

ICBC 2017 REVENUE REQUIREMENTS APPLICATION

INFORMATION REQUEST No. 1

November 6, 2017.

Submitted by Richard McCandless

1.0 FINANCIAL MANAGEMENT

1.1 In various parts of the 2017 RRA comparative 12-month data is provided for the prior policy year, calendar year and fiscal year periods. Please provide a revised page 97 of ICBC's 2016/17 annual report, where the prior year comparison is the result for the FY2015/16 (April to March) period; please include the MCT ratios.

1.2 Using the format of the response to 2016.1 RR, RM 1.1 (20 October 2016) please provide the information for the 12-month FY2015/16 and FY2016/17. For both years please provide the net premiums earned revenue as a separate row from the total earned revenue.

1.3 Of the unpaid claim liability amounts shown in 1.1 and 1.2, please provide the amounts for bodily injury and property damage dollar values for each year.

1.4 Of the current year claims costs shown in 1.1 and 1.2, please provide the amounts for bodily injury and property damage for each year.

1.5 On page 2-29 of the 2017 RRA, ICBC noted that "to remain consistent with the corporation's reporting," it had converted all the data in Chapter 2 to the fiscal year (April to March). Why did ICBC not present its 2016/17 annual report with comparable 12-month data?

1.6 On 23 November 2016, in accordance with Commission Order G-165-16, ICBC filed a five-year financial forecast for PY2016 to PY2020. Using the same assumptions, including any revisions as required based on the 2017 RRA information, please submit an updated forecast (including the MCT) for both PY2017 to PY2021, and for FY2017/18 to FY2021/22.

1.7 ICBC released an undated service plan in early September 2017. What is the Basic program unpaid claims liability forecast for these three years?

1.8 For FYs 2014 and 2015, and for 2016/17 (April to March) how much in subrogated claims to third party insurers (including medication and passive therapy, short term and long-term disability) was paid from Basic Insurance?

1.8.1 For the years noted in 1.7, what was the total amount paid for these subrogated claims to the Medical Services Plan, and what was the total paid to Work Safe BC?

1.9 On page 82 of the 2016/17 annual report ICBC notes that a one-time payment of \$83.1 million was made to cover the pension solvency deficiency in the management plan. What was the source of funds which allowed ICBC to make this payment?

1.9.1 Was the source from the Basic or Optional program, or a combination of both?

2.0 RATE CALCULATION

2.1 Please update the information provided in response to 2016.1 RR, BCUC 3.1-2 Attachment, with PY2016 (as of current application) and PY2017.

2.2 For private and commercial, please provide the actual number of annualized policies earned for each of the fiscal years 2014 and 2015, the 12-months January-December 2016, the FY2016/17, and the forecast for FY2017/18. Please exclude trailers from these totals.

2.3 In response to 2016.1 RR, RM 5.1, ICBC stated that the most recent rates rebalancing adjustments occurred in 2010. Has any rebalancing adjustment occurred since that response?

2.3.1 Does ICBC have a target date for when rebalancing will occur?

3.0 CAPITAL MANAGEMENT

3.1 Page 97 of ICBC's 2016/17 annual report shows the Basic equity of approximately \$1.457 as of 31 March 2017, while the Optional equity was \$990.4 million. Please confirm that these year-end equity totals reflect the transfer of Optional funds as per OIC 614/16.

3.2 Changes to the fair market value of assets affect the Basic equity through Other Components of Equity. The September 2017 Service Plan (page 15) shows a significant decline in the available for sale asset value between 2016/17 (12 months) and 2017/18. How much of this decline is attributable to Basic insurance?

3.2.1 What are the main reasons for this forecasted decline?

3.3 The 6.4% rate increase, together with the \$470 million capital transfer from Optional program, is expected to result in a MCT ratio of 101% by 31 March 2018. Such a capital level is well below the 145% that BCUC believes is required to ensure a satisfactory financial condition for the Basic program. Does ICBC believe that a Basic capital ratio of 101% provides sufficient capital to ensure a satisfactory condition for the Basic program?

4.0 CLAIMS COSTS AND PROCESSING

4.1 Please replicate the two tables on page 23, and the first table on page 24, from the 2016/17 annual report for the Basic claims costs, adding a column for the 12-month 2016 year.

4.2 Using the format of the response to 2016.1 RR, BCUC 13.4, please provide the information for FY2016/17 (April to March).

