THE INSURING CROWNS:
Canada's Public Auto Insurers

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"Once in, never out."[1]

THREE WESTERN PROVINCES – Manitoba, Saskatchewan, and British Columbia – use publicly owned Crown corporations to provide automobile insurance to their citizens. Despite the privatization of many Crown corporations over the past twenty years, including many in commercial-oriented businesses, the auto insurers – the Insurance Corporation of British Columbia (ICBC), Saskatchewan Government Insurance (SGI), and Manitoba Public Insurance (MPI)[2] – continue to provide automobile insurance to the public. While in the political and policy abstract, it is possible, and many might argue desirable, to have private firms in a competitive market providing auto insurance to car owners, this is not what we see in these provinces. It is through public bureaus rather than through regulated private markets that these provincial governments have opted to coordinate this part of the insurance sector. Why is this so? Why did these provincial governments start selling automobile insurance in the first place? And why do they continue to do so today? What follows is a modest attempt to

[1] Larry Fogg, President, SGI Auto Fund, 1997-2004.

[2] In addition to its range of primary and secondary research, this article benefited from the insights of Larry Fogg, President, SGI Auto Fund, 1997-2004; Brian F. Kelcey, Senior Political Advisor to the Ontario Government, 1999-2003; MaryAnn Kempe, Vice-President, Community and Corporate Relations, MPI; Toby Louis, Executive Director of Corporate Policy and Planning, Ministry of Justice, British Columbia; and Jason D. Wallace. My views on decision making within provincial governments are largely drawn from my doctoral work on the evolution of the Liquor Control Board of Ontario (LBCO). I am particularly grateful for the thoughts provided by: Duncan Brown, CEO, Ontario Lottery and Gaming Commission, 2004-2007; Guy Giorno, Chief of Staff to Mike Harris, 1998-2002; David Lindsay, Chief of Staff to Mike Harris, 1995-1998; and John Toogood, Deputy Chief of Staff to Mike Harris, 1995-1999. I thank all of these participants for their time and insights into the operations of public Crowns and decision making within governments. Without these perspectives, this type of academic research would not be possible. I alone, of course, am responsible for all statements, opinions, facts, and interpretations contained within this present work.

answer these questions and to provide some current insights into the evolution of three of Canada's legacy Crown corporations.

In this article I examine three Crown corporations – ICBC, SGI, and MPI. I outline both their historical origins and their current condition(s). My central premise is that these three Crowns help to meet a number of specific policy needs of their political masters and that these policy functions have significant political value. This, in conjunction with the dynamics of decision making in Canadian provincial governments, has insulated them from elimination. Their central value is their capacity to provide consistent prices for automobile insurance over divergent components of the population as well as over a long period of time. I argue that such consistency is more valuable to a government than are any possible gains to be derived from their replacement by private insurance providers operating in a competitive market.

The policy and political value of these Crowns is derived from a few major factors, including their monopoly position within the market, the political significance of their financial reserves, the well-paying jobs they provide, and the material benefits they confer to specific interest groups such as unionized employees, insurance brokers, and auto body repair shops. Crown insurers also provide a number of ancillary services to their respective governments, whose decision-making structure limits their capacity to embark on proactive policy creation since they are preoccupied with managing a constant myriad of day-to-day problems. Provincial governments are inherently risk-averse, and eliminating one of the insuring Crowns would create too many problems and would yield marginal political gains.

These Crowns were creatures of the ethos of postwar Keynesianism, when direct intervention by the state into the market via public enterprises was both a laudable and a viable policy option for governments. This era has largely passed, such that in contemporary Canada the value of public enterprise in general, and the feasibility of using a Crown to resolve a particular policy or political problem more specifically, has greatly diminished. This shift in values is best illustrated by the privatization of many former Crown corporations, particularly in the energy, communications, and transportation sectors (Hale 2009, 293). In this sense, these three Crowns are "legacy" firms, historical holdovers from a different era that, for a variety of reasons, continue to provide similar services as when they were created. During the neoliberal (re)alignment of the last twenty or so years that has affected all aspects of governance in Canada (McBride 2005), we would have expected to have seen these Crowns eliminated, but this has not been their fate. It is worth noting, however, that interest in state-owned enterprises is on the rise given their significant role in the economic development of a number of nations, particularly China (Woolridge 2012).

