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December 11, 2017

Sent via eFile

<p>ICBC 2017 REVENUE REQUIREMENTS EXHIBIT A-9</p>

To: Insurance Corporation of British Columbia
Registered Interveners

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

Further to the December 5, 2017 Procedural Conference and the comments submitted by participants, enclosed please find Commission Order G-180-17 with reasons for decision and a regulatory timetable.

Sincerely,

Original signed by Ian Jarvis for:

Patrick Wruck
Commission Secretary

BG/dg
Enclosure



ORDER NUMBER
G-180-17

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

and

and the Insurance Corporation Act, R.S.B.C. 1996, Chapter 228, as amended

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 December 11, 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);
- B. By Order G-146-17 dated September 22, 2017, and Order G-156-17 dated October 10, 2017, the Commission established a regulatory timetable for the review of the Application, which included intervener and interested party registration, one round of information requests (IRs), a Procedural Conference to be held on Tuesday, December 5, 2017, and further process to be determined;
- C. On November 24, 2017, the Commission issued a letter to ICBC and interveners providing the Procedural Conference agenda, and possible regulatory timetable and process options for discussion;
- D. Pursuant to Order G-156-17, the Procedural Conference was held on December 5, 2017, in Vancouver, BC. The following participants made appearances and submitted comments for consideration by the Panel:
 - ICBC;
 - British Columbia Old Age Pensioners' Organization *et al.*;
 - Movement of United Professionals;

- Toward Responsible Educated Attentive Driving;
- Mr. Landale; and
- Mr. Litman;

E. The Commission considers that establishing the remaining Regulatory Timetable for the review of the Application is warranted.

NOW THEREFORE the Commission orders as follows:

1. For the reasons attached as Appendix A to this order, a written public hearing process which includes one additional round of IRs is established for the review of the Application.
2. The Regulatory Timetable is set out in Appendix B to this order.

DATED at the City of Vancouver, in the Province of British Columbia, this 11th day of December 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

REASONS FOR DECISION

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).

By Order G-146-17 dated September 22, 2017, and Order G-156-17 dated October 10, 2017, the Commission established a regulatory timetable for the review of the Application, which included intervener and interested party registration, one round of information requests (IRs), a Procedural Conference to be held on Tuesday, December 5, 2017, and further process to be determined.

On November 24, 2017, the Commission issued a letter to ICBC and interveners providing the Procedural Conference agenda, and possible regulatory timetable and process options for discussion.

Pursuant to Order G-156-17, the Procedural Conference was held on December 5, 2017, in Vancouver, BC. The following participants made appearances and submitted comments for consideration by the Panel:

- ICBC;
- British Columbia Old Age Pensioners' Organization *et al.* (BCOAPO);
- Movement of United Professionals (MoveUp);
- Toward Responsible Educated Attentive Driving (TREAD);
- Mr. Landale; and
- Mr. Litman.

2.0 Submissions by the parties

The Procedural Conference addressed matters for hearing the Application, and ICBC and interveners submitted comments on various options for the regulatory review process. The sections below summarize the submissions received by ICBC and interveners.

2.1 Process options and timetable for review of the Application

ICBC's position is that a written process based on one round of IRs is appropriate for a review of the Application.¹ ICBC submitted that this process is efficient and proportional in the circumstances for the following reasons:

1. The rate increase of 6.4 percent requested this year is driven by the current legislative rate smoothing framework.

¹ Transcript Volume 1, p. 4.

