

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

**AN APPLICATION BY THE INSURANCE CORPORATION OF BRITISH COLUMBIA FOR
APPROVAL OF THE REVENUE REQUIREMENTS FOR UNIVERSAL COMPULSARY
AUTOMOBILE INSURANCE EFFECTIVE NOVEMBER 1, 2016**

Submissions on Rate Change

Toward Responsible Educated Attentive Driving

(TREAD)

December 30, 2016

INTRODUCTION

1. In response to the Commission's letter dated 20 December 2016 (Exhibit A-14) TREAD makes the following submissions "as to whether or not the Panel should approve the PY 2016 Basic insurance rate change of 4.9 percent on a permanent basis."
2. TREAD has intervened in four successive ICBC Revenue Requirements Applications and approaches the proposed 4.9 percent rate increase from a perspective described as follows:

"TREAD is a ratepayer advocacy group established to give a voice to the majority of British Columbia's licensed drivers who are responsible, educated and attentive, yet are required to bear most of the enormous costs caused by the minority of BC drivers who are irresponsible, lack adequate driver education, or are distracted while operating a motor vehicle. TREAD seeks to have ICBC exercise more prudent cost control in order to reduce compulsory insurance rates for better drivers."¹

DUBIOUS TIMING OF OIC960/16 AND RELATED PROCESS

3. Tightly prescribed and time constrained submissions of this type, at this stage of proceedings pursuant to a regulatory timetable established 10 November 2016 by Commission Order G-163-16 (Exhibit A-10), are highly unusual and unwelcome from an Intervener perspective.
4. Order in Council ("OIC") No. 960/16 bears an "Approved and Ordered" date of 16 December 2016. The substantive portion of OIC960 comprises only nine lines of text, and offers no explanation or justification whatsoever for the urgent action it necessitates for the Commission, ICBC or Interveners or the disruption of the established regulatory timetable.
5. The Commission's letter seeking comments regarding OIC 960/16 (Exhibit A-14) was posted to the Commission website on 20 December 2016 at 4:34 p.m. yet it directed ICBC to file submissions within essentially two business days – allowing just 1.5 hours of normal business operations on a portion of the third day.
6. The brevity of the response time allowed to ICBC is striking by itself, but is made all the more unusual by prescribing that ICBC's submissions were due at 10:30 a.m. – a clear departure from the Commissions Rules of Practice and Procedure recently adopted by Order G-1-16. PART III DOCUMENT FILING - Filing and service of documents, Section 11.02 states "Filings must be submitted on or before a specified filing **date**, if applicable." The

¹ Exhibit C5-1.

introduction of a non-standard filing **hour** – particularly mid-morning – requires a justification beyond simply stating expedited submissions are required “Due to the timing circumstances of OIC 960/16.” While it is clear that OIC 960/16 demands extraordinary haste, it is unclear why such haste is considered necessary or appropriate how it could be seen to be in the best interests of ICBC’s customers.

7. Curiously, ICBC made no protest regarding the exceptionally short window in which it was required to prepare submissions regarding approval of the PY 2016 Basic insurance rate change of 4.9 percent on a permanent basis. Interveners and the public are left to wonder whether ICBC was surprised by the content or timing of OIC960/16 – or was afforded the advantage of prior knowledge of the imminent release of an OIC.
8. For Interveners, the nominal seven day window allowed for preparation of submissions following ICBC’s filing - including Christmas Eve, Christmas Day and Boxing Day – greatly limited Interveners’ time and availability. At the end of a year not lacking in public cynicism, that highly suspect and unexplained timing reflects very poorly on those who controlled it.
9. Observations regarding the unusual timing of the release of OIC960/16, and deadlines for submissions related to it, are not mere grumbings. Marked departures from normal practice (e.g. filing intervals, regard for public holidays) and complete disregard for an established regulatory timetable demand a transparent and complete explanation of why such extraordinary action and urgent timing is required.
10. Appearing to intentionally disadvantage Interveners and the public at the same time that ICBC perhaps held the advantage of advance knowledge of an OIC, with no express or apparent justification, creates a perception that undermines confidence and trust in the Commission and its procedures. As noted by Mr. Landale in his submissions (Exhibit C2-6), such actions are clearly inconsistent with the Commission’s 2016-2019 Business Plan, specifically its Mission Statement (i.e. “fair, transparent and inclusive processes”), Vision Statement (i.e. “to be a trusted and respected regulator”) and Integrity Statement (i.e. “lead in a straight forward and consistent manner, by making objective and well-reasoned decisions”). This unusual content and timing of OIC960/16 comes uncomfortably soon after the Independent Task Force appointed by the BC Government to review the BCUC made a key finding in February 2015 that:

“The existence of an independent expert Commission is more important than ever today. By regulating monopolies the BCUC provides an essential public service. Unfortunately the Government and key stakeholders have less confidence in the BCUC than in the past.”

11. TREAD encourages ICBC to confirm in its Reply that no one in the corporation had any prior knowledge of OIC960/16, its contents or timing before the Commission issued its letters (Exhibits A-13 and A-14) late on the afternoon of 20 December 2016. In the absence of such confirmation, the Commission, Interveners and the public may reasonably infer that ICBC did have prior knowledge of, and perhaps input to, OIC960/16 but is unwilling or unable to confirm that fact.
12. TREAD expects that the Commission may not have any specific knowledge of or insight to the suddenly urgent need to approve a narrowly prescribed rate change no higher than 4.9 percent no later than 16 January 2017. If the Commission has such knowledge or insight, it would be most helpful to discuss that aspect in its decision. Doing so might foster customer understanding and acceptance of the approved rate increase. If the Commission lacks such knowledge or insight, that too should be clearly communicated in its decision. Interveners and the public are entitled to know why unexpected and ill-timed constraints on the Commission's discretion as an independent regulator were required and appropriate.
13. Interveners and the public will also wish to know why the BC Government declined the opportunity to attend and participate in the 28 October 2016 Procedural Conference convened specifically for purposes of seeking submissions on further process in the ICBC 2016 Revenue Requirements Application ("RRA"), and providing the basis for the Regulatory Timetable provided with reasons in Commission Order G-163-16 on 10 November 2016. The simple step of indicating that a new rate ceiling was being considered might have saved the Commission, ICBC and Interveners much unnecessary effort, promoted procedural efficiency, and eliminated the needless urgency now created by OIC960/16.

SCOPE OF SUBMISSIONS REGARDING OIC960/16

14. Inviting parties to make submissions regarding OIC960/16, the Panel provided guidance on the contemplated scope of submissions as follows:

"For clarity, the Commission is only seeking for submissions related to the permanent PY 2016 rate change. An amended regulatory timetable will be issued in due course for all other matters in the ICBC 2016 Revenue Requirements proceeding."
15. TREAD acknowledges that the extremely narrow legislative parameters created by OIC960/16 and related legislation impose certain limits on the scope of submissions, but it is crucial to recognize that approval of a rate

increase within the unexpectedly small band between 4.0 and 4.9 percent (rather than the 4.0 percent to 7.0 percent band required by the Rate Smoothing Framework prior to OIC960/16) requires adequate context. Specifically, an “objective and well-reasoned decision” (see the Commission’s Integrity Statement above) will need to lay out in a straight forward manner why the 15.5 percent rate increase indicated by actuarial analysis², or alternatively a rate increase much closer to 15.5 percent than to 4.9 percent, is not appropriate. What is permissible under existing legislation may not lead to the same result as application of established regulatory and actuarial principles – and any deviations from the latter must be clearly identified and thoroughly explained.

