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saving lives and protecting rights

Auto Insurance Improvements for BC The Premier Option *(circulated in May 1997)* Report Card to Present Day

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May 31, 2006



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Auto Insurance Improvements for BC The Premier Option - Report Card

Saving lives and protecting rights

Executive Summary

The Coalition Against No-Fault (CANF) created the *Premier Option* nine years ago this month, in May 1997. The document provided the BC Government with 40 recommendations for the province. It was issued as an alternative to no-fault auto insurance, a system that was being considered for implementation in BC in the latter 1990s. A no-fault system was supported by two review processes undertaken at the BC Government's request, which were carried out separately by accounting firm KPMG and the Douglas Allen Review Team. Conversely, CANF rejected no-fault thoroughly as did the vast majority of BC citizens, a fact revealed by public polling during this period (and re-affirmed since that time).

In May 1997, CANF's intention was to be proactive by providing recommendations aimed at road safety and cost-savings rather than a massive product change in auto insurance.

In this report card, CANF has assigned an overall failing grade to BC with regard to road safety, cost-savings and auto insurance throughout the province.

Five of the 40 original recommendations are not graded, due to either a lack of information or applicability. Of the 35 letter grades CANF assigned, 18 were determined as areas of failure (graded with an F). This report card outlines the original recommendations and, where appropriate, includes updated remarks.

The letter-grade breakdown of the report card is as follows:

F	-	18
A	-	7
B	-	5
C	-	3
D	-	2
n/a	-	5

The report card on the *Premier Option* references recommendations that came from CANF and some that resulted from the Douglas Allen Review Team's look at auto insurance in BC. Some grades point out areas of praise for the province with regard to steps taken. Others are indicative of criticism due to inaction. In some cases, the BC Government and ICBC are intertwined. This report is an assessment of the province as a whole, i.e. the BC Government and ICBC, its Crown Corporation.



May 31, 2006

Auto Insurance Improvements for BC The Premiere Option Recommendations Report Card to Present Day

Saving lives and protecting rights

Accident Prevention

1. **Create BC Traffic Safety Commission with mandate to reduce number and severity of accidents. (Source: Coalition and Allen)**

There is currently no single authority with broad, legislated responsibility for traffic safety in British Columbia. Responsibility for safety initiatives is dispersed over a large number of government agencies. As a result, we lack a unified approach to accident prevention. Creating a B.C. Traffic Safety Commission will provide the leadership and legislated authority needed to make our roads and highways safer. The commission will design and implement a comprehensive safety program for B.C. with a focus on results. Many Coalition groups have pointed to the safety program implemented in Victoria State, Australia as a model for British Columbia. The Allen report concludes "a comprehensive safety initiative could have the potential annual savings of almost \$300 million if carried out on the scale that it was undertaken in Australia."

F

Since late 1997, the *Traffic Safety Statutes Amendment Act* has paved the way for this, though such an entity has yet to be established.

2. More extensive and targeted use of photo radar. (Coalition and Allen)

In Victoria State, Australia, extensive use of 54 photo radar cameras is credited with reducing speeding from 23% of all vehicles to just 3.8% of all vehicles. B.C.'s photo radar program is limited and, to date, has not been targeted at high risk locations.

3. Compute penalty points and fines for speeding on graduated scale in proportion to reflect extent that driver has exceeded speed limit. (Allen)

A recent poll revealed that 84% of people surveyed would support fines that are set in proportion to the amount by which the speed limit is exceeded. Bad drivers should be made aware that the financial penalties for their dangerous behaviour will be severe.

4. Revenue from moving violations earmarked to enforcement and traffic safety. (Coalition and Allen)

F

Five years ago, photo radar was scrapped altogether in the province. However, many people assert that photo radar would be an effective deterrent in high-volume crash locations. For example: As recently as last week (May 24, 2006), BC's Solicitor-General John Les confirmed that the government will not heed the advice of TransLink's board, which called for photo radar to be used on the Pattullo Bridge (linking Surrey and New Westminster). As noted in the related *Province* newspaper article (Page A6 - May 25, 2006), speed was a factor in four of the six deaths that occurred on the Pattullo Bridge between Sept 26, 2001 and January of this year.

