

A Comparison of Motor Vehicle Insurance Rates In Vancouver, Calgary and Toronto 1999 Consumers' Association of Canada (BC)

Executive Summary

In the fall of 1998 the Insurance Bureau of Canada (IBC), representing private automobile insurance companies, began a public campaign to fundamentally change British Columbia's current auto insurance system. The Consumers' Association of Canada (BC), which represents the consumers' point of view on issues, was asked to support the IBC campaign on the basis that many consumers pay much lower auto insurance rates if the public auto insurance system was replaced with open competition.

The Association believed that the best way to assess whether a privatized automobile insurance system would reduce costs would be to compare the rates consumers pay in British Columbia with rates in Alberta and Ontario under private insurance systems. At the same time the Association recognized that rates "don't tell the whole story" when comparing auto insurance systems.

A rates comparison was conducted using detailed quotations provided by ten private auto insurers for each of the cities of Calgary and Toronto and by ICBC for the City of Vancouver. The Association's comparison used a range of insurance rating categories. This range reflects a mix of vehicles, driver ages, driver gender, marital status and coverage's.

Based on its comparison of automobile insurance rates the Consumer's Association of Canada (BC) reached the following major conclusions:

- * British Columbia's public auto insurance system uses what the Association believes is the fairest method for determining what a consumer pays for insurance, namely, a person's driving record.
- * Under private insurance, rates are set on the basis of age, gender, marital status, or geographical location. Therefore, many BC drivers, including claims free drivers, would experience dramatic rate increases of 100% or more.
- * Rates for claims-free drivers are about the same in Toronto and in Vancouver but substantially higher for young drivers and families with young drivers.
- * Ontario's no fault insurance system reduces payments made to victims of crashes which has the effect of keeping rates below what they would be if Ontario had the same benefits system as British Columbia.
- * Most claims-free drivers enjoy lower rates in Calgary than in Vancouver but this is not a surprise given that Calgary is a much smaller city with less traffic, lower auto theft rates and some claims benefits are less than provided by ICBC,
- * BC's public auto insurance system provides sound, universally available coverage for consumers.
- * **Based on the results of comparisons of motor vehicle insurance rates, the Consumers Association of Canada (BC) concludes that there is no strong case to be made for replacing BC's public insurance system (ICBC).**

A. Introduction

In the fall of 1998 the Insurance Bureau of Canada, representing private automobile insurance companies, invited the Consumers Association of Canada (BC) (CAC (BC)) to join them in public campaign to privatize the automobile insurance system currently operating in the province. The Insurance Bureau of Canada proposed that the province's auto insurance industry be opened up to competition, suggesting that British Columbia consumers would have lower insurance rates under a private system.

The CAC (BC) believed a key factor in determining the CAC (BC) position was to review the rates consumers pay in British Columbia under public automobile insurance compares to rates paid by consumers in Alberta and Ontario under private insurance systems. The results of such a comparison would demonstrate whether or not a privatized automobile insurance system would offer any financial advantages for consumers over the current public automobile insurance system in British Columbia.

At the same time the CAC (BC) recognized that there are important differences in automobile insurance systems and traffic conditions in each of the three provinces. These differences not only affect how much consumers pay for their insurance but also the level of benefits received once a consumer makes an insurance claim.

The objective of the review was to compare motor vehicle insurance rates in Vancouver, Calgary and Toronto. For that purpose CAC (BC) prepared 26 profiles of a range of drivers, ages, gender, marital status, and vehicles with the same basic insurance coverage, and obtained rate quotations from the Insurance Bureau of Canada for Calgary and Toronto, and from ICBC for the city of Vancouver.

A. Overview

Consumers' Association of Canada (BC)

The Consumers' Association of Canada (BC) is a volunteer organization dedicated to improving and protecting consumer rights in the market place. The Association represents the consumer point of view to the media, government and corporations on issues related to safety, price, and quality of service and products. Throughout its history, the Association has been a catalyst for consumer action in areas such as health care, food safety and labeling, cable TV, banking and insurance. The mission of the Association is to represent and articulate the best interests of Canadian consumers to all levels of Government and to all sectors of society.

Different Automobile Insurance Systems

In Canada, there are different types of automobile insurance systems in various provinces. These systems range from competitions, to public monopoly, to a mix of public and private systems. In Alberta and Ontario private companies freely compete with each other for the consumers' business. In Saskatchewan and Manitoba automobile insurance is principally sold by Government owned public auto insurers.

