

REQUESTOR NAME: **Richard T. Landale BCUC Intervener C1**

INTERVENER FINAL ARGUMENT

TO: INSURANCE CORPORATION OF BRITISH COLUMBIA

DATE: **4 January 2018**

PROJECT NO: **1598929 BCUC**

APPLICATION NAME: **ICBC 2017 REVENUE REQUIREMENT APPLICATION**

PREAMBLE:

- 1.1 On December 19th the BCUC issued Exhibit A10, BCUC Order G-192-17 amended regulatory timetable (Appendix A) is required due to the amendments to *Special Direction IC2* set out in OIC 602/17, (Appendix B), while also setting a new date for the Participant Assistance/Cost Award (PACA) applications by no later than Thursday, January 18, 2018.
- 1.2 It is understood from OIC 602/17 and the amendments to *Special Direction IC2*, the Executive Council, orders that section 3 (1) (a.1) of Special Direction IC2 to the British Columbia Utilities Commission, B.C. Reg. 307/2004, is repealed and the following substituted:
 - (a.1) for the 2017 policy year, issue the following orders by January 12, 2018, based on the evidence filed with the commission by December 12, 2017:
 - (i) its final general rate change order;
 - (ii) any other final orders in respect of the corporation's revenue requirements application that was filed with the commission on September 15, 2017; .
- 1.3 As a direct result of OIC 602/17 the Executive Council has "**truncated**" the independence review functionality of the British Columbia Utilities Commission mandate to conduct the annual independent judicial public review of ICBC 2017 Revenue Requirement Application filed September 15th 2017, as Exhibit B1, further to *Special Direction IC2* to the BC Utilities Commission, BC Regulation 307/2004 (Special Direction IC2), as amended by Order in Council 310/17, August 31st, 2017 (B.C. Reg. 165/2017).
- 1.4 On December 5th 2017 the BCUC conducted a Procedural Conference (see Transcript Volume 1), wherein the Commission Panel presided over the conference, where ICBC, BCUC Staff and several Interveners presented the Commission Panel with reasons for the independent review process to continue, as so ordered by the BCUC Order G-180-17 and Appendix B
- 1.5 As a direct result of OIC 602/17, a second round of Intervener Information Requests, and the submission of Intervener Evidence has been "**silenced**" from this independent review process.
- 1.6 This intervener was going to establish in "direct rebuttal" to ICBCs RRA incorrect references to "Snowfall" and "Precipitation", in RRA - Appendix D.0., IR 2017.1 RR BCUC.9.1, 9.2, follow up IRs to 2017.1 RR RL.3.1 to 3.7 inclusive, 2017.1 RR RL.4.5, based on prior RRA hearings in 2015, 2016, and current evidence 2016/17 and PY 2017 periods from Environment Canada. Examples of misrepresentation of snowfall can be seen in ICBC responses to 2017.1 RR RL.3.7 Figures 1,2 & 3, in as much as the graphs show total accumulations, distorting the true daily snowfall impact on policyholders. January 2017 recorded zero snowfall (daily and at month end). While in February over the 28 days a total of 36.6 cm of snowfall, and 1cm of snowfall was recorded at YVR at month end. Rebuttal evidence would have addressed snowfall at all ten ICBC weather stations on a daily bases, in respect to regional policyholders. Neither I or ICBC can correct the record according to OIC 602/17, as so ordered by the Executive Council.
- 1.7 Additional hearing information and evidence was silenced by OIC 602/17 as generally outlined to the Commission Panel at the Procedural Conference, as noted in the Transcript.

2.0 REBUTTAL ARGUMENT

STANDARDS:

- 2.1 I was moved to research “Standards of Practices - SOP” after reading ICBCs second point and their footnote 4. It is incredibly difficult to accept (*no choice*), as in the past and with certainty predict, the Commission Panel will endorse ICBCs Chief Actuary certification. The following demonstrates the “liberality” of ICBCs interpretative practices that govern sound actuarial practices. Putting into question the reliance the BCUC and the Executive Council places on ICBCs calculations leading to the indicate rate change, and the operating levels of the Minimum Capital Test (MCT) quarter to quarter and at year end. Which amongst other RRA evidence caused the Executive Council to issue OIC 602/17, truncating the BCUC independence, and mandate to review the 2017 ICBC Revenue Requirement Application.
- 2.2 In ICBCs Final Argument, ICBC misrepresents the “Standards of Practices (SOP)”, quote: *“Under the SOP Section 2620.14, the capital provision included in the indicated rate may be specified to the actuary. In this case, it has been specified to the actuaries according to Special Direction.....”* Further in the 2013 RRA, ICBC provided the following response to the BCUC IR 2013.1 RR BCUC.23.1-2, quote: *“Section 2620.14 of the SOP indicates that the provision for profit may be specified to the actuary under the terms of an appropriate engagement and in this case Special Direction IC2 to the BC Utilities Commission, BC Regulation 307/2004, as amended requires the exclusion of the entire PY 2012 loss cost forecast variance from the 2013 Basic insurance rate change.”* This is followed by ICBCs response to the BCUC IR 2013.1 RR BCUC.28.1, quote: *“.....In the unlikely event that a matter was not dealt with the SOP, then the actuaries may look for guidance to the standards that are in place for other jurisdictions.”*
- 2.3 After downloading the “Standards of Practice dated October 2017” as per the following link: <http://www.cia-ica.ca/docs/default-source/standards/sc101517e.pdf?sfvrsn=4> SOP 2620 is the Section within the SOP that sets forth the “METHOD”, containing 17 sub sections, of which Section 2620.14 actually reads, quote:
“The provision for profit, or other assumptions that are pertinent to its derivation, may be specified to the actuary under the terms of an appropriate engagement”
Also this particular section does not refer to “Capital Provision”, or the word “Capital” anywhere within Section 2620. Further Section 2620.14 does not refer to the “Indicated Rate”, that particular reference may be found in Section 2620, sub sections: 01, .02, .13, and .15
- 2.4 This rebuttal argument does not challenge SOP 2620.14, only ICBCs “liberality” to justify their argument, which is misleading through ICBCs interpretation of SOP 2620.14
- 2.5 I put it to the Commission Panel and to the BCUC Staff to avail themselves of the Commission Counsel Mr. P. Miller’s legal opinion in regard to ICBCs liberalization of SOP 2620.14 as noted by ICBC in 2013 and now in 2017. The purpose to seeking Mr. Miller’s opinion is to guide the Commission Panel as to accepting or rejecting ICBCs second point argument as a “just and reasonable argument”. As noted above in 2013, ICBC acknowledges actuaries can look to other jurisdictions for guidance. This statement by ICBC suggests the BCUC can as a governing jurisdiction give direction and guidance in matters of actuarial methodology.
- 2.6 Continuing; this is particularly important in the context of ICBCs third argument point, “Performance Measures”. If the foundation of ICBCs argument is based on SOP, then so must their Performance Measures (*apples to apples*). It is noted that SOP does not directly address Performance Measures. The contention is one “leads / linked” to the other as to profitability, capital growth, cost management and so on. These are all regulated elements that stem from within SOP, and within the jurisdiction of the BCUC. Thus become performance measures for and within the Basic Insurance business of ICBC. Although not yet mentioned, the OSFI guidelines are equally influential in the determination of actuarial findings. They to have a major governance and influence on ICBCs performance measures.

