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January 8, 2018  
File No.: 298298.00017/14797

**BY EMAIL**

British Columbia Utilities Commission  
Suite 410, 900 Howe Street  
Vancouver, BC V6Z 2N3

**Attention: Patrick Wruck**  
**Commission Secretary and Manager, Regulatory Services**

Dear Sirs/Mesdames:

**Re: Project No. 1598929 - ICBC's 2017 Revenue Requirements Application -  
ICBC's Reply Submission**

We enclose for filing in the above proceeding the Reply Submission of the Insurance Corporation of British Columbia dated January 8, 2018.

Yours truly,

**FASKEN MARTINEAU DuMOULIN LLP**

*[original signed by Matthew Ghikas]*

Matthew Ghikas

MTG/pmw  
Enc.

**BRITISH COLUMBIA UTILITIES COMMISSION  
IN THE MATTER OF THE UTILITIES COMMISSION ACT**

**R.S.B.C. 1996, CHAPTER 473, as amended**

**and the**

**INSURANCE CORPORATION ACT**

**R.S.B.C. 1996, Chapter 228, as amended**

**A FILING BY THE INSURANCE CORPORATION OF BRITISH COLUMBIA (ICBC) RELATING TO 2017  
REVENUE REQUIREMENTS APPLICATION**

**REPLY SUBMISSION OF  
THE INSURANCE CORPORATION OF BRITISH COLUMBIA (ICBC)**

**January 8, 2018**

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## PART ONE: INTRODUCTION

1. Among the interveners that filed final submissions, none oppose ICBC's request for a 6.4% rate increase. BCOAPO,<sup>1</sup> Mr. Landale,<sup>2</sup> Mr. McCandless,<sup>3</sup> and TREAD<sup>4</sup> all recommend that the Commission approve the 6.4% rate increase, and MoveUP<sup>5</sup> and Mr. Litman<sup>6</sup> do not comment on the rate request. Intervenors have, however, addressed other matters including the actuarial analysis, ICBC's performance measures, ICBC's proposal to cease reporting on the Transformation Program, and the proposed changes in some operational metrics. This Reply Submission responds to the main intervener arguments, to the extent that further elaboration is required. ICBC's silence on a particular matter should not be interpreted as agreement.

2. This Reply Submission is organized around the following matters:

- Late intervener submissions and the introduction of new evidence.
- Intervener submissions regarding the Commission's role in making recommendations to Government.
- Intervener submissions regarding ICBC's actuarial analysis.
- Intervener submissions regarding ICBC's proposed refinements to the current suite of performance measures.
- Intervener submissions regarding ICBC's proposed discontinuation of the Transformation Program (TP) reporting requirements.
- Intervener submissions regarding ICBC's proposed refinements to operational metrics on claims and road safety.

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<sup>1</sup> BCOAPO Submission, p. 2.

<sup>2</sup> Mr. Landale Submission, p. 15.

<sup>3</sup> Mr. McCandless Submission, p. 4.

<sup>4</sup> TREAD Submission, Part Two, Section A.

<sup>5</sup> MoveUP Submission, p. 1.

<sup>6</sup> Mr. Litman Submission, p. 1.

## **PART TWO: LATE SUBMISSIONS AND NEW EVIDENCE**

3. BCOAPO and Mr. Litman filed and served their submissions late. (BCOAPO's submission was filed and served mid-afternoon on Thursday, and was less of an issue relative to the timing of Mr. Litman's submission. Mr. Litman filed his submission late in the evening on Thursday, effectively meaning that ICBC received it the next day.) Neither BCOAPO, nor Mr. Litman acknowledged their filings were late. While ICBC has responded to both Mr. Litman and BCOAPO in these Reply Submissions, the following points are noteworthy:

- Interveners had ample time between December 22 (when ICBC filed its Final Submission) and noon on January 4, 2018 to prepare and file their submissions on time.
- The Commission had warned Parties in Order No. G-192-17 that it would not consider requests for extensions.
- The Commission gave this warning for a reason. ICBC faced a tight turn-around for its Reply Submission. It had no practical ability to seek an extension to address the prejudice associated with having less time to respond (the normal remedy), given the requirement in *Special Direction IC2* for the Commission to issue its decision by January 12, 2018.

Late filings give rise to fairness concerns. ICBC submits that the Commission will, by addressing this point in its decision, promote the fair, orderly and efficient conduct of future proceedings.

