to cease providing insurance to subsets of the population, certain communities or to exit the market altogether, leading the IBC to state "Alberta auto is in crisis".
- Other issues exist in private insurance models across Canada. In Ontario, autobody shop fraud is adding serious costs to the system which has just seen its highest rate increases in eight years. Last year, New Brunswick auto insurers sought their largest rate increases in 16 years, while in Newfoundland and Labrador industry profitability went from eight per cent in 2007 down to -6 per cent in 2016.

Changes are coming to B.C. auto insurance

- In comparison, public auto insurance in Manitoba, Quebec, and Saskatchewan are not facing these same pressures on rates and, here in B.C., government and ICBC are addressing the pressures on our auto insurance system with major reforms.

- These changes will shift the focus away from maximizing payouts to a care-based system – which makes taking care of people injured in a crash the top priority, with more money for the treatments and support they need to get better and less spent on legal costs.
- Substantial improvements to ICBC’s accident benefits will improve the care available for anyone who is injured in a crash. ICBC will be able to fund these increased benefits through reduced legal costs, a limit on payouts for pain and suffering for minor injuries and a new dispute resolution model – all resulting in projected net savings of \$1 billion annually.
- Government and ICBC are also modernizing ICBC’s insurance system to ensure all drivers pay premiums which more accurately reflect the risk they represent on the road. In addition, a number of road safety initiatives are underway, aimed at lowering crashes and mitigating the current financial pressures on ICBC.

Benefits of public auto insurance

- According to ICBC’s rate filing in December, approximately 91% of premiums are returned to customers in the form of claims payments which compares to approximately 56% for private insurers, who typically have higher expenses and higher profits that don’t stay in British Columbia.
- ICBC’s Autoplan insurance is sold exclusively through a province-wide network of 900 Autoplan brokers. These brokers are licensed professionals who are there to help customers compare and customize Autoplan coverage to fit individual needs, including; the products, the length of the policy, and payment options.
- ICBC determines a person’s premium primarily on their driving experience, claims history, where they live and how they use their vehicle, while private insurance often factors in personal details such as age, gender, marital status, credit score and how one finances their vehicle, which can often lead to certain demographics paying significantly more for their insurance.
- ICBC’s current mandatory basic insurance rate is, on average, approximately \$1,000 per year.
- ICBC enjoys the benefits of operating as a crown corporation as it produces economies of scale which generate overhead costs well below industry averages.
- Public auto insurance ensures that all drivers in British Columbia have the same access to auto insurance, which protects them as well as all other road users. As a result of providing accessible public auto insurance, British Columbia’s estimated uninsured rate is less than one per cent – much lower than other jurisdictions in North America with rates ranging from four to 20 per cent, or even higher in some cases.
- ICBC also serves millions of British Columbians every year with driver and vehicle licensing services including administering road tests, processing all ticket violations for the province, investing approximately \$50 million in road safety initiatives every year, in addition to supporting 900 independent Autoplan brokers and 450 accredited repair shops across the province.

From: [Smith, George AG:EX](#)
To: [Eby, David AG:EX](#)
Cc: [Milne, Gala AG:EX](#); [Harder, Derrick AG:EX](#); [Scott, Samantha AG:EX](#)
Subject: RE: Media requests - the Orca
Date: Tuesday, February 5, 2019 2:57:58 PM

Updated Orca response for approval:

1 request:

- **The Orca – Choice of auto-insurance**

Reporter

Maclean Kay, Editor

The Orca

editor@theorca.ca

s.22

Deadline ASAP

Request

The Orca published a story this morning on how a majority of British Columbians support the introduction of choice in auto insurance. The story can be found here:

<https://theorca.ca/resident-pod/british-columbians-want-auto-insurance-choice-regardless-who-they-vote-for/>.

The reporter would like to know if the ministry or the Attorney General is considering introducing choice under any consideration?

Recommendation – Provide background and quote from AG

Statement:

"It's clear that if the previous government had not ignored warnings and ripped pages out of a report, ICBC would not be in the financial position it is now. While the previous government's priority was to take money out of ICBC to pad their budgets, our priority is to get rates under control and ensure that rate payers have a reliable insurer over the long term. Intentionally ignoring the problems and now toying with the idea of privatization is the equivalent of the BC Liberals driving a car into a ditch and then saying we have no choice but to sell it for parts."