A

Increased penalties in proportion to the driving offence have worked very well. Fines and punitive restrictions should be heavier for flagrant and excessive speeders and those who speed through construction zones and school zones.

F

Revenues collected due to violations are not earmarked and thereby do not create a direct benefit to traffic safety. Money should not be retrieved only to be added to general revenue.

5. Increased funding for police road safety enforcement.
(Coalition and Allen)

Measures to improve traffic safety require a steady, reliable source of funding if they are to be effective. It is appropriate that bad drivers pay for safety initiatives. Since the government is requiring that ICBC pay many of the expenses related to traffic safety enforcement, it is fitting that ICBC receive the revenue generated by its efforts. Fines from photo radar alone are expected to exceed \$100 million per year.

n/a

For one thing, photo radar was in use when the Premier Option was circulated. It is not used today. Therefore, the reference to \$100 million in fines is obsolete. It is also difficult to determine where and how costs are shared and divided between the province and its municipalities. It is also unclear as to the extent ICBC works in conjunction with municipal police forces and the RCMP with regard to impaired-driving counterattack programs and funding.

6. Use premium tax to pay for road safety initiatives.
(Coalition)

The provincial government collects 4% of every premium dollar in the form of premium taxes. In 1996 this was over \$90 million. ICBC paid a further \$30 million in social services tax on vehicle repair and legal fees. Some, if not all, of these taxes should be reallocated to ICBC to pay for road improvement, safety programs and crime prevention.

F

This is not done at present.

7. Increase road-side checks for impaired driving so more than 50% of BC drivers are checked each year.
(Coalition and Allen)

F

CANF does not have updated statistics, though empirical evidence alone indicates that roadside checks are less prevalent than in years past. Funding uncertainty between police forces, the BC Government and ICBC is at least one cause of the problem.

8. **Make it a breach of insurance to drive with blood alcohol over .08 per cent for private passenger vehicle and .04 per cent for commercial vehicle. (*Coalition and Allen*)**

Impaired drivers were responsible for 16% of ICBC's claims costs in 1996 (\$328 million). It is estimated that in 1997, 400 British Columbians will die and almost 10,000 will be injured due to the recklessness of impaired drivers. More must be done to eliminate impaired driving in British Columbia.

9. **Stringent driver testing to ensure driver's ability to control vehicle, accurately perceive driving environment, make appropriate decisions and demonstrate capacity to exercise responsible driving behaviour. (*Coalition and Allen*)**

F

The letter grade of F in this instance indicates a lack of proper attention across the board with regard to drinking and driving. CANF supports the direction provided by MADD, one of CANF's partner organizations on public campaigns during the past nine years, which at present asserts that: Impaired driving is a breach of insurance, one that should double insurance rates for convicted offenders.

Moreover, MADD recommends a licence suspension of 7 to 14 days and vehicle impoundment for first-time offenders, rather than the current 24-hour suspension. As well, MADD recommends an administration fee of \$350 be applied for reinstatement of a licence, following a suspension.

Additionally, MADD contends that the labour-intensive paperwork police are compelled to use (up to six hours is often required) in laying charges must be improved in order to forward information to Crown counsel in an effective and efficient manner.

F

Driver testing is not even necessarily adequate, let alone stringent.

10. Applicants for commercial licenses to prove safe driving record. (Coalition and Allen)

British Columbia has done little to improve its driver testing program over the past 40 years. It lags significantly behind other jurisdictions, such as Ontario. The B.C. drivers' license tests are short and do not require that applicants prove their abilities in a wide range of driving situations.

F

The milestone of inaction in this regard is now approaching 50 years.

11. Graduated driver licenses for new applicants. (Coalition and Allen)

In 1996, 6% of ICBC's claims costs resulted from driver inexperience (\$123 million). Twenty percent of new drivers are involved in a motor vehicle accident in their first two years of driving. Graduated licenses limit the conditions under which new drivers may operate a motor vehicle and usually include zero tolerance for impaired driving. Such programs in Ontario and New Zealand have dramatically reduced the number of deaths and injuries among young drivers. The Allen report concludes "implementation of a more demanding graduated licensing system, combined with improvements to testing and training and education, has the potential to save lives, prevent injuries, and reduce insurance costs due to driver inexperience by 40%, or more than \$50 million per year."