4. Some interveners, notably Messrs. McCandless, Landale and Litman, have introduced new evidence in their written submissions. Messrs. McCandless and Landale, as regular participants in Commission proceedings, should by now be well aware of the rule that final submissions must be based on the evidence in the record. ICBC recognizes that Mr. Litman is new to the process, but even so, the amendments to *Special Direction IC2* (referenced in the Commission's procedural order) require that the Application be determined based on evidence

filed as of December 12, 2017. ICBC has not verified or responded to new evidence given the scope of this process.<sup>7</sup> The Commission should disregard new evidence filed as argument.

### **PART THREE: THE COMMISSION AND THE GOVERNMENT REVIEW**

5. Mr. McCandless recommends that “The Commission should also consider whether it will recommend changes in the current funding model for the Basic program to assist the government in its review.”<sup>8</sup> The Commission has determined in past proceedings that it must decide applications within the context of the existing legislative framework.<sup>9</sup> This is a correct statement of the Commission’s jurisdiction. The Commission has no jurisdiction in this case to make recommendations to Government.<sup>10</sup>

### **PART FOUR: MATTERS RELATING TO THE RATE INDICATION AND ACTUARIAL ANALYSIS**

6. As indicated above, BCOAPO,<sup>11</sup> Mr. Landale,<sup>12</sup> Mr. McCandless,<sup>13</sup> and TREAD<sup>14</sup> all recommend that the Commission approve the 6.4% rate increase. MoveUP<sup>15</sup> and Mr. Litman<sup>16</sup> do not comment on the rate request. Interveners have, however, made arguments regarding ICBC’s costs and the actuarial analysis. Those arguments are answered below.

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<sup>7</sup> It is evident that some of the information is incorrect. For instance, Mr. Landale argues in para. 3.2.3 that ICBC’s survey methodology is deficient because “Most consumer surveys having a reliable reputation, survey between 2 to 5% of their targeted consumer group, while including a survey margin of error.” ICBC is not aware of any such principle. Moreover, Mr. Landale is not considering that increasing the sampling size adds to the costs borne by Basic policyholders.

<sup>8</sup> McCandless Submission, p.4.

<sup>9</sup> 2014 Decision on Revenue Requirements, pp. 44 and 45.

<sup>10</sup> Under section 5 of the *Utilities Commission Act*, Government has the power to solicit input from the Commission on matters beyond its jurisdiction. It has not done so in this case.

<sup>11</sup> BCOAPO Submission, p. 2.

<sup>12</sup> Mr. Landale Submission, p. 15.

<sup>13</sup> Mr. McCandless Submission, p. 4.

<sup>14</sup> TREAD Submission, Part Two, Section A.

<sup>15</sup> MoveUP Submission, p. 1.

<sup>16</sup> Mr. Litman Submission, p. 1.

**A. RESPONSE TO MR. LANDALE ON ACCEPTED ACTUARIAL PRACTICE AND OPERATING EXPENSES**

7. Mr. Landale argues that ICBC has misrepresented one of the Standards of Practice (SOP 2620.14) underlying accepted actuarial practice. Mr. Landale makes this allegation because “...this particular section does not refer to “Capital Provision”, or the word “Capital” anywhere within Section 2620.” The Commission should favour the evidence of ICBC’s actuaries over Mr. Landale’s lay opinion when it comes to accepted actuarial practice.

8. The relevant standards (SOP 2620.13 and 2620.14) state:<sup>17</sup>

***Provision for profit***

*.13 An indicated rate would include a provision for profit.*

*.14 The provision for profit, or other assumptions that are pertinent to its derivation, may be specified to the actuary under the terms of an appropriate engagement.*

9. The actuarial “provision for profit” in ICBC’s Basic rates is referred to as a capital provision in ICBC’s approved Basic Capital Management Plan because the nomenclature is better suited to universal compulsory automobile insurance in British Columbia. The size of the capital (profit) provision, and whether it is negative or positive in a particular year, flows from *Special Direction IC2* and the Commission-approved Basic Capital Management Plan.<sup>18</sup> ICBC has been applying this same approach for many years, and the Commission has accepted it.<sup>19</sup>

10. Mr. Landale also maintains that the actuarial Standards of Practice should apply to ICBC’s performance measures. Accepted actuarial practice is relevant to actuarial estimates of claims costs, and the determination of the indicated rate. In some cases, actuarial estimates are required to determine the value of performance measures (e.g., the Basic Loss Ratio and the Basic Minimum Capital Test (MCT), which rely on estimates of future claims costs), and accepted actuarial practice is applied in determining the values of these measures.<sup>20</sup> However, the

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<sup>17</sup> See <http://www.cia-ica.ca/docs/default-source/standards/si020118e.pdf?sfvrsn=4>.