Background:

- **Although ICBC has been experiencing well-publicized financial challenges, it remains a valuable public asset that provides important benefits for British Columbians and we have no plans to privatize it.**
- **In Ontario, where insurance is privatized, drivers just saw their highest rate increase in 8 years, and New Brunswick insurers applied for the largest increase in 16 years.**
- **These same rate increases aren't happening with public auto insurance in Manitoba, Quebec, and Sask. – who aren't dealing the years of government mismanagement.**

- The survey does not point out the full implications of this decision. Unlike ICBC -- which ensures all British Columbians have access to minimum amount of insurance and insurance benefits -- private insurers can choose who they will or won't cover. They can deny coverage based on age, sex or marital status.
- Because we have a public insurer, BC's uninsured driver rate is less than 1%, compared to 4% to 20% in other parts of North America. This protects drivers, passengers and pedestrians from the catastrophic financial impact of being involved in motor vehicle accidents that aren't covered by insurance.
- With respect to the survey results, it's important to clarify that British Columbians already have choice in where they purchase auto insurance. They can choose to purchase optional coverage from a variety of private auto insurers who already operate in B.C.
- The fact that approximately 80 per cent of BC drivers choose to purchase their full auto coverage (basic and optional) from ICBC, shows ICBC is providing products British Columbians want at competitive prices.
- Readers should also view the survey results with a critical eye and consider the sample size and the way questions were presented.
- Nor does the report reference the many significant challenges being faced by many private auto insurers across the country -- similar to those faced here in B.C. As noted by the Insurance Bureau of Canada auto insurance systems across Canada are in crisis.
- Simply making a change to a private insurance model would not solve these issues faced here in B.C. from a rising number of crashes, claims and increasing costs.
- Instead, this government is making the biggest reforms to B.C. auto insurance in decades -- focusing on a care-based system which makes taking care of people injured in a crash the top priority, with more money for the treatments and support they need to get better and less spent on legal costs -- all resulting in projected net savings of approximately \$1 billion annually.
- Government and ICBC are also modernizing ICBC's insurance system to ensure all drivers pay premiums which more accurately reflect the risk they represent on the road.

From: [XT:Matthews, Lindsay ICBC:IN](#)
To: [Smith, George AG:EX](#)
Cc: [XT:Grossman, Adam GCPE:IN](#); [XT:Tupper, Chris GCPE:IN](#); [Harder, Derrick AG:EX](#)
Subject: MDE Statement on ICBCQ3 results draft - MO approved
Date: Thursday, February 7, 2019 9:46:18 AM
Attachments: MDE Statement on ICBCQ3 results draft - MO approved.docx
Importance: High

George

I know you didn't ask but a couple comments from us.

Lindsay

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MINISTER STATEMENT – ICBC Q3 Results

Draft #4 – MO approved

Until major reforms kick in on April 1 of this year, ICBC's financial situation remains critical, and is worsening. The corporation's \$860 million loss for the first nine months of the year is \$273 million higher than expected. ICBC is currently on track to record a \$1.18 billion loss for 2018/19, compounding the blow of last year's \$1.3 billion deficit.

Losses of this magnitude are unsustainable and unacceptable. They are especially frustrating given the opportunity British Columbia had to avoid these losses if the upcoming reforms had been implemented years ago, when they were first recommended, instead of being buried by the previous government.

A key reason for ICBC's worsening financial crisis is the escalating costs of settling personal injury claims, which have increased 43% in the last five years. ICBC estimates these costs reached a staggering \$3.67 billion in 2018 alone.

This trend is being exacerbated by the current gaps in the system, which allow, for example, the use of almost unlimited experts who prepare costly reports, in litigation that lasts for years, all paid for by drivers. Over the past year, the increasing use of expert reports^{s.13} has contributed to inflating ICBC's settlement costs by 20 per cent. We will act to address this issue.

s.13
litigated settlements is now being absorbed by legal expenses^{s.13}. This includes lawyers' fees, estimated contingency fees, and the costs of securing and paying for expert witnesses, and the costs of delay. The reforms that will come on April 1 will fix much of this broken system; however, until staff are hired and trained, and new systems come online, we are stuck under the old system. It is also important to remember that crashes that happen before April 1st will continue to be handled under the old rules.

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While the escalation in the use of expert reports, the increases in settlement demand amounts, and the ongoing delay of resolution of claims has serious impacts on the financial condition at ICBC, plaintiff lawyers are not at fault here. They are operating according to the rules of a system that has devolved over years of mismanagement by the previous government.

