



Backgrounder

ICBC basic rate application

ICBC rate pressures:

- In 2018, the number of crashes in B.C. is projected to be a record high for the second year in a row; **350,000 crashes in 2018 or approximately 960 per day.**
- More crashes in B.C. have also led to an increasing number of injury and vehicle damage claims over the last five years – **a 15 per cent increase in injury claims and a 16 per cent increase in property damage and collision claims.**
- The escalating cost of injury claims is the single biggest factor impacting basic insurance rates – **injury claims costs have soared by 43 per cent in just five years; projected to total \$3.67 billion in 2018 alone.** The increase is primarily attributed to a growing proportion of injury claims being represented, which are generally more complex and costly compared to unrepresented claims, and the rise in very expensive large and catastrophic claims.
- The cost of repairing vehicles is also continuing to get more expensive every year, as vehicles become more reliant on technology and expensive materials, and as more hours are required to repair increasingly complex newer vehicles. **Vehicle damage costs have increased by 50 per cent since 2014; projected to total \$1.63 billion in 2018 alone.**
- Overall, **claims are currently costing ICBC approximately \$15 million per day.**
- This year, in particular, ICBC's claims settlement costs have continued to grow, with an increasing number of large and catastrophic claims which run into hundreds of thousands of dollars each – an average cost this year of \$500,000 each. **ICBC's large loss claims are up 16 per cent** over 2017.
- ICBC is also seeing increasingly aggressive pressure from plaintiff counsel which is leading to slower claims closure – down 12 per cent from last year – and higher settlement demands. Since March 2017, **the dollar value of settlements demanded by plaintiff lawyers for litigated files increased by 27 per cent.** The **average cost of closed litigated injury claims has risen by 21 per cent** from \$100,427 in 2017 to \$121,686 in 2018 (first six months of ICBC's current fiscal year).
- Plaintiff counsel are also spending more to build their files, **increasing their average cost of experts and reports by 20 per cent** compared to 2017 – costs ICBC is almost always responsible for paying.

Reforms to keep rates down:

- Changes to the overall auto insurance product in B.C. are coming as of April 1, 2019 – **changes which will shift the focus away from maximizing payouts to a care-based system.** This will make taking care of people injured in a crash the top priority, with more money for the treatments and support they need to get better and less spent on legal costs.

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- The product reform will bring **substantial improvements to ICBC's accident benefits**, which will improve the care available for anyone who is injured in a crash. ICBC will be able to fund these increased benefits through reduced legal costs, a limit on payouts for pain and suffering for minor injuries and a new dispute resolution model – all resulting in **projected net savings of \$1 billion annually**.
- Government and ICBC are also **modernizing ICBC's 30 year-old insurance system to ensure all drivers pay premiums which better reflect the risk they represent** on the road. From September 1, 2019, one-third of drivers who are a higher-risk will pay more for their basic insurance – and, therefore, a larger portion of the overall basic premiums collected – which will benefit two-thirds of lower-risk drivers. Taking into account the 6.3 per cent basic rate increase, from September 1, 2019, two-thirds of drivers will see an increase that's lower than 6.3 per cent (or even a decrease) while one-third of drivers will see a basic insurance rate increase of more than 6.3 per cent.
- In addition, a number of road safety initiatives are underway, aimed at lowering the frequency and severity of crashes, and mitigating the current financial pressures on ICBC's insurance rates. These include **expanding the activation and usage of intersection safety cameras across the province, and innovative new road improvement projects and telematics initiatives**.
- ICBC is also addressing what it can do to control vehicle repair costs by hiring more estimators to enhance its oversight of autobody shops and through redesigning its collision repair program to create more appropriate tiering of suppliers. The **new tiering model will be designed to ensure safe vehicle repairs at the best value for customers, to drive efficiencies and savings, and to better align with industry standards**. These initiatives will be developed with input from industry.