2.7 Maintaining SOP and OSFI actuary standards is a pre-requisite requirement of the Chief Actuary certification, giving credence to the certification. To separate SOP and OSFI from Performance Measures would be an arbitrary election to separate the fact from performance of the business. An example; a car is rated to perform up to 160kph by the manufacturer. The car's actual measured performance is then determined over the operating range, subject to within and by outside manufacturers operating conditions, such as driver skills, different road conditions and environments.

The fact; specification is directly related to performance measures. Complicating the performance measures, (but not limited to) can be delineated by, Driver skills over time and age grouping, Road conditions range from City to Highway to Urban roads. Environmental conditions can be hot, cold, rain, snow, wind. An example of this has been identified by ICBC in regard to High Performance incidences, - claims, followed by special direction from the Executive Council.

EXTERNAL PRESSURES – ICBC INITIATIVES:

2.8 Most disturbing is ICBC's claim quote:

"13 - The evidence demonstrates that, despite the substantial rate change required to cover costs, ICBC has taken significant steps to control costs. Included in the rate change to cover costs is 1.5 percentage points of rate offset due to claims management strategies that ICBC has undertaken to mitigate claims cost pressures for the policy year."

ICBC spends more time deflecting responsibilities for their mismanagement of claims, claims costs, claims settlement away from the new Claims Transformation Program, Claims Management, and their new Figure 6.2 – Hierarchy of Measures Related to Financial Stability.

2.8.1 ICBC continues, quote: *"The Application describes how ICBC continues its efforts to moderate claims costs through its claims cost management, road safety and fraud initiatives, continuous operational improvement, and the consistent quality and fair handling of claims"*. Despite the evidence that ICBC's Chief Actuary has certified and calculated a 20% Indicated Rate increase to cover costs, as depicted in Figure 2.3 – Overview of Impact on PY 2017 Indicated Rate Change.

2.8.2 We must remember ICBC blames outside influences like; claims, BI, PD, rising claims, legal representations, increased staffing levels to manage rising claims, increased fraud costs. They do accept responsibility for anything. Yet ICBC wants performance measures reduced, aligned with Corporate measure, normally kept separate.

2.8.3 ICBC explains itself with quote: *"...the external pressures on Basic claims costs including the rising number of crashes, more property damage and injury claims, and the increase in injury and vehicle repair costs"*. Although ICBC says it has, quote: *"ICBC continues its efforts to moderate claims costs through its claims cost management, road safety and fraud initiatives, continuous operational improvement, and the consistent quality and fair handling of claims"*. Whatever the apparent cost savings ICBC is so proud of, these cost savings are not reflected in Figure 2.3 or the indicated rate change of 20%. In other words the cost savings so far have "not" efficient / worked.

2.8.4 ICBC deflects responsibility for their capital mismanagement resulting in the major reduction of the MCT to quote: *"the largest driver of the 20% increase in the rate change required to cover costs - approximately half of it - is simply the fact that there was no Optional income transfer this year as there had been last year"*. To hide behind their responsibilities, the Commission Panel are asked to approve a new suite of performance measures that aligns the Basic MCT with Corporate MCT strategies, see ICBC "Draft" General Order G-XX-18 page 2. This is actually counter to every MCT Information Request response to this intervener since 2011. Where in summary, ICBC have always maintained the Corporate and the Basic MCT levels are not connected. Although ICBC continues to produce Quarterly Statement of Operations, the latest ending September 2017/18 Policy Year shows the MCT at 87% Corporate level, there is no Basic MCT report.

2.8.4.a ICBC conveniently avoids discussion of the MCT in their Final Argument, which drew my attention to pointing out from the RRA page vi paragraph 16, quote: *"Chapter 3 discusses the impact of capital on rates and Minimum Capital Test (MCT) ratio, specifically the \$470 million transfer of capital from Optional insurance to Basic insurance by September 15, 2017 to restore the Basic MCT ratio to or above the regulatory minimum target of 100%"*

2.8.4.a continued:

Also drawing my attention to the RRA page 3-4 quote:

“After the Optional transfer of \$470 million of capital, the Outlook MCT ratio for the end of the 2017/18 fiscal year (March 31, 2018) is 101%”.

Figure 3.2 – 2017/18 MCT Ratios as of the First Quarter of the 2017/18 Fiscal Year

| 2017/18 MCT Ratios | Value of MCT Ratio |
|--|--------------------|
| Actual Year to Date MCT Ratio as of Q1 2017/18 | 97% |
| Outlook MCT Ratio for the end of the 2017/18 fiscal year ⁶ | 101% |
| Outlook MCT Ratio for the end of the 2017/18 fiscal year without the Optional transfer | 69% |

and footnote 6

⁶ The Outlook Basic MCT Ratio as of the most recent quarter before the filing is one of the amended suite of performance measures for reporting in future RRAs. Please see Chapter 6 for further information”.

(I apologize for the yellow hi-light, I forgot to turn it off when I copied this table).

2.8.5 Drawing the attention of the Commission Panel to Chapter 6 pages 6.33 and 34, quote:

“119. The 2016/17 actual MCT ratio is favourable to the 2016/17 outlook MCT ratio primarily due to improved investment return and an increase in actuarial gain on the pension and post-retirement benefits. With the transfer of capital from the Optional insurance business the Outlook MCT Ratio for the 2017/18 fiscal year-end is expected to exceed the regulatory minimum”.

The Commission Panel and BCUC Staff should review SOP Section 3000 “Pension Plans”, also Section 3500 “Pension Commuted Values”, and all related OSFI guidelines. They will demonstrate that through clever interpretation by the Chief Actuary, and not ICBC Executive Management professional tenacity to improve fiscal and financial pension management a favourable MCT outcome was realized. (see MCT Ratio comments page 9).

2.8.5.a ICBC reports they have kept Controllable Operating Expenses and Pensions under control (Figure 2.3 line 5a,5b). Contrary to that general opinion from the RRA Chapter 5 page 5-11 Figure 5.4 – Corporate Operating Expenses by Expense Category provides evidence to the contrary.