In this article, I seek to engage with the critics of public enterprises in Canada (Boardman and Vining 2012; Iacobucci and Trebilcock 2012; among others). To illustrate the organizational and governance changes that these three Crowns have undergone over the course of their life cycles, I argue that they are dynamic entities that have adapted well to a changing context and the needs of their political masters. These three corporations, for instance, have substantially modernized their internal operations, as well as their relations to their political masters, ending direct political interference in their business dealings, a common issue in years past (Manitoba 1979). These are not the stodgy Crown corporations of yesteryear. Moreover, my examination of these Crowns and the political decisions made regarding their fates is a graphic illustration of the role that political realities, rather than economic or ideological ideals, play in understanding how and why provincial governments do what they do.

Analyses of contemporary Crowns are scarce in the current policy literature. With the exception of a few works (Bernier 2011; Bernier and Simard 2007; Bellamy 2005; Campbell 2002) and those by myself (Bird 2010a; 2010b; 2012), little has been written on contemporary Canadian Crowns. Much of what exists is well over twenty years old and often deals with the issue of privatization (Tupper and Doern 1988; Laux and Molot 1988; Rea and Wiseman 1985). Academic writing on the provincial auto insurers, likewise, is also limited (Roos 1977; Wallace 2006). This is in spite of the fact that forty of Canada's largest four hundred corporate entities are Crowns (Corcoran 2010) and that they are still significant actors in a number of sectors, including liquor retailing, financial services, and the production and distribution of electricity.

In the analysis that follows I provide, first, a brief description and explore the historical origins of these three firms. Then I explain why these Crowns continue to exist: I emphasize their value to their political superiors, to various stakeholder groups, and to the driving citizenry. In the final two sections, I outline the decision-making structure in contemporary provincial governments and explain why they are not amenable to altering the composition of this market since such actions are not politically feasible. I conclude that, barring a major external shock or a substantial structural shift in the automobile and insurance sectors, or in society more generally, the insuring Crowns will continue in their present form for the foreseeable future.

DESCRIPTION AND ORIGINS OF THE INSURING CROWNS

My three case studies are quite similar. MPI, SGI, and ICBC all share a number of characteristics in their origins, evolution, and operations, although some noteworthy differences also separate them. They are the only publicly owned and operated monopoly auto insurers in the country.[3] All of these firms provide comprehensive automobile insurance to all drivers within each province. All drivers are obligated to purchase the compulsory component of their insurance from their respective provincial Crown, but they are able to purchase the optional coverage components (such as additional third party liability and collision coverage) through private firms as well as through the Crown itself. In the majority of policies, however, between 80 and 90 percent of drivers purchase the Crown's optional coverage. These Crowns are collectively owned driver trust funds in which the money deposited into them via premiums roughly equals the money distributed by the Crowns to claimants, minus the administrative costs associated with their operations.

The oldest of the insuring Crowns is Saskatchewan's SGI, created in 1945 by Tommy Douglas's Co-operative Commonwealth Federation (CCF) government. Public auto insurance started in the first CCF term as a sixty-dollar-per-driver yearly premium to cover uninsured motorists. This social welfare measure was intended to reduce accident-related poverty since, at the time of its inception, fewer than 10 percent of drivers carried auto insurance, and the province had to cope with the growing number of citizens injured from auto-related accidents who did not have access to insurance payouts (Clark 1995). From its modest beginning, SGI evolved quickly into a full-fledged public insurance firm (Stewart 2003, 177). Among the other reasons for state intervention in this sector were the relatively high cost for policies for Saskatchewan's residents, unfair and unjust selection criteria for potential customers, and the fact that 90 percent of insurance policies were then written by eastern-based insurance firms, which meant that significant sums of money were leaving the province. SGI was a product of the Government

