

Findings on privatization research

This is an overview of the research findings to date. The research has been segmented into eight key objectives.

Key Research Objectives

1. Auto and home general premiums for each province in Canada – dollar figures per month and year.
2. Premium changes when insurance for auto and home insurance has been privatized (shifted from public to private ownership). Separate collision and liability when possible for auto insurance rates.
3. How privatization has resulted in chaotic post-privatization market fluctuations as well as how post-privatization generally results in less coverage for consumers.
4. How age, gender, and number of accidents or tickets impact premiums. Compare private and public for all of these.
5. Deductibles: differences between provinces and compare averages for public vs private.
6. Package policies: compare premium costs for comparable packages province to province and for public vs private.
7. Accident coverage: Is it mandatory everywhere? Does it cost additional? How does coverage change province to province and for public vs private?
8. Benefits of no fault insurance and contrast that to other systems that rely more on litigation, resulting in higher premiums.

Auto and home general premiums for each province in Canada – dollar figures per month and year

Publicly owned insurance company do offer better premium rates than private insurance companies in Canada. If we compare the average premium level of all provinces with private delivery systems to that of public delivery system, insurance premium in public delivery system was \$21 less per year than private delivery system. As per the Ontario Ministry of Finance report, in 2015 average auto insurance premium in Canada was \$968.26. During the same period, the average auto insurance premium in Saskatchewan was \$755, which is 20% less than the national average.

In Saskatchewan, a middle aged man or woman pays ½ what that same person would pay in Ontario or Alberta.

(If Quebec is removed from the public delivery averages, the average premium of public system increases by \$55 annually).

Source: <http://www.fin.gov.on.ca/en/autoinsurance/fair-benefits.html#s15>

Premium changes when insurance for auto and home insurance has been privatized (shifted from public to private ownership). Separate collision and liability when possible for auto insurance rates.

From 1975 to 2011 more than 50 provincial and federal companies were privatized, but none of them were auto or home insurance companies. Hence, we can assume that all the provinces across Canada had private delivery system for both home and auto insurance industry. However, there was a shift of private to public ownership in Saskatchewan, Manitoba, and British Columbia for auto insurance. They are the only publicly owned and operated monopoly auto insurers in the country.

The oldest public insurance is Saskatchewan's SGI, created in 1945. Followed by Manitoba's MPI and British Columbia's ICBC in 1971 and 1974 respectively. Since 1978, in Quebec personal injuries is covered by public insurer and damage to property by private insurers. Other provinces have also considered to shift their ownership to public. In Ontario's 1990 provincial election NDP won on a mandate that included public auto insurance system but it was not implemented. From 2003 to 2005 New Brunswick also considered a public insurance system when private insurance was doubled.

https://en.wikipedia.org/wiki/Public_auto_insurance

The Insuring Crowns: Canada's Public Auto Insurers (PDF)

<https://www.policyschool.ca/wp-content/uploads/2016/03/boardman-vinging-privatization.pdf>

We have yet to find documentation that collision and liability come together as a package with public insurance, ensuring that everyone has adequate coverage and no one is left to fend for themselves after an accident, no matter who was at fault.

How privatization has resulted in chaotic post-privatization market fluctuations as well as how post-privatization generally results in less coverage for consumers.

This has not yet happened in Canada. Public auto insurance was introduced in BC (1973), Manitoba (1971), Quebec (1978) and Saskatchewan (1945), but no provinces have yet transitioned in the other direction.

Howard Pawley, former premier of Manitoba said: "administrative costs of public plans avoids costly administrative duplication and are only one half as much as those incurred by private insurance companies." There'd be one executive pool and one computer system, not dozens.

<http://www.torontosun.com/2012/08/31/public-auto-insurance>

How age, gender, and number of accidents or tickets impact premiums. Compare private and public for all of these.

With private insurance you pay more if you're young, as well as different rates depending on your gender and where you live. These differences are based on how others drive, not how you drive, which can be unfair. Factors deciding auto insurance premium are different in public and private sector. Age and gender are one of the important factors that impact auto insurance premiums in private sector, whereas they don't impact on insurance in public sector.

