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VIA E-MAIL
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June 12, 2007

ICBC – 2007RR Exhibit A-7

Mr. Donnie Wing, CA
Senior Vice President
Insurance, Marketing and Underwriting
Insurance Corporation of British Columbia
Suite 340-151 West Esplanade
North Vancouver, BC V7M 3H9

Dear Mr. Wing:

Re: Insurance Corporation of British Columbia
Project No. 3698456 – Order No. G-48-07
2007 Revenue Requirements for Universal Compulsory Automobile Insurance and
A Filing of Information Relating to Matters Referenced in the Commission's July 13, 2006 Decision

Further to your March 16, 2007 filing of the above noted Application, enclosed is Commission Information Request No. 2. Pursuant to Commission Order No. G-48-07, please provide the Commission with your response by July 10, 2007.

Yours truly,

Original signed by:

Robert J. Pellatt

cms
Enclosure
cc: Registered Intervenors (ICBC 2007RR)

142.0 Reference: Exhibit B-11-1, ICBC Information Request ("IR") Response to 2007.1 BCUC.14.2

The response includes Attachment A – Summary of Undiscounted Claims Liabilities.

142.1 Please explain what is meant by "using discount rate of 5%" in the title of the Attachment, when the liabilities are shown on an undiscounted basis.

143.0 Reference: Exhibit B-11-1, ICBC IR Response to 2007.1 BCUC.16.1

The response indicates that if the savings of the GLPe on the 2004 accident year had been included in the October 2005 Filing, the result would have been an increase of 0.1% on the overall actuarial rate indication of 4.2%. If the GLPe produced savings on the 2004 accident year, the overall rate level indication would be expected to decline.

143.1 Please explain how the savings of the GLPe would have increased the overall rate level indication of 4.2% in the October 2005 Filing.

144.0 Reference: Exhibit B-11-1, ICBC IR Response to 2007.1 BCUC.18.1

The response indicates that the BI ULAE percentage would be generally expected to decline when the BI severity inflation rate exceeds the inflation rate of ULAE per claim.

144.1 Please show by way of statistical analysis that the BI severity inflation rate exceeds the inflation rate of ULAE per claim.

144.2 Is the expected BI severity inflation rate higher than the inflation rate of ULAE per claim for PY 2007? Please indicate the expected BI severity inflation rate and the inflation rate of ULAE per claim for PY 2007.

145.0 Reference: Exhibit B-11-1, ICBC IR Response to 2007.1 BCUC.22.1

The response indicates that the claims handling initiatives appeared to be influencing the level of incurred losses from prior years reported in the latest calendar year. Therefore, increasing the reliance on the latest development factor would not necessarily increase the relevance of the selected factor to the current claims environment. As a shorter average was not appropriate, linear regression was used to provide an alternative estimate of the loss development factor that would reflect both the upward trend and relevance to the current environment.

145.1 Please provide details of the linear regression analysis performed, included R^2 and other goodness of fit statistics.

145.2 Please explain why linear regression was not used for the 36-48 month loss development period.

145.3 Please explain why linear regression was not used for loss development periods beyond 60 months.

146.0 Reference: Exhibit B-11-1, ICBC IR Response to 2007.1 BCUC.23.4

The response indicates that if the indicated Paid ALAE to Paid Loss ratios selected in the Prior Application had been used, the estimated ALAE would have been understated. A chart is provided to support the response.

146.1 Please provide footnotes for the chart including sources and formula.

146.2 How much of the increase shown in the chart is a result of the increase in BI ultimate losses? In other words, is it the increase in the ultimate losses that would have caused the understatement cited in the response?

147.0 Reference: Exhibit B-11-1, ICBC IR Response to 2007.1 BCUC.24.2

The response explains that since accident year 2006 was not a prior accident year when the initiatives were implemented in 2006, the recorded losses for accident year 2006 do not require an adjustment on Exhibit C.1.3.1 in order to take into account the impact of early recognition of losses due to increased work effort directed at prior years.

147.1 Please explain why the initiatives would not also be applicable to accident year 2006 claims. It would seem to be reasonable to apply the initiatives to accident year 2006 claims as well.

147.2 Do the initiatives apply to accident year 2007 and accident year 2008 claims?

148.0 Reference: Exhibit B-11-1, ICBC IR Response to 2007.1 BCUC.25.1

The response indicates that there is no inherent inconsistency between a slowing rate of increase in claims severity and an observed upward trend in loss development factors. Furthermore, the chart in the response indicates the slowdown in the severity trend.