British Columbia has a public/private system in which all motorists are required, as a condition of licensing their vehicle, to buy a basic insurance package from the Insurance Corporation of BC. At the same time ICBC and private insurance companies freely compete to sell extended third-party legal liability and other optional insurance coverage to consumers.

There are other important differences between jurisdictions. Ontario and Saskatchewan both have different forms of no fault insurance while Alberta and British Columbia do not. In addition, each jurisdiction offers different levels of insurance benefits.

Insurance Corporation of British Columbia

The Insurance Corporation of British Columbia (ICBC) is a provincial Crown Corporation established in 1973 which provides mandatory universal auto insurance to BC motorists. In 1997, ICBC completed a merger with the provincial Motor Vehicle Branch and assumed responsibility for almost all driver and vehicle-related services.

The Insurance Bureau of Canada

The Insurance Bureau of Canada is the national association representing private property and casualty insurers. Member companies provide about 90% of the more than \$18 billion worth of non-government property and casualty insurance sold in Canada each year.

B. What Determines Automobile Insurance Rates

A number of factors affect how much consumers pay for automobile insurance.

These factors include:

Number of crashes – More crashes result in higher insurance rates. For example, the mountainous terrain of British Columbia presents a higher risk for crashes than the flat prairie terrain of

Alberta.

Vehicle Repair Costs – the higher the repair cost of vehicles the more insurance will cost.

Personal Injury Costs – Medical and rehabilitation costs are a significant factor influencing insurance rates. Another important factor is whether an automobile insurance system has a financial deductible for personal injuries. For example, under Ontario's no fault system, private automobile insurance companies deduct the first \$15,000 from personal injury awards.

Accident Benefits – the more coverage or amount of benefits offered by an insurance policy the more insurance will cost.

Operating Costs – there are costs involved with operating an automobile insurance business and the higher these costs the more a consumer will pay in the form of either higher premiums, or reduced coverage.

Investment Income – all insurance companies are required to set aside financial reserves to cover future costs of claims made in previous years. Income generated from these reserves can be used to reduce the cost of insurance.

Market Share – In competitive markets insurance companies often discount automobile insurance policies in order to increase their market share of other types of policies.

C. Insurance Rate Comparisons

Methodology

To assess whether a privatized automobile insurance system would reduce costs for consumers in British Columbia, it is necessary to first compare British Columbia rates with the rates of private insurers in Alberta and Ontario.

CAC (BC) compared quotes for a range of rating categories supplied by The Insurance Bureau of Canada and ICBC.

The second step is to assess these rates in the context of the different traffic conditions crash rates and automobile insurance systems in each province.

The Rate Comparisons

The rate comparisons were selected as a representative cross-section of the types of insurance a consumer would pay in the cities of Vancouver, Calgary and Toronto. The Association requested that the Insurance Bureau of Canada provide quotations from five of its largest member insurance companies in Ontario and Alberta

Attached is a summary of the detailed rate quotes received. Information supplied by the Insurance Bureau of Canada and ICBC can be found in the Index to this review.

D. Key Findings

Based on CAC (BC)'s review of the rate information supplied by the Insurance Bureau of Canada and ICBC (see Index) the following are the key findings:

1. Rate comparisons don't tell the whole story. There are important differences in automobile insurance systems and traffic conditions in British Columbia, Alberta and Ontario that directly affect what consumers pay in each province.
2. For many consumers rates are lower in Calgary than in Vancouver. This is not unexpected given that Calgary is a much smaller city, has less traffic, has many newer, wider and flatter roads, has a lower rate of auto theft and provincial legislation restricts some insurance payments to consumers to a much lower level than British Columbia.
3. If British Columbia's insurance system were to be privatized many claims-free drivers young drivers, families with young drivers, working youth, and business-use drivers would experience rate increases of 100% or more. Private insurance, premiums are set on the basis of age, gender, marital status, and geographical location, whereas ICBC's rates are principally based on a person's driving record.
4. Rates submitted to the Association by Insurance Bureau of Canada and ICBC show that rates for claims free drivers are about the same in Toronto and Vancouver with some drivers in Toronto paying less. At the same time rates are substantially higher for young drivers and families with young

drivers in Toronto. It must be noted that Ontario's no fault plan reduces benefits paid to consumers injured in crashes thereby keeping rates lower than what they would be if Ontario had the same injury benefits system as British Columbia. As well, Toronto police have estimated that in the order of 10% of vehicles in that city do not carry valid insurance while there are few vehicles in British Columbia that are uninsured due to the automatic purchase of ICBC insurance when vehicle licenses are renewed.