Figure 5.4 – Corporate Operating Expenses by Expense Category

| (\$ Millions)* | 2013 Actual | 2014 Actual Restated** | 2015 Actual | 2016 Actual A | 2017 Transitional Quarter Actual B | 2016/17 Actual C=A+B | 2017/18 Outlook |
|---|--------------|------------------------|--------------|---------------|------------------------------------|----------------------|-----------------|
| Net Compensation | \$361 | \$362 | \$332 | \$357 | \$97 | \$454 | \$398 |
| Building Operating Expenses | 30 | 29 | 27 | 27 | 9 | 36 | 31 |
| Computer Costs | 20 | 28 | 25 | 27 | 8 | 35 | 27 |
| Depreciation Expenses | 23 | 21 | 21 | 21 | 6 | 27 | 25 |
| Projects | 12 | 20 | 9 | 14 | 5 | 19 | 25 |
| Professional Services | 17 | 21 | 21 | 19 | 7 | 26 | 22 |
| Road Improvements and Traffic Safety Programs | 32 | 32 | 33 | 33 | 8 | 42 | 31 |
| Printing, Stationery, and Supplies | 9 | 10 | 10 | 9 | 2 | 11 | 10 |
| Staff Related Expenses including Training | 5 | 5 | 5 | 5 | 2 | 7 | 7 |
| Merchant Fees | - | 31 | 34 | 35 | 8 | 43 | 40 |
| Other Operating Expenses | 8 | 37 | 45 | 39 | 11 | 50 | 31 |
| Unique / One-Off Items | (3) | (2) | - | - | - | - | - |
| Controllable Operating Expenses | \$514 | \$594 | \$562 | \$588 | \$164 | \$751 | \$645 |
| Pension and Post-Retirement Benefit Expense | 63 | 58 | 76 | 83 | 21 | 104 | 88 |
| Total Corporate Operating Expenses | \$577 | \$652 | \$638 | \$671 | \$184 | \$855 | \$733 |

2.8.5.b In ICBCs final argument ICBC is requesting “ALL” “Transformation Program” performance measures reporting be discontinued, see paragraph 24 in their final argument. We will come back to “TP” momentarily. What is important here is the reporting of the “ongoing” TP costs within the “Controllable Operating Expenses” as several breakdown line items, i.e: continuing the reporting of TP in all aspects.

2.8.5.c ICBC reports in paragraph 24 that since 2012 TP *“It has been a significant success”*. Figure 5.4 above reports a different summation. Since 2013 Actual to 2016/17 Actual, “Controllable Operating Expenses” have risen \$237 million – 46.1%. Pension and Post Retirement Benefit Expenses have risen \$41 million – 65%. The Combined Total Corporate Operating Expenses have risen \$278 million – 48.2%.

2.8.5.d Placing these huge controllable operating expenses into context since 2013 is the completion of the Transformation Program, the implementation of the Claims Transformation, Claims Cost management, costs associated with laying off claims staff, and re-hiring claims staff, transitional costs, rising costs associated with fraud management initiatives, road safety initiatives, to name just a few cost ICBC has chosen to report on. These huge rising costs are directly consequential of management decisions. Which “is” within the purview of controllable operating expenses.

2.8.5.e ICBC reports in Figure 5.4 “Other Operating Expenses”, since 2013 Actual to 2016/17 Actual, these expenses have risen a whopping \$42 million – 152.4%. The Commission Panel must require a much higher standard of reporting. The camouflage ICBC is operating and reporting metrics is reprehensible.

2.8.5.f It is ICBC that brought the MCT, Pensions, TP and Operating Expenses into focus within this intervener’s final argument. As “shallow” as prior reporting has been in regard to these components, it is imperative to maintain these existing reporting processes, tabulations and methods moving forward. The importance is a leaf from ICBC, the value and importance of consistent trending. Alter the parameters, the matrix, and one alters the outcomes and historical relevance. The BC Government authorized the \$400 million expense to cover the costs of the new Transformation Program. Yet there are ongoing related costs that must now be placed upon every ICBC Basic policyholder (80% I believe has been approved). Without consistent reporting going forward, the additional related costs cannot be trended in a consistent historical relationship. The existing reporting matrix must continue. If ICBC wishes to incorporate, enhanced reporting matrix’, please do, but do not alter the existing matrix.

2.8.6 It pains this intervener to acknowledge Legal Representation costs are escalating at a rate above actuarial forecasting and outlooks year after year. ICBC professes to operate a fair reasonable automobile insurance policy program, they profess to be an organization that “builds trust. driving confidence”. It is time ICBC recognize the rising cost of legal representation is in direct conflict with this mission statement..... *drop it*. ICBC does not encourage “INNOCENT” accident victim policyholders to seek direct contact with ICBC Claims settlement department, because ICBC operates under a Tort system. Which obligates ICBC to defend the guilty party at the expense of the innocent, who “has to seek” legal representation, lawyer to lawyer on a level playing field. ICBC, you brought the rising cost of legal representation to all policyholders through inappropriate executive management choices (*maybe you listened to your lawyers in the legal department*). Choices you can change and won’t. Why is beyond comprehension. Now it befalls upon the British Columbia Provincial Government Executive Council to take charge, and tell ICBC what’s what....!
Quoting from the RRA: *“ICBC will be working with Government in the short-term and over the longer term to address the challenges of the rising number and cost of claims and to make ICBC’s business financially sustainable”..... “The opportunities identified in the Report are complex and require further analysis and discussion with Government; and, the broader issue regarding steps to tackle rising claims costs are being addressed with Government”*. adding insult to injury ICBC states: *“ICBC advised Commission staff that as the Government is still reviewing the Report, it is premature for ICBC to further discuss the Report at this time. ICBC further informed Commission staff of ICBC’s intent to request that the Commission exclude the Independent Review Report from the scope of this proceeding. Commission staff expressed no opinion on that point”*.

2.8.6 continued:

BCUC Staff handed ICBC: “roll the dice, do not collect 200, and go straight to...!”
Another example where ICBC has not accepted responsibility.

2.8.9 There is no doubt ICBC will “HIDE” their responsibilities behind the Government’s *Special Direction IC2* as their legal prescription for ICBC Executive Governance to hobble their choices in managing Basic Insurance Policyholders premiums, costs, and rate increases. It is very convenient. The problem with this apparent government legislated hobbling convenience is; ICBC submits in their final argument to the BCUC Commission, quote: “*The Commission should approve the proposals as detailed in the appended draft Order*”. - “DRAFT BCUC Order G-XX-18”. The ultimate presumption by ICBC, or the lackadaisical manner of the BCUC to compose, design their own decision general work order. If this draft general order is accepted by the BCUC Commission Panel as is, the inference is; there is simply no independent review of ICBC for this PY 2017 Revenue Requirement Application.

3.0 PERFORMANCE MEASURES REBUTTAL

3.1 EXISTING PERFORMANCE MEASURES

3.1.1 Having particular emphasis on tracking the impact of the Transformation Program, conceptually conceived and designed by ICBC in the pre policy years of 2011, implemented with the approval of the BC Government of the day, and the BCUC in 2012. \$400 million of BCs Optional Insurance Policyholders “equity” was assigned to this scheme. Since that time ICBC has reported in a mumbo-jumbo fashion the associated costs of the Transformation Program, while conjoining with the old Legacy Claims Systems for a number of transitional years to 2016. Throughout this period of transformation, ICBC reported progress and costs with no balance sheet accounting, some slick annualized update forecasts leading to the “final solution” (*inference intended*).