148.1 Would the initiatives be expected to affect the loss development process? Why or why not?

148.2 Is it possible to quantify the impact of the initiatives on the loss development process? Why or why not?

148.3 The increase in loss development factors has been gradual and has taken place over several years. Is this increase partly due to a shift in mix of claim sizes over time?

148.4 Please confirm that the shift is slowing down. If so, why wouldn't the loss development factors be expected to return to historical averages.

149.0 Reference: Exhibit B-1-1, Chapter 6.2 and Exhibit B-11-1, ICBC Response to 2007.1 BCUC.35.2

On November 24, 2006, the Office of the Superintendent of Financial Institutions (OSFI) issued revisions to the Minimum Capital Test Guideline for 2007. Effective January 1, 2007, all financial instruments are valued in accordance with CICA Handbook Section 3855.

The response indicates that the "MCT" means MCT as that term is defined in

(a) the regulations and guidelines made under section 515 (2) of the Insurance Companies Act (Canada), and

(b) the Guidelines for Minimum Capital Test (MCT) for Federally Regulated Property and Casualty Insurance Companies number A-1 dated July, 2003 issued by the Office of Superintendent of Financial Institutions.

For the purpose of this question, assume that MCT is defined as above.

149.1 Please calculate the actuarial liabilities under the base scenario using the discount rate determined from the assets supporting the liabilities for 2007 to 2010 in accordance with actuarial standards of practice. In particular, according to CICA Handbook Section 3855 the assets must be valued on a fair value basis. Therefore, the actuarial liabilities should be based on a fair value discount rate. Please provide complete details of this calculation.

149.2 Using the actual balance sheet and MCT (107%) as of December 31, 2006 and the liabilities determined in the above Question 149.1, please project the 2007 to 2010 financial statements applying CICA Handbook Section 3855 standards to the investments. Additionally, please include the $100 million capital transfer from Optional Insurance to Basic Insurance as a result of the Government directive of January 24, 2007. Please provide complete details of this calculation (this should be the base scenario).

150.0 Reference: Exhibit B-1-1, Chapter 6.2 and Exhibit B-11-1, ICBC Response to 2007.1 BCUC.35.2

On November 24, 2006, the Office of the Superintendent of Financial Institutions (OSFI) issued revisions to the Minimum Capital Test Guideline for 2007. Effective January 1, 2007, all financial instruments are valued in accordance with CICA Handbook Section 3855.

The response indicates that the "MCT" means MCT as that term is defined in

(a) the regulations and guidelines made under section 515 (2) of the Insurance Companies Act (Canada), and

(b) the Guidelines for Minimum Capital Test (MCT) for Federally Regulated Property and Casualty Insurance Companies number A-1 dated July, 2003 issued by the Office of Superintendent of Financial Institutions.

For the purpose of this question, assume that MCT is defined as above.

150.1 Please calculate the actuarial liabilities <u>under all adverse scenarios</u> using the discount rate determined from the assets supporting the liabilities for 2007 to 2010 in accordance with actuarial standards of practice. In particular, according to CICA Handbook Section 3855 the assets must be valued on a fair value basis. Therefore, the actuarial liabilities should be based on a fair value discount rate. Please provide complete details of this calculation.

150.2 Using the base scenario developed in the above Question 149.2, please project the 2007 to 2010 financial statements under each adverse scenario applying CICA Handbook Section 3855 standards to the investments and actuarial liabilities as determined in the above question 150.1. Additionally, please include the $100 million capital transfer from Optional Insurance to Basic Insurance as a result of the Government directive of January 24, 2007. Please provide complete details of this calculation.

151.0 Reference: Exhibit B-1-1, Chapter 6.2

151.1 Based on the results of the analysis performed in Questions 149 and 150, please describe the financial condition of Basic Insurance.

152.0 Reference: Exhibit B-1-1, Chapter 6.2

152.1 Using the results of the analysis performed in Questions 149 and 150, please recalculate the two tables shown on page 18 of the Eckler report "Analysis of Capital Requirements for the Basic Insurance".

153.0 Reference: Exhibit B-1-1, Chapter 6.2 and Exhibit B-11-1, ICBC Response to 2007.1 BCUC.38.2

Pages 21 to 23 of the Eckler report show tables indicating the Changes in Capital Position under various scenarios. The response indicates that the changes to Section 3855 of the CICA Handbook (CICA 3855) and the revised OSFI MCT both take effect January 2007. Under CICA 3855, the interest rate used in evaluating the policy liabilities in most cases will reflect the market values of the investment assets supporting policy liabilities and correspondingly the policy liabilities will be sensitive to changes in the market value of investment assets.