[3] All of the other provinces, except Quebec, use private firms in regulated, competitive markets to provide insurance to their driving citizenry. Quebec uses a hybrid system, with private insurers covering physical liabilities and a provincial Crown providing individual coverage.

of Saskatchewan's efforts to diversify the provincial economy through the use of public Crowns (Clark 1995) and through non-private enterprises such as cooperatives (Margoshes 1999). Its creation met with remarkably little resistance from either the industry or individual citizens within Saskatchewan. On the ideological front, SGI's creation was congruent with the social democratic philosophy that dominated the CCF and its moderate, Fabian Christian reformist roots (Young 1969, 45-46).

Auto insurance was one of twelve types of insurance originally offered by SGI. In the early 1990s, this division was formalized when SGI was split into two components: SGI Auto Fund, which is responsible for insuring vehicles within the province, and SGI Canada, which is a profit-earning general insurer that sells a variety of insurance products across Canada. Both are headquartered in Regina. In 2011, the Auto Fund had gross premiums worth over $748 million and $1.71 billion in total equity (SGI 2011, 37). SGI's Auto Fund also handles drivers' licences and vehicle registrations as well as managing comprehensive education and harm reduction programs on behalf of the provincial government.

Both of the other insuring Crowns, ICBC and MPI, were created in the early 1970s. A few originating differences aside, they share a number of similar characteristics. British Columbia's ICBC was created in 1974 by Dave Barrett's New Democratic Party (NDP) government, which was in power from 1972 to 1975 and ended the twenty-year rule of W.A.C. Bennett's Social Credit Party. The NDP embarked on an ambitious legislative and policy agenda during its term in office. An early election call in 1975, and disconnection from the electorate, brought the NDP's rule to an abrupt end that year (Barman 2007, 345-47).

Public automobile insurance was a goal of the BC NDP. A public enterprise was regarded as a viable means to resolve the problems that plagued this sector. These included a lack of competition in the market, high costs, and accusations of price collusion among providers. Widespread problems plagued the management of claims and payments to injured drivers and their families, and these concerns resonated in the political sphere (Barrett and Miller 1995, 53 and 67). The previous Bennett government's efforts to regulate and reform the industry had failed to resolve these difficulties, and the new government sought a viable way to eliminate the high numbers of uninsured drivers on the roads. A final contributing factor was the provincial insurance sector's inability to mount a unified and effective counter-campaign to the government's policy proposal (Wallace 2006). ICBC is now the largest of the insuring Crowns, with revenues in 2010 of $3.67 billion in premiums and assets totaling $13.1 billion (ICBC 2010,42 and 43). Like its Saskatchewan counterpart, it also provides driver licence and vehicle registration services, collects fines, and promotes safe driving through educational campaigns and road improvements in conjunction with other public agencies.

The third insuring Crown is Manitoba's MPI, created in 1971 by the NDP government of Edward Schreyer. The origins of MPI largely mirror that of British Columbia's ICBC in that there were significant problems within the automobile insurance sector: auto insurance rates were high, adequate coverage was rare, and private insurance firms treated accident victims and their families poorly. At its inception, only approximately 10 percent of the province's vehicles were adequately insured (Cooper 1977, 34 and 3). In slight contrast to British Columbia, however, Manitoba's automobile insurance sector did mount an intense effort to stop the government from creating MPI, but such efforts proved futile, given the NDP's long commitment to public auto insurance and the inability of the insurance industry in Manitoba to use its political power to alter the course of the NDP government (237). Schreyer noted how a public monopoly and its unitary characteristics could substantially reduce the transaction costs associated with administering an insurance system, ranging from higher court costs to delayed payments. "The present system makes adversaries of all of us," wrote Schreyer (1970, 23). MPI, like its two western cousins, now also provides driver and vehicle registration and licensing, and it runs various road safety and enforcement campaigns in conjunction with other public agencies. In 2010, MPI had revenues of $956 million and total assets of $2.99 billion (MPI 2011, 48 and 49).