<sup>18</sup> See response to information request 2017.1 RR TREAD.86.5.

<sup>19</sup> See, for instance, the 2013 Decision on Revenue Requirements, p. 11.

<sup>20</sup> See the Application, Chapter 6, for the definitions of the performance measures.

actuarial Standards of Practice do not provide particular guidance as to the selection of appropriate performance measures, or the use of measures derived from customer surveys, for instance. Performance measures with a superficial similarity to actuarial estimates have been a source of confusion in the past, and ICBC's proposal to eliminate such measures (discussed further below) is intended to reduce such confusion.

11. Mr. Landale has also raised the actuarial Standards of Practice in the context of the calculation of the Basic MCT ratio, and in particular the contribution to the Basic MCT ratio of the increase in the actuarial gain on the pension and post-retirement benefits. The estimation of pension and post-retirement benefits expense, the related actuarial gain and the calculation of the Basic MCT ratio are based on relevant external standards. The results of the calculation are reviewed by the external parties, independent from ICBC management. Specifically:

- Calculations of the pension and post-retirement benefits expense and related actuarial gain are performed by an independent pension actuary (Aon Hewitt).<sup>21</sup>
- The pension and post-retirement benefits expense is also audited by ICBC's external auditor (Pricewaterhouse Coopers Canada (PwC)).<sup>22</sup>
- In addition, the calculation of the Basic MCT ratio, based on current OSFI guidelines, is reviewed by ICBC's appointed actuary, as well as the external auditor, as part of the annual financial statements audit.<sup>23</sup>

12. In paragraph 2.8.5a-c, Mr. Landale relies on comparisons of "apples to oranges" and therefore erroneously suggests that ICBC is not controlling operating expenses. He is comparing the 15 month 2016/17 fiscal year to the 12 month 2013 fiscal year, which creates a misleading impression regarding the trajectory of operating expenses. Furthermore, as indicated

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<sup>21</sup> Response to information request 2017.1 RR BCUC.43.1.

<sup>22</sup> A link to the Annual Service Plan Report is provided in the Application, Appendix 10 A.

<sup>23</sup> See Annual Service Plan Report.



in the Application, Chapter 5, Appendix 5 C, Figure 5C.1, 2013 actual results were not restated<sup>24</sup> and therefore no meaningful conclusions can be drawn from this comparison.

## **B. RESPONSE TO TREAD ON ACCEPTED ACTUARIAL PRACTICE AND COST CONTROL**

13. TREAD maintains that ICBC is "...seeming to ignore that accepted actuarial practice would also require that multiple changes and developments over the past decade be addressed in a rate design filing...". ICBC will not address the substance of TREAD's argument here. The Commission stated in Order G-156-17: "This proceeding is to consider the requested Basic insurance rate change which affects all Basic policyholders equally, and not how rates are designed." Rate design is among the matters that Government is considering in its ongoing review.<sup>25</sup>

14. TREAD quotes ICBC's statement to the effect that lowering the rate change below 6.4% would require the implementation of "further mitigation strategies that will achieve at least \$415 million dollars of savings for the 2017 policy year". TREAD infers from this statement that "ICBC could and should have begun implementation of a number of initiatives earlier, so that they would have had a chance of achieving the necessary level of savings for PY 2017."<sup>26</sup> ICBC has, over a number of years, implemented many initiatives to address costs. Some of those initiatives are discussed in the Application, Chapter 2, Appendix E.0. The point ICBC was making is that fundamental changes to the Basic insurance framework are required to achieve savings of the magnitude required to return Basic insurance to a sustainable footing. Changes of a fundamental nature cannot be undertaken by ICBC alone - they require direction from Government and likely legislative changes.<sup>27</sup>

15. TREAD suggests in para. 20 and 21 that ICBC believes that if some BC drivers are priced out of the market it would help reduce congestion. The response TREAD has referenced

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<sup>24</sup> ICBC restated actual results in 2014 as part of a revenue reclassification. This reclassification has been extensively canvassed in previous revenue requirements applications.

<sup>25</sup> Response to information request 2017.1 RR TREAD.90.7.

<sup>26</sup> TREAD Submission, paras. 23 and 24.

<sup>27</sup> Response to information request 2017.1 RR BCOAPO.5.3.