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To keep auto insurance affordable, and make sure injured British Columbians get the appropriate care they need, we must bring this broken system under control.

While the reforms coming April 1 are projected to save ICBC more than \$1 billion per year, the corporation's third quarter results make it clear we need to do even more – and do it fast.

In the coming days we will have more details on how the government intends to respond to escalating legal administration expenses. I am confident we can accelerate the improvement in ICBC's financial situation, while striking the appropriate balance between reducing legal costs and preserving the ability of injured people to advocate for and obtain settlements that meet their needs.

Although ICBC's financial challenges are significant, there should also be no doubt that ICBC remains a valuable public asset that provides important benefits for British Columbians.

While it is all too easy to just consider our own problems here in B.C., many of the significant challenges facing auto insurance in our province are also plaguing other jurisdictions in Canada. As noted by the Insurance Bureau of Canada, auto insurance systems across Canada are in crisis. Ontario, a fully privatized system, has the highest insurance rates in the country.

Our government's job is to deliver affordable, high quality auto insurance to British Columbians, and we will do so.

-30-

Word Count: 617

From: Dargie, Cathy GCPE:EX
To: Milne, Gala AG:EX; Scott, Samantha AG:EX; Harder, Derrick AG:EX; Smith, George AG:EX
Cc: Fellinger, Nicole GCPE:EX; Duffus, Robert GCPE:EX
Subject: For urgent review Please - ICBC Q3 - QA for Finance
Date: Thursday, February 7, 2019 11:54:32 AM
Attachments: QA for FIN - Q3 results - Feb. 7 - DS approved.docx
Importance: High

Hi George, Derrick, Gala and Samantha

Sorry to trouble you again - I know you are all super busy.

Just checking in to see if you have had a chance to review this draft QA we prepared for Finance re: the ICBC Q3 results. If so, do you have any concerns?

We'd like to send it to Ministry of Finance Communications as soon as possible, so they have it before the Minister's statement goes out at 2 p.m. Thanks very much for your help!

Cathy

From: Dargie, Cathy GCPE:EX
Sent: February-07-19 8:13 AM
To: Harder, Derrick AG:EX; Milne, Gala AG:EX; Scott, Samantha AG:EX; Smith, George AG:EX
Cc: Duffus, Robert GCPE:EX; Fellinger, Nicole GCPE:EX
Subject: Draft for Review Please - ICBC Q3 - QA for Finance

Good morning, George, Derrick, Gala and Samantha:

Please find attached a set of QAs re: ICBC's Q3 results we have prepared for the Ministry of Finance. They update the QA document prepared for Finance for Q2, and have been reviewed and approved by Doug Scott, Holly Cairns, ICBC, Nicole and Rob. Can you kindly review at your earliest convenience and let me know if you have any concerns? We would like to send them to Ministry of Finance Communications before 11 a.m., if at all possible.

Also, can you please let me know if you've had an opportunity to review the Minister's draft statement re: Q3 results? If so, do you have any concerns or revisions? We will need to get it to the Editors this morning, to make sure it is ready to go out at 2 p.m. Thanks very much for your help!

Best Regards,
Cathy Dargie
Senior Public Affairs Officer
Ministry of Attorney General
2nd Floor courtyard, 1001 Douglas Street, Victoria BC
Phone: 778-698-9485
Cell: s.17

**Q3 Results
Questions & Answers**

1. ICBC's Q3 results show the corporation remains in financial crisis. Is it time to privatize ICBC?

- Despite its well-publicized challenges, ICBC is a valuable public asset that provides important benefits to British Columbians and we have no plans to privatize it.
- Unlike private insurers – which can deny coverage based on factors such as age, sex or marital status -- ICBC ensures all British Columbians have access to a minimum amount of insurance and insurance benefits.
- Because we have public insurance, B.C.'s uninsured driver rate is less than 1%, compared to a range of 4% to 20% in other parts of North America. This protects drivers, passengers and pedestrians from the catastrophic financial impact of being involved in motor vehicle accidents that aren't covered by insurance.
- Maintaining public insurance is in the best interest of British Columbians and that is why the Attorney General has worked with ICBC to introduce a series of reforms aimed at stemming ICBC's losses and getting the corporation's finances back on track.
- These include implementing enhanced accident benefits for people injured in crashes, capping pain and suffering pay-outs for minor injuries, and introducing a new dispute resolution model to provide fair, fast resolution of disputes while reducing legal costs.
- Although these changes are projected to save ICBC over \$1 billion annually, the changes don't come into effect until April 1 and we know it will take time for the organization to recover from years of financial neglect.
- We expect ICBC to be in a better financial situation by 2020/21.
- As Finance Minister, I continue to closely monitor this situation and the province has accounted for the uncertainty in ICBC's financial situation through additional prudence in the forecast allowance.