CONTEXT: IDEOLOGY, STATE INTERVENTION, AND THE POSTWAR PERIOD

State intervention and public enterprises have a long history in Canada. Such interventions were critical components of Sir John A. Macdonald's National Policy and his support for the building of railways and canals. It was also apparent in the contemporary era with the formation of one of the first modern Crowns, Ontario Hydro, in 1905, which was created as part of the provincial government's efforts to aid industry located in the province's hinterland by providing cheap and reliable electricity (Nelles 1974). This is not to suggest, however, that the ideological orientation of the founding governments of the insuring Crowns is not also noteworthy. All three Crowns were created by left-of-centre CCF or NDP governments who were partly motivated by their long-held socialist principles, which called for the nationalization of insurance provision (CCF 1933). The use of a public enterprise by left-of-centre parties, then, is understandable given the left's general calls for the public ownership of the means of production.

But it is critical to note that mid-twentieth-century governments from all sides of the partisan spectrum used public enterprises to meet particular goals. This included Conservative governments ranging from Alberta's Peter Lougheed, who used a number of Crowns to develop the province's transportation and petroleum industries (Richards and Pratt 1979), to British Columbia's W.A.C. Bennett, who used public enterprises to build his province, creating BC Ferries in 1960 and nationalizing the hydro system in 1961 (Tomlin 1990). (Prior to the Second World War, Conservative prime minister R.B. Bennett had created the CBC and the Bank of Canada.) Right-of-centre governments draw upon a different rationale for this direct form of state intervention, often derived from a strong Macdonald-Tory historical tradition wherein state intervention was acceptable so long as it promoted business enterprise and economic development (Rea 1985, 18).

The creation of all three insuring Crowns, then, was congruent with the postwar consensus that state intervention through public enterprises was a viable policy option. In fact, our willingness to use public enterprises is, for some scholars, what differentiates Canada from our southern neighbours to the extent that it constitutes a unique part of our national self-identity (Hardin 1974). While Canada's commitment to Keynesian principles in the postwar period can be characterized as more of an illusion than a concrete policy prescription, there was an overall sense that the state had a critical role to play in guiding the country's economy and economic development (Campbell 1987). Since the mid-1970s, however, we have seen the development of a political philosophy – neoliberalism – that calls into question the value of the state and its interventionist policies, including the use of public enterprises (McBride and Shields 1993). Whether or not the state has in fact shrunk over this period is debatable (Hay 2004), but it is important to note in contemporary Canadian society a sentiment that is highly critical of the value of the public sector in general and of the efficacy of publicly owned companies.

WHY DO THE INSURING CROWNS CONTINUE TO EXIST?

While the creation of these Crowns was a reasonable response to the problems that three governments faced in the insurance sector, and was roughly congruent with the general policy ethos of the time, these factors do not explain their continued existence. To understand their longevity, I now examine governmental decision making within the provincial sphere, the Crowns' contextual and operational functions, and their value to their political masters. I argue that the central reason for their continued public ownership is the interaction between the mechanics of Canadian provincial governments' decision-making processes and the institutional characteristics of this particular sector. It is noteworthy that in two provinces, Manitoba and British Columbia, right-of-centre governments have privatized other public enterprises, most notably Manitoba Telecom Services (MTS) in 1996 and BC Rail in 2004; and, while British Columbia's Gordon Campbell government discussed introducing "full competition" to the auto insurance market (Young 2001), this promise was never fulfilled.