4.3 In response to 2016.1 RR RM 3.4-4.1, ICBC provided a useful series of tables for settled claim numbers, including minor soft tissue injury claims, for 2012 and 2015. Using the same format, please provide the information for the 12-month 2016/17 (April to March) period.

4.4 On page 7-6 of the submission, ICBC stated that its 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.” What is the appropriate balance between claims intake and closures?

4.4.1 What are ICBC’s expected timeframes for settlement for non-represented and represented injury and property damage claims?

4.4.2 Can ICBC quantify the cost avoidance mentioned, and how was this amount calculated?

4.5 Figure 7.3 (page 7-10) of the RRA shows claims FTEs for the calendar years 2011 to 2016; please add the forecast for 2017 and 2018.

4.6 Using the same format as Figure 7.3, please show the Diver Licensing FTEs, including 2017 and 2018.

4.7 In response to 2016.1 RR, RM 3.1, ICBC provided a summary of claims staffing FTEs for unrepresented claims, represented exposures and total injury FTEs. Please update this summary for the FYs 2015, 2016/17, and the forecasts for 2017/18. Please add the number of total claims FTEs for these years.

4.8 Please update the table provided in response to 2016.1 RR, RM 3.5 with the numbers for FY2016/17 (April to March).

4.9 Please update the table provided in response to 2016.1 RR, RM 3.6 with the information for FY2016/17 (April to March).

4.10 Please update the four tables provided in response to 2016.1 RR, RM 4.1 with the information for FY2016/17 (April to March).

4.11 Please update the information provided in response to 2016.1 RR, RM 4.2 with the information for FY2016/17 (April to March).

4.12 Please update the information provided in response to 2016.1 RR, RM 5.3 with the information for FY2016/17 (April to March).

5.0 ROAD SAFETY

5.1 In the 2017 RRA (page 8-1) ICBC states: “With significant year over year growth in the number of crashes reported to ICBC, especially crashes happening in intersections....” For each fiscal year from 2012 to 2015, the 12 months January to December 2016, and the 12 months April 2016 to March 2017, please provide the annual number of reported crashes, and the number that occurred at intersections.

5.1.1 Of these reported crashes, for each period in information request 5.1, how many were for bodily injury claims and how many were for property damage claims?

5.2 On page 8-15, ICBC states that there has been a decline in the number of tickets issued for distracted driving. Please show the number of tickets issued for distracted driving for each fiscal year from 2010 to 2015, and the 12 months of 2016, and the 2016/17 (April to March) period.

5.3 ICBC has stated that distracted driving is a major reason for the increase in claims costs. Why are the number of tickets issued for this driving violation declining?

5.4 The IMPACT program costs (as I calculate the information given) about \$3.7 million annually, with \$1.0 million (27.6%) now being assigned to the Optional program. How as the 27.6% share determined? Given that auto theft is an Optional coverage why was not a greater ratio assigned to the Optional program?

5.5 Please provide the annual number of ISC violation tickets issued, and the total value of these tickets, for FYs 2012 to 2015, for January to December 2016, and for 2016/17 (April to March).

5.6 What was the cost (including all ICBC apportioned or overhead costs) of the ISC for the periods requested in 5.5, and how much fine revenue was collected for each of these years?

5.7 What is the estimated additional annual cost to operate the ISC program on a 24X7 basis? Is the FY2017/18 additional cost included in the 20% rate indication for PY2017?

5.7.1 How many additional violation tickets are forecast to be issued on an annual basis once the cameras are operating on the 24X7 mode?

5.8 Including ICBC's costs, how much was spent in FY2016/17 (April to March) for the Road Improvement program?

5.8.1 Of this amount, how much was spent on provincially-maintained roads, and how much was spent on roads maintained by municipalities?

6.0 TRANSFORMATION PROGRAM

In Appendix 5D on page 5D-1, ICBC states that the "Transformation Program (TP), which was undertaken to modernize and streamline ICBC's business systems and processes, began in 2010 and completed at the end of 2016."

6.1 Please provide the expenditures for each fiscal year from the original \$400 million project budget.

6.2 Where was the balance remaining in the \$400 million allocation recorded on ICBC's financial statements as of 31 March 2017?

6.3 Has any expenditure been made from this budget in 2017/18; if so please state how much and the purpose intended?

6.4 Guidewire Software and Ernst Young were key software and implementation partners with ICBC during the various stages of the TP. For each fiscal year, what was the total amount paid to each company from commencement to completion of the TP?

