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October 26, 2017

British Columbia Utilities Commission
Suite 410
900 Howe Street
Vancouver, BC V6Z 2N3

Attention: Mr. Patrick Wruck, Commission Secretary and Manager, Regulatory Services

Re: Errata to ICBC's 2017 Revenue Requirements Application

Dear Mr. Wruck:

In reviewing ICBC's 2017 Revenue Requirements Application filed on September 15, 2017, it has come to ICBC's attention that the following corrections are required:

- Chapter 2, page 2-18, the graphs in Figures 2.11 and 2.12 were inadvertently transposed.
- Chapter 2, Appendix D.0, page 2, in Figure D.0.2 the Third Party Liability amount of \$1,304 and Collision/Specified Perils amount of \$509 are incorrect. The correct amounts are \$1,298 and \$508 respectively.
- Chapter 2, Technical Appendix C.0, page 11, footnote 7 refers to both Figures C.0.4 and C.0.5 and should refer only to Figure C.0.4.
- Chapter 5, Appendix 5A, pages 5A-4 to 5A-6, footnote references to page 5A-8 are incorrect. The correct reference is to page 5A-7.
- Chapter 6, page 6-16, the reference to Figure 6.5, shown at the bottom of the page, is incorrect. The correct reference is to Figure 6.3.
- Chapter 7, page 7-6, the percentage values for each fiscal year in Figure 7.2 were incorrectly assigned and have been corrected.
- Chapter 7, page 7-7, the increase in the number of Injury Adjusters associated with the 302 FTE increase in the number of Claims Injury Services staff is 250 FTEs and not 224 FTEs.
- Chapter 7, page 7-10, Figure 7.3, the label for the row "Non-injury claims handling and estimating staff" should be "Non-injury claims handling staff".
- Chapter 7, Appendix 7 A, page 7A-1, the reference to Figure 7.3 is incorrect. The correct reference is to Figure 7.4.
- Chapter 7, Appendix 7 A, page 7A-10, the 2016 customer satisfaction result of 87% for unrepresented injury claims is incorrect. The correct result is 86%.

Copies of the revised pages are attached. These changes have no impact on the rate change to cover costs nor on the proposed rate change of 6.4%.

Please accept our apologies for any inconvenience this may have caused.

Yours truly,

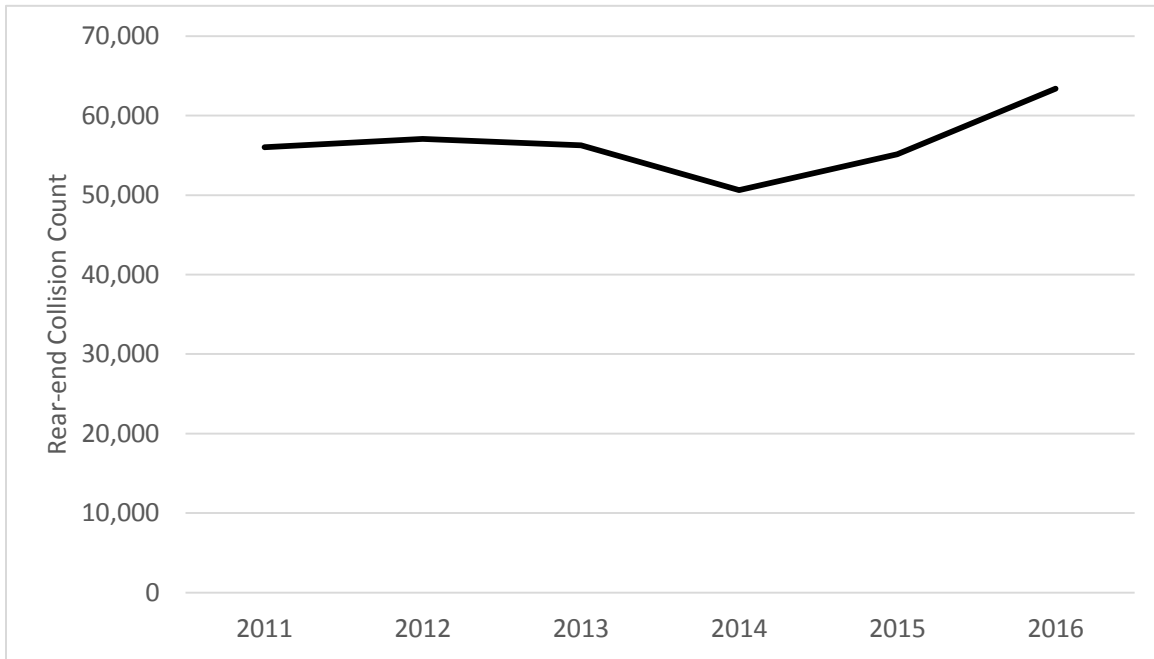
A handwritten signature in black ink that reads "June Elder". The signature is written in a cursive style with a large initial "J".