153.1 Are the estimates in columns (2), (4) and (5) of the tables on pages 21 to 23 of the Eckler report for 2007 to 2010 in accordance with Section 3855 of the CICA Handbook?

154.0 Reference: Exhibit B-1-1, Chapter 6.2 and ICBC Q1 Result for Three Months Ended March 31, 2007

The Statement of Operations for the Three Months Ended March 31, 2007 in the last line indicates that the Minimum Capital Test for the Corporation was 165% using the new OSFI rules. The note clarifies that the MCT under the old rules would have been 155%.

Furthermore, there have been two Government directives in the recent past that transferred Capital from Optional Insurance to Basic Insurance.

154.1 Does ICBC feel there is any merit in assuming any further Capital transfers from Optional Insurance to Basic Insurance in the base scenario and adverse scenarios, considering the MCT results as of March 31, 2007 and recent Government directives. Please comment.

155.0 Reference: Exhibit B-1-1, Chapter 6.1 Basic Insurance Capital Plan – Management Decision, pp. 6.1-2 to 6.1-3
Basic Minimum Capital Test ("MCT")

ICBC indicates that the Basic MCT of 107% at December 31, 2006 will fall to 100% by end of 2007 because of policies written during 2006 and 2007 and prior to May 1, 2007, the effective date of the proposed 2007 rate increase.

155.1 If the effective date was January 1, 2007 instead of May 1, 2007 what would be the Basic MCT at end of 2007?

156.0 Reference: Exhibit B-11-1, ICBC Information Request ("IR") Response to 2007.1 BCUC.35.1, Basic Insurance Capital Management Plan

In January 2007, the Office of the Superintendent of Financial Institutions Canada ("OSFI") issued the Guideline: Minimum Capital Test (MCT) for Federally Regulated Property and Casualty Insurance Companies. On page 3 of the Guideline in footnote 1 it states: "This harmonized test for federally and provincially incorporated insurers has been approved by the Canadian Council of Insurance Regulators (CCIR)."

156.1 Was the OSFI January 2007 MCT Guideline change a response to the change in the CICA Handbook Section 3855 (Financial Instruments — Recognition and Measurement)?

156.2 Does ICBC plan to propose to the Provincial Government that it should amend Special Direction IC2 to change the definition of the OSFI MCT of July 2003 to the new definition of January 2007? Please elaborate.

157.0 Reference: Exhibit B-11-1, ICBC IR Response to 2007.1 BCUC.35.3,
Basic Insurance Capital Management Plan

ICBC states: "If the revised MCT guidelines, as defined by OSFI, were applicable to ICBC, the MCT ratio on December 31, 2006 (January 1, 2007) would have been 121%. It remains however, that the definition of MCT, as it applies to ICBC, is that which was in effect in July 2003."

On December 31, 2006 Basic MCT was 107%.

157.1 What would be the January 1, 2007 Basic MCT following adoption of the CICA Handbook Section 3855 and using the OSFI MCT definition as of July 2003? If there is a change in the Basic MCT briefly explain the causes of the impact.

157.2 Is it consistent to adopt the new CICA Section 3855 for January 1, 2007 but not deviate from the MCT calculation of July 2003? Please elaborate.

158.0 Reference: Exhibit B-11-1, ICBC IR Response to 2007.1 BCUC.39.4.2 and 39.4.3
Derivatives

ICBC states it typically uses derivative transactions to take advantage of arbitrage opportunities which exist in the fixed income market (i.e. not related to hedging). ICBC also states that it uses derivative transactions such as interest rate swaps to manage financing activities which support the ICBC payment plan (i.e. related to hedging variable interest rate exposures).

158.1 Please provide a further breakdown of notional values of derivative instruments, shown in ICBC IR Response 2007.1 BCUC.39.4.3, into two groups: (1) related to hedging, and (2) not related to hedging.

159.0 Reference: Exhibit B-11-1, ICBC IR Response to 2007.1 BCUC.39.5, 43.2, and 43.4
Real Estate Portfolio

159.1 ICBC Compliance Review during March 2007 suggested a few non-compliances concerning the real estate portfolio. Please provide an action plan to fix the identified non-compliances.