Age and Location:

A 21 year old male in Toronto driving a 2014 Honda Civic will end up paying \$2,118 more annual auto insurance premium than a 30 year old male. In Calgary and Montreal, that same driver will end up paying \$2,923 and \$1,782 more annual auto insurance than a 30 year old male. However, in Winnipeg and Saskatchewan all the drivers will pay same insurance premium irrespective of their age.

	21 year old	30 year old	Difference
Toronto	\$6338	\$4220	\$2118
Calgary	\$5246	\$2323	\$2923
Montreal	\$3534	\$1752	\$1782
Winnipeg	\$1824	\$1824	\$0
Saskatchewan	\$1401	\$1401	\$0

The following factors were used in getting annual premium for six cities in Alberta, Ontario, Quebec, Manitoba and Saskatchewan (in SK there is no distinction about where in the province you live):

	Toronto	Calgary	Montreal	Winnipeg	Saskatchewan
Car model	2014 Honda Civic DX 4DR	2014 Honda Civic 4DR			
Leased	2014	2014	2014	2014	2014
Demographic	30 year old male	30 year old male	30 year old male	Not required	Not required
Collision Deductibles	\$1000	\$1000	\$1000	\$500 (mandatory)	\$700 (mandatory)
Comprehensive Deductible	\$1000	\$1000	\$500		
Driving record	1 accident & 1 ticket	1 accident & 1 ticket	1 accident & 1 ticket	No discount	No safety points
Age	21 and 31	21 and 31	21 and 31	Not required	Not required
Gender	Male	Male	Male	Not required	Not required
Car usage	Pleasure	Pleasure	Pleasure	Pleasure	Regular

Driving record:

The difference between auto insurance premiums with bad and good driving records is more or less the same in the public and private delivery systems. A 31 year old male in Saskatchewan driver will pay almost 77% less insurance premiums than a 31 year old male in Toronto and approx. 30% less in Calgary.

	Bad driving record	Good driving record	Difference
Toronto	\$4220	\$3685	\$535
Calgary	\$2323	\$1736	\$587
Montreal	\$1752	\$1176	\$576
Winnipeg	\$1824	\$1277	\$565
Saskatchewan	\$1401	\$867	\$534

The following factors were used in getting annual premium for six cities across Canada in Alberta, Ontario, Quebec, Manitoba and Saskatchewan (in SK there is no distinction about where in the province you live):

	Toronto	Calgary	Montreal	Winnipeg	Saskatchewan
Car model	2014 Honda Civic DX 4DR	2014 Honda Civic 4DR			
Leased	2014	2014	2014	2014	2014
Demographic	30 year old male	30 year old male	30 year old male	Not required	Not required
Collision Deductibles	\$1000	\$1000	\$1000	\$500 (mandatory)	\$700 (mandatory)
Comprehensive Deductible	\$1000	\$1000	\$500		
Good Driving record	Clean record	Clean record	Clean record	33% discount	25 safety points
Bad Driving record	1 accident & 1 ticket	1 accident & 1 ticket	1 accident & 1 ticket	No discount	No safety points
Age	31	31	31	Not required	Not required
Gender	Male	Male	Male	Not required	Not required
Car usage	Pleasure	Pleasure	Pleasure	Pleasure	Regular

Gender:

Gender doesn't affect insurance premiums in Winnipeg or Saskatchewan. However, a 31 year old woman will pay \$83 more than a man in Calgary and \$71 more in Montreal.