June Elder
Manager, Corporate Regulatory Affairs

Cc: Registered Interveners
Nicolas Jimenez, Vice President, Insurance Strategy, Product and Pricing, ICBC

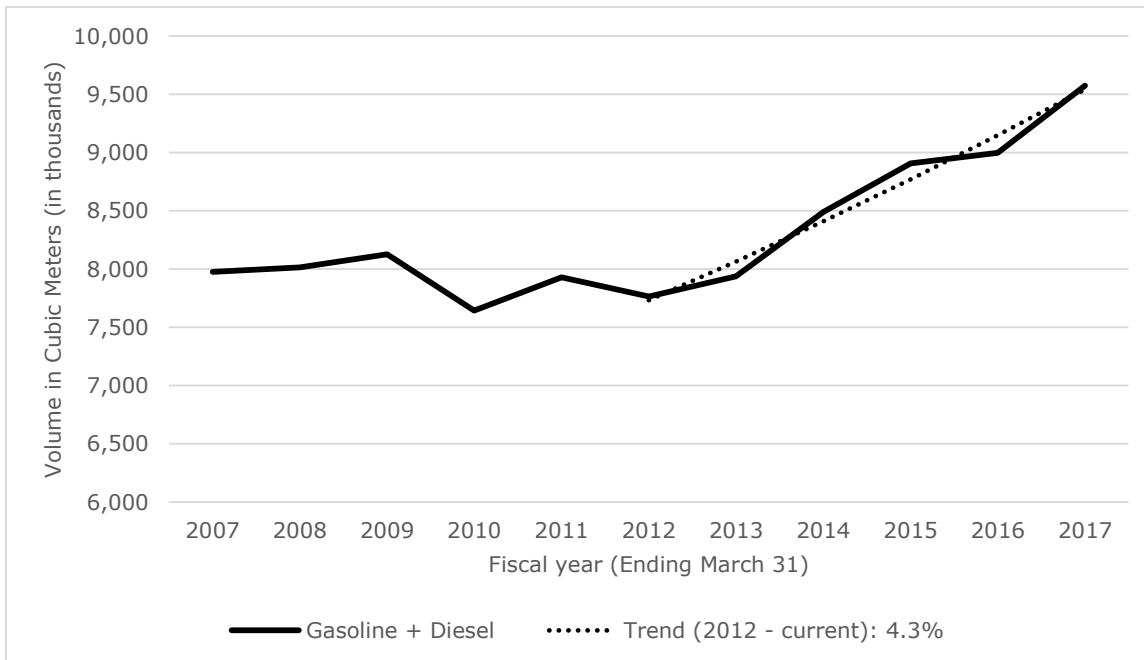
Attachments

Figure 2.11 – Rear-End Collision Count*



* Source: ICBC's Information Management Department.

Figure 2.12 – Domestic Sales of Fuel in British Columbia *



* Source: CANSIM Table 134-0004 Supply and disposition of refined petroleum products (updated July 2017).

5. Claims from the MB Coverage form a small portion of the total book of business that can vary year over year. As a result, analyzing these policies at a granular level of detail (similar to Plate Owner Basic policies) can produce volatile forecasts. Therefore, simplifications are made for the trending analysis of these policies. In particular, the MB loss cost models are determined using loss cost data. Figure D.0.2 below provides a summary of the PY 2017 forecasts for MB Coverages, with more detail provided in Section C.

Figure D.0.2 – PY 2017 Forecast Loss Costs (MB)

Coverage	Loss Cost (\$) (Appendix D.2)
Third Party Liability (TPL)/Part 7	1,298
Collision/Specified Perils	508

A. SELECTION OF LOSS TREND MODELS

6. **Use of Quarterly Data** – The annual frequency points from Appendix C.1 are allocated into loss quarter points based on the proportions of reported claim counts from each quarter within a fiscal loss year, at the latest comparable development age. The annual severity points from Appendix C.2 are allocated into loss quarter points based on the proportions of the case incurred amount on claims from each quarter within a fiscal loss year, at the latest comparable development age, taking into account the quarterly claim counts. The models described below are fit to the quarterly points, and used to produce a forecast for future loss quarters. In order to present annual points, a weighted average of the quarterly points is computed. The quarterly frequency points are weighted by the risk exposure in each quarter, and the quarterly severity points are weighted by the claim counts in each quarter. Each modeled fiscal loss year point shown is therefore based on the combination of four loss quarters. Each policy year point shown is based on the combination of the nine future loss quarters that contain claims from the policy period (November 1, 2017 to October 30, 2019).

7. **Loss Trend Models** – Forecasting of loss trends requires in-depth statistical analysis. Based on consideration of statistical modeling results, input from subject matter experts, and knowledge of the business and of relevant economic and social influences, judgment is applied to arrive at selected trend rates. As was the case in the 2016 RRA, regression models are generally relied upon to forecast frequency and severity. In general, striking a balance between the model’s goodness of fit and simplicity is considered when selecting an appropriate model. Thus, a simple regression model will be selected if it can fit the historical

closures, as described in paragraphs 26 to 28) is small for FLY 2011 (see Technical Appendix C.1.3.6 and C.6.3.6). Similarly, this case reserve adjustment would be small for FLYs 2009 and 2010, as they have progressively fewer open counts compared to FLY 2011 (see table (2) in Technical Appendix C.1.3.7 and C.6.3.7). Since the application of the Incurred Development Method is considered to require little or no adjustment required to case reserves for these years, the estimates that it produces are considered to be more reliable than later years where more substantial adjustments are made.

32. For FLYs 2012 to 2017, ICBC continues to rely on the Hindsight Outstanding Severity Method as a replacement method for the Paid Development Method (see Technical Appendices C.1.3.13 and C.6.3.13 for the calculation of this method). The Hindsight Outstanding Severity Method requires the estimation of “outstanding severities” by FLY. ICBC has been able to determine its estimates of the outstanding severities based on insights from a segmented analysis⁶ that it has undertaken. Similar to the analysis from which outstanding severities were derived in the 2016 RRA, this segmented analysis provides additional information on the composition of the inventory of open claims by legal representation status.