(2017.1 RR TREAD.9.1-2) does not support that inference. ICBC is committed to the provision of universal compulsory automobile insurance within its mandate.

### **C. RESPONSE TO MOVEUP ON PROPERTY DAMAGE CLAIMS COSTS**

16. MoveUP states<sup>28</sup> that it is "...concerned about the inadequacy of oversight of the cost of contracting out the process of estimating and approving repairs to the very shops that perform the vast majority of the repair work, the Express Repair/"Valet" shops." ICBC's Express Repair process is similar to many other direct repair processes used by insurers in North America.<sup>29</sup> As noted on page 240 of ICBC's material damage procedures manual,<sup>30</sup> the Express Repair program is a program designed to offer ICBC customers a choice of service options, and allow the repair facility a greater opportunity to effectively manage its business. MoveUP is painting an incomplete picture of the governance and oversight in place. For instance:

- Oversight and governance of Express Repair shops extends beyond the front-end review of the estimates by the Express estimating team, which is the focus of MoveUP. Estimators perform Drop In Visit assessments. Express Repair shops can be placed on a "focus list", which results in the removal of their earned authority.<sup>31</sup> ICBC reviews Key Performance Indicator (KPI) trends. There are regular audits and performance reviews. ICBC provides coaching when non-compliance or poor performance is identified.<sup>32</sup>
- Only 34% of estimates from Express Repair shops are straight-through processed and the remaining 66% are presented for estimator review.<sup>33</sup>

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<sup>28</sup> MoveUP Submission, pp. 3 to 4.

<sup>29</sup> Response to information request 2017.1 RR MoveUP.2.2.1 (in the response to information request 2017.1 RR MoveUP.2.2.1-8).

<sup>30</sup> Contained in Attachment A in the response to information request 2017.1 RR MoveUP.2.1.1.

<sup>31</sup> Response to information request 2017.1 RR MoveUP.2.4.1-2.

<sup>32</sup> Response to information request 2017.1 RR MoveUP.2.11.4-5 (contained in the response to information request 2017.1 RR MoveUP.2.11.3-5).

<sup>33</sup> Response to information request 2017. 1 RR MoveUP.2.2.6 (contained in the response to information request 2017.1 RR MoveUP.2.2.1-8).

17. MoveUP says<sup>34</sup> that ICBC's "two hour rule" gives rise to "a particularly gaping vulnerability in its control over repair shops." The "two-hour rule" does not, in of itself, present a vulnerability. There are back-end controls in place. Furthermore, as noted on page 24 of the Express Repair Program Guide, estimators can, near the end of the two hour period, request an additional two hours to review the estimate.<sup>35</sup>

18. MoveUP questions whether Express Repair brings value from a customer service and satisfaction standpoint.<sup>36</sup> Customer service is inherently a focus of Express Repair, and it avoids customers having to seek out an ICBC claims centre. KPIs included in the program also encourage Express Repair shops to improve their cycle times in order to meet their targets and maintain their earned authority level.<sup>37</sup>

19. MoveUP advocates that the Commission should order ICBC to upgrade its Express Repair cost control processes and capacities.<sup>38</sup> ICBC submits that such orders are not appropriate:

- ICBC's internal Corporate Audit Services department conducted an audit in July 2016 to determine the extent of any claims leakage from the Express Repair program. Corporate Audit services concluded that management controls were generally effective. ICBC seeks out opportunities to improve governance and controls on Express Repair shops to ensure compliance with the procedures.<sup>39</sup>
- On September 5, 2017, Government announced that there would be an operational review of ICBC.<sup>40</sup> The review, which is being led by PwC, is focused on identifying cost savings by improving business processes. The review is examining

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<sup>34</sup> MoveUP Submission, p. 4.

<sup>35</sup> A link to the Express Repair Program Guide is provided in the response to information request 2017.1 RR MoveUP.2.4.1-2.

<sup>36</sup> MoveUP Submission, p. 5.

<sup>37</sup> Express Repair Program Guide, p. 9.

<sup>38</sup> MoveUP Submission, p. 5.

<sup>39</sup> Response to information request 2017.1 RR MoveUP.2.4.2 (contained in the response to 2017.1 RR MoveUP.2.4.1-2).

<sup>40</sup> Response to information request 2017.1 RR MoveUP.2.11.7.

fraud prevention, supplier billing, and other opportunities for business reform.<sup>41</sup> ICBC will await direction from Government on any changes it determines ICBC should undertake in response to any recommendations from the operational review.