5. British Columbia drivers with a claims-free history would be subject to higher rates if subsequently involved in a claim under private system that with ICBC.
6. In Ontario and Alberta, owners of more than one vehicle may qualify for additional discounts. Presently, such discounts are not available in British Columbia.

1. Conclusions

The Consumers' Association of Canada (BC)'s review rate comparison shows that the present system administered by ICBC provides universally available coverage for consumers in British Columbia. The present method used by ICBC to calculate premiums provides a rate base that does not unfairly penalize any particular group of drivers, other than where the current system provides penalties for bad drivers.

The Association believes that under the province's present insurance system there are many opportunities for private insurers to continue to compete with ICBC in the optional coverage market. This is a large market valued at about \$1 billion/year. This competition has led to innovation in the optional market and such competition would likely have a positive impact on keeping automobile insurance costs down for all consumers.

On the basis of Motor Vehicle Insurance rates provided for rate categories submitted by the Association to the Insurance Bureau of Canada and ICBC, the Consumers' Association of Canada (BC) believes that a strong case has not been made for privatization of motor vehicle insurance in British Columbia.

The Association's view is that the types of insurance systems and traffic conditions in each jurisdiction have a major influence on how much consumers pay for their automobile insurance. Since these systems and conditions are different in each jurisdiction the Association has not seen evidence that the application of completely privatized insurance system would mean lower or fairer rates in British Columbia.

CONSUMER ASSOCIATION OF CANADA (BC) AUTOMOBILE INSURANCE RATE COMPARISON SUMMARY

Assumptions

The following rate criteria were used for all consumers in the three provinces:

Liability Coverage - \$2 million

Collision Deductible - \$200 (\$300 used by private insurers in Calgary and Toronto)

Comprehensive Deductible - \$100

Cities

Rate quotes were provided for the largest city in each of the three provinces. The Insurance Bureau also provided information for the small community of Oakville, which indicate that rates in this type of community are less than in a larger center. This rate information is included in the Index but has not been used in the rate comparison since no similar comparable city was used for Alberta or British Columbia.

Special Notes

For some rate quotes private insurers apply criteria as to who may purchase a policy. For example, it is not uncommon for some private insurers to require a purchase to also be a homeowner in order to purchase a policy.

RATE COMPARISON FOR AUTOMOBILES

Two Vehicle Families

Profile 1

Principal Operator Vehicle 1, Occasional driver Vehicle 2 – 58 year old married male, financial broker, DL 40 years, owned a vehicle and insured 40 years, same insurer 25 years.

Principal Operator Vehicle 2, Occasional driver Vehicle 1 - 55 year old female spouse, home maker, DL 35 years, owned a vehicle and insured 35 years, same insurer 25 years.

Vehicle 1 – 1995 Chrysler Intrepid

Use – 10 km to work each way, 25 km daily, 18,000 km annually

Vehicle 2 – 1996 Dodge Caravan

Use – Pleasure only, 20 km daily, 15,000 km annually

No claims or convictions for both drivers

Profile 1 Rate Comparison

Vancouver	Calgary		Toronto	
ICBC \$	Lowest \$	Highest \$	Lowest \$	Highest
2405	1454	2099	1852	2368

Profile 2

Vehicles and information same as **Profile 1**, with the exception that 58 year old married male has a one at fault claim 12 months ago.

Profile 2 Rate Comparison

Vancouver	Calgary		Toronto	
ICBC \$	Lowest \$	Highest \$	Lowest \$	Highest
2582	1644	2768	1987	4360

Single Vehicle Families

Profile 3

Principal Operator 48 year old married male accountant, DL 32 years, owned a vehicle for 30 years, insured 30 years with same insurer

Vehicle – 1996 Toyota Camry

Use – 20 km to work each way, 50 km daily, 22,000 km annually

Occasional driver 42 year old female spouse, home maker, DL 26 years, owned a vehicle for 20 years, insured 20 years with same insurer.

Occasional driver 17 years old single male son, student, DL for 1 year, never owned a vehicle.

No claims or convictions for all three drivers

Profile 3 Rate Comparison

Vancouver	Calgary		Toronto	
ICBC \$	Lowest \$	Highest \$	Lowest \$	Highest
1362	1957	2236	2532	3297

Profile 4

Principal Operator 42 year old married female, homemaker, DL 26 years, owned a vehicle 20 years, insured 20 years with same insurer.

