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October 10, 2017

Sent via eFile

<p><b>ICBC 2017 REVENUE REQUIREMENTS</b> <b>EXHIBIT A-3</b></p>
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Ms. June Elder  
Manager, Corporate Regulatory Affairs  
Insurance Corporation of British Columbia  
151 West Esplanade  
North Vancouver, BC V7M 3H9  
regaffairs@icbc.com

**Re: Insurance Corporation of British Columbia  
2017 Revenue Requirements Application – Project No. 1598929**

Dear Ms. Elder:

Further to your filing of the 2017 Revenue Requirements Application for Universal Compulsory Automobile Insurance, please find enclosed British Columbia Utilities Commission Order G-156-17 with reasons regarding the scoping requests and a regulatory timetable.

Sincerely,

*Originals signed by:*

Patrick Wruck  
Commission Secretary

BG/dg  
Enclosure



**ORDER NUMBER**  
**G-156-17**

IN THE MATTER OF  
the *Utilities Commission Act*, RSBC 1996, Chapter 473

and

Insurance Corporation of British Columbia  
Revenue Requirements Application for Universal Compulsory Automobile Insurance  
Effective November 1, 2017

**BEFORE:**

B. A. Magnan, Panel Chair/Commissioner  
R. D. Revel, Commissioner  
D. J. Enns, Commissioner

on October 10, 2017

**ORDER**

**WHEREAS:**

- A. On September 15, 2017, the Insurance Corporation of British Columbia (ICBC) filed an application with the British Columbia Utilities Commission (Commission) for its 2017 Revenue Requirements for Universal Compulsory Automobile Insurance (Basic insurance), seeking a Basic insurance rate increase of 6.4 percent for the policy year commencing November 1, 2017, among other requests (Application or ICBC 2017 RRA);
- B. In the Application, ICBC requests that the Commission exclude the following items from the scope of the proceeding:
  - i. The Independent Review Report prepared by Ernst & Young LLP titled “Affordable and effective auto insurance – a new road forward for British Columbia” (Independent Review Report); and
  - ii. Matters related to Basic insurance rate design (Rate Design);
- C. By Order G-146-17 dated September 22, 2017, the Commission approved an interim rate increase of 6.4 percent for the policy year commencing November 1, 2017 and established a regulatory timetable for the review of the Application, which included intervener and interested party registration and further process to be determined;
- D. The Commission has considered the Independent Review Report and Rate Design scoping requests in the Application; and
- E. The Commission finds the establishment of further process in the regulatory timetable is warranted.

**NOW THEREFORE** for reasons attached to Appendix A to this order, the Commission orders as follows:

1. ICBC's request to exclude the Independent Review Report from the scope of the ICBC 2017 RRA is denied.
2. ICBC's request to exclude Rate Design from the scope of this proceeding is accepted.
3. The regulatory timetable for review of the Application, as set out in Appendix B to this order, is established.
4. A procedural conference will be held on Tuesday, December 5, 2017, commencing at 9:00 a.m. at the Commission Hearing Room on the 12<sup>th</sup> Floor, 1125 Howe Street, Vancouver, BC.

**DATED** at the City of Vancouver, in the Province of British Columbia, this 10<sup>th</sup> day of October 2017.

BY ORDER

*Original signed by:*

B. A. Magnan  
Commissioner

Attachments

Insurance Corporation of British Columbia  
Revenue Requirements Application for Universal Compulsory Automobile Insurance  
Effective November 1, 2017

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REASONS FOR DECISION

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## 1.0 Background

On September 15, 2017, the Insurance Corporation of British Columbia (ICBC) filed an application with the British Columbia Utilities Commission (Commission) for its 2017 Revenue Requirements for Universal Compulsory Automobile Insurance (Basic insurance), seeking a Basic insurance rate increase of 6.4 percent for the policy year commencing November 1, 2017, among other requests (Application or ICBC 2017 RRA).

In the Application, ICBC requests that the Commission exclude the following items from the scope of the proceeding:<sup>1</sup>

- i. The Independent Review Report prepared by Ernst & Young LLP, titled “Affordable and effective auto insurance – a new road forward for British Columbia” (Independent Review Report); and
- ii. Matters related to Basic insurance rate design (Rate Design).

The following will address the two scoping requests proposed by ICBC.

### *Independent Review Report*

On December 19, 2016, the Ministry of Transportation and Infrastructure announced that it had directed ICBC’s Board of Directors to commission an independent third-party review of ICBC “with a goal to produce a range of options for ICBC to increase fairness, affordability and sustainability when it comes to Basic insurance rates.” The news release also indicated that ICBC’s Board of Directors will “begin the process immediately to find industry experts to conduct this independent review,” with the expectation that some or all of the work will be completed in time to support the 2017 revenue requirements filing process.<sup>2</sup>

On February 24, 2017, following a comments process, the Commission issued Order G-23-17 addressing how the pending Independent Review Report may affect the 2017 revenue requirements application.<sup>3</sup>

### *Rate Design*

ICBC rate design refers to how ICBC structures its insurance premiums according to risk characteristics, including rating variables such as the Claim-Rated Scale, rate territories and rate classes. ICBC’s Basic insurance rate structure exists within the public policy and legal framework set out by the provincial government.<sup>4</sup> In its 2013

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<sup>1</sup> Exhibit B-1, pp. iii to iv.