159.2 ICBC indicates that "5th and Cambie" is a revenue producing investment property. The space occupied by ICBC is treated as an arms-length transaction, with market-based lease arrangements. Please provide the percentage of square footage in this property occupied by ICBC and the annual amount and percentage of rental revenue from ICBC. If the revenue producing property was sold, would the ICBC lease agreement "survive" the property sale?

159.3 It appears that 910 Government Street (Victoria) is (perhaps partially) occupied by one of the ICBC Driver Licensing offices. If so, please provide the percentage of square footage in this property occupied and used by ICBC and the annual amount and percentage of rental revenue from ICBC.

159.4 Do real estate assets within ICBC's investment portfolio pay property taxes or grants in lieu of taxes? Please clarify whether these property tax charges are paid by ICBC as part of ICBC operating expenses, or are paid by the investment portfolio as part of MER for the real estate portfolio.

160.0 Reference: Exhibit B-11-1, ICBC IR Response to 2007.1 BCUC.40.1
Bond Portfolio Management

160.1 ICBC states that its global bond portfolio has been weighted heavily in liquid US treasuries which produce an income stream to support ICBC's US dollar cash flow requirements. Please identify and quantify ICBC's US dollar cash flow requirement.

160.2 Please provide performance attribution analysis (reviewed by the Investment Committee of the Board) for the latest quarter with regard to the Canadian, global and mortgage portfolios.

161.0 Reference: Exhibit B-11-1, ICBC IR Response to 2007.1 BCUC.41.1.3.2 and 41.3.2 Canadian Bond Portfolio

161.1 ICBC states that its Canadian bond portfolio assets which account for more than 50% of its investment portfolio are invested entirely in fixed rate securities, on December 31, 2006. As fixed-rate bonds, compared to variable-rate bonds, have greater exposures to interest rate risks and are more volatile in terms of their market values, would ICBC consider including some guidelines with respect to the split of fixed-rate versus variable-rate fixed income securities?

161.2 Please elaborate if ICBC regularly monitors and keep track of value-at-risk (VAR) or similar risk measures for its investment portfolio (or sub-portfolios).

161.3 In response to BCUC.41.3.2, ICBC attributes its recurring underperformance (rolling 4-year return of 9 basis points versus the target of 15 basis points above the benchmark) concerning the Canadian bond portfolio to “dramatic spread compression and a reduction in volatility” over the past several years and that “the current environment provides fixed income managers with limited opportunity to add value”.

In light of the tough environment described above and failure to attain its investment target persistently over the last five years, should ICBC revise its performance target pertaining to the Canadian bond portfolio? Should the bond investment strategy be changed from active management to a more passive management approach, for example, an “enhanced indexing” approach? Please comment.

162.0 Reference: Exhibit B-11-1, ICBC IR Response to 2007.1 BCUC.42.4.2 Equity Portfolio

162.1 It is well-understood and researched in finance that sector allocation (relative to the benchmark) usually is a major determinant of portfolio returns. Market timing and stock selection usually only account for 10-20% of the portfolio return. Please clarify why the performance of the ICBC’s equity portfolio is almost entirely driven by stock selection, rather than sector allocation.

163.0 Reference: Exhibit B-11-1, ICBC IR Response to 2007.1 BCUC.67.2 MVB Fee

163.1 Please explain Basic transaction fees: “Collection (MVB)” and “MVB 5%”.

163.2 Please provide components that comprise the MVB fees that are remitted to the government. Include a fee schedule and brief description for each MVB transaction.

164.0 Reference: Exhibit B-11-1, ICBC IR Response to 2007.1 BCUC.71.2, Attachment A – Executive Summaries of Issues examined by Corporate Audit Services – January 1, 2006 to April 30, 2007, p. 5 Claims Rated Scale (CRS) (Jan 30/06)

In Attachment A of page 5 the conclusion for Claims Rated Scale states: "…ICBC faces several challenges in relying on customer representation and that the accountability for monitoring CRS performance is not clear. Developing more effective preventative and detective controls to complement the existing primary control of forfeiture can reduce the magnitude of these challenges." Responses include implementing a principal operator definition, new claims history letter, and establishing a Broker Management Unit.

164.1 Please elaborate further on the challenges of "customer representation" and "accountability for monitoring CRS performance".

164.2 How many times in 2006 did ICBC exercise the primary control of forfeiture?

164.3 Does ICBC plan to develop and implement other responses in addition to the three cited responses? If so, please explain.