Vehicle – 1994 Ford Taurus LX Wagon

Use – Pleasure only, 25 km daily, 20,000 km annually

Occasional driver 48 year old male spouse accountant, DL 32 years, owned a vehicle 30 years, insured 30 years with same insurer.

Occasional driver 17 year old single male son, student, DL for 1 year, never owned a vehicle.

No claims or convictions for all three drivers

Profile 4 Rate Comparison

Vancouver	Calgary		Toronto	
ICBC \$	Lowest \$	Highest \$	Lowest \$	Highest
1169	1690	2176	2076	2896

Profile 5

Principal Operator 22 year old single male, DL 6 years, owned a vehicle for 4 years, insured 4 years with same insurer.

Vehicle Type – 1992 Honda Civic DX Hatchback

Use – 10 km each way to school, 30 km daily, 20,000 km annually

No claims or convictions

Profile 5 Rate Comparison

Vancouver	Calgary		Toronto	
ICBC \$	Lowest \$	Highest \$	Lowest \$	Highest
1250	1445	2584	2140	2866

Profile 6

Vehicle and information same as Profile 5 above, with the exception that 22 year old male student has a one at fault collision claim (rear ender) 18 months ago.

Profile 6 Rate Comparison

Vancouver	Calgary		Toronto	
ICBC \$	Lowest \$	Highest \$	Lowest \$	Highest
1667	2280	4398	3062	6142

Profile 7

Principal Operator 22 year old single female student, DL 6 years, owned a vehicle 4 years, insured 4 years with same insurer.

Vehicle – 1992 Honda Civic DX Hatchback

Use – 10km each way to school, 30km daily, 20,000 annually

No claims or convictions

Profile 7 Rate Comparison

Vancouver	Calgary		Toronto	
ICBC \$	Lowest \$	Highest \$	Lowest \$	Highest
1250	967	1490	1456	2052

Profile 8

Vehicle and information same as Profile 7 above, with the exception that 22 year old female has one at fault collision claim (rear ender) 18 months ago.

Profile 8 Rate Comparison

Vancouver	Calgary		Toronto	
ICBC \$	Lowest \$	Highest \$	Lowest \$	Highest
1667	1475	2825	2117	4111

Profile 9

Principal Operator 38 year old single female in retail sales, DL 22 years, owned a vehicle for 20 years, insured 20 years, same insurer 10 years.

Vehicle – 1991 Mazda 4DR Protégé

Use – 10 km each way to work, 35 km daily, 20,000 km annually

No claims or convictions

Profile 9 Rate Comparison

Vancouver	Calgary		Toronto	
ICBC \$	Lowest \$	Highest \$	Lowest \$	Highest
1084	812	1030	947	1244

Profile 10

Principal Operator 38 year old single female in retail sales, DL 22 years, owned a vehicle for 20 years, insured 20 years, same insurer 10 years.

Vehicle – 1991 Mazda 4DR Protégé

Use – 10 km each way to work, 35 km daily, 20,000 km annually

Occasional Driver – 18 year old single male son, student, DL 2 years, never owned a vehicle

No claims or convictions for both drivers

Profile 10 Rate Comparison

Vancouver	Calgary		Toronto	
ICBC \$	Lowest \$	Highest \$	Lowest \$	Highest
1084	1509	1962	1704	2305

Profile 11

Vehicle and information same as in Profile 10 above, with the exception that Principal Operator, 38 year old single female, has a one at fault collision claim (rear end) 18 months ago.

Profile 11 Rate Comparison

Vancouver	Calgary		Toronto	
ICBC \$	Lowest \$	Highest \$	Lowest \$	Highest
1230	1670	2521	1874	4031

Profile 12

Principal Operator, 45 year old married male, retail proprietor, owned a vehicle for 20 years, insured for 15 years, Canadian DL for 4 years, same insurer for 4 years.

Vehicle – 1991 Mazda 4DR Protégé

Use – 10 km each way to work, 35 km daily, 20,000 km annually

Principal Operator has three comprehensive claims in the past 18 months

Occasional Driver – 40 year old female, spouse, retail proprietor, DL 4 years, never owned a vehicle. No claims or convictions

Profile 12 Rate Comparison

Vancouver	Calgary		Toronto	
ICBC \$	Lowest \$	Highest \$	Lowest \$	Highest
1230	1303	1620	1482	2421

Profile 13

Principal Operator, 68 year old married male, retired, DL 50 years, owned a vehicle for 50 years, insured 50 years, same insurer for 40 years.