33. Figure C.0.4 summarizes a key finding of that analysis: The frequency of unrepresented claim exposures⁷ continued through FLY 2013 to follow fairly closely its trend rate from years prior to FLY 2009, while the frequency of the more costly and complex represented claim exposures began to turn in FLY 2010 from a gently downward slope to a strong upward trend. In FLYs 2015 to 2017, the frequency increase is seen across both the unrepresented and represented claims. The shift in the mix of claims towards more represented claimants contributes to the shift in closure rates discussed in paragraph 22 above, as represented claims on average are more complex and take longer to resolve. This has also led to a similar shift in mix of the pending claim inventory, which contributes to a higher cost of outstanding claims for older FLYs that is reflected in the analysis. The segmented analysis also includes assumptions relating to the impact of recent staffing increases, which contribute to a lower cost of outstanding claims for the most recent two FLYs.

⁶ The analysis referred to here was performed on Total BI data (Basic and Optional combined).

⁷ Figure C.0.4 provides the frequency on a “claim exposure” basis, owing to the nature of the data used for the analysis. In essence, a claim exposure is an individual claimant. A single claim may have multiple BI claim exposures, each of which may have a different representation status. For this reason the sum of the frequencies in this chart will be different than the BI frequency shown elsewhere in the Application.

Figure 5A.2 – 2016/17 Approved Allocators Using 2016/17 Actual Cost Detail
Claims Services (ULAE)

Operating Costs - Claims Services ^A	Allocator	(\$000s) ^D				Allocation % ^D			
		Basic insurance	Non-insurance	Optional insurance	Total	Basic insurance	Non-insurance	Optional insurance	Total
Customer and Injury Services Operations (CISO)	Work Effort	119,978	-	56,024	176,001	68.2	-	31.8	100.0
Call Centre Department	Newly Opened Exposures - TCD	16,890	-	24,305	41,195	41.0	-	59.0	100.0
Claims General Support	Claims Division Average	20,359	-	13,362	33,721	60.4	-	39.6	100.0
Claims Building Support	Square Footage	17,502	-	15,939	33,441	52.3	-	47.7	100.0
Claims System Support	Claims Division Average	19,022	-	12,484	31,506	60.4	-	39.6	100.0
In-House Counsel (Provincial Litigation Services)	Work Effort - Provincial Litigation	22,261	-	1,172	23,433	95.0	-	5.0	100.0
Centralized Estimating Facilities	Net Claims Cost - MD	5,803	-	7,093	12,896	45.0	-	55.0	100.0
Heavy Equipment	Net Claims Cost - HE	4,985	-	6,344	11,329	44.0	-	56.0	100.0
Material Damage Support	Net Claims Cost - MD	2,424	-	2,963	5,388	45.0	-	55.0	100.0
Claims Administrative Support	Weighted Average - Cost Centres	1,708	-	1,708	3,416	50.0	-	50.0	100.0
Salvage	Net Claims Cost - MD	1,510	-	1,845	3,355	45.0	-	55.0	100.0
Claims Litigation Support	Work Effort - Provincial Litigation	2,434	-	128	2,562	95.0	-	5.0	100.0
BI Support	Work Effort	2,423	-	128	2,551	95.0	-	5.0	100.0
Rehabilitation	Directly attributable to Basic	2,001	-	-	2,001	100.0	-	-	100.0
Optional Coverage (Claims)	Directly attributable to Optional	-	-	873	873	-	-	100.0	100.0
Out of Province Aligned Claims ^B	Net Claims Cost - OOP AC	43	-	78	121	35.8	-	64.2	100.0
Total Claims Services Excluding TP		239,343	-	144,446	383,789	62.4	-	37.6	100.0
Claims Services Excluding TP Using Financial Statement View ^C		239,343	-	144,446	383,789	62.4	-	37.6	100.0

^A Claims Dispute Resolution - BI does not appear in the 2016/17 Cost Allocation Tables, as any related activities have been operationalized elsewhere.

^B Historic claims data used in lieu of 2016 data in determining allocation percentage, as 2016 data not available. 2016 data is not available as Out of Province Aligned Claims is being closed and related activities are being operationalized elsewhere.

^C Used to calculate Basic percentage, see Figure 5C.9 describing Year to Year Basic Insurance Allocation Percentages. For Non-insurance, see Summary of Total Corporate Operating Expenses Excluding TP, page 5A-7.

^D Rounding may affect totals and allocation percentages.

Road Safety and Loss Management (RSLM)

Operating Costs - RSLM	Allocator	(\$000s) ^B				Allocation % ^B			
		Basic insurance	Non-insurance	Optional insurance	Total	Basic insurance	Non-insurance	Optional insurance	Total
Road Safety Initiatives	Directly attributable to Basic	48,382	-	-	48,382	100.0	-	-	100.0
Fraud Management	Weighted Average - Cost Centres	5,564	-	3,539	9,103	61.1	-	38.9	100.0
Regional Loss Prevention	100% Basic with Exceptions	2,188	-	169	2,357	92.8	-	7.2	100.0
Road Safety General Support	Road Safety Division Average	887	-	58	945	93.9	-	6.1	100.0
Auto Crime Expenditures	Comprehensive Coverage - Market Share	44	-	112	156	28.2	-	71.8	100.0
Total RSLM Excluding TP		57,066	-	3,878	60,943	93.6	-	6.4	100.0
Road Safety and Loss Management Services Excluding TP Using Financial Statement View ^A		57,066	-	3,878	60,943	93.6	-	6.4	100.0

^A Used to calculate Basic percentage, see Figure 5C.9 describing Year to Year Basic Insurance Allocation Percentages. For Non-insurance, see Summary of Total Corporate Operating Expenses Excluding TP, page 5A-7.