165.0 Reference: Exhibit B-11-1, ICBC IR Response to 2007.1 BCUC.71.2 Corporate Audit Report

165.1 Please file the complete Corporate Audit report on Vehicle Registration dated August 25, 2006.

166.0 Reference: Exhibit B-11-1, ICBC IR Response to 2007.1 BCUC.72.4 Internal Control Procedures for Funds Management

166.1 Funds Management department handles cash (Banking Operations and Customer Collection), revenue accounting, and customer accounting. Please provide internal control procedures (for example, segregation of duties and proper authorization for fund release, etc.).

167.0 Reference: Exhibit B-11-1, ICBC IR Response to 2007.1 BCUC.76.2 and 113.1 Attachment C - Business Rationale SAP Upgrade

167.1 Page 6 of the SAP Upgrade business case lists 6 project steps (from step 1 – Assessment to step 6 – Go Live and Support). Please provide estimated costs in each step with a breakdown of capitalized and expensed amounts. Please also describe major deliverables and milestones in each step.

167.2 ICBC states (BCUC.76.2) that the Corporation capitalized $4.7 million of the total project cost of $13.5 million for the new SAP Collection and Disbursement system project (or the New Premium Financing Plan project). The capitalized amounts were all related to the software purchase. The remaining costs, for example, relating to the configuration of the legacy systems and other development costs, were expensed.

According to CICA Handbook, costs of activities directly attributable to the acquisition, construction, development or betterment of property or equipment meet the capitalization criteria under CICA 3061.

Please provide actual costs by project phase (as shown in the business case filed per ICBC's response to 2006.1 Revenue Requirement Application BCUC IR 6.2) with a breakdown of capitalized and expensed amounts.

168.0 Reference: Exhibit B-11-1, ICBC IR Response to 2007.1 BCUC.77.1 and 77.2
Short-term Sick Leave Days

168.1 Please reconcile the difference between "Figure 1 –Average Short-term Sick Leave Days (including medical and dental) by Affiliation)" under BCUC.77.1 and "Figure 1 – ICBC Short-term Sick Days" under BCUC.77.2.

169.0 Reference: Exhibit B-11-1, ICBC IR Response to 2007.1 BCUC.81.3,
IT Governance

The magazine Canadian Underwriter in its February 2007 issue includes an article "Insurers' Legacy Systems: Space–Age Dinosaurs". The article provided information on the global and Canadian perspective on IT systems for insurance companies. It indicated that Bearing Point conducted a survey and found "most insurance executives were concerned that their companies would be severely constrained by the limitations of inflexible, complex legacy systems and the inability to obtain useful data". Celent also conducted an IT study of global financial services companies (including insurers). The Celent study found "…financial institutions are running systems that are too obsolete, too slow, and inflexible." The article indicates that to "minimize risks, Canada's insurance tech industry has adopted a methodical, component-based approach to change". It appears that ICBC has done some component changes such as SAP, Materials Damage Estimating, and a shared call centre solution.

169.1 Does ICBC plan to continue with the component based replacement strategy or will ICBC have to implement a more significant change to its claims and premiums systems?

170.0 Reference: Exhibit B-11-1, ICBC IR Response to 2007.1 BCUC.82.1, 82.4 and 111.2
Post Implementation Review and Corporate Projects

ICBC states that post-implementation reviews are conducted on all projects where the project costs are in excess of $1 million and/or greater than $1 million in benefits is estimated. BCUC.111.2-Attachment A provided actual project costs from 2003 to 2006. ICBC reports in its response to IR BCUC.82.4 that from January 2004 to December 2006, only two reports were completed on IT projects.

170.1 Please provide all non-IT post-implementation reviews since January 2005.

170.2 Please describe the process of project planning, scope selection, implementation and post-implementation evaluation for the recurring Insurance Semi-Annual Updates ("Release").

170.3 It appears that Release 66 and 67 (Insurance Semi-Annual Update) are planned for 2007. Please provide the business case, including the project scope and task objectives, for the most recently completed "Release" project (e.g. Release 65). Also provide the actual cost and evaluation of the selected "Release" project by task accomplished with a breakdown of capitalized and expensed amounts.

171.0 Reference: Exhibit B-11-1, ICBC IR Response to 2007.1 BCUC.98.2, Total Dollar Threshold

The response to BCUC.98.2 in Attachment A appears that there is no project that meets the proposed $5.7 million threshold for the period 2006-2008.

171.1 For the projects identified in Attachment A please provide another column that shows the total project expenditures (including both capital and operating expense).