Low Consistent Costs for Drivers

The insuring Crowns operate on a non-profit basis. The Crowns' revenues equal the payments made to motorists in order to resolve accident claims, minus administrative costs. This structure allows them to provide low-cost insurance to their clients when compared to the rates charged by private-sector firms in competitive markets (Consumers' Association of Canada 2003; Young 2001). Not all groups, however, agree with this conclusion. The Insurance Bureau of Canada (IBC), which represents Canadian insurance companies, and the Fraser Institute, for instance, argue that insurance costs are considerably higher in those jurisdictions with public insurance providers (IBC 2012; Skinner 2007). For my purposes of wanting to understand why these governments continue to own and operate these firms, I will not enter a discussion concerning which arrangement provides for lower costs, and this article does not provide an in-depth analysis of the intricate debate surrounding these divergent conclusions. Price analysis is a moot factor because what is politically significant is not the overall insurance prices that consumers pay but, rather, the price consistency that these Crowns bring to the insurance market. The ability to provide price consistency, based on demographic and geographic factors over a long period of time, translates into real and concrete political value for their governing masters.[4] The primary concern for any of these governments is for the Crowns to keep insurance prices as low and as consistent as possible for the entire population. Even if private markets were able to provide lower cost insurance to the citizenry, this would not alter governments' political calculi as to whether or not they should continue to own and operate these Crowns. Before I engage further with such a line of argument, let me first examine the mechanics of the insuring Crowns to illustrate how they serve citizens, significant stakeholders, and their political masters.

Natural Monopolies: Unitary Providers of a Service

The insuring Crowns derive much of their political, policy, and economic value from the fact that they are the solitary providers of a particular good in a specific market. Since providing basic insurance coverage is their exclusive right, they enjoy a monopoly position in the compulsory component of the auto insurance sector and have a near monopoly in the optional coverage segment as well. This type of unitary arrangement brings significant efficiencies associated with uniform insurance claim policies and procedures as well as standardized repair payment and administration processes. (The public auto insurance firms, in this sense, share some characteristics with other public monopolies in Canada in the health insurance and electricity distribution sectors.) The benefits of these lower transactional costs associated with a uniform provider, then, are distributed among different segments of the insurance sector: drivers, stakeholders, the Crowns' unionized employees, and the government. But given the public nature of this bureau, such an arrangement holds the possibility for undue rent seeking by these entrenched interest groups (McNutt 2002) as well as for undue political interference in these Crowns' operations.

A monopoly's value limits potential changes to the market's structure. In political terms, a Crown insurer's value is tied to its unitary or monopoly position, and allowing private firms to sell the compulsory auto insurance, for instance, could threaten a Crown's financial position since private firms would be inclined to only insure the lowest-risk drivers. Such actions could jeopardize a Crown's financial well-being as well as its capacity to meet the government's other policy and

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[4] MPI and SGI, for instance, have special reserve funds that are managed by the Crown and are used to meet operational shortfalls when revenues do not match expenditures due to unforeseen circumstances.

political objectives. The considerable sunk cost of a Crown's physical assets, likewise, further constrains governments from changing the sector's structure. Once a Crown has been established, it assumes an "all or nothing" condition because a hybrid market, in which private insurance firms play a prominent role, would be difficult to establish and to maintain.

Ancillary Value: Government Services, Jobs, and Cash

The insuring Crowns have other politically valuable policy functions. Any changes to their position in the market could potentially threaten their ability to provide their services to the citizens and their political masters. For instance, all the Crowns handle driver's licence and vehicle registration for their respective governments and collect driving and parking infraction fines. In a recent year in British Columbia, for example, ICBC (2010, 43) spent $82 million providing these two non-insurance functions to the provincial government. The provision of these ancillary services was not initially part of their mandates but originated later in their life cycles in an effort to help their respective governments in their efforts to reform the provision of public services and to reduce overall costs. MPI and SGI also recently worked with Canadian and American border services to offer enhanced provincial drivers' licences that meet increased American security restrictions. This change allows citizens with the special enhanced licences to cross the border using their provincial drivers' licences instead of a passport. All three provincial Crowns sponsor various road safety and driver education campaigns to reduce accidents and the associated societal and private costs. In some cases, the insuring Crowns have funded specific road improvements in an effort to improve safety at particular locations, but this can attract some sharp criticism (e.g., *Winnipeg Free Press* 2012). These functions all have a significant amount of political value since, in the absence of these Crowns, a government would still be obligated to provide such services in addition to having to regulate a privatized marketplace.