<sup>2</sup> ICBC 2016 Revenue Requirements, Exhibit A2-2.

<sup>3</sup> Order G-23-17, pp. 5–6.

<sup>4</sup> In the matter of ICBC 2007 Rate Design Application, decision dated January 9, 2008, pp. 4–5.

Revenue Requirements Application Decision, the Commission requested ICBC provide an update of its plans around a Rate Design application by no later than December 31, 2015.<sup>5</sup> In its December 2015 and June 2016 letters to the Commission, ICBC submitted that resources, systems and other considerations affect the timing of rate design plans. ICBC was continuing to work with government and was exploring the potential for filing aspects of rate design in late 2016 and/or 2017.

## 2.0 Scoping requests by ICBC

### 2.1 Independent Review Report

In the Application, ICBC requests that the Commission exclude the Independent Review Report from the scope of this proceeding for the following reasons:

1. Consideration of the Independent Review Report in the Basic insurance rate setting context is premature. ICBC submits the report was only formally made public on July 24, 2017, and that the Attorney General and Minister Responsible for ICBC stated at that time the Government is considering the content of the report. ICBC submits the opportunities identified in the report, including the broader issue regarding steps to tackle rising claims costs, are complex and require further analysis and discussion with Government. The time period allowing for this dialogue followed by an implementation period would leave “little or no time for any initiatives to have a significant enough impact to change the proposed 6.4% rate increase for the 2017 policy year that is the subject of this Application.” ICBC submits that the Commission will have the opportunity to consider the impact of any such initiatives in a future revenue requirements application once those decisions have been made;
2. A number of opportunities identified in the Independent Review Report relate to product change and or Optional insurance, which fall outside of the Commission’s mandate; and
3. Excluding the Independent Review Report from the scope of the proceeding will save time, effort and costs for all parties involved.<sup>6</sup>

### 2.2 Rate design

ICBC requests that matters related to Basic insurance rate design be excluded from the scope of this proceeding. ICBC submits that the Commission has in the past generally kept matters of Basic insurance rate design separate from ICBC’s revenue requirements proceedings, and that the Commission’s historical approach is efficient. ICBC will bring forward matters of Basic insurance rate design as and when appropriate in a future rate design application.<sup>7</sup>

## 3.0 Commission determination

### *Independent Review Report*

The Commission conducts all hearings in an open and transparent manner and ensures that participants are afforded a meaningful opportunity to review the Application and any additional evidence filed, as long as it is within the scope of the proceeding and the Commission’s jurisdictional mandate of ICBC. At this early stage of

<sup>5</sup> In the matter of ICBC 2013 Revenue Requirements and New Basic Capital Management Plan, decision dated May 14, 2014, p. 51.

<sup>6</sup> Exhibit B-1, p. iii.

<sup>7</sup> Exhibit B-1, p. iv.

the proceeding, prior to any registration of interveners or submissions by parties of potentially relevant evidence, the Panel is reluctant to restrict the scope of any document that is in the public domain. **Accordingly, ICBC's request to exclude the Independent Review Report from the scope of the ICBC 2017 RRA is denied.** The Panel may consider further scope considerations should that become necessary during the course of this proceeding.

The Panel considers that information filed for the purpose of assisting the Panel in making determinations on ICBC's Basic insurance rate for the policy year commencing November 1, 2017, may be in scope for this proceeding. The jurisdiction of the Commission with respect to the regulation of ICBC's revenue requirements and rate is restricted by legislation to Basic insurance. The Commission has no jurisdiction over ICBC's Optional insurance business.

### *Rate Design*

The Panel agrees with the arguments put forth by ICBC and **accepts ICBC's request to exclude Rate Design matters from the scope of this proceeding.** This proceeding is to consider the requested Basic insurance general rate change which affects all Basic policyholders equally, and not how rates are designed. A revenue requirements proceeding would not normally explore premiums' rating variables. The Panel notes ICBC has submitted it will be filing a rate design application in the future and looks forward to addressing rate design matters at that time.

Insurance Corporation of British Columbia  
Revenue Requirements Application for Universal Compulsory Automobile Insurance  
Effective November 1, 2017

**REGULATORY TIMETABLE**

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Action	Date (2017)
Commission information request (IR) No. 1 to ICBC	Thursday, November 2
Intervener IR No. 1 to ICBC	Monday, November 6
ICBC responses to Commission and Intervener IR No. 1	Tuesday, November 28
Procedural conference*	Tuesday, December 5 commencing at 9:00 a.m.
Further process	To be determined

\*Procedural Conference Location: Commission Hearing Room  
12<sup>th</sup> Floor, 1125 Howe Street  
Vancouver, BC