



VIA EFILE

January 16, 2017

ICBC 2016 REVENUE REQUIREMENTS

EXHIBIT A2-2

Ms. June Elder
Manager, Corporate Regulatory Affairs
Insurance Corporation of British Columbia
151 West Esplanade
North Vancouver, BC V7M 3H9

Dear Ms. Elder

Re: Insurance Corporation of British Columbia
2016 Revenue Requirements Application

Commission staff submit the following document for the record in this proceeding:

Ministry of Transportation and Infrastructure
Ministry orders review to keep ICBC rates affordable – News Release
December 19, 2016

Yours truly,

Original Signed By:

Laurel Ross

/nd
Enclosure



NEWS RELEASE

For Immediate Release
2016TRAN0417-002807
Dec. 19, 2016

Ministry of Transportation and Infrastructure

Minister orders review to keep ICBC rates affordable

VICTORIA – The British Columbia government is taking action to ensure insurance rates are affordable and in line with inflation, Minister of Transportation and Infrastructure Todd Stone announced today.

To that end, the Province has directed ICBC's board to commission a comprehensive independent third-party review to look at a range of options and make recommendations that will keep insurance rates affordable and align future rate increases with inflation.

"We are taking action to keep ICBC's rate increases affordable for British Columbians. Today, I've directed ICBC's board to commission a third-party review with a goal to produce a range of options for ICBC to increase fairness, affordability and sustainability when it comes to Basic insurance rates," said Stone. "Our goal with this review is to put British Columbians first and for ICBC to manage its cost pressures, ensuring affordable rates for the long term."

"As the recently appointed chair of ICBC, I am looking forward to this independent review, which will help us assess and improve our operations, evaluate our management practices and identify additional measures to help ensure rates are affordable for British Columbians" said ICBC board chair Barry Penner. "These recommendations will support our efforts as we work with government to keep future insurance rates affordable and in line with inflation."

Government has also announced that in the interim, and for the coming year's rate increase, the Province has issued a directive to the British Columbia Utilities Commission (BCUC) to approve a Basic rate increase of a maximum of 4.9% or less by Jan. 16, 2017.

BCUC has been reviewing ICBC's rate application since August 2016.

"While government is taking steps to ensure this year's Basic rate increase is kept at 4.9 per cent or less, we want to make sure that in the long term, ICBC rates are in line with inflation. The independent review will help us get there," said Stone.

This independent review comes at a time when the frequency, complexity and severity of bodily injury claims, in addition to higher vehicle repair costs, is putting pressure on rates. For example, between mid-2015 to mid-2016, the number of vehicle damage claims increased by 11% and the number of injury claims increased by 14%. At the same time, the average cost of vehicle claims is increasing, rising 17% between 2014 and 2015, as vehicles are becoming more expensive to repair, and injury claim costs are up 60% between 2008 and 2015.

The objective of this review is to maintain public ownership and to work within the current model in order to keep automotive insurance as affordable as possible for British Columbians. The review will add to the steps the government and ICBC have already taken to protect British

Columbians from the full impact of these costs.

Earlier this year, the Province announced ICBC would be doubling Basic premiums for high-value luxury vehicles, as well as ramping up the fight against fraud with a new detection tool that's projected to save \$21 million on Basic insurance claims costs in 2017 and up to \$44 million annually by 2019. In addition, laws and penalties for distracted driving have been strengthened to crack down on this dangerous behaviour, which continues to be one of the leading causes of crashes in British Columbia. ICBC has also taken steps to improve their claims management system, which will provide more convenient and better service to customers, and they have introduced a new IT system that is estimated to save the organization \$90 million a year.

The board will begin the process immediately to find industry experts to conduct this independent review. The board will have more information in the New Year with the expectation that some or all of the work will be completed in time to support next year's rate-filing process.

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