



**Insurance Corporation of British Columbia:
Building trust or driving away confidence?**

Briefing Note

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Table of Contents

Table of Contents	2
Summary	3
Historical Overview	4
Quick Statistics	5
Current Issues	6
Endnotes	8
Bibliography	9

Summary

The Insurance Corporation of British Columbia (ICBC) is a provincial Crown corporation established and mandated by the Insurance Corporation Act, Insurance (Vehicle) Act and the Motor Vehicle Act.¹ The raison d'être of ICBC is to provide universal compulsory auto insurance to users in the province of British Columbia. Its rates are regulated by the British Columbia Utilities Commission (BCUC).

Similar to other drivers and vehicle owners in other parts of Canada, motorists in BC are mandated to purchase a minimum level of basic vehicle insurance. This provides motorists with third-party liability protection, underinsured motorist protection and medical/rehabilitation costs coverage. Other services ICBC offers include extended third-party liability, collision, comprehensive and vehicle storage.

According to the ICBC 2016/17 Annual report, ICBC is one of B.C.'s largest corporations and one of Canada's largest property and casualty insurers. The insurance products and services are available through a province-wide network of approximately 900 independent brokers, government agents and appointed agents. Annually, ICBC processes approximately 900,000 claims through a 24-hour, seven-days-a-week telephone claims handling facility and online claims reporting.

ICBC also provides other non-insurance services on behalf of the province. Some of these services include vehicle registration, driver license and the collection of fines. It also partners with the BC Services Card initiative and other road safety campaigns and initiatives. Other ICBC partners include law enforcement agencies, health service providers, lawyers and community-based organizations.

ICBC does not have any active operating subsidiary companies. It has 57 nominee holding companies, which hold investment properties for the purpose of generating investment income.

Historical Overview

The history of automobile insurance coverage in British Columbia is intricately knitted to previous political and ideological developments that tracks back to five decades prior. Before 1973, auto insurance in BC was provided by 183 private companies.ⁱⁱ The 1972 provincial election presaged a change in trends.

The Insurance Corporation of British Columbia (ICBC) is a crown corporation managed by the province (of British Columbia). It was established in 1973. Until June 1, 2007, ICBC was governed by the Insurance (Motor Vehicle) Act. On June 1, 2007, the Act was renamed the Insurance (Vehicle) Act. The primary purpose of ICBC was to provide a province-wide universal, affordable and compulsory public auto insurance in the province. Until march 2010, ICBC operated on a non-profit basis.ⁱⁱⁱ

From its time of establishment to 1977, ICBC enjoyed absolute monopoly. This was the original intent of the corporation. But in 1977, auto insurance rates increased substantially. In some cases, drivers faced double premiums. This led to a legislation amendment that allows private insurers to provide competition. Ten private insurers re-entered the auto insurance market.^{iv} However, competition was limited to optional insurance to include coverages such as extended liability, collision and comprehensive plans. ICBC holds a monopoly for basic insurance and also offers optional additional coverage.^v

In 1983, ICBC launched their general insurance division. This division, however, was short lived. The sale of this division was completed in January 1985 resulting in the subsequent creation of Canadian Northern Shield Insurance Company, under the auspices of the Cumis Group of Burlington, Ontario. At the time of sale, ICBC General wrote 120,000 policies per year, totalling \$35 million.^{vi}

Quick Statistics

According to the 2016/2017 ICBC Annual Report,

- ICBC conducts approximately 1.6 million driver licence related transactions each year. It processes approximately 900,000 claims each year.
- Current period injury claims account for approximately 65 percent of current period claims incurred costs in 2016/17. Bodily injury claims costs accounted for over 90 per cent of all injury claims costs and increased by \$928 million to \$3,308 million in 2016/17 compared to 2015.
- Premiums earned increased to \$6,051 million in 2016/17 from \$4,448 million in 2015.
- ICBC manages an investment portfolio with a carrying value of \$15.5 billion at the end of 2016/2017.

Other related statistics;

- In B.C., crashes have climbed steadily; 260,000 crashes were reported in 2012 and 2013, 280,000 in 2014, 300,000 in 2015 and 330,000 in 2016. The 5-year average stands at 290,000 crashes. Crashes are predominantly at the Lower Mainland.^{vii}
- Crashes involving casualty have also increased steadily with the most cases also at the Lower Mainland. It increased from 54,000 in 2012 to 64,000 in 2016.^{viii}
- Fatal crashes has been somewhat undulating. From 2012 to 2016, 251, 245, 256, 277 and 273 fatal crashes have been reported respectively. This is the same for the number of fatal victims. From 2012 to 2016, 281, 269, 289, 295 and 288 cases were reported respectively.^{ix}
- Between 2007 to 2016, Speed, impairment ^x and distraction ^{xi} (respectively) are the top contributing factors in fatal crashes. On the average, these factors contribute 85.8% of

fatal crashes in BC. Other contributing factors include high-risk driving and driving too fast for conditions.^{xii}