The problem is as of this date no one in the “*public sphere*” (*emphasis intended*) has seen a proper accounting of the \$400 million of publicly owned ICBC insurance money designated to fund the Transformation Program. In a normal public listed corporation on any stock exchange, these hidden costs would not be tolerated by the shareholders, or the listing Stock Exchange. But the BC Government of the day, with the cooperation of the BCUC combined forces to minimize whatever the Transformation Program performance measures were from the public policyholders. Once a year from 2012 to 2016 ICBC filed their Revenue Requirement Applications summarizing the Transformation Program progress, impacts and costs. Year after year hundreds of BCUC and intervener information requests “extracted” like a dentist the long tooth of detail from ICBC. This detail was focused on the Transformation Program, and along the way ICBC kept reporting that after the Transformation Program had been fully implemented, scheduled for PY 2017, a full accounting would be submitted to the BCUC and for public review. This has not happened..... why? I’ll tell you why, and for the BCUC public record. The costs associated with the Transformation Program and the Claims Handling transition is an embarrassment to the Government and to ICBC and to every actuary working for ICBC. Claims costs (aside from auto inflationary repair costs) have continued to escalate well beyond “actuarial magic genie” forecasting. ICBC never forecast the massive escalation of Legal Representation, to the joy of every lawyer fighting for their client. And fighting they did, and will do going forward. That is why the Claims Transformation Program costs must be suppressed, and urgently sort by ICBC to discontinue reporting, discontinue accountability, discontinue transparency, hiding behind the closed doors of the Current BC Government of today 2017 to 2021 to protect, shield ICBC from the public and policyholders examination.

3.2. ICBC “PROPOSED AMENDED” PERFORMANCE MEASURES

3.2.1 ICBC introduces on page vii of the RRA paragraph 19, quote: *“Chapter 6 sets out ICBC’s proposal for the adoption of an amended suite of performance measures as the baseline reporting requirement in future RRAs with the new proposed format of reporting”.*

Excellent ... the caveat, quote: ... *“ICBC expects the amended suite of performance measures will evolve in tandem with corporate performance measures used in ICBC’s other public reporting and will bring forward to the Commission proposed changes in performance measures in future RRAs, as appropriate.”*

The link to historical performance measures, quote: *“An appendix to this Chapter also reports on the existing performance measures agreed to in the May 2004 Negotiated Settlement Agreement and modified per the July 2006 Decision and the Decision on 2013 Revenue Requirements Application.”*

3.2.2 Turning to that appendix, the following is a sampling of ICBCs survey quotas,

Page 6-30 “D.1.1 Insurance Services Satisfaction”, surveyed 5,000 ,which represents 0.166% of Basic Insurance policyholders.

Page 6-31 “D.1.2 Driver Licensing Satisfaction”, surveyed 3,000, which represents 0.1% of Basic Insurance policyholders, or 0.18% of 1.6 million driver licensing / Driver Exams.

Page 6-31 “D.1.3 Claims Services Satisfaction” there are no surveyed numbers. In each case ICBC offers no survey statistical margins of count or error.

3.2.3 ICBC says on page 6-29 paragraph 100, quote: *“ICBC believes that the level of detail provided in the Service Plan is sufficient for the Commission’s objective of determining whether ICBC’s provision of Basic insurance is adequate, efficient, just, and reasonable. ICBC believes that, in the interest of regulatory efficiency, the focus should be on the customer surveys conducted in support of the “Customer Value and Service” strategic goal as discussed in Section C.2.*

I agree the focus should be on the customer, being the policyholder. The problem is ICBCs survey methodology of sampling less than 1% of all policyholders. Most consumer surveys having a reliable reputation, survey between 2 to 5% of their targeted consumer group, while including a survey margin of error. ICBC seems to be above that standard, by having their own, which is not transparent statistically.

ARGUMENT:

3.2.4 Given the available time to prepare this final intervener argument, I cannot detail every point or issue. The Commission Panel must set the performance measures standard for ICBC, not the other way round. For as many years I have been an intervener in ICBC RRAs, ICBC have always been very divisive between the two sides of their business. Basic Insurance has always been segregated from Optional Insurance corporate operations, as in policy coverage, in aggregating and proportioning costs between both sides of their business (see Allocation Tables) as examples. ICBC requesting the Commission to accept the joining of the two business models for the purposes of “performance measures” jeopardizes the BCUC ability to remain neutral, by severely limiting the jurisdiction of the BCUC to regulate Basic Insurance. Basic Insurance Performance Measures are the means for the BCUC to evaluate within their purview and jurisdiction the adequacy, efficient, fair, and just revenue requirement applications. Conjoining the performance measures across the corporation (which must therefore include Optional Insurance (see Allocation Tables) delineating the jurisdiction of the BCUC becomes a tug of war / words.

3.2.5 The convenience of having one full year from PY2016 to PY2017 of the full implementation of the Transformation Program and Claims Handling in place is great. But the exploitation of this achievement should not be diminished by ICBC to conjoin Corporately the two sides of ICBCs operations for performance measures going forward.

3.2.5 continued:

Here are two examples of why ICBC should to continue to maintain separation of Basic and Optional insurance business, as can be seen in Chapter 10 Figure 10A.3 – Historical Information - Basic Only, and for the first time since I can remember ICBC has provided a Corporate, Figure 10A.4 – Historical Information – Corporate. Checking back through to PY2010 every Historical Information figure says in “bold” font “**BASIC only**” (ICBC makes this point deliberately to the reader). Incidentally PY 2007 Appendix 8A Performance Statistics as it was called then, looks about the same. This example demonstrates consistent historical trending data.

The second example is to Performance Measures, where I also checked back to PY 2010



ICBC's May 31, 2010 Filing with the BC Utilities Commission

Figure 10.1 – Performance Measures Results and 2010 Forecast

| PERFORMANCE MEASURES | 2007 Actual | 2008 Actual | 2009 Actual | 2010 Forecast |
|---|-------------|-------------|-------------|---------------|
| Insurance Services Satisfaction | 93% | 93% | 96% | 93% |
| Driver Licensing Satisfaction* | 91% | 93% | 93% | 92% |
| Claims Services Satisfaction (BCUC) | 82% | 83% | 81% | 83% |
| Accident Benefit Only (BCUC) | 67% | 66% | 70% | 67% |
| New Claims Initiation | | | | |
| Calls answered in 210 seconds | 85% | 87% | 87% | n/a |
| Calls answered in 120 seconds | 80% | 82% | 82% | n/a |
| Calls answered in 100 seconds | 79% | 80% | 81% | 80% |
| Customer Contact Service Level | | | | |
| Calls answered in 90 seconds | 51% | 72% | 73% | 68% |
| Customer Approval Index | 56% | 56% | 59% | n/a |
| Legal Representation Rate | 36% | 37% | 39% | 39% |
| Complaints Heard by the Fairness Commissioner | 186 | 160 | 183 | n/a |
| Basic Loss Ratio | 95.6% | 87.7% | 93.6% | 95.1% |



ICBC's September 15, 2017 Filing with the BC Utilities Commission

Figure 6B.1 – Performance Measures Results

| PERFORMANCE MEASURES | 2014 Actual | 2015 Actual | 2016/17 Target or Outlook ¹ | 2016/17 Actual |
|---|-------------|---------------|--|----------------|
| Insurance Services Satisfaction | 96% | 93% | ≥95% | 95% |
| Driver Licensing Satisfaction | 94% | 94% | ≥95% | 93% |
| Claims Services Satisfaction (BCUC) | 86% | not available | 83% | 89% |
| Accident Benefit Only (BCUC) | 84% | not available | 84% | 85% |
| New Claims Initiation | | | | |
| Calls answered in 100 seconds | 33% | 59% | 65% | 56% |
| Customer Contact Service Level | | | | |
| Calls answered in 90 seconds | 65% | 56% | 45% | 41% |
| Customer Approval Index | 63% | 64% | not applicable | 61% |
| Legal Representation Rate | 46% | 48% | 53% | 51% |
| Complaints Heard by the Fairness Commissioner | 234 | 251 | not applicable | 321 |
| Basic Loss Ratio ² | 106.5% | 115.6% | 110.5% | 115.3% |

I invite the Commission Panel and the BCUC staff to check for themselves, especially how ICBCs emphasis year after year to the “BCUC” in their performance measures. Another little gem, Complaints have gone up, almost double. !