20. MoveUp itself acknowledges (on page 5) that it realistically expects that "these improvements more likely flow from the current audit of this aspect of the Corporation's operations, with follow-through on prescribed remedies left to future regulatory cycles."

#### **D. RESPONSE TO MR. LITMAN'S SUBMISSIONS ON VEHICLE OPERATING COSTS**

21. Mr. Litman has made a number of recommendations regarding the impact of fuel prices and other vehicle operating costs on claims costs. ICBC explained in response to information requests<sup>42</sup> that it already uses this kind of data to understand claims trends. However, the value of this data and any associated study is limited in the context of forecasting far enough into the future to set rates for an upcoming policy year because fuel price levels are notoriously difficult to predict. Mr. Litman's other recommendations relate to rate design, which is out of scope.

### **PART FIVE: ICBC'S PROPOSED REFINEMENTS TO PERFORMANCE MEASURES**

22. There is a diversity of views among interveners on the topic of performance measures. ICBC has responded below by grouping various arguments thematically. ICBC submits that there is ample evidence on the record to demonstrate the merits of the proposed changes. The intervener arguments in favour of rejecting the amended suite of measures or deferring consideration are not compelling.

#### **A. IT IS APPROPRIATE FOR ICBC TO PROPOSE CHANGES TO PERFORMANCE MEASURES**

23. TREAD states: "TREAD submits that for regulatory purposes the Commission should determine what information it deems necessary and appropriate for measuring performance – rather than ICBC telling the Commission what information it needs or should

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<sup>41</sup> Response to information request 2017.1 RR MoveUP.2.11.7.

<sup>42</sup> Response to information request 2017.1 RR TL.1.

consider suitable.”<sup>43</sup> Mr. Landale, in a similar vein, states: “The Commission Panel must set the performance measures standard for ICBC, not the other way round.”<sup>44</sup> As discussed in the Application, Chapter 6, the Commission had indicated in 2014<sup>45</sup> that it “...anticipates that ICBC will include a full review of the performance measures as a part of the 2017 RRA.” ICBC complied with this direction by evaluating the existing suite of performance measures and submitting proposals for the Commission’s consideration. The Commission will reach its own conclusions on ICBC’s proposals based on the evidence, as would be the case with any application.

**B. PROPOSED REFINEMENTS ARE REASONABLE IN THE CONTEXT OF ANTICIPATED BUSINESS CHANGE**

24. Several interveners suggest that the Commission should await the outcome of the anticipated changes to the Basic insurance business before adopting the amended suite of performance measures.<sup>46</sup> ICBC submits that the Commission should examine each proposal on its own merits. The rationale for making ICBC’s proposed changes to the measures at this time exists irrespective of the anticipated changes in the Basic insurance business.

25. Intervenors have overstated the significance of the proposed changes.<sup>47</sup> ICBC is maintaining as core measures the three customer survey measures with only a minor change in the claims satisfaction measure. ICBC is also maintaining as core measures the Basic Loss Ratio and the investment return and introducing the Basic MCT ratio into the amended suite. ICBC has also proposed to report on the Basic insurance expense ratio and the Basic non-insurance expense ratio if the Commission considers these metrics of value.<sup>48</sup> ICBC is proposing to replace the claims efficiency ratio with the loss adjustment ratio – again a minor change. ICBC is also introducing the insurance expense ratio as a core measure. ICBC is proposing to continue

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<sup>43</sup> TREAD Submission, para. 38.

<sup>44</sup> Mr. Landale Submission, para. 3.2.4.

<sup>45</sup> Decision on 2013 Revenue Requirements, p. 50.

<sup>46</sup> Mr. McCandless Submission, p. 5. MoveUP Submission, p. 2. TREAD Submission, Part Three. Mr. Landale Submission, p. 15. BCOAPO Submission, pp. 5 to 6.

<sup>47</sup> For instance, BCOAPO characterizes ICBC’s proposed changes to the reporting requirements as “sweeping”. BCOAPO Submission, p.5.

<sup>48</sup> Response to information request 2017.1 RR BCUC.1.1.

reporting on legal representation and to continue monitoring road safety statistics, with only a change in presentation.