B

The introduction of graduated licencing has certainly helped in the development of better driving habits for young people. However, whereas the current structure makes roads safer than before graduated licencing came in, it is likely that more attention is needed and that the licencing program could be even stronger and thereby more effective at curbing bad habits and creating safer streets.

12. Mandatory recurrent driver testing. (Coalition and Allen)

Although some drivers improve their driving skill over time, others become more careless. Drivers involved in several accidents must undergo re-testing but by then it's too late. British Columbia needs a program of mandatory re-testing to reinforce the driving practices of good drivers and eliminate the sloppy habits of bad drivers.

F

Nothing has been done in this regard.

13. Delayed green lights. (Coalition)

At light-controlled intersections in many cities such as Toronto, the lights in all directions are red for 1 to 2 seconds. This permits left turning vehicles to clear the intersection without coming into the path of oncoming traffic. The system significantly reduces the number of "left turn" accidents.

14. Radar reading boards for communities to monitor speeding. (Coalition and Allen)

Radar reading boards allow community groups to monitor the speed of traffic. The information is forwarded to police so they can set up radar in high speeding areas.

15. Stop signs at uncontrolled intersections. (Coalition)

Many B.C. municipalities, including Vancouver, have intersections which are not controlled by traffic signals or stop signs. These so-called "courtesy corners" are an invitation to disaster. Stop signs should be placed at all uncontrolled intersections to slow the speed of traffic and ensure that motorists know who has the right of way.

16. Use intersection cameras to monitor red light infractions at high risk intersections. (Coalition)

Red light cameras take a photo of the intersection when the light turns red. Vehicles going through the red light can be identified and the owners fined.

F

Delayed green lights are not a phenomenon in BC.

C

The seemingly sporadic emergence of radar reading boards means BC is on the right track in this regard, though remains in need of widespread use of this effective, highly visible tool.

B

The use of roundabouts has expanded in many municipalities and there are fewer uncontrolled intersections today than in years past. However, it's unlikely the term 'courtesy corner' can peacefully co-exist in a climate known to experience 'road rage' and therefore BC needs to work toward the elimination of uncontrolled intersections.

B

Greater use of these tools are needed.

**17. Increased safety inspection of commercial vehicles.
(Coalition)**

F

CANF is not aware of nor has been advised about any improvements related to the inspection of commercial vehicles.

**18. Improved road design for high risk locations.
(Coalition and Allen)**

n/a

ICBC estimates that in 1996, road design alone accounted for \$123 million in claims costs. Given the degree of sophistication we possess on highway design, this is clearly unacceptable.

It is CANF's contention that a clear case cannot be made across the board with regard to the state of road design. Some areas have been improved. Some have not. Municipalities play a key role and therefore a letter grade in this instance is moot with respect to the province.

19. Risk based insurance premiums. (Coalition)

F

With the exception of the safe driving discount, ICBC's premium structure is relatively flat. This is a marked departure from private auto insurers who set rates according to named drivers, geographic location, type of vehicle, and claims history. A greater level of risk assessment in ICBC's rate structure would benefit policy holders who represent a low claims risk and increase ICBC's revenue.

Auto insurance rates continue to be determined without aid of risk assessment.

20. Enhanced public education on the devastating results of careless driving. (Coalition and Allen)

B

Education is ongoing. Advertisements, particularly television ads, resonate effectively.

**21. Traffic safety education program in B.C. schools.
(Coalition and Allen)**

n/a

CANF does not have enough information to apply a letter grade in this regard.

Fraud & Theft Prevention

22. Create B.C. auto theft task force using Texas model. (Coalition)

In the past 10 years auto theft in B.C. has risen by over 500%! Some U.S. states, such as Texas, have reduced auto theft by up to 40% by implementing aggressive anti-theft measures. If we can reduce theft by just half this amount (20% over inflation) the savings would be over \$26 million per year.