171.2 Please identify and quantify any projects that meet the $5.7 million dollar threshold from 2009-2010.

172.0 Reference: Exhibit B-11-1, ICBC IR Response to 2007.1 BCUC.109.1 and 109.2 Corporate Obligations

ICBC budgeted $10.9 million for Corporate Obligations in 2007. However, the five-year average of Corporate Obligations (2002-2006) was only $4.9 million.

172.1 Due to the uncertainties related to the forecast of Corporate Obligations, please comment using the 5-year average of historical actual costs as the basis for its 2007 budget. Please identify any large cost items that are probable and should be reasonably included in the 2007 budget for Corporate Obligations.

173.0 Reference: Exhibit B-11-1, ICBC IR Response to 2007.1 BCUC.111.4 Corporate Snapshot: Projects Expense Summary (March 2007)

173.1 March 2007 Projects Expense Summary shows that a few projects have actual expenditures over the budget (for example, “Collision Repair Industry Agreement”, “Express Repair 2” and “Customer Credit System”). Please provide internal procedures of funding approvals for project over-expenditure. Should the funding approval for over-expenditure be obtained before the actual cost-overruns occur? Please comment.

173.2 The “Express Repair 2” project was $56,000 over budget as of March 31, 2007 and expected to exceed the project budget by $254,000 when the project ends.

173.2.1 Please discuss phases of this project since inception and provide the history of and rationale for funding approvals in various phases of the project.

173.2.2 Please explain why this project is over the budget now and expected to be over the budget at the end of the project.

173.3 The actual project expenditure of the “Business Information Program – Phase 1” project was $951,000, as of March 31, 2007, or 99% of the budget ($962,000). The project end-date was February 2007 and was shown “on-time” in schedule. However, the Outlook of the project is $444,000 over the project budget as of March 31, 2007. The project was shown as “19% complete”.

Please explain the project Outlook and the 19% completion percentage, recognizing the fact that the project had “completed” in February 2007, with actual spending of 99% of the budget.

174.0 Reference: Exhibit B-11-1, ICBC IR Response to 2007.1 BCUC.132.3.3, Intersection Safety Camera Program

The response indicates that ICBC has not done analysis of drivers who received fines if they have lower claim severity or frequency since fines are charged to the Registered Owner of the vehicles, not individual drivers.

174.1 Has ICBC conducted analysis to determine if the Registered Owner of a vehicle who receives a fine generated by the ISC program then has a statistically lower claim severity and/or frequency? If so, what are the results? If not, will this issue be investigated?

175.0 Reference: Exhibit B-11-1, ICBC IR Response to 2007.1 BCUC.137.1, 2006 Annual Report

175.1 On page 17 of the 2006 Annual Report, it mentions "requirements for increased data-sharing" could impact future performance. Page 33 elaborates it is "data-sharing of aggregate Optional insurance statistical information" from legislation passed in 2006. What is the cost of providing this data-sharing? What is the allocation of cost to Basic Insurance? Who does ICBC submit the data-sharing information to?

175.2 On page 29 of the 2006 Annual Report it provides three BC Government Strategic Plan Goals with ICBC's Alignment. The Government recently released The BC Energy Plan: A Vision of Clean Energy Leadership. In the Energy Plan one issue addresses greenhouse gas emissions from transportation. Does ICBC plan to align its Strategic Direction to the BC Energy Plan? Would an education and awareness program to promote more efficient means of transportation (e.g. mass transit, car-pooling, and foregoing unnecessary vehicle usage) both reduce greenhouse gas emissions and lower claims costs?

176.0 Reference: ICBC Q1 Result for Three Months Ended March 31, 2007

176.1 Please file the May 8, 2007 News Release on the Q1 Result including the Statement of Operations.

176.2 The Statement of Operations for the Three Months Ended March 31, 2007 in the last line indicates that the Minimum Capital Test for the Corporation was 165% using the new OSFI rules. The note clarifies that the MCT under the old rules would have been 155%.

176.2.1 Should the last line be 155% and the note be 165% since Special Direction IC2 defines MCT to be the OSFI MCT Guideline dated July 2003? Explain.

176.2.2 What is the Basic MCT for: 1) the 2007 Annual Plan and 2) the 2007 Full Year Outlook reflecting the March 31, 2007 information? Explain any variance.