26. The fact that changes to Basic insurance are expected does not detract from the logic underlying ICBC's limited proposals to discontinue some of the performance measures. It makes sense to eliminate metrics that are a source of confusion, irrespective of business changes. The operational metrics that ICBC is proposing to discontinue will still not inform the core measures, as discussed further below. The Customer Approval Index has ceased to be meaningful to ICBC's business and there is a cost to continuing to report it.<sup>49</sup> It is in the interest of Basic policyholders to make these decisions now. Changes made today do not prevent future modifications, if required.<sup>50</sup>

27. TREAD<sup>51</sup> and BCOAPO<sup>52</sup> suggest that the proposed changes to the performance measures are an unnecessary distraction, given the significant anticipated business changes. ICBC submits that it is just the opposite. ICBC is proposing these changes now so that future processes can focus on what matters. Continuing to report on measures that are confusing or peripheral to the business will affect the efficiency of preparing and reviewing future revenue requirements applications.

### **C. ICBC CAN STILL TRACK LONG-TERM TRENDS**

28. The concern expressed by interveners like BCOAPO<sup>53</sup> about losing the ability to track long-term trends is unjustified. ICBC is only proposing to replace two of the existing performance measures in the amended suite,<sup>54</sup> and the proposed changes to those measures are minor. Data showing the long-term trends are provided in response to information requests.<sup>55</sup>

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<sup>49</sup> ICBC Final Submission, Part Three.

<sup>50</sup> Application, Chapter 6, para. 5.

<sup>51</sup> TREAD Submission, para. 48.

<sup>52</sup> BCOAPO Submission, p.6.

<sup>53</sup> BCOAPO Submission, p.4.

<sup>54</sup> This does not include changes to the operational metrics such as the Legal Representation Rate discussed in Section F below.

<sup>55</sup> Response to information request 2017.1 RR BCUC.47.3 and response to information request 2017.1 RR BCUC.54.1.

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.

Replace Claims Efficiency Ratio with the Loss Adjustment Ratio as a measure in the amended suite.

#### **D. MAINTAINING METRICS THAT CAUSE CONFUSION IS COUNTERPRODUCTIVE**

29. TREAD argues that ICBC should continue to report on metrics that stakeholders (and particularly the Commission) value, despite past confusion around metrics such as injury paid severity, bodily injury reported frequency, and injured person rate.<sup>56</sup> The purpose of performance measures is to provide a “snapshot” of the business that is meaningful. ICBC submits that there is real value to policyholders, interveners, the Commission and ICBC in eliminating demonstrated sources of confusion from the regulatory process.<sup>57</sup> The information necessary for constructive discussion is still being provided.

#### **E. CALL CENTRE OPERATIONAL METRICS**

30. MoveUP<sup>58</sup> and BCOAPO<sup>59</sup> advocate retaining the call centre operational metrics (New Claims Initiation and Customer Contact Service Level) and continued reporting on the transitional period operational metrics. MoveUP ties the metrics to legal representation: “We do not know to what precise extent delay in handling Dial-a-Claim calls, and delay in other customer interactions with ICBC staff, contribute to the representation rate trend, but they cannot be dismissed as material factors.”<sup>60</sup> BCOAPO links the metrics to customer service: “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.”

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<sup>56</sup> TREAD Submission, para. 32 and 33.

<sup>57</sup> The claims statistics are provided in the Application, Chapter 2, Appendix C.1 and Appendix C.2.

<sup>58</sup> MoveUP Submission, p. 5.

<sup>59</sup> BCOAPO Submission, p. 4.

<sup>60</sup> MoveUP Submission, p. 10.

31. ICBC did not say that wait times are irrelevant to the customer experience and customer satisfaction. Rather, ICBC said that “the impact of call wait times on customer satisfaction is not tangibly measureable through the First Notice of Loss (FNOL) surveys... Call wait times have a threshold or customer tolerance level which may become a tipping point if not consistently met, but average wait times are no longer considered the leading indicator/driver of customer satisfaction at a call centre.”<sup>61</sup> ICBC is providing information on customer satisfaction performance measures that permit the assessment of ICBC's services from a customer point of view, rather than operational metrics that provide more detailed insight into specific challenges.<sup>62</sup> The call centre metrics were introduced as transitional period performance metrics following the introduction of Claims Transformation and changes to the First Notice of Loss process in 2013. Since the First Notice of Loss customer satisfaction scores remain high,<sup>63</sup> and the transition period for Claims Transformation is now over,<sup>64</sup> the customer satisfaction performance measure provides the appropriate level of reporting on an ongoing basis.