Vehicle – 1995 Toyota Corolla

Use – Pleasure only, 20 km daily, 12,000 km annually

Occasional Driver – 66 year old married female, spouse, retired, DL 45 years, owned a vehicle for 45 years, insured for 45 years, same insurer 40 years.

No claims or convictions both drivers

Profile 13 Rate Comparison

Vancouver	Calgary		Toronto	
ICBC \$	Lowest \$	Highest \$	Lowest \$	Highest
987	695	947	860	1079

Profile 14

Principal Operator, 20 year old single male, p/t student, Pizza Delivery Person, DL 3 years, owned a vehicle for 2 years, insured 2 years same insurer.

Vehicle – 1991 Nissan Micra

Use – 10 km to school each way, 50 km business daily, 20,000 km annually

One at fault collision claim 12 months ago.

Profile 14 Rate Comparison

Vancouver	Calgary		Toronto	
ICBC \$	Lowest \$	Highest \$	Lowest \$	Highest
3252	3597	4503	4892	6817

Profile 15

Principal Operator, 35 year old single male, in construction, DL 19 years, insured 15 years same insurer. One comprehensive claim (theft) 12 months ago.

Vehicle – 1995 Jeep YJ

Use – 20 km to work each way, 50 km daily, 20,000 km annually

Occasional Driver 32 year old single female, DL 6 years, co-habitant, retail sales clerk, owned a vehicle for 10 years. No claims or convictions.

Profile 15 Rate Comparison

Vancouver	Calgary		Toronto	
ICBC \$	Lowest \$	Highest \$	Lowest \$	Highest
1271	1035	1892	1771	2033

Profile 16

Principal Operator, 40 year old single male p/t student, Pizza Delivery Person, DL 22 years, owned a vehicle 20 years, insured 20 years same insurer.

Vehicle – 1991 Nissan Micra

Use – 10 km to school each way, 50 km business daily, 20,000 km annually

One at fault collision claim 12 months ago.

Profile 16 Rate Comparison

Vancouver	Calgary		Toronto	
ICBC \$	Lowest \$	Highest \$	Lowest \$	Highest
1626	954	1961	1109	3485

Profile 17

Principal Operator, 18 year old single male, student

Vehicle – 1996 Chevrolet Cavalier

Use – 20 km to school

No claims or convictions

Profile 17 Rate Comparison

Vancouver	Calgary		Toronto	
ICBC \$	Lowest \$	Highest \$	Lowest \$	Highest
1827	3386	4780	5300	8705

Profile 18

Principal Operator, 18 year old single female, student

Vehicle – 1996 Chevrolet Cavalier

Use – 20 km to school

No claims or convictions

Profile 18 Rate Comparison

Vancouver	Calgary		Toronto	
ICBC \$	Lowest \$	Highest \$	Lowest \$	Highest
1827	1655	2687	2650	3884

Profile 19

Principal Operator, 17 year old single female, student

Vehicle – 1992 Honda Civic DX 2dr Hatchback

Use – 20 km to school

No claims or convictions

Profile 19 Rate Comparison

Vancouver	Calgary		Toronto	
ICBC \$	Lowest \$	Highest \$	Lowest \$	Highest
2011	1601	2322	2222	5432

Profile 20

Principal Operator, 19 year old single male, labourer

Vehicle – 1992 Toyota Pick-up SR5 4x4

Use – 20 km to work

Two speeding tickets 12 and 24 moths ago

NOTE: For Calgary a quote was provided by IBC for a comparable vehicle, a 1992 Chevrolet 4x4

Profile 20 Rate Comparison

Vancouver	Calgary		Toronto	
ICBC \$	Lowest \$	Highest \$	Lowest \$	Highest
1620	2623	4344	3414	5794

Profile 21

Principal Operator, 21 year old single male, student

Vehicle – 1981 Toyota Tercel Liftback 3dr

Use – 20 km to school

Two speeding tickets 12 and 24 months ago

Profile 21 Rate Comparison

Vancouver	Calgary		Toronto	
ICBC \$	Lowest \$	Highest \$	Lowest \$	Highest
1048	963	2184	1193	2152

Profile 22

Principal Operator – 18 year old single male, student, one at fault claim 12 months ago

Occasional Operator – 19 year old single male, student, claims free

Vehicle Type – 1966 Volkswagen Vanagon GL Camper 2whdr

Use – 20 km to school

Profile 22 Rate Comparison

Vancouver	Calgary		Toronto	
ICBC \$	Lowest \$	Highest \$	Lowest \$	Highest
2493	2176	3116	3791	6118