

# Plans to open up insurance shelved for now

Beatty, Jim . The Vancouver Sun ; Vancouver, B.C. [Vancouver, B.C.]23 Nov 2002: A1 / FRONT.

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## ABSTRACT (ABSTRACT)

Colin Brown, chief operating officer at HSBC Canadian Direct Insurance, said the decision to limit competition is disappointing. Canadian Direct is the largest private sector company offering optional insurance with 65,000 auto insurance clients in B.C.

"B.C. drivers should be pleased that public auto insurance has not been privatized at their expense," said Jerri New, president of the Office and Professional Employee's International Union Local 378. "Public auto insurance is better, safer and cheaper than private insurance."

Despite Friday's rate increases, [Nick Geer] said B.C. drivers still enjoy among the lowest insurance premiums in Canada.

## FULL TEXT

VICTORIA – The B.C. government has agreed to jack up auto insurance premiums while retreating from aggressive plans to open up the Insurance Corp. of B.C. to more competition.

Moments after making the decisions Friday, government officials denied they had broken key election commitments to increase competition in auto insurance and reduce motor vehicle premiums.

"We're not breaking an election promise," Finance Minister Gary Collins told reporters. "The best solution for this period of time is what we've got."

Collins admitted he is disappointed the government couldn't have done more to open up the insurance market to increased competition, as promised during the 2001 election.

But given the current status of the North American insurance industry, the lowest driver premiums can be provided by ICBC rather than the competitive market, Collins said.

The B.C. government has agreed to maintain ICBC's monopoly on basic insurance while making minor changes to allow for only marginally more competition on optional insurance.

"I would have preferred to do more. . . . It's not as far as I personally would have wished we could have gone in offering competition.

"If we just blew up ICBC and moved everything into competition, rates would go up [by] double digits. That is not in the best interest of the people of British Columbia," he said. "We're trying to produce as much competition as we think is appropriate in order to keep rates as low as possible."

The changes, made during an open cabinet meeting Friday, run contrary to what the B.C. Liberals promised during the 2001 provincial election.

In the New Era book of election promises, the Liberals pledged to: "Introduce greater competition in auto insurance, to create increased choice and reduce motor vehicle premiums."

On Friday, the B.C. cabinet agreed to boost premiums for a second consecutive year, limit competition and increase insurance regulation.

Premier Gordon Campbell denied suggestions that his government has broken its promise to voters.

"We are moving to more competition," Campbell said. "We didn't promise to do everything overnight."

He said it is more important to make the right decision than hang on to a notion that competition leads to cheaper premiums.

"I don't think there is any point in being ideological about this. What's important is that B.C. motorists have the lowest possible rates."

Specifically, the government on Friday agreed to:

- Increase insurance rates by an average of 1.4 per cent on basic insurance for passenger vehicles and 7.6 per cent on optional insurance effective Jan. 1. Premiums for commercial vehicles will increase by 11.9 per cent. The increases will generate an extra \$125 million a year.

By increasing optional insurance rates significantly more than basic rates, ICBC is hoping to eliminate what's known as cross-subsidization, where artificially inflated rates on basic insurance have subsidized optional insurance.

- Transfer responsibility for commercial vehicle safety and motor carrier licensing back to the government. "They are not insurance functions, they are government functions," Premier Gordon Campbell said. "Frankly, they were moved over to ICBC to hide the costs of them."

- Establish an independent body to regulate the market and set rates. Legislation for the new regulator, which will act in the same manner as the B.C. Utilities Commission, is to be tabled in the spring.

Colin Brown, chief operating officer at HSBC Canadian Direct Insurance, said the decision to limit competition is disappointing. Canadian Direct is the largest private sector company offering optional insurance with 65,000 auto insurance clients in B.C.

"They have certainly not gone nearly as far as we would have liked," he said. "They have not done what we hoped."

Brown said the government decision to maintain ICBC's monopoly will deter new insurance companies from establishing themselves in B.C.

"Companies that are not here currently will not react well to today's announcement. They are disappointed," Brown said Friday after speaking with representatives from other companies. "It won't be attractive to businesses that

aren't already here. It's unlikely to attract people to the province."

But unionized workers at ICBC welcomed the news.

"B.C. drivers should be pleased that public auto insurance has not been privatized at their expense," said Jerri New, president of the Office and Professional Employee's International Union Local 378. "Public auto insurance is better, safer and cheaper than private insurance."

At present, ICBC has a monopoly on basic insurance and controls 90 per cent of the optional insurance market.

ICBC chairman Nick Geer forecast a modest loss in its optional insurance to the private sector – about two per cent – as a result of changes announced Friday.

If correct, ICBC will still control 88 per cent of the optional insurance market.

Despite Friday's rate increases, Geer said B.C. drivers still enjoy among the lowest insurance premiums in Canada.

"The principal focus here is the lowest rates possible for British Columbians," he said. "We are raising rates because costs are going up."

Rising claim costs and weak financial markets have forced insurance premiums up across Canada by an average of 16 per cent this year. Alberta is facing increases of 37 per cent while Nova Scotia rates are increasing by 48 per cent.

Geer told a Vancouver news conference that in spite of cost-cutting measures at the corporation, the insurer decided to maintain its \$1.7-million financial commitment to support the 2010 Olympic bid.

"It was a commitment and a contract and I'm not tearing it up because I believe in the rule of law," he said. "... The Sea-to-Sky Highway is a nightmare for ICBC and the claims we have on that road are phenomenal.

"If the Olympic bid improves that highway, I think we will save a fortune."

Between 1997 and 2001, the Sea-to-Sky Highway experienced 2,256 car crashes, resulting in 734 injuries and 24 deaths.

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## DETAILS

<b>People:</b>	Collins, Gary Campbell, Gordon Brown, Colin Geer, Nick
<b>Publication title:</b>	The Vancouver Sun; Vancouver, B.C.
<b>Pages:</b>	A1 / FRONT

<b>Number of pages:</b>	0
<b>Publication year:</b>	2002
<b>Publication date:</b>	Nov 23, 2002
<b>Dateline:</b>	VICTORIA
<b>Section:</b>	News
<b>Publisher:</b>	Postmedia Network Inc.
<b>Place of publication:</b>	Vancouver, B.C.
<b>Country of publication:</b>	Canada, Vancouver, B.C.
<b>Publication subject:</b>	General Interest Periodicals- -Canada
<b>ISSN:</b>	08321 299
<b>Source type:</b>	Newspapers
<b>Language of publication:</b>	English
<b>Document type:</b>	Business
<b>ProQuest document ID:</b>	242510714
<b>Document URL:</b>	<a href="http://ezproxy.llbc.leg.bc.ca:2048/login?url=https://search.proquest.com/docview/242510714?accountid=25387">http://ezproxy.llbc.leg.bc.ca:2048/login?url=https://search.proquest.com/docview/242510714?accountid=25387</a>
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<b>Last updated:</b>	2017-11-01
<b>Database:</b>	ProQuest Central

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