^B Rounding may affect totals and allocation percentages.



General Expenses - Administration and Other

Operating Costs - Administrative ^A	Allocator ^B	(\$000s) ^F				Allocation % ^F			
		Basic insurance	Non-insurance	Optional insurance	Total	Basic insurance	Non-insurance	Optional insurance	Total
ISD Shared Services: Insurance, Claims, Non-insurance	Corporate Shared Services Ratio	20,240	8,419	20,240	48,900	41.4	17.2	41.4	100.0
Human Resources	Corporate Shared Services Ratio	7,063	2,938	7,063	17,064	41.4	17.2	41.4	100.0
Corporate Costs (Admin)	Finance Shared Services Ratio	7,857	-	7,857	15,714	50.0	-	50.0	100.0
Finance Shared Services - Insurance Operations	Finance Shared Services Ratio	6,574	-	6,574	13,147	50.0	-	50.0	100.0
Facilities Management	Square Footage	2,889	826	2,889	6,603	43.7	12.5	43.7	100.0
Business Intelligence	Weighted Average - Cost Centres	2,722	1,132	2,722	6,577	41.4	17.2	41.4	100.0
Finance Division Banking Operations	Work Effort	3,121	-	3,121	6,243	50.0	-	50.0	100.0
Business Transformation Shared Services	Corporate Shared Services Ratio	2,562	1,066	2,562	6,189	41.4	17.2	41.4	100.0
Customer Collections	Weighted Average - Transactions	2,690	734	2,690	6,115	44.0	12.0	44.0	100.0
General Counsel	Work Effort	2,386	978	2,386	5,750	41.5	17.0	41.5	100.0
Corporate Strategic Services	Corporate Shared Services Ratio	2,287	951	2,287	5,526	41.4	17.2	41.4	100.0
Executive Office	Finance Shared Services Ratio	2,556	-	2,556	5,112	50.0	-	50.0	100.0
Supply Management Department	Work Effort	2,120	851	2,120	5,091	41.6	16.7	41.6	100.0
Freedom of Information Department	Work Effort	2,382	-	2,382	4,763	50.0	-	50.0	100.0
Customer Contact Call Centre	Premiums Written	2,148	-	2,148	4,296	50.0	-	50.0	100.0
Infrastructure Expenditure	Finance Shared Services Ratio	1,822	-	1,822	3,644	50.0	-	50.0	100.0
Document Services	Square Footage	1,553	444	1,553	3,550	43.7	12.5	43.7	100.0
Technology Renewal	Corporate Shared Services Ratio	1,177	490	1,177	2,844	41.4	17.2	41.4	100.0
Corporate Training	Insurance Division Average and Claims Division Average	1,402	-	1,402	2,805	50.0	-	50.0	100.0
Call Centres Support (Admin)	Weighted Average - Cost Centres	923	908	923	2,755	33.5	33.0	33.5	100.0
External Corporate Communications	Work Effort	1,170	350	1,170	2,691	43.5	13.0	43.5	100.0
Regulator Costs	Directly attributable to Basic	1,336	-	1,336	2,672	50.0	-	50.0	100.0
Facilities Management (Victoria)	Square Footage	59	2,239	59	2,356	2.5	95.0	2.5	100.0
Optional Coverage (Admin) ^C	Directly attributable to Optional	-	-	1,970	1,970	-	-	100.0	100.0
Project Management Service Costs	Finance Shared Services Ratio	537	-	537	1,073	50.0	-	50.0	100.0
Investment Portfolio Management	Investment Income Ratio	520	-	520	1,041	50.0	-	50.0	100.0
Communication - Government relations	Work Effort	259	173	259	692	37.5	25.0	37.5	100.0
Admin Office, Claims and Driver Licensing Customer Service ^D	Weighted Average - Cost Centres	65	84	65	214	30.5	39.0	30.5	100.0
Admin Office, Insurance and Driver Licensing Customer Service	Weighted Average - Cost Centres	17	118	17	151	10.9	78.1	10.9	100.0
Fair Practices Review	Work Effort - Provincial Litigation	36	-	36	72	50.0	-	50.0	100.0
Total Administrative Excluding TP		80,475	22,700	82,444	185,619	43.4	12.2	44.4	100.0
Administrative Excluding TP Using Financial Statement View ^E		80,475	-	82,444	162,919	49.4	-	50.6	100.0

^A Facility Projects (Admin) does not appear in the 2016/17 Cost Allocation Tables, as there were no such projects in this period.

^B Using the allocator indicated, a portion of the costs is allocated to Non-insurance. The remainder of the costs are allocated equally between Basic insurance and Optional insurance (see page 42 of the January 2005 Decision) or for significant corporate projects, directly attributed to Basic insurance or Optional insurance (see page 61 of the July 2006 Decision).

^C ICBC incurred expenses related to projects that are 100% Optional.

^D In 2016/17, an administrative office responsible for claims and driver licensing-related customer service was formed.

^E Used to calculate Basic percentage, see Figure 5C.9 describing Year to Year Basic Insurance Allocation Percentages. For Non-insurance, see Summary of Total Corporate Operating Expenses Excluding TP, page 5A-7.