32. None of the transitional performance measures (Average handle time, Average Speed to Answer, Abandon Rates, and Deflection Rates (busy signals), New Claims Initiation, or Customer Contact Service Level provides useful information with respect to the rate of legal representation:

- First, the Customer Contact Service level is not a claims related measure. It is a measure of the Insurance and Driver Licensing call centres. This measure was impacted by the implementation of ICBC's new Policy Administration System.<sup>65</sup>
- Second, the Legal Representation Rate has steadily increased over the last five years, while these other metrics have stabilized and returned to expected levels. This suggests that there is very little, if any, correlation between these measures

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<sup>61</sup> Response to information request 2017.1 RR BCUC.49.3. The response goes on to say that customer satisfaction scores remained high during changes to the First Notice of Loss process in 2013 which had the effect of increasing average wait and handle times.

<sup>62</sup> Response to information request 2017.1 RR BCUC.45.1.

<sup>63</sup> Response to information request 2017.1 RR BCUC.49.3.

<sup>64</sup> Application, Chapter 7, para 56.

<sup>65</sup> Application, Chapter 6, Appendix 6 B.



and the complex issue of why an increasing number of injured customers are becoming represented by legal counsel.<sup>66</sup>

- Third, a key challenge is that more customers are becoming represented even before contacting ICBC.<sup>67</sup> The information provided by these metrics is therefore unrelated to these customers' decisions to retain legal counsel.
- Fourth, ICBC does not track on a case by case basis whether a customer who may have had an unreasonable call wait time at initial contact ultimately became represented. ICBC also has no way to examine whether the wait time was a factor in the decision to seek representation or whether a represented customer had a positive experience when reporting the claim but nevertheless decided to seek legal representation.<sup>68</sup>

33. As a result, it is not reasonable to use these measures as a basis to draw meaningful conclusions regarding initial contact processes and service levels and the Legal Representation Rate.

#### **F. ICBC WILL CONTINUE TO ADDRESS LEGAL REPRESENTATION WITH A BETTER METRIC**

34. MoveUP and BCOAPO object to ICBC's proposal to address legal representation in future Claims Cost Management chapters in context. The Claims Cost Management Chapter addresses claims initiatives and operational approaches to address the escalating rate of legal representation. This is merely a change in presentation. ICBC will continue to show historical data and numerical values as provided in the Application, Chapter 7, Figure 7.7.

35. ICBC is also proposing to change over to using the Legal Representation Conversion Rate instead of the Legal Representation Rate.<sup>69</sup> ICBC submits that it is in the interest of all Parties to use the best metric for legal representation, and no intervener has disputed that the proposed Legal Representation Conversion Rate is superior. There is no likelihood that the

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<sup>66</sup> Application, Chapter 7, Section D and Appendix 7 C.

<sup>67</sup> Application, Chapter 7, Section D.

<sup>68</sup> Response to information request 2017.1 RR BCUC.49.3.

<sup>69</sup> Application, Chapter 7, Section F.2; response to information request 2017.1 RR RM.7.3.

transition from one metric to the other will (as BCOAPO argues) “obscure what has happened and what will happen in the future.”<sup>70</sup> Both metrics are shown together in Figure 7.7 in one graph and in one data table.

#### **G. MR. LANDALE’S ARGUMENTS ARE BASED ON INCORRECT UNDERSTANDING**

36. Mr. Landale’s argument<sup>71</sup> does not accurately reflect the definitions of the performance measures or the explanations provided in the Application or in information requests. Mr. Landale also mistakenly suggests that the existing suite of performance measures is related to Basic insurance only.

#### **H. ADDITIONAL REPORTING SOUGHT BY INTERVENERS IS UNNECESSARY**

37. TREAD refers to information provided in Appendix 1 of the Independent Review Report, which includes auto insurance performance metrics used in other jurisdictions. Many of these metrics are not numeric. Others are not performance measures at all, but rather statistics for interjurisdictional comparisons.<sup>72</sup>

38. BCOAPO recommends that the Commission require ICBC to report on the Employee Opinion Survey.<sup>73</sup> The Employee Opinion Survey is not part of the existing suite of performance measures. Full details are reported in the relevant Service Plan, which ICBC already includes as part of the evidence in the revenue requirements applications.

39. Mr. Litman recommends that ICBC develop performance indicators that reflect affordability and progressivity, both of which require customers to disclose their household income when purchasing insurance.<sup>74</sup> Issues related to using affordability as a factor for determining rates, including consideration of the statutory provisions, case law, collection of information regarding income, etc. go well beyond the scope of this proceeding.

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<sup>70</sup> BCOAPO Submission, p. 4.

<sup>71</sup> Mr. Landale Submission, p. 9.

<sup>72</sup> TREAD Submission, para. 38.