These Crowns provide well-paying jobs to their citizens. In Manitoba and Saskatchewan, MPI and SGI employ two thousand and nineteen hundred people, respectively, and these jobs are valued, especially given these provinces' peripheral positions in Canada's political economy and the limited number of large private-sector firms that are headquartered in each province. ICBC's fifty-two hundred employees, many of whom work at its head office in North Vancouver, are also politically significant given that the Lower Mainland has lost many head offices over the last ten years along with the economic activity and employment they spur (Finlayson and Graham 2006). Since many private insurance firms are based outside of these three provinces, often in central Canada, any changes to their respective insurance regimes could result in a net loss of jobs from each province.

These Crowns control large pools of capital. MPI (2011, 65), for instance, has approximately $1.7 billion in assets that are entirely invested within Manitoba in the form of provincial, municipal, hospital, and school bonds. These assets are important to the Manitoba government and the province as a whole. The focus on indigenous capital differentiates MPI from its two cousins, which both have significant corporate equities and bond holdings (ICBC 2010, 50; SGI 2011, 51). In 2010, the British Columbia government announced it would take $778 million from ICBC over three years (Fowlie 2012), and BC's 2012 budget called for the government to withdraw $497 million over two years from ICBC's capital reserves and to place it in the general revenue fund. (Ostensibly, these revenues come from ICBC's reserves comprised from the optional portion of its insurance products, but making such distinctions is difficult given the unitary nature of ICBC and its operations.) What could be more valuable to a government than a pool of money that can be used to meet the ever-increasing demands for public services? SGI, too, has significant capital reserves, but there is no political interference in how or where it is invested, over and above concerns regarding risk and return, a criterion that also applies to ICBC's investments.

Vested Interests

These Crowns confer material benefits on a number of stakeholder groups. All automobile insurance policies in these three provinces are sold through privately owned and operated insurance brokers who hold discrete licences. These licences were issued when the Crowns were first established, without charge, and new ones are not being issued. Holders of these licences participate in a market with a limited number of competitors. Licences are transferable and are worth a considerable amount of money.[5] Similarly, auto body shops benefit from a system structured on one set of rules and administrative and financial processes,

[5] Anecdotal evidence suggests that such a licence in British Columbia is worth approximately $700,000.

which substantially reduces transaction costs associated with conducting business. All of these Crowns' workforces are unionized and support their continued public ownership. These stakeholder groups would resist any attempt to alter a province's insurance market since any potential changes could infringe on their privileges.

INSURANCE RATES: SOCIALIZING THE RISK

Automobile insurance rates are a politically significant household cost. All provincial governments are acutely aware of the potential for significant political problems stemming from increases to auto insurance rates. Since all three insuring Crowns are public agencies, there is a heightened political sensitivity to this issue in these provinces, but such sensitivity is not limited to the governments of the insuring Crowns. Bernard Lord, New Brunswick's premier in 2003, almost lost an election over the significant rise in auto insurance prices that occurred in his province. Despite the fact that New Brunswick's insurance market was regulated and competitive, voters still held the provincial government responsible for significant premium increases (Nobes 2003). Similarly, Howard Pawley (2011, 241), Manitoba's premier for much of the 1980s, noted in his autobiography how a steep rise in auto insurance rates sparked a considerable political issue. Canada is a large country with a small population; automobiles are by far the most important means of transportation, and any increase in the cost of operating a car is met with strong resistance.