3.2.6 The Commission Panel needs to ask themselves, and reflect back on their agreements with ICBC going back to 2004 as to what the purpose was, their goals and reporting valuations deemed valuable in prescribing the current performance measures. See General Order G-49-04.

ICBCs PY2009 RRA is quite revealing, as noted here:



ICBC's May 12, 2009 Filing with the BC Utilities Commission

Figure 1 – ICBC's Applications Since 2003

| Date of Application | Nature of Application | Process Followed | Result of Application ¹ |
|----------------------------------|--|-----------------------------------|--|
| August 29, 2003 | Revenue Requirements | Written Hearing | Rate increase of 0.4% approved, increase of 1.3% sought. |
| February 27, 2004 | Performance Measures and Basic Insurance Information Sharing | Negotiated Settlement | Approval of the Negotiated Settlement Agreement. |
| July 5, 2004 and July 12, 2004 | Financial Allocation Methodology, Road Safety, Data on Age, Sex and Marital Status and Actuarial and Financial Information | Oral Hearing | Financial allocation methodology approved, other items reviewed. |
| March 10, 2005 | Review of Seven Financial Allocation Functions | Negotiated Settlement | Approval of the Negotiated Settlement Agreement. |
| August 22, 2005, with amendments | Revenue Requirements, Capital Management Plan and Financial Allocation | Oral Hearing | Rate increase of 6.5% ordered, as sought. ICBC to file a revised Capital Management Plan. |
| March 16, 2007 | Revenue Requirements, Capital Management Plan | Combined Written and Oral Hearing | Rate increase of 3.3% ordered, as sought. Capital Management Plan, with modification, approved. |
| March 29, 2007 | Rate Design | Oral Hearing | Rate Design changes ordered and Basic Insurance Tariff accepted. |
| December 21, 2007 | Regional Claim Centres Allocation | Negotiated Settlement | Approval of the Negotiated Settlement Agreement, ICBC to file proposal for independent third party review. |

It appears from this exhibit dating back to PY 2003/04, the BCUC negotiated Performance Measures, as noted in the BCUC General Order G-49-04 Appendix A, page 11, ICBCs Proposed Performance Measures exhibit table, is very similar to today's. The 22 page order describes in detail the methodology and criteria for the key performance measures, with letters of endorsement from ICBC and interveners.

Another question to ask, why did ICBC not provide a similar table with their proposal in this Revenue Require Application ? ICBC has avoided scrutiny by not...!

3.2.5 continued:

As I have said, not having a great deal of time to prepared a comprehensive rebuttal / final argument, the following table is intended to represent ICBCs proposed new performance measure modified based on 1,000 Written Policies, and where able substituting “%” for a real number based on 1000. The purpose of which is to demonstrate visually and quantifiably what ICBC could be meaning, if the Commission Panel approves ICBCs proposal. “Please do not approve”

RTL Rebuttal of ICBC Proposed Performance Measures

| | PERFORMANCE MEASURES | 2014 Actual | 2015 Actual | 2016/17 Target or Outlook | 2016/17 Actual | 2017/18 Target or Outlook* |
|---|--|--------------------|--------------------|---------------------------|--------------------|----------------------------|
| Basic Written Policies | | | | | | |
| Deliver Value and Service for Customers | Insurance Services Satisfaction | 960 | 930 | ≥950 | 950 | ≥900 |
| | Driver Licensing Satisfaction | 940 | 940 | ≥950 | 930 | ≥930 |
| | Claims Services Satisfaction (Closed Claims and First Notice of Loss (FNOL)) | 870 | NA | ≥910 | 920 | ≥920 |
| Maintain Financial Stability | Basic Loss Ratio | 106.5% | 115.6% | 103.1% | 115.3% | 107.6% |
| | Basic Minimum Capital Test (MCT) Ratio | 135.0% | 82.0% | 95.0% | 103.0% | 101.0% |
| | Investment Return** | BM+0.21% | BM+0.43% | BM | BM+0.31% | BM |
| Deliver Operational Excellence | Insurance Expense Ratio | 18.0% | 17.5% | NA | 17.3% | 16.9% |
| | Loss Adjustment Ratio | 18.6% | 17.1% | NA | 16.6% | 16.2% |
| Metric/Statistic | | 2014 Actual | 2015 Actual | 2016 Outlook | 2016 Actual | 2017/18 Outlook |
| Operational metrics & Statistic in other chapters | Legal Representation Conversion Rate | 350 | 370 | NA | 390 | 400 |
| | Crash Frequency | 97 | 102 | NA | 105 | NA |
| | New Driver Comparative Crash Rate - Learner | 2 | 2 | NA | NA | NA |
| | New Driver Comparative Crash Rate - Novice | 16.0 | 16.4 | NA | NA | NA |

A few things stand out for comment:

Satisfaction, does that mean 960 are satisfied, on what scale and how is this scale relevant to Basic Insurance Premiums, does this also include Optional policyholders, or Service for claims with ICBC or the insurance broker, to whom is satisfaction acknowledged and why? There is no measure to which the BCUC has jurisdiction, unless to premium.

Basic Loss Ratio, Insurance Expense Ratio, Loss Adjustment Ratio, are unconnected to 1,000 policies, as there is no premium dollar value given versus claims, loss, PD, BI and so on. A Ratio to what? the line item is meaningless within the table. Which have direct relationships within the BCUC jurisdiction, this proposed matrix has no real relevance. Anything over 100% is a performance loss.

MCT Ratio, well that's a "fix", recurring ever since the BC Government ordered ICBC to transfer money. MCT should be a direct relationship, not an adjusted relationship after interference. (performance measure – never – it's a fix).

Legal Representation Conversion Rate, is unconnected to 1,000 policies, to claims, to crash frequency, to BI, PD and so. Without a meaningful connection within the table, there is no value to measure performance against.

3.2.7 RECOMMENDATION FOR PERFORMANCE MEASURES

ICBC has for more than a decade been using the agreed upon Performance Measures detailed in the BCUC General Order G-49-04. This is quite significant in as much as ICBC continued to use these same performance measure matrices throughout the Transformation Program, and the Claims Handling transformation from the coexistence with the legacy claims systems. Further ICBC provides the same matrices in this current PY2017 RRA, Figure 6B.1 Performance Measures Results.