177.0 Reference: Exhibit B-11-1, ICBC IR Response to 2007.1 BCUC.140.2 2010 Winter Games License Plates

177.1 ICBC indicates that "the payment of net proceeds is permitted by a change in the government regulations that govern this portion of the business." Please file the relevant change in the government regulations.

177.2 VANOC Business Plan (shown under the link below, page 97-98) confirmed that ICBC is one of the Tier 2 official sponsors of the 2010 Winter Games. (http://www.vancouver2010.com/resources/PDFs/07_05_08_VANOC_Business_Plan_EN_e_appendices.pdf)

VANOC states that the minimum level of investment required for entry into Tier 2 sponsorship in return for Olympic and Paralympic marketing rights for the period ending December 31, 2012 is $15 million.

ICBC states that its corporate sponsorship with VANOC has two major components: the 2010 Winter Games Plate Program and the provision of insurance for the VANOC fleet, including both Basic and Optional insurance coverage. ICBC estimates that total proceeds from the Plate Program will be approximately $9 million by the end of 2012 and stresses that since the plate program is voluntary, there is no guaranteed commitment to VANOC. ICBC's Optional insurance business will pay for insurance costs for the VANOC fleet, up to the maximum of $6.2 million.

Please elaborate on VANOC's "minimum level of investment". If the net proceeds from Olympic Plate Program fall short of ICBC's $9 million commitment by the end of 2012, would ICBC's Optional insurance pick up the funding deficiency and reimburse VANOC for the difference for the use of Olympic marketing rights as a Tier 2 Sponsor (i.e. Basic policyholders are not negatively affected)?

177.3 ICBC states that the Corporation and VANOC have signed a preliminary Term Sheet to confirm their binding agreement on the principal terms of a corporate sponsorship agreement. Please file the preliminary term sheet under confidential cover and highlight the terms and conditions that ICBC's involvement and commitment is on a "best-effort" basis (i.e. not guaranteed) (as reiterated in ICBC IR response to 2007.1 BCUC.140.5.1).

178.0 Reference: Exhibit B-11-1, ICBC IR Response to 2007.1 BCUC.140.4
2010 Winter Games License Plates – Net Proceeds

ICBC defines the "net proceeds" as fees remaining after regular licensing fees (paid to the government), direct costs and marketing expenses are subtracted.

178.1 Please list the types of regular licensing fees, along with a fee schedule and brief description for each type of the licensing fee that normally would have been paid to the government. Please show the calculation of total regular licensing fees for the Olympic Plate Program.

178.2 Please list all the direct costs and their estimated amounts each year until the end of 2012. Separately, identify all indirect costs as well.

179.0 Reference: Exhibit B-11-1, ICBC IR Response to 2007.1 BCUC.140.4
2010 Winter Games License Plates – Net Proceeds

The Schedule of "Net Proceeds from the Sale of 2010 Winter Games Licence Plates" ("the Schedule") provides a breakdown of estimated cash flows each year.

179.1 The Schedule forecasts a sale of 144,000 Olympic plates during the first year of the program. This target differs from the statement from Mr. Paul Taylor (Vancouver Sun April 12, 2007, p. C1) who indicated that "the Company's (ICBC's) market research suggested some 80,000 to 100,000 of its 2.2 million customers would be interested in buying the (Olympic) plates…."

Please reconcile the difference and provide a range of forecasts for the sale of Olympic plates.

179.2 Instead of assuming 100% uptake for the Olympic plates in the first year and three years' sequential renewals after that (the optimistic scenario), please provide a range of scenarios and the corresponding annual cash flows that see a slower uptake (e.g. over 2-3 years leading to the Olympic Games in 2010) and mid-term cancellations creeping up after the Games.

179.3 Please itemize all the "indirect project costs" that have an estimated total of $470,000 during the period of April 2007-March 2008.

179.4 Per ICBC IR response to 2007.1 BCUC.67.2, broker commissions have increased since July 2006 (e.g. commission per renewal increased to $10.10 from $8.60). Please provide the calculation of broker commissions based on the types of relevant commissions and the updated commission schedule.

179.5 The Schedule shows the revenues and costs starting from April 2007. Please provide a breakdown of costs related to this program prior to March 2007, for example, plate survey costs, internal labor costs, and costs related to system changes and their readiness for the launch of this program in April 2007.

179.6 Please describe the activities included in the "cost of marketing" forecast for the period April 2007- March 2009 and file relevant marketing agreements.

179.7 Compare the following two scenarios and provide fees to the government and Broker Commission using the template provided.