^F Rounding may affect totals and allocation percentages.



General Expenses - Insurance Services

Operating Costs - Insurance Services	Allocator	(\$000s) ^C				Allocation % ^C			
		Basic insurance	Non-insurance	Optional insurance	Total	Basic insurance	Non-insurance	Optional insurance	Total
Merchant Fees	Premiums Written	25,272	-	18,151	43,423	58.2	-	41.8	100.0
Insurance System Support	Premiums Written	5,386	-	3,868	9,254	58.2	-	41.8	100.0
General Broker Support & Direct Sales	Premiums Written	4,535	-	3,257	7,793	58.2	-	41.8	100.0
Bad Debts & Allowances	Weighted Average - Transactions	4,497	138	2,283	6,919	65.0	2.0	33.0	100.0
Insurance Services Applications Support	Insurance Division Average	3,834	-	2,676	6,511	58.9	-	41.1	100.0
Product Development	Premiums Written	3,757	-	2,699	6,456	58.2	-	41.8	100.0
Field Broker Support	Work Effort	1,277	639	4,470	6,386	20.0	10.0	70.0	100.0
Marketing Communication	Corporate Shared Services Ratio - With Exception	3,060	721	1,993	5,774	53.0	12.5	34.5	100.0
Actuarial	Weighted Average - FTE	2,195	285	1,646	4,126	53.2	6.9	39.9	100.0
Corporate Website	Corporate Shared Services Ratio	1,829	638	1,240	3,707	49.3	17.2	33.4	100.0
Insurance Business Support	Weighted Average - Cost Centres	1,880	130	1,391	3,401	55.3	3.8	40.9	100.0
Chief Underwriter	Premiums Written - With Exception	1,693	-	1,491	3,184	53.2	-	46.8	100.0
Garage & Fleet	Weighted Average - FTE	1,577	181	1,014	2,772	56.9	6.5	36.6	100.0
Market Research	Weighted Average - Projects	1,499	-	682	2,181	68.7	-	31.3	100.0
Customer Accounting	Weighted Average - Transactions	890	911	369	2,170	41.0	42.0	17.0	100.0
Insurance Corporate Cost	Finance Shared Services Ratio, modified by Commission Decision	1,063	-	1,063	2,125	50.0	-	50.0	100.0
ADP Technical	Premiums Written	1,144	-	822	1,966	58.2	-	41.8	100.0
Internet Services	Premiums Written	1,139	-	818	1,957	58.2	-	41.8	100.0
Premium Financing Plan Operations	Premiums Written	723	-	519	1,242	58.2	-	41.8	100.0
Product Research	Premiums Written	685	-	492	1,176	58.2	-	41.8	100.0
Optional Coverage (Autoplan)	Directly attributable to Optional	-	-	1,041	1,041	-	-	100.0	100.0
Mgr. Of Comm. Lines	Commercial Vehicle Premiums Written	494	-	359	853	57.9	-	42.1	100.0
Specialty Lic & Ins	Weighted Average - Special Coverages	-	796	-	796	-	100.0	-	100.0
Insurance Project Expense	Insurance Division Average	431	-	301	733	58.9	-	41.1	100.0
Insurance Basic Projects ^A	Directly attributable to Basic	102	-	-	102	100.0	-	-	100.0
Total Insurance Services Excluding TP		68,964	4,439	52,645	126,048	54.7	3.5	41.8	100.0
Insurance Services Excluding TP Using Financial Statement View ^B		68,964	-	52,645	121,609	56.7	-	43.3	100.0

^A Insurance Basic Projects appears in the 2016/17 Cost Allocation Tables, as there were such projects in this period.

^B Used to calculate Basic percentage, see Figure 5C.9 describing Year to Year Basic Insurance Allocation Percentages. For Non-insurance, see Summary of Total Corporate Operating Expenses Excluding TP, page 5A-7.

^C Rounding may affect totals and allocation percentages.

Administrative - Non-insurance

Operating Costs Administrative - Non-insurance	Allocator	(\$000s) ^B				Allocation % ^B			
		Basic insurance	Non-insurance	Optional insurance	Total	Basic insurance	Non-insurance	Optional insurance	Total
Registration and Licensing	Directly attributable to Non-insurance	-	10,293	-	10,293	-	100.0	-	100.0
Non-insurance Corporate Cost	Directly attributable to Non-insurance	-	1,303	-	1,303	-	100.0	-	100.0
ISD Non-insurance Vehicle Application	Directly attributable to Non-insurance	-	949	-	949	-	100.0	-	100.0
Government Revenue Administration	Directly attributable to Non-insurance	-	275	-	275	-	100.0	-	100.0
Non-insurance Project Expense	Directly attributable to Non-insurance	-	234	-	234	-	100.0	-	100.0
Total Non-insurance Excluding TP		-	13,055	-	13,055	-	100.0	-	100.0
Administrative - Non-insurance Excluding TP Using Financial Statement View ^A		-	-	-	-	-	-	-	-

^A Used to calculate Basic percentage, see Figure 5C.9 describing Year to Year Basic Insurance Allocation Percentages. For Non-insurance, see Summary of Total Corporate Operating Expenses Excluding TP, page 5A-7.

^B Rounding may affect totals and allocation percentages.

- Legal Representation Rate.
- Directional Measures including Crash Rate, Injured Person Rate, and NDCCR.