The insuring Crowns use their own risk assessment methods to evaluate clients. Private-sector firms, for the most part, use a number of demographic (age and gender) and geographic (e.g., home address) factors to assess the risks associated with insuring a specific individual and to set premiums to reflect those potential risks. Risk assessments are based upon aggregated statistical data and are applied to individuals according to a set number of characteristics. Not surprisingly, such a methodology often invokes stern criticism, given the potential for discriminatory and/or arbitrary premium assessments resulting, for example, from using home postal codes to set rates. The private-sector insurance industry, however, views this type of assessment as a legitimate business practice. An executive with IBC echoes this view when responding to these specific concerns: "The use of territory is a good predictor of risk, which is what insurance is based on."[6] In practice, this means that individuals who live in specific geographic areas and who are young and male pay substantially higher premiums than do other cohorts.

The insuring Crowns assess individuals based on their driving history. SGI (2012) states this explicitly: "Our philosophy is that all drivers should be treated equally unless their driving records show that they are at a greater risk for causing a collision." Drivers are evaluated on a combination of criteria, which often include taking into account accumulated years of accident-free claims that lower an individual's premiums (while at-fault claims correspondingly raise an individual's rates) and linking rates to a driver's acquired demerit points (incurred from vehicle infractions such as speeding tickets). Such a flexible approach to assessing premium rates is, not surprisingly, part of the mandate from these Crowns' political superiors. Interestingly, ICBC is in the midst of a public consultation on a proposal to change the premium assessment system so that higher-risk drivers pay significantly more in premiums (ICBC 2011).[7] Factors that the Crowns' political superiors deem to be politically significant include price consistency in terms of demographic and geographic factors, aggregate overall prices, and the criteria according to which premiums are determined.

CENTRALIZED POWER: DECISION MAKING IN PROVINCIAL GOVERNMENTS

Canada's Westminster parliamentary system is replicated at the provincial level. Like its federal counterpart, much of the critical decision-making power in a provincial government is centralized in the upper echelon of the executive. One scholar, Donald Savoie (1999, 2008), argues that this concentration of power in the executive has grown substantially over the last number of years and that it is a threat to Canada's democratic tradition. Partisan political staffers who advise first ministers, as well as cabinet ministers, have taken over the role previously performed by the civil service. The central executive's decision- and policy-making powers, then, have grown at the expense of other parts of the government, particularly the legislature. This

[6] Ralph Palumbo, Ontario Vice-President, Insurance Bureau of Canada. Quoted in Alcoba (2012).

[7] ICBC has been recently criticized for some significant administrative deficiencies. It has taken actions to help reduce its cost structure by, for example, reducing its number of executives. This bad publicity is not welcomed by any government, but it is considerably less troublesome than the problems that would be associated with major changes to the BC insurance market. See Burritt and Johnston (2012); and Austin (2012).

concentrated executive power also characterizes provincial governments ("provincial" politics often being synonymous with "premier" politics: White [1988]), and contemporary provincial governments have seen a further concentration of decision-making power within the premier's office (Cameron and White 2000). Such a concentration of power, in the abstract, should make the elimination of a Crown possible, especially when a premier controls a majority government.

This argument suggests that there are few constraints on governmental action, but, in practice, a concentration of power in the premier's office significantly limits a government's ability to act. Savoie's argument evokes an image of one dominant institution ruling the state. For him, the executive office of the first minister looms over subordinate weaker public institutions such as the legislature, courts, civil service, and Crowns. This hierarchical view suggests that the public sector is subject to the undemocratic and unchecked control of its highest office – the senior executive – but this view fails to account for the constraints that such a concentration of power places on governments and their capacity to make and implement policy.

