



Allevato Quail & Roy

BARRISTERS AND SOLICITORS

AQR file no. 18-176
Jim Quail
direct (604) 424-8633
email jquail@aqrlaw.ca

May 29, 2019

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

attention: Patrick Wruck, Commission Secretary and
Manager of Regulatory Services

filed online

Dear Mesdames/Sirs:

Re: Insurance Corporation of British Columbia (ICBC) – 2019 Revenue Requirements Application

This is the final argument of MoveUP, the bargaining agent representing the unionized staff of ICBC. Our client is generally supportive of the Application, but with caveats regarding proposed elimination of two performance metrics.

OVERVIEW – THE CURRENT PERSPECTIVE FOR ICBC

The Attorney General for British Columbia, who is the Cabinet Minister responsible for ICBC, has famously described the Corporation’s financial situation as a “dumpster fire”. While this is hardly an actuarial or regulatory term of art, it captures graphically the position that ICBC and its policyholders find themselves in, after many years of adverse handling by government. We have seen ICBC’s capital base drained into the province’s general revenues to help government present balanced budgets, for example, and “penny-wise” pressure from Victoria to restrain or reduce staffing levels in the face of increasing claims frequency, complexity and cost; the negative impact of staffing restraint on the efficacy of claims handling produced in turn a sort of positive feedback loop in relation to the Representation Rate, driven by pressures on the Corporation and at the same time exacerbating those pressures relentlessly over the years. Saving small operating costs contributed to enormous increases in the overall cost of maintaining the Basic Insurance program.

Government sought to mask the impacts of its approach to the Corporation by suppressing premium increases far below what was needed to maintain a reasonable capital base, a strategy of postponement of the financial consequences of government policy that undermined the sustainability of the public insurer and guaranteed that the eventual day of reckoning would be all the more dislocating to the public.

Aversion to public service staffing and an ideological preference for contracting-out to the private sector inspired the outsourcing of accountability for the cost of material damage claims to the very repair shops that benefited from a loose leash contributed to runaway repair costs. This was coupled with slashing ICBC's corps of in-house estimators, crippling the Corporation's capacity to monitor the implications of permitting vendors to effectively write their own cheques, paid with policyholders' money.

Meanwhile, top leadership at ICBC resembled a revolving door for several years, and workload pressures on claims staff eroded morale and organizational *élan*.

Two years ago, ICBC finally recognized that the depletion of its Claim Department staff was "pound foolish" and began rebuilding its internal capacity to respond to burgeoning service needs, and re-gain a handle on spiralling claims costs. Following the change of government, the focus changed more decisively from chiselling the Corporation and its operations, toward re-establishing longer-term operational and financial equilibrium.

The dumpster fire took years to fully ignite, and it will take time to put it fully out. However, MoveUP believes that the decisive corner has been turned, including finally grasping the political nettle of product reform and advancing the reconstructing ICBC's internal resources, especially in relation to handling Bodily Injury claims and containing Material Damage claims.

The current pivot-point between the former, unsustainable product and mode of operating and a stabilized public automobile insurance program presents difficult issues for the Commission. We can be confident that the changes, both implemented and ongoing, will have a significant positive impact, directionally, on ICBC's longer-term prospects and viability, and will lay the basis for enhanced public confidence. However, the congruence of major qualitative changes in ICBC's product and services make the task of projecting the impacts of all of this simultaneous transition uniquely challenging.

As the Commission and interveners well know, forecasting claims frequency and cost is a difficult art even under "steady-state" conditions. The uncertainty inherent in such forecasts is magnified enormously where so many pieces are in motion.

Aside from all of the other sources of uncertainty, the ultimate impacts of product, service and operational change will be heavily affected by future behavioural changes. These include their impact on driving habits, their impact on claimants' expectations and how they will pursue BI and MD claims, and the potential responses of other parties including the plaintiffs' bar – particularly to the new rules for relatively minor injury claims, including claims caps and restricted access to the courts to litigate disputes.

MoveUP submits that the consequences of this reality include the following:

1. Above all, the Commission's approach to its regulatory task should be to ensure that ICBC has the space and the resources it needs to maneuver successfully into a stabilized and sustainable future; and
2. It should be frankly acknowledged that the precise financial impacts of these changes cannot be known now. Adding greater precision to the projected numbers does not necessarily contribute to their accuracy, which will only be known with certainty once the changes take effect. Even then, deconstructing the end results to determine how to attribute financial improvements amongst the various measures will necessarily be an inexact exercise.

APPLICATION SHOULD BE APPROVED, WITH TWO EXCEPTIONS

Especially when viewed within this context of ongoing flux, MoveUP submits that the actuarial projections presented in the Application are realistic, and are as reliable as can reasonably be expected. We submit that the Application should be approved, subject only to the continuation for the time being of two performance metrics that ICBC proposes to abandon, namely the New Claims Initiation (NCI) and Customer Contact Service Level (CCSL) metrics.

The present moment of profound transition is not the time to decommission useful monitors of the patient's state of health, so-to-speak. ICBC acknowledges that the necessary data to generate both of these metrics, which are useful measures of the efficacy of its claims handling capacity, will continue to be available¹. It acknowledges that it will continue to monitor and apply the NCI metric for its internal use, in particular². Continuing to report these metrics will in no way "detract" from the Corporation's focus on meeting customer needs, as ICBC suggests, and would provide useful information to help reassure the Commission and interveners that service levels, which in turn impact claims costs, are being maintained and improved in the midst of all of the transformation that is underway.

¹ Ex. B-2 MoveUP IR 1.2.2 and 1.3.2

² Ex. B-2 MoveUP IR 1.2.1

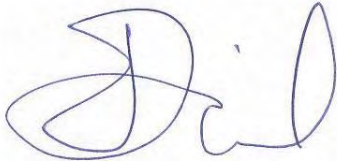
The time to revisit these performance metrics will be once the dust has settled.

In short, ICBC has not presented any cogent reason to discontinue reporting these metrics to the Commission and interveners at this juncture, and MoveUP submits that now is not the time to abandon useful information, especially where several past years of reporting facilitates tracking performance trends through this pivotal phase of the Corporation's operations.

Subject to those exceptions, MoveUP supports the Application and submits that it should be approved.

All of which is respectfully submitted.

ALLEVATO QUAIL & ROY

A handwritten signature in blue ink, appearing to read 'Jim Quail', written in a cursive style.

per **Jim Quail**
Barrister & Solicitor