C.3.3.1 CLAIMS FREQUENCIES AND SEVERITIES

56. As part of the actuarial rate level indication analysis, ICBC derives frequency and severity statistics for claims in the different coverages such as BI and property damage (PD). These frequencies are subject to adjustment for incurred but not reported claims and severities change over time as the financial information related to each claim develops from the time of the event giving rise to the claim to the time when the claim is finally closed. Detailed frequency and severity information grouped by fiscal loss year (the year in which the event giving rise to the claim occurred) is provided in Chapter 2, Appendices C.1 and C.2.

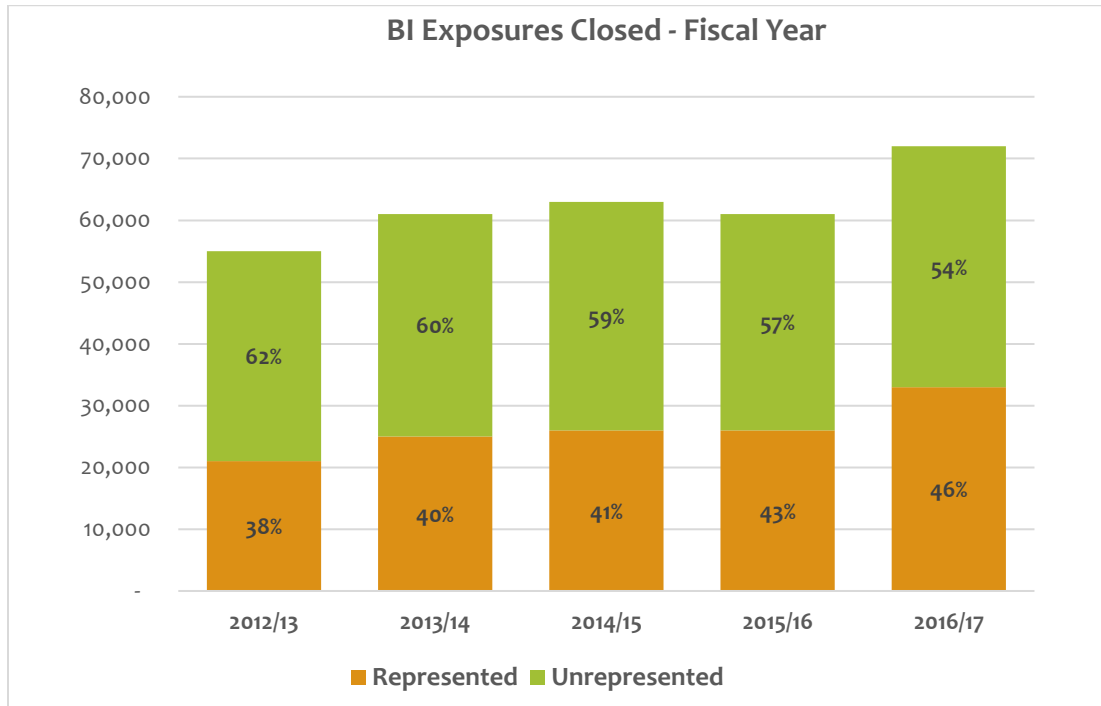
57. The frequency and severity information in Chapter 2, Appendices C.1 and C.2 underlying the rate indication in this Application has been estimated based on the claims information as of May 31, 2017, and can therefore be different from the similar information for the 2016 Revenue Requirements Application (RRA). This difference is shown in Figure 6.3 below comparing the BI incurred frequencies and severities for this Application with those derived for the 2016 RRA.

Figure 6.3 – Comparative BI Claims Incurred Frequencies and Severities

Fiscal Loss Year	BI Frequencies from 2016 RRA	BI Frequencies from 2017 RRA	BI Severities (\$) from 2016 RRA	BI Severities (\$) from 2017 RRA
2010/11	1.22%	1.23%	39,289	38,813
2011/12	1.22%	1.22%	40,611	40,399
2012/13	1.24%	1.24%	42,221	42,573
2013/14	1.25%	1.25%	44,982	44,701
2014/15	1.35%	1.35%	45,938	45,747
2015/16	1.42%	1.45%	46,164	44,505
2016/17		1.50%		45,083

58. The same frequency and severity statistics are used to determine the financial outlook for claims costs from an accounting perspective. While the historical values of the Basic Loss Ratio are derived from claims cost and premium information in the income statement, the outlook value of the Basic Loss Ratio for the end of the current fiscal year is determined for the Application using projected values of the incurred frequencies and severities as of the end of May 2017, based on those shown in Figure 6.3. The same projected values of the incurred

Figure 7.2 – Number of BI Exposures Closed During the Fiscal Year, Unrepresented and Represented*



*Fiscal year refers to the period from April 1 to March 31.

10. ICBC's goal is to maintain an appropriate balance between claims intake and closures and to ensure that open injury claims are settling within expected timeframes based on the level of complexity that they represent. Through the additional hiring of claims staff, ICBC was able to prevent further extending the amount of time that would otherwise have been required to close a significant portion of its BI pending. ICBC expects this will result in lower average settlement costs and claims management costs.

