January 4, 2018

VIA E-FILING

Patrick Wruck
Commission Secretary
BC Utilities Commission
6th Floor 900 Howe Street
Vancouver, BC V6Z 2N3

BCPIAC
Public Interest Advocacy Centre

Reply to: Leigha Worth
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Ph: 604-687-3034
Our File: 7663

Dear Mr. Wruck:

Re: Insurance Corporation of British Columbia Application for 2017 Revenue Requirements ~ Project No.1598929

Please be advised that we continue to represent the following organizations in this regulatory process: British Columbia Old Age Pensioners' Organization, Active Support Against Poverty, Council of Senior Citizens' Organizations of BC, and Together Against Poverty Society ("BCOAPO et al."). We continue to act as counsel for BCOAPO et al. ("BCOAPO"), a group of community-based organizations who collectively represent the interests of low and fixed income policyholders in British Columbia and as such will be directly affected by the results of this proceeding.

When ICBC filed its application in 2017, it proposed a 6.4% increase in its Basic Insurance Premium for the 2017 Policy Year (PY). However, in the Application, it was made clear that to fully cover the true forecast costs of the 2017 PY, an increase of 20% was required. This significant increase was, according to the insurer, driven mainly by the facts that (i) there was no transfer of income from its Optional to Basic lines of business in 2017 (a factor that contributed 10.1% to the forecast 20% rate increase); (ii) there were increases in Claims Costs due to the 2017 PY Loss Forecast Variance (which added 4.9% to that 20% necessary rate increase) and the 2017 PY Loss Cost Trend (8.0% of the 20%).[1] These increases are offset somewhat by smaller revenues like the Investment Income but there still remains a deficit of 13.6% between the required rate increase and the proposed rate increase: a deficit of a staggering $415M in forecast premium revenues in the 2017 PY. Accounting-wise, ICBC is booking this amount as a negative capital adjustment in its Basic line of business in this Policy Year.

[1] ICBC Final Argument, Figure 2.3.

In its Final Argument, ICBC has listed the main drivers of its increasing Claims Costs as an increase in the number of accidents, rising Property Damage (PD), the number of injury claims, and injury and vehicle repair costs. ICBC refers to these as externally driven factors but there are aspects of some of these factors that could, in BCOAPO's view, be mitigated over time.

BCOAPO does not have any objections to the applied-for rate increase proposal, but it does note that absent significant legislative, structural, and regulatory changes, ICBC's sustainability in the long and medium term is in serious jeopardy. It is apparent to us that, given this situation and the ongoing examination of the Insurer by our current provincial government, it is of no benefit for BCOAPO to take issue with the proposed 6.4% premium increase. We would, however, like to take this opportunity to put on the record our clients' fervent wish that whatever changes are made are done with the goal of restoring ICBC to its status as a strong and stable insurer able to provide basic, compulsory insurance at a reasonable cost to the public.

Performance Measures & Reporting Proposals

In this Application, ICBC sought a large number of significant changes to its performance measures and reporting requirements. This "amended suite of performance measures" was outlined in its response to BCUC IR 1.1 (see pages 3-5 inclusive) and they were also appended to its Final Argument.

Discontinue/Vary/Replace List Copied and Pasted from ICBC's Final Argument

Discontinue providing survey response on whether a customer has purchased Optional coverage from an insurer other than ICBC.

Replace Claims Service Satisfaction (Closed Claims Only) with Claims Services Satisfaction (Closed Claims and First Notice of Loss (FNOL)) as a measure in the amended suite.

Discontinue providing the results for eight additional survey service attribute questions related to the Claims Services Satisfaction score.

Discontinue providing a separate customer satisfaction score for closed claims customer satisfaction related to claimants with injuries.

Discontinue operational metrics for Call Centres, including:
New Claims Initiation.
Customer Contact Service Level.
Discontinue Customer Approval Index.
Discontinue Complaints heard by the Fairness Commissioner.
Discontinue Basic insurance expense ratio.
Discontinue Basic non-insurance expense ratio.

Discontinue routine provision of injury paid severity measures.
Discontinue routine provision of BI reported frequency.
Discontinue Legal Representation Rate as a measure but continue reporting on the topic in Claims Cost Management chapters in future RRAs.
Discontinue directional measures as performance measures.
Discontinue the cost per policy in force as a measure.

Discontinue all TP and TP related reporting
Discontinue the filing of the "Costs Outside TP Foundational Scope" report in future RRAs.
Discontinue provision of transitional period operational metrics (Average Handling Time, Average Speed to Answer, Abandon Rates and Deflection Rates) in future RRAs.
Discontinue the routine provision of injury paid severity measures (i.e., Average Costs of Bodily Injury (BI) Claims and Litigation costs, and BI Claims Paid Loss Amounts and Costs of Litigation) in future RRAs.
Discontinue reporting on all TP benefits analysis in future RRAs.

Vary or Discontinue certain operational metrics reporting
Replace Legal Representation Rate with Legal Representation Conversion Rate and report on the latter in Claims Cost Management chapters in future RRAs
Replace Crash Rate based on report date with Crash Frequency based on loss date and report on the latter in Road Safety chapters in future RRAs.
Replace overall New Driver Comparative Crash Rate (NDCCR) with its components: Learner and Novice Crash Rate Ratios and report them in Road Safety chapters in future RRAs.
Discontinue reporting on Injured Person Rate

To say this is an extensive list of changes to performance metrics and reporting requirements is an exercise in the obvious.

BCOAPO would like to begin its submissions on this subject by explicitly supporting those performance measures ICBC proposes to maintain. We see no reason to change or discontinue these particular performance measures and our clients take no issue with the new performance measures ICBC proposes to introduce.