HISTORICAL CONTEXT OF PROPOSED 4.9% RATE INCREASE

16. Recent ICBC RRA proceeding and associated rate increase proposals are noteworthy for how their assumptions contrast with the popular perception during the ICBC 2007 Rate Design proceeding. In that proceeding about ten years ago, a rate increase cap of 6 percent was proposed as a means of maintaining rate stability and predictability for customers.³ However, since 2012 general rate increases on the order of 5 percent have emerged as the new institutional standard – apparently expected by both the Commission and BC Government. In effect, the BC public have come to the unfortunate realization that annual rate increases at a level that were deemed to be at the upper limit of a tolerable range less than a decade ago have now become the “new normal” for ICBC’s RRA filing each August.

INCOME CONTEXT OF PROPOSED 4.9% RATE INCREASE

17. When compulsory auto insurance rates grow faster than incomes, basic affordability of operating a vehicle declines - regardless of a driver’s accident/claims history. Since 2000, BC incomes have been growing at an annual rate approximating 2.9 percent. In contrast, ICBC annual rate increases varied significantly.

² Exhibit B-1, Application, p. 2-1.

³ ICBC 2007 RDA, Ex. B-1-1, pp.13-4, 17.3-1.

		
Figure 1 – Compound Annual Growth Rate (CAGR) in Basic Insurance Rates and CPI		
Year	Basic insurance rate	Inflation/Canadian CPI* **
2004	0.4%	1.9%
2005	0.0%	2.2%
2006	6.5%	2.0%
2007	3.3%	2.1%
2008	0.0%	2.4%
2009	0.0%	0.3%
2010	-2.4%	1.8%
2011	0.0%	2.9%
2012	11.2%	1.5%
2013	4.9%	0.9%
2004-2011 CAGR	0.9%	1.9%
2004-2013 CAGR	2.3%	1.8%

* CPP rate increases are calculated once a year using the CPI All-Items index as per the *Canada Pension Plan Act*.
** The CPI data in Figure 1 is drawn from the first page of Mr. Landale's Evidence Exhibit 02.

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18. Adding the approved rate increases for the years 2014 (5.2 percent) and 2015 (5.5 percent), the average annualized ICBC rate growth has been roughly 3.0 percent since 2003. Although the median income and ICBC Basic premium growth rates may seem similar, ICBC's rate increase pattern has been sporadic, with some years featuring zero increase, while others have seen significant spikes - 6.5 percent in 2006; 11.2 percent in 2012. Worse, looking at 2004 until today, the annualized rate increases have been increasing, from just over 3 percent to approximately 5 percent each year. In fact, the current application would be proposing a massive 15.5 percent rate jump, were it not for the capital transfer from ICBC Optional business. With median incomes growing much slower than ICBC Basic rates, auto insurance in BC appears destined to continue its steady march toward unaffordability.

INCONSISTENT APPLICATION OF ACCEPTED ACTUARIAL PRINCIPLES

19. As ICBC rightly points out, the company must comply with accepted actuarial practice, as required by *Special Direction IC2, BC Regulation 307/2004, as amended ("Special Direction IC2")*. TREAD is confident that ICBC actuaries conduct themselves in a professional manner. Therefore, TREAD accepts ICBC's actuarially determined estimates of required indicated rates as presented.

20. Unsurprisingly, the first heading in ICBC's 23 December 2016 submission is "Accepted Actuarial Practice". ICBC consistently suggests that by bringing forward rate proposals based on accepted actuarial practice, approval of those rate proposals is adequately justified. Certainly, *Special Direction IC2* requires the corporation to follow accepted actuarial practice in setting rates.

⁴ ICBC 2014 Revenue Requirements, Exhibit B-8, p.3.

In some respects, however, ICBC's reliance on accepted actuarial practice appears inappropriately selective.