The second revealing fact is ICBC has proposed within the RRA a new Corporate aligned performance measures, “re-worded” in their final argument draft BCUC General Order G-XX-18. Why the re-wording ?

The third revealing fact is to compare back to 2004, where the negotiated performance measures were finally agreed to by all parties, therein ICBC provided a Proposed Performance Measures table, that matrices continues today. That said, it is the recommendation that;

The BCUC host / convene a public workshop to determine the most appropriate ICBC annual performance measures matrices for “Basic Insurance Policy business”. Given that the precedence has already been established, it is “most appropriate, efficient, right and just” that ICBCs Basic Policyholders are given equal opportunity to determine the performance measures going forward. For the purposes of expediency, and consideration by the Commission Panel, it is further recommended the workshop invite a Senior Government representative, ICBC, the BCUC Staff and Registered Interveners since the Transformation Program first came online (2013). And that ICBC publish across British Columbia the workshop, its purpose, with sufficient background information to inform the public enough to choose whether to participate in person or in writing.

For context it is important to note in the above recommendation targeting the “Basic Insurance Policy business”, as the BCUC only has jurisdiction on matters pertaining to “**BASIC Only**”, see Figure 10A.3 – Historical Information - Basic Only

3.2.7.a This intervener has a preference to maintaining the present matrices used in both the Performance Measures and the Historical Information, as ICBC has so frequently maintained the values their actuaries and various recommendations rely on to indicate trending, for forecasting, in the determination of the indicated rate change, for consistency. As so clearly demonstrated by ICBC in this current RRA.

4.0 TRANSFORMATION PROGRAM REPORTING REBUTTAL

- 4.1 As an introduction to this rebuttal, the following is taken from ICBCs 2014 RRA, page 8-1, quote:

Costs associated with the Transformation Program (TP). TP is a suite of projects that involve transformational changes supporting ICBC’s business strategy including the introduction of new systems, improvements to business processes, and giving employees the tools they need to be successful. In accordance with the Government Directive regarding TP, TP project operational costs and depreciation expense for TP project capital costs are funded 100% by Optional insurance. However, as TP projects are completed and operationalized, post-implementation and future ongoing operating costs will be allocated between Basic and Optional insurance in accordance with ICBC’s Commission-approved financial allocation methodology.

4.2 Then in the Commission’s final decision in 2014, the following order is issued, quote:

“In future RRAs, the Panel directs ICBC to identify all costs that will be shifted out of TP to corporate expenses as separate line items. For each item, ICBC is to justify why the costs are out of the scope of TP by way of measuring them against the criteria set out in the Government Directive regarding TP. ICBC is directed to report on these costs and quantify and explain the impact, if any, on the Basic insurance rates or Basic capital”.

4.3 Disturbingly, the above quotation is given in the current RRA on page 5D-1, quote:

“TP was completed as of December 31, 2016 and no further costs were reallocated in 2016, nor will any costs be reallocated to or from TP in the future. The transfers took place in prior years, and much of the information has been presented in prior RRAs”. (see Argument paragraph 4.10)

4.4 “And much of the information has been presented in prior RRAs” is the problem, in the context of, quote from page 5D-2, 5D-3 and footnotes 1 and 3 ;

“The table in Figure 5D.1 shows costs which were shifted out of TP to Corporate Operating Expenses that impact the 2017 policy year. The rationale and details of these reallocations have been previously described in the 2015 and 2016 RRAs. 2 The cost categories listed below were removed from TP scope as a result of a management reviews that were completed in 2014 (referred to as the “2014 TP reallocation”) and in 2015 (the 2015 TP reallocation), except for parallel processing, which was reallocated out of TP in December 2013, as discussed in the response to information request 2014.1 RR BCUC.68.3”

Figure 5D.1 – Costs Not Foundational to TP

| | Calendar Year 2017 (Jan – Dec) (\$000s) ² | | Calendar Year 2018 (Jan – Dec) (\$000s) | | Policy Year 2017 Expense (Nov 2017 – Oct 2018) (\$000s) | | Impact on 2017 Rate Indication % | |
|---|--|-----------------|---|-----------------|---|-----------------|----------------------------------|------|
| | Basic | Optional | Basic | Optional | Basic | Optional | | |
| Parallel Processing ³ | \$ 3,177 | \$ 2,199 | \$ 3,288 | \$ 2,276 | \$ 3,269 | \$ 2,263 | 0.1% | |
| 2014 Reallocation | Master Data Management Project | 492 | 335 | 492 | 335 | 492 | 335 | 0.0% |
| | Hardware / Software | 173 | 118 | 173 | 118 | 173 | 118 | 0.0% |
| | Impact from Project Insurance | - | 372 | - | 372 | - | 372 | 0.0% |
| | Miscellaneous Minor Non-core Insurance Costs | 123 | 129 | 123 | 129 | 123 | 129 | 0.0% |
| 2015 Reallocation | Governance Activities from 2015 Reallocation | 38 | 38 | - | - | 6 | 6 | 0.0% |
| | Depreciation from 2015 Reallocation | 38 | 29 | 36 | 28 | 37 | 28 | 0.0% |
| TOTAL⁴ | \$ 4,041 | \$ 3,221 | \$ 4,111 | \$ 3,258 | \$ 4,100 | \$ 3,252 | 0.1% | |
| Costs absorbed into 2017/18 Operating Expenses | | | | | | | (0.1%) | |
| Net Impact to Basic | | | | | | | 0.0% | |

¹ Decommissioning costs have been removed. The timeline for decommissioning has been delayed due to evolving timelines, user requirements, and resourcing utilization.

² Three months actual and the remainder represents outlook.

³ The 2017 calendar year costs for parallel processing that were forecast in the 2016 RRA have been amended based on a more refined estimate.

⁴ Rounding may affect totals.

4.5 If one is to understand ICBC, there are at least two factors to note in the above references, the first being the Commission Panel’s final decision, the following re-allocations. Secondly ICBC continues to refine their estimates (footnote 3) in light of ongoing decommissioning costs (footnote 1) through to Treasury Board approvals to 2020, and beyond for a 10 year asset depreciation period.

4.6 This intervener notes that ICBC is following initiatives that will address Claims Handling, improve efficiencies, and other corporate processes as noted in their Claims Hierarchy Charts of prior years, and in the current RRA; Figure 6.2 – Hierarchy of Measures to Financial Stability, all of which include hiring some 240 new / replacement employees.

4.7 For the purposes of rebuttal, the following conservative assumptions are offered:

| New FTEs | Starting Salary | 100 | 200 | 287 |
|--|-----------------|--------------------|---------------------|---------------------|
| Salary | \$40,000 | \$4,000,000 | \$8,000,000 | \$11,480,000 |
| Computer & Software licenses | \$3,000 | \$300,000 | \$600,000 | \$861,000 |
| Workstation & Furniture & Office space | \$1,000 | \$100,000 | \$200,000 | \$287,000 |
| Full Time Benefits 20% (see Fig. 5.5) | \$8,000 | \$800,000 | \$1,600,000 | \$2,296,000 |
| Total | \$52,000 | \$5,200,000 | \$10,400,000 | \$14,924,000 |

4.8 ICBC offers in the current RRA on Page 5-16 paragraph 42, Quote:

“The 2017/18 outlook for Bargaining Unit of 4,073 FTEs is higher than 2016 actual of 3,731 FTEs by 342 FTEs. The majority of this increase; i.e., 287 FTEs, is due to the claims related staffing increase.” (underlined for emphasis).