However, BCOAPO strongly opposes ICBC's proposals in regards to those measures it is seeking to discontinue or vary. Our clients submit that there has not been sufficient discovery within this truncated regulatory process with which to analyze the "discontinue/vary" proposals. One round of IR's is hardly sufficient given the impacts of such a change, particularly because there was no opportunity for interveners and staff to follow up on ICBC's initial responses.

However, to be clear, BCOAPO's position on these proposals is that even with a further opportunity for discovery, ICBC would have to fully justify its proposed changes in its initial filing or the discovery process for such a change to be considered. In this process, that case remains unmade and it is, in our view, beyond speculative to assume at this point that such changes are justified or in the public's best interest.

When performance metrics are discontinued, interveners such as BCOAPO lose the ability to track performance going forward in comparison to the regulated entity's past. There can be no apples to apples comparison. Historical information loses its value and there is no ability to discern trends including improving or deteriorating performance – information vital to our ability to participate in a meaningful regulatory process and to the Commission's ability to render decisions that support the fair operation of a strong and stable monopolistic entity in the public interest. As a result, BCOAPO submits that discontinuing a large number of metrics and varying others are never regulatory decisions that should be undertaken lightly absent a full canvassing of the issues in a full Revenue Requirements hearing. This is especially the case where the regulated entity is showing signs of serious internal financial difficulties. BCOAPO strongly opposes any suggestion that there be a changing of metrics on short notice with shorter evidence because peer to peer comparisons will be more difficult going forward. Where there is no ICBC history for new metrics, any emerging trends will be difficult, if not impossible to identify until they are well underway.

In addition, BCOAPO does not accept that metrics like Call Centre Operational Metrics, including call wait times, should no longer be reported. It is difficult to suggest, as ICBC has, that times, abandon rates, etc. are not relevant to the customer experience. Rather, BCOAPO submits that wait times are integral to the customer experience and can have long-lasting reputational impacts.

BCOAPO is concerned that there is no reporting on the Complaints to the Fairness Commissioner. This seems particularly relevant in a regulatory and operating environment where the rising costs of bodily injury claims has been linked to the legal representation rate. Strangely, given that ICBC and others have recognized that the legal representation rate is a big driver, the insurer has asked to discontinue the metric but to report on it in the text of future applications. With respect, changing the metric will obscure what has happened and what will happen in future at a time when this driver is a significant player. In BCOAPO's submission, the legal representation rate is not simply a result of an increased sense of entitlement as has been suggested by ICBC in the past; it is also a result of claims handling experience and the public perceptions of the insurer. Given the circumstances, our clients strongly recommend that the Commission order ICBC to maintain the current measure and start tracking ICBC's proposed metric for a few years. Then, after some experience and transparency, interveners and the

Commission can examine ICBC's proposal with the power of this comparative evidence behind us.

Our clients note that yet again, ICBC did not report the Employee Opinion Survey results in its filing. Given that the employees are a "boots down" source of information about the health of the Insurer, it seems that this is important information for its regulator and the public to review. We ask that the Commission require ICBC to report this in future filings.

Conclusion

In BCOAPO's view, given the current circumstances, it is not appropriate to make such sweeping changes to the reporting requirements. Such changes, in the best of times, lead to difficulties with historical comparisons (as metrics reported change), transparency, comparability among peers, establishing trends, etc.; the solution to ICBC's financial woes are not to be found in such financially non-material proposals. This kind of change needs to be undertaken carefully, with preparation and due examination and consideration: none of which were possible in this shortened process.

This has not been a typical proceeding – even for ICBC. This is a watershed moment and not the time to be tinkering with metrics, particularly given the inevitable increase in the opacity of its true operating capacities and performance. The following excerpts from the evidentiary record speak to the factors that are of particular concern to BCOAPO:

> "As a result, fundamental changes are required to make the system sustainable. Changes of a fundamental nature cannot be undertaken by ICBC alone. They will require direction from Government, and likely legislative changes."[2]
>
> "As such ICBC cannot comment on the feasibility of whether or not savings to the Basic insurance system above $400 million can be achieved within four years; however, savings of this magnitude cannot be achieved without

[2] BCOAPO IR 5.3.

fundamental change to the Basic insurance system which will require some form of government direction."[3]

"Except for the discontinuation of the Customer Approval Index (CAI), ICBC is not able to quantify the cost savings to ICBC or the associated rate impact in the event that ICBC's proposal on performance measures and reporting is approved.

…

Savings from the discontinuation of the CAI can be quantified. Up to last year, the CAI cost about $40,000 per year. Last year, the reporting component was discontinued, saving $22,000. ICBC's proposed discontinuation of the CAI in its entirety will save an additional $18,000 per year which can be put towards more productive research.

…

None of the direct cost savings associated with these steps would be material to the rate indication, but that does not make steps to improve regulatory efficiency any less worthwhile."[4]

It seems inevitable that there will be radical changes to ICBC in the near term. We don't need to complicate matters ahead of those changes with a slew of metric changes right now, particularly when it is not clear on the evidence that those metric changes are in the Insurer's and public's best interests. Changing metrics should not be a priority as it is irrelevant to ICBC's current fiscal situation – in a slimmed down process - when it does not affect the elephant in the room, ICBC's long-term sustainability and nearer term problem of filling a $400M hole.

Please do not hesitate to contact the undersigned should you have any questions.

ALL OF WHICH IS RESPECTFULLY SUBMITTED.

BC Public Interest Advocacy Centre

Original on file signed by:

Leigha Worth
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Executive Director

Kate Feeney
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[3] BCOAPO IR 5.5.
[4] BCOAPO IR 6.4.