21. The corporation is a public sector monopoly (for Basic insurance), is ultimately backed by the BC Government (Insurance Corp. Act, Sec. 13(1) and (2)) and faces no prospect of being put out of business by competitors.
22. These facts about ICBC may be considered obvious, but their significance should not be underestimated. The cumulative impact of those facts underlies what is arguably the most important aspect of the corporation's operations - that the majority of its customers pay their premiums faithfully year after year, and will never make a claim with ICBC.
23. When price averaging is used in a regulated monopoly, it is often aimed at extending service to the economically disadvantaged that might otherwise be priced-out (if marginal costing prevailed). In ICBC's case, the deviation from marginal costing reduces the cost faced by bad drivers, and spreads it across all insured. BC's good drivers are economic captives under the continuing practice of high Basic rate increases and no rate design updates. In a system of compulsory Basic insurance, good drivers are given the unpalatable choice between paying progressively more to subsidize bad drivers, and seeking out transportation other than driving a vehicle. Were ICBC a private insurer, in a competitive market, escalating rates would not just cause a loss of customers to other insurers, but first in line for the exit would be the good drivers TREAD represents. Unfortunately, under the current situation BC's good drivers are held hostage and forced to unfairly subsidize bad drivers. TREAD seeks to change that situation through appropriate Rate Design changes as soon as practicable.
24. Accepted actuarial practice necessarily includes some discretion and judgment.⁵ TREAD understands that private auto insurer actuaries must take the predictable reactions of customers, competitors, and regulators into account when bringing forward rate recommendations. ICBC's situation is therefore different. Fortunately for ICBC, it faces no competition for Basic coverage. Whereas a private insurer must consider the impact of rate changes on retention ratios (number of policies renewed / number of potential renewals), in BC, one either gets Basic from ICBC, or does not operate their vehicle. (Also, JD Power reports that customer service quality is a big factor in choice of insurer. With Basic a captive market, ICBC may be able to retain customers it otherwise might lose—even if service quality is questionable.)
25. ICBC also differs from private sector insurers due to the history of, and likely future resort to, capital transfers from the Optional line of business. Aside from the financial advantage of Optional transfers, the corporation almost

⁵ BASIC RATEMAKING Fifth Edition, May 2016, Geoff Werner, FCAS, MAAA, Claudine Modlin, FCAS, MAAA, Ch.13.

certainly reaps a marketing advantage through customers buying both Basic and Optional coverage from ICBC. That perpetual advantage – repeated with every annual renewal - cannot be ignored when considering ICBC’s actual financial position. The Optional transfers are invariably presented to customers and the public as “one-offs.” However, the practice repeats fairly regularly, frequently enough that it has become a typical component of ICBC’s operating environment. TREAD considers the inherent, ongoing relationship between the Basic and Optional businesses an important factor for assessing ICBC practices. TREAD expects that transfers from Optional to Basic will continue in the future. From a marketing perspective, the transfers are deserved in the sense that they are capturing the benefit ICBC enjoys from one-stop shopping by insurance buyers. ICBC does not publish Optional market share statistics, and has not presented any information about the possible extent of the “convenience bias” of customers obtaining their Optional coverage from ICBC. (ICBC is often assumed to have at least 80 percent of the optional market; some estimates are as high as 90⁶; TREAD notes ICBC has presented a “Comprehensive Market Share” of 72.4 percent.⁷) For practical purposes, and arguably for economic ones as well, the Optional and Basic sides of ICBC’s business are not as walled-off from each other as the official communications indicate.

26. Within regulatory and government circles, concern has been expressed over the repeated capital transfers from Optional to Basic. For the public, however, the real concern is the prolonged delay in ICBC bringing forward an up-to-date rate design, and the adverse impact on the Basic insurance cost paid by good drivers.

27. As *Special Direction IC2* compels ICBC’s adherence to actuarial standards, TREAD believes it appropriate that ICBC provide the Commission with insight as to typical underwriting cycles for auto insurance, particularly the normal elapsed time between rate revisions. Since 2007, ICBC has relied on a system-wide perspective in calculating required rate changes. Under the familiar regulatory principle of cost causation, customers expect the Commission to require ICBC to ensure Basic rates remain actuarially valid at the most detailed level possible - ideally tailored to the individual coverage based on their loss experience. Instead, the many are bearing the unsustainable costs imposed by the few, and with almost a decade since the last ICBC Rate Design Application, the likely extent of that cross-subsidy appears quite substantial and growing. TREAD urges ICBC to confirm in its Reply whether the extensive elapsed time since ICBC’s 2007 Rate Design Application is consistent with typical actuarial practices in North America, and has not caused inordinate cross-subsidy between identifiable coverage groups.

