



The Myth of Cheap Public Auto Insurance



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Few Canadians have much affection for insurance companies. In the event of a claim and a dispute about proper compensation or coverage, insurance rapidly become as popular as hives or H1N1.

But that reality is no reason for Albertans to jump to government automobile insurance. This latter idea was again floated by a New Democrat member of the Alberta legislature, Rachel Notley, after the Alberta Court of Appeal reinstated a \$4,500 cap on soft tissue injuries.

Notley claimed "public auto insurance is the way to go," and that "B. C., Manitoba and Saskatchewan are cheaper with a public system."

Actually, Notley is incorrect in at least one comparison and misses the reasons why, on average, some provinces with government insurance may be cheaper but how that has nothing to do with a government system. But first to the comparisons.

In a 2007 study from the Winnipeg-based Frontier Centre which looked at actual premiums paid by motorists across the country, there was no simple public-cheaper, private-more-expensive conclusion.

Between 2000 and 2005 inclusive, Ontario with private sector insurance had the highest average premiums, including in 2005. But in that year and in five out of the six other years, it was followed by British Columbia, where all mandatory coverage must be bought through the government insurance company. Alberta was third place most years.

The Frontier Centre study --unlike others which purported to show private sector auto insurance was always exorbitantly expensive, was based on actual premiums paid by actual motorists to come up with an average for each province; the faulty studies from others compiled averages based on Internet quotes -- which represent nothing actually paid.

In 2008, Ontario still had the highest average premium at \$1,313, followed by B. C. at \$1,166, and Alberta at \$1,052. Some might argue that if two out of the top three are the highest, that still shows government insurance is the better deal. No, it doesn't, because consumers get what they pay for and also what they receive in claims in the event of an accident.

In 2008, the average claim cost was \$10,863 in Ontario -- the highest in Canada. It explains why their premiums are the highest. Alberta's average claim cost is second-highest at \$6,110; that compares to \$2,924 in British Columbia. As for Saskatchewan and Manitoba, no figures are available as the government insurers don't release their average cost figures, despite being "public" auto insurers.

A last point that informed Albertans should know is that government insurance in Saskatchewan and Manitoba, along with private coverage in Atlantic Canada, is on average cheaper because of caps on the sort of pain and suffering awards recently the cause of so much debate here in Alberta.

The Atlantic provinces have a \$2,500 cap (or deductible) on pain and suffering awards. Manitoba and Saskatchewan have no-fault systems that don't allow policyholders to sue at all for pain and suffering -- the Saskatchewan exception being if one buys the more expensive tort option, in which case the pain and suffering claim is still subject to a \$5,000 deductible.

In short, government auto insurers pay out less in average claim costs, and provide less --or nothing--for pain and suffering of the sort subject to a \$4,500 cap in Alberta.

Consumers get what they pay for and the notion that government systems provide a better deal on insurance is a myth when one understands the difference in the insurance product.