(1) At the time of annual policy renewal in May 2007, a policyholder chooses to switch to the Olympic Plate. The same policyholder decides to renew the Olympic Plate for two years (May 2008 and 2009) and switch back to a regular plate in May 2010 (after the Games).

(2) At the time of annual policy renewal in May 2007, a policyholder chooses to renew the existing regular license plate and continues such renewals for three years.

Scenario (1) Olympic Plate	**April 2007/ March 2008**	**April 2008/ March 2009**	**April 2009/ March 2010**	**April 2010/ March 2011**
Fees to Government (per plate)				
Broker Commission (per plate)				
Scenario (2) Regular Plate	**April 2007/ March 2008**	**April 2008/ March 2009**	**April 2009/ March 2010**	**April 2010/ March 2011**
Fees to Government (per plate)				
Broker Commission (per plate)				

180.0 Reference: Exhibit B-11-1, ICBC IR Response to 2007.1 BCUC.140.1 and 140.6
2010 Winter Games License Plates

180.1 In the News Release (BCUC.140.1), ICBC states that "the BC license plates that feature the 2010 Winter Games emblem… will be valid through 2012". On the other hand, ICBC states (BCUC.140.6) that the 2010 Winter Games Licence Plate is an official provincial licence plate and can be displayed on eligible vehicles past 2012. There are no expected plate termination costs.

Please confirm drivers who have purchased the Olympic plates can continue to use their Olympic plates as licenced plates past 2012.

181.0 Reference: Exhibit B-11-8, ICBC IR Response to 2007.1 IBC.70.3
Olympic Sponsorship

ICBC states that its Optional insurance business will pay VANOC for the Basic insurance premium to insure the VANOC fleet. The premium collected for the Basic insurance are set to cover the costs for claims and the cost to handle those claims. Premiums will be adjusted annually to reflect the performance of the fleet.

181.1 Please provide the calculation of annual and total amounts of premiums for Basic Insurance for the VANOC fleet of approximately 4,500 GM passenger vehicles.

181.2 How does ICBC take steps to ensure the Basic insurance premiums for VANOC's fleet are priced to reflect the history and performance of the fleet? What rate class and rating territory (Vancouver or Whistler) would the VANOC's fleet be priced under?

182.0 Reference: Exhibit B-11-4, ICBC IR Response to 2007.1 BCOAPO 1-42.4-6

ICBC states that it has adopted the Insurance Bureau of Canada's industry estimate that approximately 15% of insurance claims are fraudulent.

182.1 Has ICBC's claim loss reserving practice factored in the potential fraudulent nature of various claims? Please explain.

182.2 Please identify the actual percentage of fraudulent claims that ICBC has experienced in the last few years.

183.0 Reference: Exhibit B-11-7, ICBC IR Response to 2007.1 DUCK.4.b, Regulatory Process

The response to DUCK.4.b states: "ICBC has considered the possibility of a regulatory regime other than regular revenue requirement applications, and is open to discussion of alternative approaches to establishing rates for Basic insurance, but for the reasons discussed below ICBC does not have an alternative regulatory regime to propose at this time."

183.1 Is it possible for ICBC to develop a multi-year operating costs formula?

183.1.1 Please discuss the pros and cons of a known in advance operating costs formula for ICBC.

183.2 Chapter 6.1 Basic Insurance Capital Management Plan – Management Decision on pages 6.1-5 to 6.1-7 outlines ICBC approach to the Capital Maintenance and Capital Build. The approach appears formulaic based on the Capital Deficiency on the MCT target. Would ICBC agree that the annual Capital Maintenance and Capital Build provision can be formula-based given the MCT target and given a collar on the percentage increase/decrease impact on rates? Please discuss.

184.0 Reference: Exhibit B-11-7, ICBC IR Response to 2007.1 DUCK.4.d, Regulatory Process

The response to DUCK.4.d indicates that ICBC is aware of two regulatory regimes: 1) pre-approved and 2) file and use.

184.1 Is ICBC aware of any jurisdiction where it uses a hybrid method of file and use after a set period (such as 30 or 60 days) where the review board may opt to review the application and thus require a pre-approved application? If so, please elaborate.

184.2 Assuming a situation where ICBC applies for a rate change based on the actuarial rate indication, please discuss the pros and cons of a regulatory process where the actuarial information during a multi-year rate setting period was reviewed in a public process only on an exception basis (such as if the actuarial rate change was +/- 3% after excluding any capital maintenance, capital build, and formula-based increase in operating costs)?