



## Public Auto Backgrounder

*There is a reason that no jurisdiction in North America has moved to create a public auto insurer in almost 50 years – they simply don't work.*

### **Costs to establish and expand the size of the provincial government**

Establishing a public auto insurer would be an enormous financial burden and would shift the cost of auto insurance from drivers to taxpayers – whether they use a vehicle or not.

The Nous Group report (the Report) – independently commissioned by the Alberta government – projects the creation of a public insurer will cost up to \$3.5 billion. This would need to be financed through an increase to the provincial debt, increases in taxes, cuts to services, or a combination. On top of start up expenses, government would also incur significant losses in tax revenue.

Such an undertaking will take time and financial resources away from the things that matter most to Albertans – like better health care and education, dealing with affordability challenges, or paying down the provincial debt. It will also place Alberta's provincial finances under significant strain, placing the Heritage Fund in jeopardy and likely requiring new tax measures – such as the creation of a Provincial Sales Tax – to foot the bill.

It would also significantly enlarge the size and scope of the provincial government, adding thousands of new government workers while dramatically reducing employment in the private sector.

### **Private sector job losses**

Moving to a public auto system would also put the government on the hook for massive job losses. In communities across Alberta, thousands of families would be effected. The greatest impact would be on women, who according to Statistics Canada, make up the majority of employees in the insurance sector. The Report estimates that the creation of a public auto insurance system would lead to killing thousands of direct jobs that Albertans are working in right now in private insurance, and additional job losses for downstream jobs, such as brokers and legal services. In total, the government would be solely responsible for the largest number of jobs eliminated in the history of the province.

This runs counter to Alberta's free market ideology and goal to support and promote private sector growth in the province.



## **The dismal financial track record of Canada's public auto systems**

Recent history shows that taxpayers have paid a considerable price to support public auto insurance systems – whether they drive or not.

- Saskatchewan's most recent provincial budget highlights that the Saskatchewan Auto Fund is forecast to face a significant deficit of \$179.2 million. This was equal to \$145 per citizen.
- In 6 of the last 9 years, ICBC has incurred a financial loss, negatively impacting the provincial treasury by roughly \$4 billion.
- In Manitoba, MPI currently experiencing a financial deficit of \$21 million, which is projected to rise to \$24 million in 2024/25

## **Lower benefits and a loss of rights**

Every existing government-run insurance system in Canada (BC, Saskatchewan, Manitoba and Quebec) operates a pure no-fault model. These systems have achieved lower premiums by shifting costs from drivers to taxpayers and stripping away the legal rights of drivers seriously injured in accidents to ensure they are receiving the benefits they need to recover. In those jurisdictions, recovery benefits are strictly defined – even for the most injured. In many cases, the government insurer sets a flat rate for various treatments, often below the market rate. People injured in accidents must often pay out of pocket to receive the treatment they need to recover. Those without the financial means often do not seek the treatment they need due to the co-payment needed. Income replacement and other benefits are also capped, regardless of your specific circumstance or financial status.

## **Loss of ability to save on bundled premiums**

Under government-run public auto systems, people lose the freedom to shop around for the best auto insurance rate and product. They have to take what they get – at whatever price - from the government monopoly. Auto insurance is a mandatory product, and consumers should have the choice to shop around to find the best options to suit their needs and budget. The report notes that 'transitioning to a public insurer will reduce consumer choice regarding their auto insurance provider. Consumers may have limited flexibility in selecting insurance coverage that best suits their needs and preferences, as there are fewer options available to them.'

In provinces with public auto systems, consumers lose the ability to bundle home and auto policies to get premium discounts or utilize some of the product innovations offered by private insurers like purchasing online, or utilizing telematics. This impacts not just auto insurance premiums. The majority of consumers obtain property and automobile insurance from the same insurer. This generally leads to discounts, on both policies, of 15% or more. For a consumer with a \$1,500 property insurance policy, a 15% discount would lead to a premium savings of over \$200. This consumer would not be able to access this discount if they did not have the ability to bundle their home and auto insurance together. The Report confirms that the introduction of a public insurer may limit the ability to bundle insurance policies, eliminating discounts or reduced premiums for consumers.



## **Public insurance runs counter to free market**

Public auto insurance runs counter to Alberta's free market economy that acts as an economic engine of Canada.

Alberta's private auto, home and business insurers play a key role in supporting the provincial economy. Insurance provides financial protection for Alberta families and businesses, providing peace of mind and promoting financial stability when disaster strikes. Insurance protects the supply chains that support business and economic growth, and is there in times of need to help people and businesses recover.

### ***Key Facts:***

**Economy:** Alberta's property and casualty (P&C) insurance industry directly contributed \$2 billion to the province's nominal gross domestic product. The total economic impact is almost \$4 billion when including the positive impact on provincial supply chains and the impact of insurance industry employment income being spent on goods and services.

- **Jobs:** P&C insurers and brokerages directly employ 17,000 Albertans in communities across the province. The insurance industry furthers gender equality, with women representing more than two-thirds of all those employed. For every 100 P&C insurance jobs, a further 94 jobs were indirectly created, bringing the total number of Alberta jobs attributable to the P&C insurance industry to approximately 32,000.
- **Taxes:** The P&C insurance industry contributes substantially to Alberta's tax revenue. In 2022, the industry's total tax contribution to provincial finances exceeded \$680 million.
- **Investing back in Alberta:** In 2022, the P&C insurance industry invested about \$22 billion in provincial, municipal, public authority, and school bonds, and another \$17 billion in federal government bonds. Government bonds are a key source of provincial revenue that supports services and critical infrastructure investments that benefit the public at large.
- **Helping Albertans when they need it most:** Insurance provides consumers financial protection from loss, and infuses capital into the economy that helps support the jobs, goods and services needed to service claims. In 2022, Alberta's insurers supported \$6.3 billion in claims filed by policyholders, helping families and businesses recover quickly when disaster strikes. Of that total, \$2.9 billion went towards auto insurance claims.

There's already too much government in our lives, and we continue to pay more and more taxes to support bureaucratic waste. We need ideas that reduce the size of government, not increase it.

### **Additional Resources**

**Opinion: Debates about government vs. private auto insurance should use real facts:**

<https://financialpost.com/opinion/debates-government-private-auto-insurance-real-facts>



**Opinion: Lessons learned in New Jersey could help Alberta drivers:**

<https://calgaryherald.com/opinion/columnists/opinion-lessons-learned-in-new-jersey-could-help-alberta-drivers>

**C.D. Howe Institute: David Marshall – Reforming Auto Insurance:** <https://www.cdhowe.org/intelligence-memos/david-marshall-reforming-auto-insurance>