2. The government's pursuit of fundamental changes to the insurance regime has been widely publicized in the media. ICBC's actuarial forecast in the Application is based on the current insurance framework, product, and rating system. ICBC submits that the government's intentions to introduce significant changes to the insurance system in the near term (Exhibit B-3 and Exhibit B-4) play a role in informing the regulatory review process of the Application as the government's plans will ultimately affect ICBC's actuarial forecasts.
3. ICBC is operated under a closed system. To the extent that insurance system changes are implemented and result in favourable forecast variances, ICBC submits that these variances do not flow to a shareholder but "go back into the system." Accordingly, forecast variances are not an issue.²

MoveUp agreed with ICBC's position on process, submitting that it is content with a written process and does not require a second round of IRs. However, MoveUp would not be opposed if other parties or the Commission preferred either an oral process or further IRs.³

BCOAPO submitted its preference for either a written process with a second round of IRs, or a combination of a second round of written IRs with a limited oral hearing thereafter.⁴

TREAD indicated a strong preference for a second round of IRs and an oral hearing.⁵ The basis for TREAD's view is as follows:

- A written process alone is not appropriate given the "magnitude of the issues before [the Panel], before ICBC, [and] before government."
- An oral hearing which includes a cross-examination is the best available process option "to encourage fulsome and open discussion of the huge challenges facing ICBC; to scrutinize the reasons why those problems have developed; to assist the Commission in determining appropriate, specific directions to ICBC; and to facilitate timely implementation of much needed changes and solutions."⁶ TREAD notes the past three revenue requirements applications have been reviewed through a written process only.
- In having a second round of IRs, the Commission has an opportunity to provide value through its public hearing process by providing a basis for the public to ask questions that might be useful to the government and to this proceeding.⁷

Other matters raised by TREAD were addressed at the Procedural Conference by the parties.⁸

Mr. Landale submitted that he would like an opportunity for a second round of IRs⁹ and supported TREAD in his preference for an oral hearing, including the reason that an oral hearing has not taken place since 2013 and that an oral hearing provides a mechanism for parties to interact in a way which a written process does not.¹⁰

² Ibid., pp. 4-12.

³ Ibid., pp. 19-21.

⁴ Ibid. p. 17.

⁵ Ibid., pp. 21-29.

⁶ Ibid. pp. 25-27.

⁷ Ibid., pp.23, 43.

⁸ Ibid., pp. 29-42, 58-61, 65-69, 74-75.

⁹ Ibid. pp. 47-48.

¹⁰ Ibid., pp. 48-50.

Mr. Litman did not comment on his preference with respect to the number of rounds of IRs but, expressed general support for an oral hearing when questioned by the Panel.¹¹

Regarding the specific dates in the possible regulatory timetable options, some parties provided comments on the placement of Commission and intervener IR No. 2 deadlines, and the intervener final argument deadline where there is a written hearing with two rounds of IRs. Considering the volume of responses to IR No. 1 and the intervening holiday period, TREAD submitted that a more appropriate deadline for Commission and intervener IR No. 2 would be January 11, 2018.¹² TREAD and BCOAPO requested the Panel take into consideration March 19 – April 2, 2018 Spring Break/Easter holidays with respect to the intervener final argument deadline if there is no oral hearing component.¹³

In reply, ICBC submitted that there must be a balance, between the value that additional process brings and its “counterweights.” In ICBC’s view, the real question is whether the information from additional process is going to assist the Commission in making the determinations that it is required to make, that is, to set the Basic insurance rate.¹⁴ That aside, ICBC noted there is a “institutional capacity consideration” that the Commission should consider in the circumstances, in that “the same people that are answering IRs in this process, are the people who are doing all of the work that people believe is so valuable in support to government.”¹⁵ However, if the Commission believes that further process is required, ICBC’s position is that any further process (be it written or oral) be scoped to focus on areas other than the claims costs, such as performance measures, road safety, operating expenses, and investments, as claims costs are the immediate focus of the government review and are the factors that are most likely to be impacted in the near term by that government review.¹⁶

2.2 Intervener evidence

Mr. Landale stated that he plans to submit intervener evidence relating to weather data.¹⁷

Mr. Litman stated that he intends to file intervener evidence on the relationships between fuel prices, traffic density, and other transportation price effects on crash rates, and the degree to which these factors may have an impact on ICBC’s actuarial projections.¹⁸ Furthermore, Mr. Litman submitted that he intends to file evidence relating to crash reduction and transportation demand management strategies that have not been included in the proceeding.¹⁹

BCOAPO, MoveUp, and TREAD stated that they will not be filing intervener evidence.²⁰

3.0 Commission determination

The Panel has considered the submissions received and establishes a written public hearing process which includes one additional round of information requests for the review of the Application. The regulatory

¹¹ Ibid. p. 57.