⁶ <http://www.mussiogoodman.com/icbc-claim-guide/getting-started/introduction-icbc/>

⁷ ICBC 2016 Revenue Requirements Application, Exhibit B-1, p.5A-5.

28. TREAD requests that ICBC's Reply describe the average and maximum time interval actuaries typically allow before re-visiting and revising auto insurance rates. TREAD notes that the California Department of Insurance auto insurance Rate Filing requirements allow filings based on 8 to 24 quarters of data justifying the proposed new rates - although a shorter period may be used, if supplementary (i.e., industry-wide rather than company data) are used; this implies California companies are revisiting rates with a frequency of between 2 and 6 years.⁸ In contrast, ICBC's last Rate Design application was filed nearly ten years ago.
29. The foregoing discussion is directly relevant to the central issue of whether the 4.9 percent rate increase should be approved, because of the extent of ICBC's and the Commission's express reliance on accepted actuarial practice. TREAD trusts that that the Commission will be keenly interested in confirming that all aspects of accepted actuarial practice are rigorously applied by ICBC - not just those that justify rate increases.

NEW RATE DESIGN IS IN THE PUBLIC INTEREST

30. The goal of ICBC, BCUC, and the Lieutenant Governor In Council ("LGIC") is beneficial operation of the corporation for British Columbians. ICBC was established with the aim of creating a beneficial auto insurance regime for drivers in BC. Until relatively recently, ICBC had a moderate rate trajectory, consistent with that aim. However, in recent years, particularly since 2012, the company's rates have escalated significantly - and considering that 2016 had a 15.5 percent indicated rate increase, would be soaring, were it not for the *Special Direction IC2* Rate Smoothing restrictions and massive transfers from the Optional business to Basic insurance.
31. ICBC has identified the sources of its increased costs—greater frequency of property damage and personal injury claims, and higher property damage costs. However, the corporation has been unwilling to follow through on its 2012 Customer Consultation and Engagement intended to introduce rate design measures necessary to better allocate revenue recovery from those causing accidents. TREAD urges the Commission to address the perpetually deferred Rate Design Application as the best available means to reduce the growing divergence between BC incomes and ICBC Basic rates that are becoming a bigger household budgeting problem with each passing year. ICBC correctly points to the legislated requirement that it follow accepted actuarial practices. Relying on actuarially correct rate general increase cannot be challenged on technical grounds, as the corporation must fully recover its anticipated loss and operating costs. The problem is that although taking this narrow perspective may solve ICBC's immediate financial problem, it absolves government from revisiting the corporation's pricing conduct, and it

⁸ State of California, Department of Insurance, *Prior Approval Rate Filing Instructions*, p. 31.

allows the regulator to potentially ignore dimensions of ICBC service important to consumers. Simply repeating blanket rate increases year after year is fundamentally inappropriate because it blatantly lacks fairness toward good drivers, and rewards bad drivers. It is high time for a new ICBC rate design.