	Male	Female	Difference
Toronto	\$4220	\$4235	-\$15
Calgary	\$2323	\$2240	\$83
Montreal	\$1752	\$1681	\$71
Winnipeg	\$1824	\$1824	\$0
Saskatchewan	\$1401	\$1401	\$0

	Toronto	Calgary	Montreal	Winnipeg	Saskatchewan
Car model	2014 Honda Civic DX 4DR	2014 Honda Civic 4DR			
Leased	2014	2014	2014	2014	2014
Demographic	30 year old male	30 year old male	30 year old male	Not required	Not required
Collision Deductibles	\$1000	\$1000	\$1000	\$500 (mandatory)	\$700 (mandatory)
Comprehensive Deductible	\$1000	\$1000	\$500		
Bad Driving record	1 accident & 1 ticket	1 accident & 1 ticket	1 accident & 1 ticket	No discount	No safety points
Age	31	31	31	Not required	Not required
Gender	Male & female	Male & female	Male & female	Not required	Not required
Car usage	Pleasure	Pleasure	Pleasure	Pleasure	Regular

Deductibles: Differences between provinces and compare averages for public vs private

You pay higher deductibles with private insurance. And in many cases you pay more than one deductible with private insurance for one accident, whereas with public insurance you pay lower premiums and only one deductible while receiving full coverage.

Note: We were able to gather information on deductibles for SK, Manitoba and BC. For all the other provinces, data was taken from insurance website. As per point number 5, insurance premiums will fluctuate on the basis of deductibles and liability coverage.

Public delivery system:

In Manitoba, all drivers automatically get a \$500 deductible when purchasing basic auto insurance for a private passenger vehicle. However, one can also select lower deductibles of \$100, \$200 and \$300. In Saskatchewan, it is mandatory for every vehicle to get \$700 for comprehensive and \$700 for collision deductible under basic plate coverage.

Private delivery system:

In all the provinces with private delivery systems, deductibles are not mandatory. One needs to buy an additional package for collision and comprehensive deductibles in private delivery systems.

<https://www.mpi.mb.ca/en/PDFs/Deductibles.pdf>

<http://www.icbc.com/autoplan/Documents/autoplan-insurance-brochure.pdf>

<http://www.heritageinsurance.ca/blog/basic-plate-insurance-provides-limited-coverage.aspx>

Package policies: compare premium costs for comparable packages province to province and for public vs private.

Damages from hail, fire, theft, wind and lightning is covered under comprehensive coverage or “all perils” coverage. This is not covered in the mandatory insurance in all provinces except Manitoba and

Saskatchewan. In all provinces with private delivery systems, rates for additional package policies are different.

<https://www.sgicanada.ca/auto-details>

<http://www.lowestrates.ca/blog/what-you-need-know-about-car-insurance-manitoba>

Accident coverage: is it mandatory everywhere? Does it cost additional? How does coverage change province to province and for public vs private?

In all private sector provinces it is not mandatory to purchase collision insurance, resulting in instances of no vehicle coverage when involved in an accident with another vehicle or a single vehicle collision. Whereas you get collision and comprehensive coverage at a smaller premium price in Saskatchewan and Manitoba.

Benefits of no fault insurance and contrast that to other systems that rely more on litigation, resulting in higher premiums.

Province	Insurance system
Atlantic province	Mix of no-fault and tort based system
Alberta	Mix of no-fault and tort based system
BC	Mix of no-fault and tort based system
Manitoba	Pure no fault system with no right to sue
Ontario	Mix of no-fault and tort based system
Quebec	Pure no fault system with no right to sue
Saskatchewan	Mix of no-fault and tort based system

In Manitoba, where the no-fault system has been comprehensively adopted, one cannot sue for pain, suffering or financial losses. Basic pre-determined payouts are paid to both the responsible and non-responsible parties with no recourse to the courts for further damages. The only other Canadian province to have fully implemented a no-fault system is Quebec.

In Alberta and British Columbia, the no-fault system applies, but victims are permitted to sue the responsible party for financial losses and for pain and suffering within strict limits.

The same holds in Saskatchewan, but only if the insured person possesses a much more expensive torte insurance plan. Moreover, a large deductible applies, which means that the responsible party's insurance company's contribution is kept low. The default in Saskatchewan under almost all insurance plans is the complete no-fault system. (IBC fact book 2016)