7.0 SURVEYS AND PERFORMANCE MEASURES

ICBC states (p. 6-iv): "The proposed amended suite of performance measures aligns with the corporate performance measures which ICBC uses for public reporting. Alignment with corporate performance measures increases the efficiency of the regulatory process, ensures that measures are meaningful to ICBC's business, and provides the necessary information to the Commission to assess whether ICBC's provision of Basic insurance service to customers is adequate, efficient, just, and reasonable."

Neither the service plan or the annual report provide service measures at the program level. How does aggregate corporate information provide the regulator (or the public) with the necessary information to assist in determining whether the Basic rates are adequate, efficient, just and reasonable?

The 2017 RRA requests approval to discontinue a number of performance measures, at a time when one would expect greater reliance on key measures to determine if key initiatives to reduce costs are on track to achieving the objectives intended.

7.1 Specifically, ICBC seeks to only report on injury paid severity “in the appropriate context” (2017 RRA, p. 7C-5); what does ICBC consider an appropriate context?

7.2 Please provide examples of where using the current claims severity measure has resulted in distortion or has been referenced in an incorrect context?

7.3 ICBC proposes a fundamental change in the methodology to calculate the legal representation rate, a measure that ICBC has used in recent years to help explain the rapid growth in injury claims costs. Both methodologies have advantages and disadvantages; why not report using both definitions?

7.4 ICBC proposes to eliminate reporting on the injured person rate (page 8A-2), as this might be misinterpreted as an indicator of the frequency of claims or the cost of claims. Such an indicator is used by other auto insurers and allows high level comparisons across jurisdictions and insurers. Can ICBC provide examples of where the injured persons rate indicator has resulted in a serious misinterpretation of the trends in crashes or claims costs?

7.5 As a rationale for changing the reporting level of client surveys, ICBC stated that “Purchase or renewal of Basic insurance often includes purchase of Optional insurance as part of the same transaction.” (p. 6-7). Yet ICBC provides different fees to the brokers depending on whether the policy sold is for Basic or Optional insurance; therefore why eliminate the information specific to the Basic program?

7.6 As part of the Insurance Services Satisfaction survey, ICBC is proposing to discontinue asking whether the customer purchased Optional coverage from an insurer other than ICBC (p. 6-8). In the current RRA (p. 6B-3) we learned that from January to August 2016, 86.8% of those who purchased Basic insurance also purchased Optional insurance from ICBC, and ICBC enjoyed a 90.7% market share of all Optional insurance purchased.

Given the importance of the annual Optional program funding transfers (totaling some \$ \$1.4 billion from 1 January 2016 to 31 March 2018) to maintaining the Basic regulatory capital reserve ratio, would ICBC agree that monitoring the ICBC’s Optional insurance market share is important to the regulator, which must ensure that the Basic program is maintaining a healthy financial condition?

7.7 As the number of Optional policies sold is not reported in either the service plan or the annual report, could ICBC advise as to where ICBC’s Optional market share is made public if not through the RRA client survey results?

7.8 Why does ICBC wish to withhold any information on the number of Optional policies sold?

8.0 STATISTICS

8.1 Please provide the actual average private passenger vehicle (exclude trailers, motorcycles, motorhomes and ORVs) premium received for FYs 2012 to 2015, the 12-month 2016, FY2016/17 (April to March) and the forecast for FY2017/18.

8.2 Please provide the actual average commercial vehicle premium received for FYs 2012 to 2015, the 12-month 2016, FY2016/17 (April to March) and the forecast for FY2017/18.

8.3 Each year ICBC collects significant revenue on behalf of the provincial government. Please provide the actual fee and tax revenue collected for FY2014, FY2015, FY2016/17 (April to March) and the forecast for FY2017/18 for the following:

- Vehicle licensing and registration
- Driver licensing (new and renewal)
- BC Identification Card
- Other fees
- Premium taxes

8.4 On page 5A-7 the total cost of Driver Licensing, including the associated central cost allocations, is \$125,987,000. What is the cost of the other activities, including any commissions, in request 8.3?

9.0 ERNST YOUNG REPORT

9.1 A major focus of the Ernst Young report is the cost of minor injury claims. What was the definition of minor versus non-minor injury claims used in the report?

9.2 Using this definition, what was the number and the average cost of minor bodily injury claims settled in 2016 (January to December), or FY2016/17 (April to March), including and excluding ICBC's legal defense costs?

9.3 What was the number and average cost of all bodily injury claims settled in 2016 (January to December), or FY2016/17 (April to March), including and excluding ICBC's legal defense costs?