32. The 2007 Rate Design Decision established the longer-term direction for ICBC rates. OIC 39 directed that, “In designing its plan ICBC should look to develop a rate structure that better takes into account the costs incurred by high-risk drivers.” In the 2016 RRA, “high-risk” seems to have been relegated to comments on the use of PEDs while driving, and vehicle operation data collection and their potential link with crashes. The corporation and the Commission appear to have abandoned the mission statement from the 2007 Rate Design Decision, which was to shift the burden of loss cost recovery from the general ICBC-insured population to those drivers causing accidents. Revising the ICBC rate structure to recover more of the growing claims costs from those causing accidents would seem entirely consistent with accepted actuarial practice, and would be consistent with the cost causation principle.
33. Long ago, OIC 39 laid out the timing foreseen: “Changes affecting high-risk drivers should be applied to driver actions occurring in 2008 and subsequent years. ICBC must submit the plan for high-risk drivers to the Commission for its approval prior to its implementation.” TREAD submits that the proposed approval of the blanket 4.9% rate increase does nothing to advance ICBC toward a rate structure better reflecting the costs imposed by high-risk drivers. Perhaps ICBC could demonstrate the insignificance of the extent of any existing divergence by showing the Commission how the current base rate for a representative ICBC customer (e.g. Rate Class 002, Territory D), compares to the current, actuarially-indicated figure. Further, it seems reasonable that in an environment featuring either volatile loss estimates or increasing loss costs, the interval between rate designs should be diminishing, rather than increasing, because the reliability of previously calculated indicated rates would be eroding more rapidly than in a stable loss trends environment.
34. TREAD notes the differential between the trend in ICBC “controllable operating costs,” versus the overall cost escalation. Quite admirably, the corporation has limited its fundamental operating cost growth to roughly 2 percent.⁹ BC’s good drivers understand some rate increase as inevitable due to general inflation; ICBC controllable operating expenses fit squarely within those expectations. However, it is the residual rate increase component, the approximately 2.9 percent extra, which customers who have never caused a crash, rightly question. Yet rate increases of approximately 5 percent or greater seem destined to proceed, unabated, into the foreseeable future.

⁹ Based on B-1, Figure 5.4.

35. TREAD observes that the Commission has permitted ICBC to delay the implementation of flat fees for Non-Insurance Costs. The corporation and Commission appear to not always maintain a conscientious regime of implementing Decision directives: “The Commission Panel notes that ICBC was requested, in the 2006 Decision, to consider alternative means to allocate these costs. It was not requested to re-examine the allocation of costs within the Marketing and Broker Support Services department, which it did and reached a conclusion that the costs are properly allocated. While the Commission Panel does not regard this as an issue of significance at this time, the request made in the 2006 Decision remains unanswered and ICBC is directed to address it as requested at the first opportunity.”¹⁰ Although the flat fees for non-insurance costs and the marketing and broker cost allocations may not be significantly consequential for customers, the Commission must ensure that ICBC complies with decision directives - a fundamental principle of general regulatory practice.
36. With ongoing, general rate increases, yet no formal, comprehensive rate re-design, the potential divergence between what good drivers pay for Basic insurance and what they should pay, is growing. While ICBC adheres to accepted actuarial practices in calculating the general rate increases, that does not address the important public policy consideration of affordability. Certainly, those drivers causing increased ICBC loss costs should face escalating rates; however, good drivers, who have caused no claims, are also compelled to pay more, in order to subsidize them. Good drivers in BC have no choice but to purchase Basic insurance from ICBC. ICBC has been directed to operate effectively under OSFI guidelines that are intended for private insurers who face a rate ceiling in the form of pricing reactions by competitors. For Basic insurance, ICBC has no competitors, yet the Commission has found it satisfactory to not exercise its authority under the Act (ICA, Sec. 45(1)) to specifically impose any affordability conditions or constraints. When challenging the significant rate increases in recent years, Interveners are consistently admonished “ICBC acted in a manner consistent with accepted actuarial practice.” Although probably true, this blanket response does not address legitimate public concerns about whether good drivers are being dealt with fairly. Whether the full spectrum of consumer interests (i.e., insurance affordability; not being punished for others’ bad driving) is being upheld in this technocratic approach is highly questionable.

CONDITIONAL ACCEPTANCE OF PROPOSED RATE INCREASE

37. As a practical matter, TREAD accepts the proposed 4.9 percent rate increase, consistent with *Special Direction IC2*. TREAD fully understands that the Commission and ICBC must comply with BC Government legislation. TREAD observes that a private insurer would not have such direction from

¹⁰ ICBC 2007 RRA Decision, p. 22.