¹² Ibid., p. 28.

¹³ Ibid., pp. 28, 68.

¹⁴ Ibid., pp. 69-70.

¹⁵ Ibid., pp. 70-71.

¹⁶ Ibid. pp. 75-76.

¹⁷ Ibid. p. 50.

¹⁸ Ibid., pp. 52-55.

¹⁹ Ibid., p. 55.

²⁰ Ibid., pp. 17, 21, 29.

timetable is attached as Appendix B to this order. In the interests of regulatory efficiency, the Panel also provides an alternative timetable in the event that interveners determine that they do not need to file evidence.

The Panel noted that there was general support for further information from ICBC by interveners. However, the parties were split as to whether this process should involve a written process with a second round of IRs, or a second round of written IRs and an oral hearing component. The key question that the Panel considered is whether suitable evidence can be obtained from a written process alone, and if there is any additional benefit or necessity of an oral hearing in obtaining that information for a complete evidentiary record.

The Panel agrees with interveners that it is the responsibility of the Commission to obtain evidence as it relates to the components that contribute to the Policy Year 2017 rate change to cover costs, but also agrees with ICBC that it must operate within the rate smoothing framework established by *Special Direction IC2*. For this reason, the Panel views that a second round of written IRs is appropriate to provide the Commission and interveners with an opportunity to ask ICBC follow-up and clarifying questions. The Panel finds, however, that the regulatory burden of having an oral hearing is not warranted.

TREAD, Mr. Landale, and Mr. Litman submit that an oral hearing is warranted for various reasons,²¹ including that there has not been an oral hearing for ICBC since 2013.²² The Panel does not agree. The Panel considers that determining the need for an oral hearing should be based on the specific circumstances of the matters within a proceeding, and not place extensive weight on whether there has been a lapse in time since the last one. The Panel notes the 2013 revenue requirements application was the first year in which ICBC filed its application under the current legislative rate smoothing framework and, additionally, ICBC sought approval of a new Basic Insurance Capital Management Plan; thus, there were many substantive matters to consider. In our view, the circumstances of the 2017 revenue requirements are different from 2013, and in the present circumstances, the Panel is not persuaded that an oral hearing would be an efficient and effective way to explore the issues in this Application. Furthermore, the Panel has taken into consideration that there may be resource constraints at ICBC as ICBC is engaged in this regulatory review process and the government's review process concurrently.

Finally, the Panel is not persuaded that limiting the scope of the second round of information requests, as compared to the scope set out by the Commission in Order G-156-17, is compelling.²³ This is a revenue requirements application and claims cost are a significant a component of that revenue requirement.

²¹ Ibid., pp. 23, 43, 48-50, 57.

²² Ibid., pp. 26, 48-49.

²³ Ibid. pp .75-76.

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REGULATORY TIMETABLE

ACTION	DATE	
Participant Assistance/Cost Award (PACA) Budget Deadline	Thursday, December 28, 2017	
Commission and Intervener Information Request (IR) No. 2 to ICBC	Thursday, January 4, 2018	
ICBC Responses to Commission and Intervener IR No. 2	Thursday, January 25, 2018	
	Intervener Evidence	No Intervener Evidence
Intervener Evidence	Thursday, February 1, 2018	-
IRs on Intervener Evidence	Tuesday, February 13, 2018	-
Intervener Responses to IRs on Intervener Evidence	Thursday, February 22, 2018	-
ICBC Rebuttal Evidence (if any)	Monday, March 5, 2018	-
ICBC Written Final Argument	Friday, March 16, 2018	Thursday, February 8, 2018
Intervener Written Final Argument	Monday, April 16, 2018	Friday, February 23, 2018
ICBC Written Reply Argument	Monday, April 30, 2018	Friday, March 9, 2018