It is more fruitful to think of the first minister's office as a besieged fort surrounded by hostile enemies intent on lobbing a constant stream of real-world problems at the government in power. First ministers' offices are overwhelmed by a constant stream of urgent political, policy, and economic problems that require immediate and effective governmental management. At the most basic level, governments face continuous calls for more public goods and services without, of course, a corresponding increase in taxes, and they must also manage a myriad of other serious problems: natural disasters, plant closings, scandals, and strikes, to name a few of many possible tribulations. The vast majority of a government's time and energy is spent reacting to a plethora of such problems, which leaves it limited resources for proactive policy implementation.

This centralized power has significant consequences for the insuring Crowns. Since decision makers are overwhelmed with potential problems and have limited time and energy to deal with any non-pressing or proactive policy creation, they are unlikely to alter this sector. Governments, much like individuals, do not get up in the morning seeking to create additional problems given the myriad pressing issues they face on a daily basis. The senior executive office is often a chaotic place, with staff members doing their best to manage multiple issues and, simultaneously, to limit the potential political damage arising from them. They must conduct an endless series of politicized cost-benefit analyses in which political gains are measured against potential costs associated with a chosen set of actions. Even if provincial governments wanted to make changes to this sector, they would face some real and practical troubles implementing their ideals, and any reasonable government would quickly jettison a policy shift that involved privatizing the Crown insurers.

CONCLUSION: AUTO INSURANCE, GOVERNMENTS, AND DECISION MAKING

No government in these provinces would consider altering the insurance market. Any changes would entail accepting an undue amount of political risk resulting from the potential price uncertainties involved with such alterations. Even if a private market were to provide lower-cost auto insurance to the majority of a province's drivers, none of these governments would take action. For example, the proportion of the driving population that would pay lower rates would be unclear: ideally, it would be high, say 75 percent, but it could also be substantially lower, say 50 percent. Nor would it be clear that this majority would see a substantial change in their insurance rates or that they would be grateful for, or even knowledgeable about, such savings. Would these drivers who would pay less for auto insurance provide a countervailing political force to the minority of drivers who might now have to pay more for insuring their cars? If rates for the minority rose modestly, for example from 5 to 10 percent, a private market might be manageable, but a more significant increase of 15 to 25 percent, or higher, might create a substantial amount of animosity.

Young males would clearly pay more under a private market, but there would be other groups, determined by demographic or geographic factors, that also could see significant rate increases. Even if a relatively small segment of the population had to pay more for auto insurance, the potential political blowback might be substantially larger if relatives of this group – parents, partners, and the like – felt similarly aggrieved. Other politically significant cohorts, such as rural or small-town residents, or older drivers, for instance, might also be adversely affected by any changes to the market. Inevitably a transition period between the two systems might intervene when many individuals experienced a temporary increase in rates, which might spark some significant political backlash, even if over the long term those same individuals saw their rates decrease. The potential for widespread inconsistency and uncertainty in the costs of such an important household expense as automobile insurance would deter any government from embarking on such a policy.

One must also keep in mind the ancillary services that these Crowns provide. Such programs as driver licence and vehicle registration, road safety programs, and fine collection all have value to their political masters, and any changes to the insurance regime could threaten their capacity to provide these services. Also in the equation are those vested interests, such as unionized workers, insurance brokers, and auto body shops, that would fight long and hard against any governmental actions that might threaten their privileged positions. The loss of the large pools of financial capital that these Crowns control, and a reduction of the well-paying jobs that they provide, are two additional problems that any government contemplating altering the insurance regime in each province would have to manage.

Therefore, eliminating these Crowns is not a politically viable option for any government. Governments are constrained in their decision-making capacity by historically derived institutional variables. The policy playing field is not wide open but, rather, is full of powerful and entrenched interests and institutions that enjoy the status quo. Planning and achieving any measure of change in the composition of public insurance would require significant time and energy. A government's limited resources, then, are unlikely to be used to meddle with this particular issue. After all, over the course of their life cycles, these Crowns have adapted well to their surroundings and have demonstrated their ability to meet the needs of their political masters, stakeholders, and citizenry.

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