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When will B.C. drivers get a break on insurance rates?

- We know British Columbians depend on affordable auto insurance, so they can keep their cars on the road and manage important tasks – like getting to work or taking their kids to school.
- Our government is committed to keeping insurance affordable, and to do this, we've worked with ICBC to implement the biggest changes to public insurance in 30 years.
- ICBC's latest rate increase of 6.3%, which will cost most drivers an extra \$60 per year, is in line with last year's increase of 6.4%.
- Without the suite of product and policy changes we have introduced, the required rate increase would have been closer to 40%.
- We have also worked with ICBC to revise the rate structure so that premiums more accurately reflect drivers' risks on the road.
- Starting September 1, safe drivers with good driving records will be rewarded with lower rates, compared to those who cause crashes or present higher risks.

3. Auto insurance is way less expensive in provinces with a competitive, private auto insurance industry. ^{s.13}

s.13

- Switching to private auto insurance would not automatically benefit B.C. drivers.
- In fact, increasing auto repair, legal and injury claims expenses are driving up insurance costs all over Canada.
- Private insurance companies in Canada are facing such serious challenges, the Insurance Bureau of Canada's president recently stated: "auto insurance systems across the country are broken."
- In Ontario, where insurance is privatized, drivers just saw their highest rate increase in eight years and many drivers there pay premiums far in excess of those here in B.C. New Brunswick insurers also just applied for the largest increase in 16 years.
- Furthermore, private insurers can select who they provide coverage to and that means some groups of people may be denied coverage or pay much more for basic auto coverage than others.
- This is not a situation we want to see in British Columbia.
- Whether we have a public or private auto insurance system in B.C., we will still have to address the same underlying problems -- of a record number of crashes, claims and record high claims costs.
- I am confident the work we are doing with ICBC will address these challenges and keep B.C.'s public insurance system sustainable for years to come.
- The previous government's priority was to take money out of ICBC to pad their budgets; our priority is to get rates under control and ensure that drivers have affordable insurance over the long term.

From: [XT:Tupper, Chris GCPE:IN](#)
To: [Cairns, Holly AG:EX](#); [Smith, George AG:EX](#); [Harder, Derrick AG:EX](#)
Subject: FW: ICBC letter responding to IBC presentations at BC Chamber of Commerce
Date: Thursday, February 7, 2019 3:25:07 PM
Attachments: IBC and BC Chamber of Commerce letter - Final.pdf

FYI – this went to Aaron Sutherland today in follow up to some of his comments made around the province as part of his chamber tour.

Best,
Chris

From: Luong, Thu **On Behalf Of** Carpenter, Bill
Sent: Thursday, February 07, 2019 3:22 PM
To: vlitwin@bcchamber.org; asutherland@ibc.ca
Cc: AG.Minister@gov.bc.ca; manager@duncancc.bc.ca; dan@kelownachamber.org; info@nanaimochamber.bc.ca
Subject: ICBC letter responding to IBC presentations at BC Chamber of Commerce

Hello,

Please see the attached letter from Bill Carpenter, ICBC Vice President, Insurance.

Regards,

Thu

.....

Thu Luong

Sr. Executive Assistant

Bill Carpenter - Vice President, Insurance

ICBC building trust. driving confidence.

.....

#517 - 151 W. Esplanade

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Save trees. Print only when necessary.

"To be yourself in a world that is constantly trying to make you something else is the greatest accomplishment." [Ralph Waldo](#)

[Emerson](#)

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building trust. driving confidence.

February 7, 2019

Aaron Sutherland
Vice President, Pacific
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901-510 Burrard Street
Vancouver, BC
V6C 3A8

Val Litwin
President & CEO
BC Chamber of Commerce
1201-750 West Pender Street
Vancouver, BC
V6C 2T8

I would like to acknowledge both the BC Chamber of Commerce and the Insurance Bureau of Canada (IBC) for engaging in a worthwhile discussion on the future of auto insurance in British Columbia.

