



COALITION AGAINST NO FAULT IN BC

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CRITIQUE OF ALLEN REPORT

1. **Product One is a threshold and deductible no-fault system. It is called a "modification to the current product". This is very misleading: the changes to our current system are major:**

- * 92% of innocent accident victims will be denied compensation for pain and suffering because their injuries will not be deemed "serious and permanent" as required under Product One (the "threshold"). This means almost all of those victims who are not employed (women at home, seniors, children, people with disabilities) will receive *no compensation*, though they have significant and disabling injuries such as broken bones, brain injury and/or a life of pain;
- * disputes will arise as to whether or not victims fall within the very small category who qualify for compensation. Those who have no other claims (such as women at home, seniors, children and people with disabilities) may not be able to afford to litigate such a dispute:
- * even if this dispute is resolved in your favour, up to \$35,000.00 will be deducted from your pain and suffering award (the "deductible");
- * rehabilitation appears to be left to the discretion of ICBC and to reflect a WCB system of adjudication. Although they may be "unlimited" in theory, they can be severely limited by ICBC adjusters;
- * compensation for lost income is based on net income, the impact of which could be very negative for self-employed individuals. And *everyone* will be required to exhaust their CPP and EIC benefits before qualifying for no-fault benefits, leaving victims vulnerable if they need CPP or EIC benefits in the future.

Product Two is a total no-fault system.

2. Although the Allen Report was to be the only significant process for the people of British Columbia to voice *their* views, Doug Allen's recommendations, specifically concerning product reform, do *not* reflect the public's submissions to the Review Team.

In fact, **the Allen Report directly contradicts stakeholder's and public opinion on the issue of product reform** and thus cannot purport to reflect a consultative process.

3. **Product reform** is recommended as a "solution", but **will not reduce insurance costs long term**. This "solution" is designed to provide at best, short term relief to address a short term need created by the current NDP government: to artificially freeze rates during the course of an election cycle. This "solution" also does nothing to address the area of insurance where costs are increasing the most: material damage claims and auto theft.

Doug Allen's reason for needing product reform was stated as follows: "Given the short term affordability constraint set for us by government, the current auto insurance product is simply not a viable option" (p. 8).

This means that valuable democratic rights are to be sacrificed for the short-term political objectives of our current government.

4. The terms of reference for the Allen Review Team consisted of the following five criteria: (1) accident prevention (2) fraud prevention (3) affordability (4) fairness (5) service improvement.

Doug Allen concluded that, regardless of the system of insurance, strong measures to reduce accidents were essential: "major change...is essential, regardless of the product chosen" (p. 61). He further stated: "neither (Product One or Two) can control the long term underlying increasing cost trend" (p. 10).

Although all insurance systems would require these initiatives, **Doug Allen only calculated how far accident prevention would affect premiums with his two product options and not with our current system, deliberately making the current system appear bad.**

Major savings estimates relevant to the current system can be pulled from the report, however. They include the following:

- * if the same accident prevention initiatives are undertaken in BC as were undertaken in Australia, the BC government could save an estimated \$300 million a year (pp. 19-20).
- * additional savings in excess of \$30 million annually could be obtained through the implementation of a used parts first policy and stricter regulations on the sale of wrecked vehicles (p. 41);
- * a project commissioned by ICBC "identified \$104 million in savings that could have been found in 1995 alone, if material damage claims had been adjusted using an enhanced claim management approach" (p. 45);
- * many other options "have the potential to further reduce costs" but savings were not costed (pp. 68 and 105).

Savings of \$400 million/year represent 15% of current annual premiums.

In light of the fact that ICBC posted a profit in 1993, 1994 and 1995 and enjoyed cumulated profits of \$364 million at the beginning of 1996, **there would appear to be no reason why the current system cannot be preserved *with* the measures which will have to be initiated in any event.**

5. **No-fault is being recommended even though ICBC's financial status has not been independently verified.**

Doug Allen reported: "One of the most difficult obstacles the Review Team faced in attempting to fulfill our mandate was our inability to get full and meaningful information ...data on the revenues and costs of doing business ... is not readily available" (p. 50). The Allen Review Team did not independently verify any of KPMG's numbers: "Rather than re-doing their (KPMG's) work, we started from those proposals" (p. 8).

KPMG's analysis, however, has been criticised by many individuals, including Professor Jack Carr, economist at the University of Toronto. Despite repeated requests, its terms of reference have never been disclosed. Its conclusions are also questionable, as they were predicted by ICBC in the summer of 1996, long before the report was prepared.

Other than the issue of product reform, there are significant number of excellent proposals made by Doug Allen which can be applied to the current system and which are endorsed by the Coalition Against No-Fault in BC.

If you do not believe that Doug Allen has been accountable in representing your views on product reform, you are invited to communicate your views to: Premier Clark, Hon. Ujjal Dosanjh and Hon. Andrew Petter.