C CLAIMS COST MANAGEMENT INITIATIVES

C.1 INITIATIVES TO ADDRESS CLAIMS SEVERITY AND INCREASING NUMBER OF CLAIMS

11. In response to increasing claims costs and the increasing number and complexity of claims, ICBC is undertaking a number of initiatives to moderate the impact that these increases would otherwise cause. In order to address the increase in the number of injury claims, the rising rate of legal representation, and the growth in BI pending levels, ICBC began an initiative in 2016 to increase the number of its claims staff. Hiring began at the beginning of 2016 and the majority of the total anticipated number of new claims staff are



now in place. The total increase in Claims Injury Services staff since 2015 to the 2017/18 outlook is expected to be 302 FTEs, of which 250 are injury adjusters. The majority of the injury adjusters hired are "represented" adjusters who focus on managing the increase in represented claims, which are inherently more labour-intensive and take longer to settle. The increase in the volume and complexity of claims, which ICBC monitored for several months, began to emerge in 2015. The requirement for additional staff to be hired needed to be considered within the context of work requirements, facility requirements, budgetary considerations, and actuarial forecasting. Once these considerations were fully evaluated and it was determined that additional staff were required, the hiring process was initiated, and the subsequent training and development of the new staff was put in place. Because of the length of time required to recognize the increase in frequency, recruit, hire, and train staff, there was a delay in being able to respond to the increase in claims. ICBC does expect that its new integrated staffing model (discussed below in Section C.3) will enable it to be more responsive in similar circumstances in the future.

12. Another set of initiatives ICBC has undertaken is to increase the capacity of its in-house legal counsel and improve the cost effectiveness of external legal services. ICBC completed a strategic alliance with external law firms who provide legal defence for ICBC customers. Using standard hourly rates, specialized rates, and alternate fee arrangements, this agreement ensures efficient and cost effective legal services through the alignment of file risk and complexity to the legal services required. ICBC has also hired additional in-house legal counsel to increase its capacity to perform legal services on lower risk files. As shown in Chapter 2, Appendix E.0, the claims cost savings of these initiatives are expected to be approximately \$30 million for policy year (PY) 2017.

13. ICBC launched the Independent Medical Services Program in June 2017. This Program enables claims staff and defence counsel to obtain a variety of evidence based medical services from contracted service providers at a fixed fee price. These providers are governed by a service level agreement that ensures timely access to medical review services and information which will lead to either earlier file resolution or required rehabilitative services to support the customer's recovery. This Program is managed through a centralized assignment group and includes streamlined invoicing. These efficiencies improve processes and create capacity within ICBC and with ICBC's business partners. As shown in Chapter 2, Appendix E.0, the claims cost savings from this initiative are expected to be approximately \$21 million for PY 2017.



Figure 7.3 – Claims FTEs*

	2011	2012	2013	2014	2015	2016	Mar 2017
Injury and rehabilitation claims handling staff	579	553	606	603	593	789	819
Non-injury claims handling staff	536	528	517	522	513	544	587
Estimating staff	294	283	264	276	277	255	269
Customer-facing staff	1,409	1,364	1,387	1,401	1,383	1,588	1,675
Administrative claims handling support	465	425	423	397	383	346	358
Managers/supervisors - customer-facing and administrative	333	304	284	270	258	302	306
Other positions	123	97	130	148	140	132	153
Total Claims FTEs **	2,330	2,190	2,224	2,216	2,164	2,368	2,492

*As of the end of each calendar period. Excludes DL Operations.

**Rounding may affect totals.

19. As noted above, in 2016, ICBC began to increase the number of its claims staff to respond to the increase in the number of injury claims, the rising rate of legal representation, and growth in BI pending levels. The increase in claims staff was also needed to fill positions as existing staff retired, left ICBC, or took on new roles. ICBC uses an integrated staffing model, introduced in early 2017, that utilizes actuarially forecasted claims intake by claims type, pending, closure expectations, as well as retirement, promotion, and training assumptions, to forecast claims staffing requirements across all adjusting, management, and administrative roles. The integrated staffing model provides a comprehensive view and a structured approach to recruitment, hiring, and training to ensure ICBC is staffed appropriately to meet its forecasted operational requirements. This model more effectively aligns staffing available to manage claims volumes and helps to ensure that the incremental benefits of additional staff are optimized.

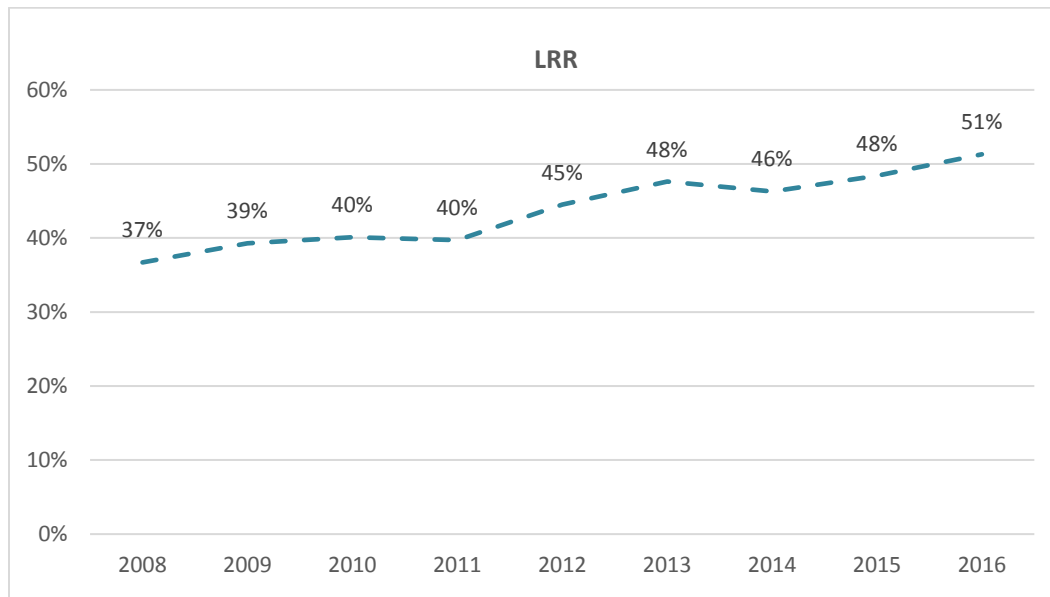
20. ICBC is committed to continuously improving its business by leveraging operational excellence principles. This includes streamlining processes in claims handling and implementing management practices that facilitate performance focus through the use of problem solving sessions, root cause analysis, and check-in meetings (i.e., team huddles). ICBC continues to train and encourage its staff, and is reviewing business processes, to identify and remove operational inefficiencies, build internal capacity, and ensure business processes add value for the customer. For example, in 2016 ICBC changed its internal process to improve the turnaround time for reimbursing customer out-of-pocket expenses, such as prescriptions or therapy costs.