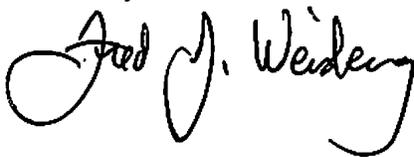
- government; the issuance of these frequent directives further emphasizes the inherent inseparability of the corporation and the LGIC.
38. TREAD encourages the Commission to provide further direction, as soon as practicable after the rate change decision, regarding an amended regulatory timetable to address the balance of issues in the 2016 RRA.
 39. Approval of yet another significant annual rate increase with no apparent prospect of much-needed Rate Design reform ensures that BC's good drivers will continue to subsidize the bad drivers responsible for most of the ICBC's costs. The worst perspective on the current situation is that it probably advantages wealthy bad drivers, while punishing good drivers with modest economic means. TREAD strongly opposes the normalization of this approach - which appears to be the direction ICBC prefers.
 40. ICBC should provide Interveners and the Commission with an explanation and documentation supporting the actuarial rectitude of indefinitely deferring a new rate design, which ICBC itself proposed in 2012. TREAD submits that proper adherence to accepted actuarial practice requires ICBC to expressly acknowledge how often a formal, comprehensive rate design should be undertaken in order to fully comply with accepted actuarial practice.
 41. Approval of the proposed 4.9 percent rate increase for 2016 would result in a best case scenario for rate increases, absent legislative change, as follows: 2017 – 3.4 percent increase, 2018 – 1.9 percent increase, 2019 – 0.4 percent increase. Given the 15.5 per cent rate increase indicated by accepted actuarial practice for 2016, the prospects for rate increases at the low end of the acceptable Rate Smoothing band appear slim indeed. A 4.9 percent rate increase for 2016 would more likely result in a worst case scenario for rate increases, absent legislative change, as follows: 2017 – 6.4 percent increase, 2018 – 7.9 percent increase, 2019 – 9.4 percent increase.
 42. As described in its intervention statement, "TREAD is specifically interested in ICBC's continuing unwillingness to adequately notify the public of the subsequent rate increases that are required by Rate Smoothing, claims cost management, cost reduction initiatives, and performance measures." TREAD submits that while circumstances currently compel the Commission to approve the proposed 4.9 per cent rate increase, nothing prevents the Commission from also directing ICBC to file a comprehensive Rate Design Application by a set near-term date (e.g. 1 June 2017).
 43. The ICBC 2013 RRA proceeding addressed the timing of a new rate design with the Panel finding: "ICBC submits that the priority is to move ahead with its new system and it wouldn't be in a position until post 2015 to file a Rate

Design Application, as the new system is expected to be complete around the end of 2015.”¹¹

44. The Panel in the ICBC 2013 RRA proceeding also expressly directed: “Although not a part of this hearing, the Panel is aware a possible Rate Design Application may be warranted in the near future. **The Panel requests ICBC provide an update of its plans around a Rate Design Application as part of its 2015 Revenue Requirements Application or by way of a separate filing no later than December 31, 2015.**”¹²
45. Over two and a half years has elapsed since the ICBC 2013 RRA decision, and a full year has gone by since ICBC’s December 31, 2015 update filing, yet ICBC shows no signs of progress or commitment to develop and file a new rate design, and the Commission appears to be allowing the issue to languish.
46. In the context of the proposed 4.9 percent rate increase for 2016, and successive significant rate increases likely to follow for several years, TREAD urges the Commission to address the importance and status of a new ICBC rate design in its decision.
47. TREAD looks forward to seeing the innovative, actuarially-based rate design ICBC will file, incorporating pricing that will shift a greater share of the burden of the ongoing cost escalation from good drivers to bad drivers - where it rightly belongs.

All of which is respectfully submitted.

Yours truly,



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¹¹ ICBC 2013 RRA Decision, p. 51, first paragraph.

¹² ICBC 2013 RRA Decision, p. 51, second paragraph.