It certainly is an industry that is facing significant challenges and its success is paramount to the future of British Columbia. However, whether we have a public or private auto insurance system, the same underlying problems of a record number of crashes and claims, and record high claims costs, would still need to be addressed – simply making a change to private insurance would not solve these issues.

Mr. Sutherland is currently speaking to chamber audiences across the province about how the IBC would solve B.C.'s auto insurance challenges. It is only to be expected that he is passionately advocating for the interests of his members in the private insurance industry, but it is surprising that he seemingly ignores the fact that his IBC counterparts are spreading doomsday messages in other provinces about the challenges in fully private insurance models.

During the past month alone, the IBC's Western VP, Celyeste Power, stated "Alberta auto is in crisis" – a full private insurance jurisdiction – while the IBC's President Don Forgeron wrote "auto insurance systems across the country are broken".

While Alberta's rates may be lower, contributing to this is the fact that their government has instituted caps on the amount that insurers can raise rates year-over-year, keeping them artificially lower than they need to be to cover costs – something the IBC has called "unsustainable". In fact, the IBC are advocating for the Alberta government to remove those caps so rates can increase.

Ontario, another fully privatized jurisdiction, has just had its highest auto insurance rate increases in eight years and, despite the IBC's claim, many people there pay premiums far in excess of those here in B.C. Last year, New Brunswick auto insurers sought their largest rate increases in 16 years, while in Newfoundland and Labrador, industry profitability went from 8% in 2007 down to a 6% loss in 2016.



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For the IBC to suggest a switch to a private insurance model is some kind of magic wand that will cure all our ills is completely disingenuous and baseless, especially at a time when they are clearly aware of the challenges facing private insurance models across Canada.

Among Mr. Sutherland's other statements, he stated that "ICBC has twice as many employees as any other Canadian insurer its size." The facts are that an apples to apples comparison of efficiency tells a very different story. A fair comparison would reflect that ICBC performs the Driver Licencing function for government with a complement of 566 employees as of the end of last year.

Once adjusting for this difference, a very forthcoming way to look at efficiency is to compare the number of employees to insurance revenue. In addition to ICBC, there is one other large Canadian private insurer with less than one employee per million dollars of revenue. Six of the top seven Canadian private insurers exceed that level with the average for the top seven insurers being 1.33 employees per million dollars of revenue. In other words, ICBC actually is 35% more efficient in serving customers than the largest private insurers in Canada.

In addition, I am very proud that all of our employees and partners produce economies of scale that compare extremely favourably to insurance industry standards – our expense ratio is significantly lower (17.6% Corporate or 15% for Basic vs 29.9% for industry, respectively) than the industry average for auto lines. It also cannot go without mentioning that every ICBC employee lives and works in British Columbia. These are all people who are paying taxes and contributing to their local economy. Mr. Sutherland cannot say the same about his members whose employees reside outside our province.

When speaking recently at the Kelowna Chamber of Commerce, Mr. Sutherland noted that British Columbians are getting lower settlements than what they are paying for. We take issue with this statement as it is based on figures that were reached by only accounting for the settlements from basic insurance policies, neglecting to look at optional settlements while still counting overall (basic and optional) premiums.

In Kelowna, Mr. Sutherland also pointed to the fact that while it currently takes nine years to reach ICBC's full insurance discount, under the changes being made to our rate model it will take 40 years to reach full discount. He seemed to think that this was a typical over-reaction to solving a problem. In fact, this new structure is based on the feedback we received after extensive consultation with British Columbians.

Further, our new rate system will better differentiate risk meaning customers that have a low-risk profile can expect to see lower premiums in the future. From September 1, one-third of drivers who are a higher-risk will pay more for their basic insurance – and, therefore, a larger portion of the overall basic premiums collected – which will benefit two-thirds of drivers who are lower-risk, many of whom will start to see their basic rates decrease.



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With respect to optional insurance, Mr. Sutherland commented that there are not more private insurance providers in B.C. because ICBC refuses to share its data - which is a baseless accusation. The IBC and its members are welcome to consult our BCUC filings where we produce data-sharing exhibits and the thousands of pages of evidence in every filing.

As Mr. Sutherland has stated, there have been many detailed reviews of ICBC in recent years - all have concluded that there are far more problems with the system of auto insurance in B.C. than there is with ICBC in and of itself.

We know that the rising cost of auto insurance has been top of mind for many British Columbians and that this is a critical time for auto insurance across Canada. Each province needs to chart their own path towards a sustainable system that benefits all customers. British Columbians can be assured that both the government and ICBC are doing this here in B.C.