23. Public education on common sense methods of deterring theft. (Coalition)

- remove ignition key
- close windows
- keep parcels in trunk
- park in well-frequented and well-lit area

24. Fraud hot-line similar to Crime Stoppers. (Coalition and Allen)

25. Actuarial approach to rate setting for theft coverage. (Coalition and Allen) Lower premiums for vehicles with anti-theft devices. (Coalition and Allen)

A variety of anti-theft devices are presently on the market. These include fuel disable and ignition kill switches, car alarms and steering locks. Insurance rates for theft coverage should take into account factors such as high risk types of vehicles, high risk locations, repeat victims, and discounts for owners who install anti-theft devices.

F

This has not been done.

C

D

A hotline exists. However, it is not promoted heavily and is therefore not widely known about.

A

Both of these approaches flourish in today's auto-insurance marketplace.

26. Mall patrols at high theft shopping malls. (Coalition)

In a pilot project at the Surrey Place Mall, a "mall patrol" which monitored the shopping mall parking lot, reduced auto theft at the mall by 80%. Similar programs should be undertaken at all high theft shopping malls in British Columbia.

C

Patrolling and the degree of scrutiny demonstrated at shopping malls varies from location to location. A good degree of attention has been created in this regard, but a lack of any universal application leaves things barely satisfactory.

27. Stiffer penalties for those committing auto crime. (Coalition and Allen)

There must be stiff penalties to let would-be thieves know that society will not tolerate such behaviour.

F

People committing and re-committing auto crime continue to cause damage and financial harm throughout BC. This has a horribly negative effect on insurance and safety. Nevertheless, current laws and legal processes continue to allow car thieves to run amok.

28. VIN (vehicle identification number) tracking systems to deter illegal transfer of VIN plates. (Coalition and Allen)

Stolen vehicles are often sold with Vehicle Identification Numbers (VINs) which have been taken from wrecked vehicles. A tracking system should be implemented to ensure that VINs from wrecked vehicles cannot be reused.

F

CANF has not learned of or been advised about the existence or development of a tracking system of this kind.

29. Implement theft reduction strategies recommended by Coordinated Law Enforcement Unit (CLEU) and by B.C. Association of Chiefs of Police. (Allen)

The Allen report lists several recommendations made by CLEU and the B.C. Chiefs of Police on ways to crack down on the use of wrecked vehicles to support auto theft. [Allen, p.47]

n/a

CANF does not have enough information to apply a letter grade in this regard.

30. Implement enhanced claims management approach recommended by Quality Planning Corporation. (Coalition and Allen)

In their 1995 report to ICBC, Quality Planning Corporation recommending an "enhanced claims handling" system which it estimated would eliminate \$104 million per year in fraudulent material damage claims. ICBC paid almost \$1,000,000 for this study but has yet to follow through on the recommendations.

n/a

CANF has not been supplied with enough information to fairly apply a letter grade in this regard.

Service Enhancement

31. Create an independent public regulator to:

- **regulate and stabilize auto insurance rates in B.C.**
- **ensure ICBC is operating in the public interest**
- **guarantee public input**
- **guarantee public access to financial and other information (Coalition and Allen)**

ICBC's use of policy holders' money to lobby for no-fault and its refusal to make public financial disclosure are clear indications that the Corporation's is pursuing its own agenda without regard to the democratic process or the public interest. There is no regulatory body to set ethical or other normative standards for ICBC. Rates are set by Cabinet using undisclosed political criteria. Both KPMG and Doug Allen recognized the problem and recommended that ICBC be made subject to a public regulator to ensure the Corporation is operating in the public interest and that the public has full access to financial and other information.

A

The British Columbia Utilities Commission now has this mandate.

