

**REQUESTOR NAME:** BCOAPO *et al.*  
**INFORMATION REQUEST ROUND NO:** 2  
**TO:** ICBC  
**DATE:** November 29, 2016  
**APPLICATION NAME:** 2016 Revenue Requirements

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**1.0 2016.2 RR BCOAPO 1.1 Reference: 2016.1 RR BCUC.9.3**

The referenced IR and response state in part:

*On p. 2-22, in paragraph 43, ICBC states:*

*ICBC expects that with the added claims staff, the number of pending injury claims will decline, and claims will close on average more quickly than would otherwise be the case at prior staffing levels. By reducing the average length of time that injury claims remain open, this should reduce the average cost of these claims due to fewer dollars spent maintaining the claim (investigative and medical reports, legal fees, etc.). ...*

*Does ICBC have data that supports the assumption that more quickly closing claims should reduce the average claim cost? If so, provide such data.*

*Response:*

*ICBC's data indicates that the average cost per claim is lower for claims that close earlier, and higher for claims that close later, for both represented and unrepresented bodily injury (BI) claims. This has consistently been evident at different closure rates in the past, which supports the expectation that it will hold true as closures are accelerated in the coming years. More quickly closing claims will result in claims from current and future accident years closing earlier, on average, with a corresponding lower average cost expected. ...*

- 1.1 To what extent is it possible that smaller claims naturally tend to close earlier than larger claims, in which case there might be smaller than expected savings from decreasing the overall average time to close claims?
  - 1.1.1 Given the accelerating increase in lawyer represented claims, is it reasonable to assume that it will be possible to close the represented claims more quickly at a significantly decreased average cost?
  - 1.1.2 Does ICBC have any information concerning the ratio of claims per claims staff that other insurers, public or otherwise, employ?

**2.0 2016.2 RR BCOAPO 2.1 Reference: 2016 RR BCUC 13.3.1**

The referenced IR and response state in part:

Please provide the results of the 5-year simple regression model for Bodily Injury frequency that reflects ICBC's adjustment for the dry weather conditions that existed in AY 2013.

### 13.3.1

*If the accident year (AY) 2013 frequency is adjusted to normal weather conditions, the other years used to determine the forecast should also be adjusted to normal weather conditions to ensure that the forecast is unbiased. Selectively adjusting some years to normal precipitation and not others could introduce a bias that would be carried forward into the forecast.*

- 2.1 Does ICBC agree that the requested regression would have indicated the degree to which the atypical AY 2013 conditions would have impacted its estimate?
  - 2.1.1 Would it have been useful to use a qualitative ('dummy') variable which could have reflected the atypical dry weather conditions in AY 2013 in the regression analysis?

### 3.0 2016.2 RR BCOAPO 3.1 Reference: B-6, Complete Response to 2016.1 RR BCUC 19.1

The cover letter accompanying the substantive response states:

*By this letter, we are complying with Commission Order G-165-16 and enclosing ICBC's complete response to 2016.1 RR BCUC 19.1, but ICBC remains very concerned about the publication of the BCUC's hypothetical scenarios because they portray potentially very misleading results.*

- 3.1 Does ICBC agree that, to the extent that the assumptions underlying the responses are realized in the future, the scenarios are less misleading?

The cover letter also states:

*The information request in this Order seeks information that goes well beyond the scope of the current Application. As set out in our request to keep the response confidential, the assumptions dictated by the questions from the BCUC produce hypothetical scenarios that represents inaccurate depictions of expected Basic rate increases and capital levels over the next five years. The information request appears to run counter to the legislative framework under which ICBC is bound to operate.*

- 3.1.1 Does ICBC believe that the long-run sustainability of the Basic program is beyond the scope of this – or any other – RR proceeding?
- 3.1.2 If the position of ICBC is that the long-run sustainability of the Basic program is beyond the scope of RR proceedings, how does ICBC

reconcile that assertion with the protection of the public interest by way of fulsome regulatory oversight?

The cover letter also states:

*While all of the scenarios provided are hypothetical, some of the assumptions are more plausible than others. For example, the additional scenarios ICBC has provided assume ICBC and government will continue, as we always have, to work together on initiatives to mitigate rate pressures.*

- 3.1.3 Please rank the assumptions used in each of the four scenarios provided in order of plausibility.
- 3.1.4 Please rank the four scenarios in terms of plausibility and, if possible, provide ICBC's estimate as to how likely each scenario is to be realized.
- 3.1.5 Is it ICBC's view that the requested scenarios are completely uninformative with respect to the long-term viability of the Basic program?