21. A recent Operational Excellence initiative completed by Claims and Driver Licensing Operations in February 2017 involves vehicles that have a high likelihood of being a total loss, based on a predictive analytics tool. With these claims, upon initial contact with FNOL, ICBC

A BACKGROUND AND CONTEXT

1. The Legal Representation Rate (LRR), which reflects the number of claimants who choose to retain counsel to represent them, has been increasing over time and more recently, since 2011, has been accelerating. As shown in Figure 7A.1, the LRR has increased from 40% in 2011 to 48% in 2015, further rising to 51% in 2016. Moreover, as shown in Chapter 7, Figure 7.4, the percentage of new claims, where on initial contact the customer advises ICBC they are represented, has increased from 21% in 2015 to 25% in 2016.

Figure 7A.1 – LRR



2. As has been discussed in previous revenue requirements applications (RRAs), the increasing LRR is a significant factor contributing to the increase in Bodily Injury (BI) Severity and BI claims costs, and ICBC has undertaken research to identify the factors that are underlying the increase from the historical trend.

A.1 2014 CUSTOMER ATTITUDES SURVEY (2014 CAS)

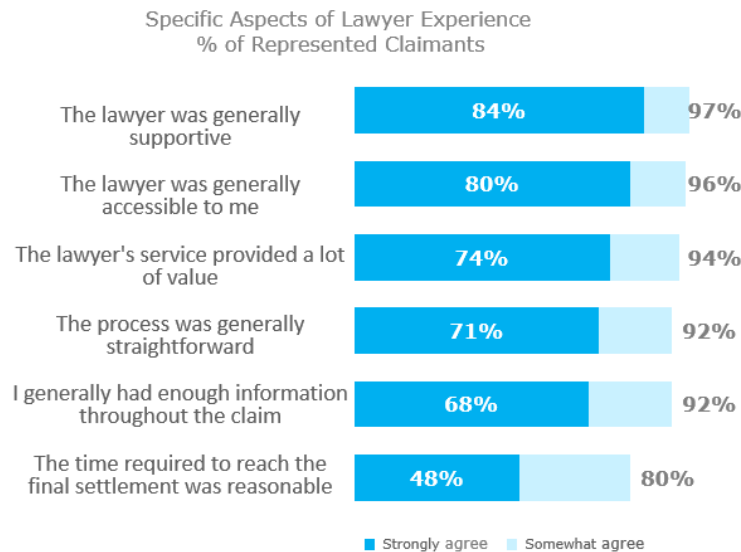
3. In 2014, ICBC conducted a customer attitudes survey (2014 CAS) to understand how customers perceived ICBC's claims service and what influences customers to retain legal representation in the event of a BI claim.

4. The 2014 CAS was a multi-stage research project that included focus groups and a survey using multi-variate modelling to identify and quantify the factors that influenced customers' propensity to retain legal services.

as noted in the results of the 2014 CAS (see Figure 7A.2). It further suggests that the importance of economic gain through representation may have been understated in previous research.

25. From an overall experience perspective, in aggregate, 85%⁴ of represented respondents recalled a positive experience with their lawyer. In general, these respondents perceived that lawyers provide strong value across a number of key service attributes (Figure 7A.7). The only relatively weaker rating was related to time to settlement which in ICBC's view, is not surprising given most represented claims, on average, take three to four times longer to settle than one that is not represented.

Figure 7A.7 – Specific Aspects of the Lawyer Experience for Represented Claimants⁵



Base: Legally rep. (n=300)

QF6. Would you say that the experience with your lawyer was ...?

QF5. Thinking of the experience of having the lawyer manage the claims process, would you say you strongly agree, somewhat agree, somewhat disagree, or strongly disagree to the following statements?

26. Customers who complete their claims entirely with ICBC rate ICBC staff and processes highly. This generally aligns well with ICBC's ongoing customer measurement results (surveys conducted once unrepresented claims are closed), where customer satisfaction was 86% in 2016.⁶

⁴ QF6. Would you say that the experience with your lawyer was ...? (base: legally represented sample, n=300).

⁵ The graph shows results of those that said they "Strongly Agree" or "Somewhat Agree". The remaining responses (not shown) were those who said they "Somewhat Disagreed," "Strongly Disagreed," or "Don't know / Unsure / Refused to answer."

⁶ Customer Satisfaction for Unrepresented Closed Claims for 12 months January to December 2016.