- Stolen vehicles, vehicle break-ins and vandalism constitute the most auto crimes in BC. Between 2012 and 2016, there has been an average of 8,300 cases of stolen vehicles, 12,000 vehicle break-ins and 21,000 cases of vandalism.^{xiii}

Current Issues

In recent times, BC's once adorned public auto insurer has become a 'financial train wreck'^{xiv} as it suffered an estimated \$1.3 billion loss in the last fiscal year.^{xv} This represents 23 percent of its revenue from premiums. As a result, recent reports from Ernst & Young suggests that to assuage this situation, rates must increase by 30 percent by 2019. A separate projection released the previous year (2017) indicated that rates would need to increase by 42 percent over the next five years to make up for expenses.^{xvi} In other words, ICBC will require an additional \$1.5 billion in "capital from other sources" between 2017 and 2020.^{xvii} In sum, the corporation's claim costs have risen, its investment income has shrunk, and its revenue from premiums has not kept pace.

While increase in accidents, a surge in claims and high cost of claims are the not far-fetched reason adduced to this quagmire, experts opine that ICBC has been slow to adjust and respond to changes. Over the years, the most common method of fixing the problem has been by increasing rates. As a result, BC has the second highest car-auto insurance rate in the country. With recent projections, it is well on course to have the highest rate in the Canada.

In reaction to this situation, there has been calls to introduce competition as a reasonable path to fixing the problem^{xviii} as monopoly on basic automobile insurance is a system not known to promote efficiency or innovation.^{xix}

Endnotes

- ⁱ Insurance Corporation of British Columbia: 2016/17 Annual Service Plan Report. <http://www.icbc.com/about-icbc/company-info/Documents/ar-2017.pdf> (assessed on 24th of April, 2018)
- ⁱⁱ Mark Milke (2017). Political Risk: The Case for Ending ICBC's Insurance Monopoly. <http://www.taxpayer.com/media/Political-Risk-ICBC-Report.pdf> (assessed on 24th of April, 2018).
- ⁱⁱⁱ Rose Keith Law Corporation (2013): The History of ICBC. <https://rosekeith.ca/the-history-of-icbc/> (assessed on 24th of April, 2018)
- ^{iv} The History Project 1858-2010. Help Write the History of the P&C Insurance Brokerage Industry in B.C. http://www.ibabc.org/pdf_files/BCB_Apr10_The_History_Project.pdf (assessed on 25th of April, 2018)
- ^v Ibid
- ^{vi} The History Project 1858-2010. Help Write the History of the P&C Insurance Brokerage Industry in B.C. http://www.ibabc.org/pdf_files/BCB_Apr10_The_History_Project.pdf (assessed on 25th of April, 2018)
- ^{vii} ICBC- Quick Statistics (2017). <http://www.icbc.com/about-icbc/newsroom/Documents/quick-statistics.pdf> (assessed on 24th of April, 2018)
- ^{viii} Ibid
- ^{ix} Ibid
- ^x * Impairment includes alcohol involvement, ability impaired by alcohol, alcohol suspected, drugs illegal, ability impaired by drugs, drugs suspected and ability impaired by medication.
- ^{xi} * Distraction includes use of communication/video equipment, driver inattentive and driver internal/ external distraction.
- ^{xii} ICBC- Quick Statistics (2017). <http://www.icbc.com/about-icbc/newsroom/Documents/quick-statistics.pdf> (assessed on 24th of April, 2018)
- ^{xiii} ICBC- Quick Statistics (2017). <http://www.icbc.com/about-icbc/newsroom/Documents/quick-statistics.pdf> (assessed on 24th of April, 2018)
- ^{xiv} CBC News: ICBC is 'on the Path to Insolvency' and there's no clear fix. <https://www.cbc.ca/news/canada/british-columbia/icbc-crisis-ndp-1.4245833> (assessed on 19th of September, 2018)
- ^{xv} Times Colonist: ICBC Premium Change won't Fix the Problems. <https://www.timescolonist.com/opinion/editorials/editorial-icbc-premium-change-won-t-fix-the-problems-1.23404590> (assessed on 19th of September, 2018)
- ^{xvi} CBC News: ICBC is 'on the Path to Insolvency' and there's no clear fix. <https://www.cbc.ca/news/canada/british-columbia/icbc-crisis-ndp-1.4245833> (assessed on 19th of September, 2018)
- ^{xvii} Ibid
- ^{xviii} Ibid
- ^{xix} Times Colonist: ICBC Premium Change won't Fix the Problems. <https://www.timescolonist.com/opinion/editorials/editorial-icbc-premium-change-won-t-fix-the-problems-1.23404590> (assessed on 19th of September, 2018)

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