4.9 Now drawing attention back to Figure 5D.1 column titled: “Calendar Year 2018 (Jan-Dec), the Total Basic is \$4,111,000 while the Total Optional is \$3,258,000. That is still less than 50% of the very conservative estimates offered in the above table for 287 New FTEs. There is no provision for asset depreciation, or annual salary increases. Which are growing numbers over the next “x” years.

ARGUMENT:

4.10 Apparently the Commission has approved the TP allocation cost between Basic and Optional insurance business as 80% and 20% respectively. I could not locate this approval. Nevertheless, assuming this ratio is correct, 80% of \$14.9 million is \$11,939,200. This is still above the \$7,369,000 noted in Figure 5D.1 ICBC has claimed this is insignificant, as these costs only add 0.1% to the indicated rate change. As such, their significance for the purposes on maintaining TP reporting, it is not efficient and reasonable. (my words). Also refer to 2016 RRA Chapter 5 page 5-2 paragraph 6, quote: “In accordance with the Government Directive regarding TP,³ TP project operational costs and depreciation expense for TP project capital costs up to \$400 million are funded 100% by Optional insurance. However, as TP projects are completed and operationalized, post-implementation and future ongoing operating costs will be allocated between Basic insurance and Optional insurance in accordance with ICBC’s Commission-approved financial allocation methodology”.

Well to the contrary, addressing Figure 2.3 line item 5b in ICBCs 2016 RRA, “Impact of Pension Expense 0.1 ppt”, which represents \$1 average impact per policy. Chapter 5, Figure 5.5 indicates “Pension and post retirement benefit expenses” rose \$7 million. Which coincidentally is just about the same dismissive 0.1% (\$7.3 m) given ICBCs argument to stop reporting TP costs, as insignificant. Tracking pensions is significant, but TP costs are not...! Why ?

Further; In PY2012,13 and 14 ICBC kept repeating how the Claims Transformation Program that cost way in excess of the Government’s approved ceiling of \$400 million, staff reductions after layout costs would be offset by reduced staffing levels and greatly improved efficiencies and new strategies, (my words). This clearly has not happened based on the descriptions given in Chapter 5 regarding FTE, Confidential Staffing and Management level increases leading from 2016 into 2018

4.11 RECOMMENDATION FOR TRANSFORMATION PROGRAM REPORTING

Based on the level of detail given in the above argument, **the BCUC should continue to monitor within all future Revenue Requirement Applications any and all Transformation Program costs across the division lines of Basic 80% and Optional 20%, until all cost and depreciations are reached to ensure BC policyholders have been properly informed, as apparently actuaries continue to refine their accounting, this is just, reasonable and transparent.**

5.0 OPERATIONAL REPORTING ON CLAIMS AND ROAD SAFETY REBUTTAL

- 5.1 One of ICBC's opening remarks in this RRA from the BCUC cover letter, quote: "Despite the work that ICBC has done to mitigate the cost pressures through its claims cost management strategies, the financial situation continues to worsen".

Chapter 7 Claims Cost Management covers the following main topics, Claims Cost Management Initiatives, Legal Representation Rate, Fraud, Claims Operational Metrics, Claims Transformation Benefits, amongst other topics. This rebuttal addresses these points, by representing them in the following table. The blank cells are blank because the data could not be collated from the RRA. Indicating the level of difficulty to disseminate the reporting matrix, and the inconsistency of the historical or trending data to add within the table.

CLAIMS HANDLING REPORTING MATRIX

Count (000)

| PY | Ref | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|----------------------|---------|------|------|------|------|------|------|------|
| Written Policies | Exhb I | 2609 | 2645 | 2691 | 2761 | 2844 | | |
| Total Claims | fig 7.3 | 1081 | 1123 | 1125 | 1106 | 1333 | 1406 | |
| Closed Injury Claims | fig 7.1 | 56 | 60 | 62 | 61 | 70 | | |
| BI Claims | fig 7.1 | 59 | 61 | 64 | 67 | 75 | | |
| BI Frequency | | | | | | | | |
| BI Severity | | | | | | | | |
| Property Damage | | | | | | | | |
| Unrepresented | fig 7.2 | 34 | 36 | 38 | 35 | 39 | | |
| Legal Representation | fig 7.2 | 21 | 25 | 26 | 26 | 33 | | |
| Fraud | fig 7.5 | 25.7 | 28.7 | 31.7 | 28.9 | 36.4 | | |

Values in Percent

| PY | Ref | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|----------------------|---------|------|------|------|-------|------|------|------|
| Written Policies | Exhb I | 2609 | 2645 | 2691 | 2761 | 2844 | | |
| Total Claims | Calc | 41.3 | 42.5 | 41.8 | 40.06 | 46.8 | | |
| Closed Injury Claims | Calc | 2.1 | 2.27 | 2.3 | 2.2 | 2.46 | | |
| BI Claims | Calc | 2.26 | 2.3 | 2.38 | 2.43 | 2.64 | | |
| BI Frequency | | | | | | | | |
| BI Severity | | | | | | | | |
| Property Damage | | | | | | | | |
| Unrepresented | fig 7.2 | 64 | 63 | 62 | 60 | 59 | | |
| Legal Representation | fig 7.2 | 36 | 38 | 38 | 40 | 41 | | |
| Legal Rep Conversion | fig 7.7 | 33 | 35 | 35 | 37 | 39 | | |
| Fraud | fig 7.5 | | | | | | | |

Data Gathered from RRA

The above table is an example only, while the data tabulated is "best fit". It would be reasonable for ICBC to dispute the actual data only. Legend: "Exhb I" means Exhibit I from the RRA, "Calc" (*in italics*) means the intervener calculated the data based on Written Policies and count.

- 5.2 Due to the manner in which the RRA is assembled by chapters, designing a meaningful Claims Management Reporting Table is a challenge. In spite of the challenge the above table is designed by following the methodology ICBC uses in their creation of "Figure 2.3 - Overview of Impact on PY 2017 Indicated Rate Change". Which is followed by several pages of detailed summations for each line item. Connecting these line items to various parts throughout the RRA. The above table could follow this precedence. ICBC also provides graphs, and this should continue within the context of each referenced component to enhance the readers comprehension.

5.3 RECOMMENDATION FOR CLAIMS MANAGEMENT REPORTING

Due to the complexities of developing an appropriate Claims Management Reporting matrices as proposed by ICBC, and within the context and reasons given in Section 3 above,

The BCUC host / convene a public workshop to determine the most appropriate ICBC annual claims management reporting matrices for “Basic Insurance Policy business”. Given that the precedence has already been established, it is “most appropriate, efficient, right and just” that ICBCs Basic Policyholders are given equal opportunity to determine the performance measures going forward.