Sincerely,

INSURANCE CORPORATION OF BRITISH COLUMBIA

A handwritten signature in black ink, appearing to read "William M. Carpenter". The signature is fluid and cursive, with a long horizontal line extending from the end.

Bill Carpenter

Vice President, Insurance

CC:

Hon. David Eby, Q.C. Attorney General of British Columbia

Kim Smythe, President & CEO, Greater Nanaimo Chamber of Commerce

Sonja Nagel, Executive Director, Duncan Cowichan Chamber of Commerce

Dan Rogers, Executive Director, Kelowna Chamber of Commerce

From: Harder, Derrick AG:EX
To: AG PSSG FOI AG:EX
Subject: FW: ICBC FOI
Date: Wednesday, March 6, 2019 10:54:19 AM
Attachments: Marshall Report 2017.pdf

Can you supply this information below to the applicant:

2017 Marshall Report:

Page 8: The opportunity gap: Ontario's average auto insurance premium for 2015 at \$1,458 per vehicle, represents a significant expenditure for the average Ontarian. That premium is 24 per cent higher than Alberta's, double the premium in Quebec and almost 55 per cent higher than the Canadian average, excluding Ontario. Ontario drivers pay about \$10 billion in insurance premiums a year. If Ontario could achieve a premium level approaching the Canadian average of about \$930 it would save Ontario drivers almost 40 per cent off its current level - about \$4 billion a year or some \$20 billion over a five-year period – that's the opportunity gap.

Page 15 – Table 3: Auto Premiums 2015 – table shows Ontario drivers pay 11% more than BC drivers,

Calculation method	Province	Avg. Written Premium
Per vehicle – private passenger vehicles (PPV) (1)	Ontario	1,458
Per vehicle – PPV (1)	New Brunswick	763
Per vehicle – PPV (1)	Newfoundland and Labrador	1,090
Per vehicle – PPV (1)	Nova Scotia	783
Per vehicle – PPV (1)	Prince Edward Island	755
Per vehicle – PPV (1)	Alberta	1,179
Per vehicle – PPV (1)	Northwest Territories	974
Per vehicle – PPV (1)	Yukon	806
Per vehicle – PPV (1)	Nunavut	968
Per vehicle – PPV (5)	British Columbia (ICBC +private)	1,316
Per vehicle – PPV (4)	Quebec (public+private)	724
Per vehicle – all vehicles (2)	Saskatchewan Auto Fund only	775
Per vehicle – PPV (3)	Manitoba Public Insurance only	1,001

Source: Based on (1) General Insurance Statistical Agency, (2) Saskatchewan Government Insurance Annual Report, (3) Manitoba Public Insurance 2017 Rate Application, (4) Société de l'assurance automobile du Québec, (5) Written premium data from Insurance Corporation of British Columbia and MSA Research Inc.

Claims are per accident year in Ontario, Alberta, the Atlantic provinces, N.W.T., Yukon and Nunavut

From: [Harder, Derrick AG:EX](#)
To: [AG PSSG FOI AG:EX](#)
Subject: FW: Saskatchewan comparison of auto premiums
Date: Wednesday, March 6, 2019 5:35:35 PM

Hi camas

Please also include this link with the response on the ICBC FOI request that we discussed yesterday

http://www.cicorp.sk.ca/quick_links/interprovincial_rate_comparison

thank you

Derrick

From: Tupper, Chris
Sent: Wednesday, March 6, 2019 2:07 PM
To: Harder, Derrick AG:EX
Subject: Fwd: Saskatchewan comparison of auto premiums
Here you go.
Best Chris

Begin forwarded message:

From: "Siemens, Byron" <Byron.Siemens@icbc.com>
Date: March 6, 2019 at 1:29:26 PM PST
To: "Tupper, Chris" <Chris.Tupper@icbc.com>
Subject: Saskatchewan comparison of auto premiums

Hi Chris,

Ben asked me to send you the information about how Saskatchewan compares vehicle premiums across Canada. SGI gets us to quote annually on 34 different risk profiles in 3 different BC cities. The average of the quotes for each city are then published by the Crown Investments Corporation (CIC) of SK in their Utility Cost Comparison along with those from other provinces. Here is a link about where to find these reports going back to 2011.

http://www.cicorp.sk.ca/quick_links/interprovincial_rate_comparison