<sup>73</sup> BCOAPO Submission, p. 5. BCOAPO also recommends that ICBC continue to report on the Complaints made to the Fairness Commissioner without recognition of ICBC’s explanation that the information is available on icbc.com in the annual report of the ICBC Fairness Commissioner.

<sup>74</sup> Mr. Litman Submission, p. 3.

## PART SIX: TP REPORTING

40. As discussed above, MoveUP and BCOAPO<sup>75</sup> recommend that reporting on some of the transitional period operational metrics related to the Transformation Program (TP) should be continued. ICBC submits that the metrics should be discontinued now that TP is completed, consistent with the original intent.

41. TREAD<sup>76</sup> accepts that ICBC should discontinue reporting on the re-allocation of TP costs and reporting on transitional period operational metrics, but recommends that ICBC continue to report on TP benefits. ICBC's evidence is that it is becoming increasingly difficult to analyze and ascertain that savings can be directly attributed to TP because of the influence of other claims initiatives.<sup>77</sup> It makes little sense to continue reporting on information that is becoming less reliable over time, particularly when the full impact of the changes is being picked up in the actuarial rate indication.

42. In response to Mr. Landale's submissions on TP costs:

- Mr. Landale has incorrectly characterized ICBC's rationale for discontinuing reporting on costs outside of TP scope as being that the amounts are insignificant.<sup>78</sup> ICBC's proposal to discontinue the report on costs outside of TP scope was based on two factors: (i) TP is now complete and no further reallocations will be occurring; and (ii) the remaining items that have been removed from TP scope that continue into future years are already known. The impact of these costs on the rate indication will be absorbed in the 2017/18 fiscal year operating budget through reductions in other operating costs. As a result, there are no net new operating costs impacting the 2017 rate indication (this was also the case for the 2016 rate indication). Continuing the provision of this information provides little additional value for the purposes of the Commission's

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<sup>75</sup> MoveUP Submission, pp. 5 and 6 and BCOAPO Submission, p. 4.

<sup>76</sup> TREAD Submission, Part Four.

<sup>77</sup> Response to information request 2017.1 RR BCUC.65.3. For example, as discussed in the response to information request 2016.1 RR BCUC.14.2 (provided in the Application, Appendix 10 A, Section G), adjustments to the Claims Transformation (CT) benefits were made to reflect the impact of non-CT initiatives.

<sup>78</sup> Mr. Landale Submission, para. 4.10, 4<sup>th</sup> sentence.

determination of matters relating to revenue requirements applications going forward.

- Mr. Landale's<sup>79</sup> argument that ICBC should be required to continue reporting on TP costs appears to be based on the mistaken conclusion that costs are partially borne by Basic insurance. TP costs were borne by Optional insurance.
- Post-implementation costs and ongoing operating costs associated with the systems and processes implemented as part of TP are outside of the scope of TP as defined by the Government Directive regarding TP. These costs are already included as part the operating costs shown in the Application. ICBC submits that reporting on these costs as part of TP reporting would provide no additional value.

#### **PART SEVEN: OPERATIONAL REPORTING ON CLAIMS AND ROAD SAFETY**

43. TREAD "...accepts introduction of the Legal Representation Conversion Rate, but submits that it would be prudent to continue the existing metric for one year to enable a comparison to determine that the former is indeed more refined as ICBC asserts."<sup>80</sup> Continued reporting is unnecessary to confirm ICBC's assessment. Both metrics are shown graphically and in a data table in the Application, Chapter 7, Figure 7.7.

#### **PART EIGHT: CONCLUSION AND ORDER SOUGHT**

44. ICBC's proposed Basic insurance rate change for the 2017 policy year of 6.4% is just and reasonable for the reasons outlined in ICBC's Final Submission. ICBC's proposals with respect to performance measures, TP reporting and reporting for claims cost management and road safety are improvements to ICBC's overall regulatory reporting in terms of both efficiency and meaningful content. The Commission should approve the proposals.

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<sup>79</sup> Mr. Landale Submission, p. 12.

<sup>80</sup> TREAD Submission, Part Five. TREAD is supportive of using the Legal Representation Conversion Rate and Crash Frequency in place of the Legal Representation Rate and Crash Rate respectively.

ALL OF WHICH IS RESPECTFULLY SUBMITTED.

Dated:

January 8, 2018

*[original signed by Matthew Ghikas]*

Matthew Ghikas  
FASKEN MARTINEAU DUMOULIN LLP  
Legal Counsel to ICBC