Rebuttal to Road Safety

5.4 In Chapter 5 page 5-9 paragraph 26 ICBC advises, quote:

“In the August 2012 Revenue Requirements Decision, the Commission encouraged ICBC to seek amendments to the Traffic and Road Safety Enforcement Funding MOU (Road Safety MOU) or Special Direction IC2, “which enable a fair, equitable and transparent allocation of cost of the Road Safety programs which benefit both the Basic and Optional insurance businesses.”⁵ This has now occurred and, beginning in 2017/18, decreases the allocation to Basic insurance and increases the allocation to Optional insurance by \$1 million.” (emphasis added)

Then in Chapter 8 page 8-1 paragraph 6 ICBC says, quote:

“Section D discusses ICBC’s investment in the Road Safety programs. Section D.1 provides details on the new Road Safety MOU, effective April 1, 2017, as agreed to by ICBC and the Ministry of Public Safety and Solicitor General (MPSSG), including its contribution to the greater focus on distracted driving and high-risk behaviors at intersections”.

Then in Chapter 8 page 8-13 paragraph 45 ICBC says, quote:

“..... These discussions occurred and in the new Road Safety MOU, the IMPACT portion will be funded 72.4% from ICBC’s Optional insurance business. This decreases the allocation to Basic insurance and increases the allocation to Optional insurance by \$1 million”.

On page 8-2 paragraph 8, ICBC says, quote:

“ICBC acknowledges the Independent Review Report discusses opportunities in a number of areas, including enhanced road safety. These opportunities are complex and require further analysis and discussion with Government. As ICBC and the Government are still considering the content of the Report received in late July, it is too soon to identify what action will be taken and their corresponding impacts”.



ICBC’s September 15, 2017 Filing with the BC Utilities Commission

Figure 8.2 – Road Safety Programs Expenditures

| Road Safety Programs Expenses (\$ Millions) | 2016 Plan (A) | 2017 Transitional Quarter* Plan (B) | 2016/17** Plan (A + B) | 2016 Actual (C) | 2017 Transitional Quarter* Actual (D) | 2016/17** Actual (C + D) | 2017/18*** Outlook |
|---|---------------|-------------------------------------|------------------------|-----------------|---------------------------------------|--------------------------|--------------------|
| Enhanced Road Safety Enforcement | 25.8 | 6.5 | 32.3 | 25.8 | 6.5 | 32.3 | 22.1 |
| Road Improvements | 8.1 | 2.4 | 10.5 | 7.2 | 1.8 | 9.0 | 8.1 |
| Education and Awareness | 1.9 | 0.5 | 2.4 | 1.8 | 0.3 | 2.1 | 3.4 |
| Total Direct Expenses | 35.8 | 9.4 | 45.2 | 34.8 | 8.6 | 43.4 | 33.6 |
| Compensation | 3.4 | 0.9 | 4.3 | 3.4 | 0.9 | 4.3 | 3.6 |
| General Expenses | 2.6 | 0.6 | 3.2 | 2.3 | 0.6 | 2.9 | 2.6 |
| Total Road Safety Expenses | 41.8 | 10.9 | 52.7 | 40.5 | 10.1 | 50.6 | 39.8 |
| Total Road Safety FTEs | | | 29.6 | | | 28.8 | 29.6 |

* 2017 Transitional Quarter represents the period from January 1, 2017 to March 31, 2017.

**2016/17 refers to the period from January 1, 2016 to March 31, 2017 and reflects a 15-month transitional fiscal period.

***2017/18 refers to the period from April 1, 2017 to March 31, 2018.

5.4 continued:

After some effort (using word search for IMPACT, 1 million and 72.4%, I found what appears to be the source of the \$1 million dollar savings to Basic Insurance, the MOU date April 1st 2017 as given in APPENDIX 8 C TRAFFIC AND ROAD SAFETY LAW ENFORCEMENT FUNDING MEMORANDUM OF UNDERSTANDING, Schedule C page 9 of 10

1.2 **Integrated Municipal Provincial Auto Crime Team (IMPACT) & Bait Car:** IMPACT is an integrated, enhanced enforcement initiative focused on reducing the incidence of auto crime throughout BC. The MOU funds the operations of this unit, including personnel, equipment, and related administrative costs and will be funded by universal compulsory vehicle insurance monies, except for 72.4% of the amount payable for the IMPACT part of the Program, which ICBC will pay out of its optional insurance monies.

5.5 By my calculations based on Figure 8-2, this \$1 million ($1 / 39.8 * 100$) represents a very small token of only 2.5% of the 2017/18 Total Road Safety Expenses Outlook.

5.6 Connecting KMPG report given in APPENDIX 8 B ETEP FORWARD-LOOKING REVIEW (REDACTED VERSION), and ICBCs words noted above, the issues are complex, with ICBC in negotiations with the Government. The following recommendation is put to the Commission Panel in light of the Optional Insurance generosity. (sarcasm intended).

5.7 **RECOMMENDATION FOR ROAD SAFETY**

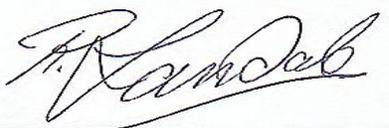
THE BCUC SHOULD DO NOTHING, THE COMMISSION PANEL SHOULD AWAIT THE PLEASURE OF THE BC PROVINCIAL GOVERNMENT IN REGARD TO ROAD SAFETY INITIATIVES "ETEP" FORWARD LOOKING REVIEW OUTCOMES, AND THE CONSTRUCTION OF "ANY" RELATED PERFORMANCE MEASURES. IT IS FURTHER THE RECOMMENDATION THAT THE EXISTING REPORTING MATRIX SHOULD CONTINUE UNTIL ICBC AND THE BC GOVERNMENT HAVE FINALIZED THEIR REVIEW PROCESS, AHEAD OF DESIGNING ANY REPORTING CHANGES BACK TO THE BCUC.

6.0 **CLOSING RECOMMENDATION**

OIC 602/17 REQUIRES THE COMMISSION PANEL TO APPROVE THE LEGISLATED RATE INCREASE OF 6.4%, SO APPROVE IT, AND LETS BE DONE WITH IT BY JANUARY 12TH. 2018. ON OTHER MATTERS FROM WITHIN THE RRA THE EXECUTIVE COUNCIL HAS NOT INTERFERED WITH THE BCUC JURISDICTION. SO PLEASE CONSIDER THE ENCLOSED RECOMMENDATIONS IN THE SPIRIT OF MAINTAINING THE "STATUS QUO", UNTIL SUCH TIMES AS ICBC AND THE GOVERNMENT CAN LEGISLATE A NEW WORKING ORDER OF ICBC CORPORATE, BASIC AND OPTIONAL INSURANCE OPERATIONS.

The request to maintain the "status quo" should not be misconstrued as detrimental, or against progress or change. It is to recommend no change until the Government has determined the new order of things for ICBC and the Basic Insurance Policy. At which point appropriate performance measures can be delineated to reflect the new order.

Respectfully, and with my thanks to the Commission Panel Chair.



Richard T. Landale
Intervener C1