32. Mandatory mediation (non-binding) to resolve differences between ICBC and claimants. (Coalition and Allen)

In 1993, ICBC conducted a mediation pilot project at its Kingsway Claims Centre in Vancouver. The results were dramatic. The Corporation saved \$10,380 (36%) per file on claims that were mediated earlier rather than later, and mediated claims settled for an average of \$18,386 (50%) less than claims which went to trial. The ICBC task force studying the project concluded "the Test Centre (Kingsway) program indicates that there are substantial cost savings if claim files are mediated according to this model. Our conclusion from this analysis is supported by various studies conducted by U.S. companies." If the practices at Kingsway were applied to all claims centres, it is reasonable to project savings of at least 10% (\$130 million) per year. Mediation also resulted in "high customer satisfaction." Claimants appreciated the attitude of respect and trust, the non-adversarial atmosphere, and the satisfaction of achieving a mutually agreeable settlement.

A

33. Information brochures to ICBC claimants advising of dispute resolution options. (Coalition and Allen)

To increase public awareness of the right to mediation and access to Small Claims Court, every insured who files a claim with ICBC, whether for property damage or personal injury, should receive information brochures which notify the consumer of these dispute resolution options.

D

This is not promoted adequately.

Material Damage

34. Used parts policy for ICBC-funded auto repairs. (Allen) Optional new parts coverage. (Coalition)

ICBC should adopt a "used parts first" policy similar to the one in Manitoba. Such a policy would reduce claims costs, increase employment in the disassembly of wrecks and storage of parts, and assist in cleaning up our environment. The Allen report suggests that "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."

A

35. Auto makers to design motor vehicles to withstand minimal collisions with little or no damage. (Coalition)

Claims for property damage jumped 17% in 1996 (compared with a rise of just 2% for bodily injury claims). One of the causes for this increase was poor weather which resulted in more accidents. A major part of the problem, however, is that vehicles are no longer designed to withstand minor collisions and the cost of parts auto repairs is rising exponentially. Provincial and state governments have been successful in forcing auto makers to improve the safety and pollution control features of vehicles. Auto makers should now be required to design motor vehicles to withstand minimal collisions with little or no damage. A reduction in material damage costs of just 1% over inflation would yield savings of \$34 million per year.

F

This item isn't applicable to either the BC Government or ICBC. The F stands as merely a clear indication that cars are not built to minimize cosmetic damage.

Other Initiatives and Cost Saving Measures

36. Require that private insurers contribute their fair share toward traffic safety and related program costs. (Coalition and Allen)

ICBC faces competition from private insurers in the provision of optional coverage to low risk drivers. Because private insurers do not offer coverage to higher risk drivers and bear none of the financial responsibility for programs such as road safety or theft prevention, they are able to offer rates which are lower than ICBC's. The loss in profits to ICBC is \$30 million to \$50 million per year. Private insurers should be required to contribute their fair share to the cost of traffic safety and related programs.

F

37. Give ICBC greater power to collect debts. (Allen)

As of December 31, 1996, debt to ICBC totalled \$505 million. The debt, which includes premium debt, unpaid fines and repayment of fraudulent claims, is growing by \$31 million per year. There should be stiffer consequences to those who fail to pay their debts to ICBC and the Corporation should be given greater powers to collect receivables.

A

38. Implement administrative cost saving initiatives identified by KPMG. (Coalition and Allen)

KPMG identified 14 internal efficiency initiatives which would save \$30 million to \$50 million per year. [KPMG, Vol. II, p.IV-16]

B

39. Implement cost saving improvements to broker fees recommended by KPMG. (Coalition and Allen)

Better use of technology, consolidating broker units, renegotiation of broker fees and direct marketing have the potential to save ICBC \$30 million to \$50 million per year. [KPMG, Vol. II, p. IV-18 to IV-24]

F

40. Increase Small Claims Court limit to \$25,000.00 indexed to inflation. (Coalition)

It has been more than 5 years since the limit in Small Claims Court was raised to \$10,000.00. But, the efficacy of this increase is gradually being eroded by inflation. The average ICBC bodily injury claim in 1995 was \$11,300. Resolution of these minor disputes does not require the complex and expensive procedures of B.C.'s Supreme Court. A process which encourages rapid, informal settlement of disputes under \$25,000.00, without the need for lawyers, should be an option for consumers. Costs will be significantly reduced for both consumers and ICBC.

A-

The limit has been increased to \$25,000, though the amounts are not indexed to inflation (hence the A-minus rather than an A).