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Surrey,
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02 December 2013

ICBC 2013 REVENUE REQUIREMENTS EXHIBIT C1-7

Ms. Erica Hamilton
Commission Secretary
British Columbia Utilities Commission
Sixth Floor,
900 Howe Street
Vancouver,
British Columbia
V6Z 2N3

Dear Ms Hamilton,

Re: Insurance Corporation of British Columbia
Order G-141-13/Project No. 3698726
2013 Revenue Requirements Application

Further to Commission Order G-141-13 with respect to the above noted Application, please find enclosed my Information Request No. 2.

Following my letter to the Commission dated November 25th. 2013 and to Mr. Ghikas (C1-6), I received a telephone call from BCUC Staff in reply, (thank you). In brief, I was advised that if I was dissatisfied with any response from ICBC within the first round of Information Requests (IR1), I should repeat the question in this second round of Information Requests (IR2). I thought this to be a total waste of time, but was persuaded to proceed if I still wanted answers.

I received a direct reply letter from Mr. Ghikas dated November 29th., thank you. Following Mr. Ghikas letter I have removed my IR2 questions in regard to the Claims Transformation Program, since clearly to repeat them wastes everyone's time.

Please find herein this second round of Information Requests, leading off with my IR 1 questions. ICBC's cross reference to the question **2013.1**, followed by their response. Which in turn is followed by restating the question with the prefix **2013.2** (representing the IR2 round, to distinguish the question from IR1), with my reasons for restating the question.

Kind regards,

Richard T. Landale
Enclosure
cc: Registered Interveners

2013.1 RR RL.2.1.1 Reference: Minimum Capital Target (MCT)
2.1 Based on the Workshop presentation Slide 83 - Proposed New Capital Management Target. Please explain the steps taken to establish the 130% MCT Solvency Target and under who's direction / orders
Response:
In the Application, Chapter 4, paragraph 9, ICBC explains that the current Capital Management Plan incorporates a capital management target of 130% MCT. The current Capital Management Plan was proposed by ICBC in the 2007 Revenue Requirements Application and subsequently approved subject to a revised capital release provision in the January 2008 Decision on Revenue Requirements (see the Application, Chapter 1, paragraphs 6 and 7). As explained in Chapter 4, page 4-11, footnote 14, the 130% MCT capital management target was determined based on industry standard financial stress testing and reviewed and accepted by the Commission.
As part of the proposed new Basic Capital Management Plan, ICBC is referring to the 130% MCT capital management target as the "Solvency Target". In Chapter 4, paragraph 37, ICBC states that *Special Direction IC2 to the BC Utilities Commission, BC Regulation 307/2004, as amended* now requires an additional margin (the rate smoothing margin) addressing the fact that the Solvency Target does not account for the use of capital for rate smoothing.

2013.2 RR RL.2.1
ICBC is requested in this Second IR to answer completely as asked.
Question 1.5 ICBC response is unsatisfactory.
ICBC is requested to address the following points as if they are connected questions.
The following is text taken from *Special Direction IC2* (BC Reg.115/2013 March 19,2013)

"capital management target" means the MCT target, determined in a capital management plan approved by the commission, that is the total of the following:
(a) the MCT required under section 3 (1) (b);
(b) the margin, expressed in percentage points of MCT, that reflects the corporation's risk profile in relation to the corporation's universal compulsory vehicle insurance business and its ability to respond to adverse events that arise from those risks;
(c) any additional margin, expressed in percentage points of MCT, consistent with relatively stable and predictable universal compulsory vehicle insurance rates;
AND

Directions relating to the corporation generally
3 (1) With respect to the exercise of its powers and functions under the Act in relation to the corporation generally, the commission must do the following:
(a) Repealed. [B.C. Reg. 108/2010, s. 2 (a).]
(a.1) beginning in 2014, require the corporation to apply annually for a general rate change order by May 31 of the year of the application for rates effective August 1 of that year;
(b) set rates for the corporation's universal compulsory vehicle insurance business in a way that will allow the corporation to maintain, in relation to its universal compulsory vehicle insurance business, at least 100% of MCT"; end quote

ICBC has taken great latitude in the interpretation of the *Special Direction IC2*, by injecting their own words like, "Solvency", "Smoothing", within their application, and in their response to the question. Neither word has a place in this application, since ICBC is required to follow *Special Direction IC2*. It is understood the Commission's approval for the high 130% MCT ceiling level. *Special Direction IC2* does provide for the 1.5 percentage number for a rate change (c2) (ii) (B). No where within *Special Direction IC2* does "rate smoothing" or "solvency target" require the MCT levels of 100% - 130% MCT, be adjusted to accommodate "rate smoothing" or "solvency target".
This intervener strongly opposes such links to the MCT, and requests the BCUC Commission dismiss such links. And further draws the Commissions attention to *Special Direction IC2* clauses under the

heading of "Directions Relating to the Corporation Generally", as applicable to MCT and fixing rates, and "loss cost forecast variance".
It is noted that OIC-153 March 18, 2013 states; to quote:

> "If circumstances should arise where, despite the implementation of a capital management plan consistent with the above principles, Basic capital is projected to fall below the regulatory minimum requirement of 100% MCT as determined under Special Direction IC2 to the British Columbia Utilities Commission" end quote.

Again in regard to the MCT, "rate smoothing" or "solvency target" is not mentioned.
Also within OIC -153, the Government clearly recognises some limitations within their directive.
It is also brought to the Commissions and ICBC attention, OIC-560 November 11 2011. The Intervener urges the Commission and ICBC to reread the preamble comments in that Order, from where the following quote is taken; to quote:

> "Additionally, Government believes that there is an opportunity for ICBC to use more Basic capital to manage Basic insurance rate pressures in the short term than is currently permitted under ICBC's Basic Insurance Capital Management Plan. ICBC's Capital Management Plan is currently based on maintaining a certain amount of capital above the minimum capital requirements specified in *Special Direction IC2 to the British Columbia Utilities Commission,* which is 100 percent Minimum Capital Test (MCT). Government believes that the capital available above the Basic insurance regulatory minimum should be made available to help manage rates.
> Consequently, ICBC is directed as follows:
> First, for the purposes of applying the terms of the May 2010 direction letter, ICBC is to hereafter use the most recent quarter Basic insurance MCT level to determine the Basic insurance revenue requirements, rather than using the MCT at the end of the previous calendar year.
> Second, notwithstanding the May 2010 letter, ICBC is directed to alter its Basic insurance Capital Management Plan to exclude any capital build provision in Basic insurance rates from February 1,2012 to January 31, 2015 provided that Basic capital remains above the regulatory minimum. This will have the effect of allowing ICBC to use more Basic capital above the regulatory minimum to reduce a portion of the actuarially indicated rate during these three years than would otherwise be permitted under ICBC's Capital Management Plan.", end quote.

Drawing attention to the 2013 RRA Basic MCT Ratio Chapter 4 pages 4-7 & 4-8. "The Commission continues to hold the views in their decisions in 2008 and 2012". Turning to paragraph C.2 24, the context reference to the MCT of 153.4% is misleading. Especially since ICBC underwent some major accounting standard changes through 2012 to realign with the new IFRS standard. This realignment exacerbated various precursors impacting the MCT levels. In the year 2012 by Order of Cabinet, ICBC transferred Capital from the Optional Insurance to the Basic Insurance, mitigating the approaching low Basic Insurance Capital margin of 100% quarterly forecast indicators. This capital transfer restored the Basic Insurance Capital levels to just above the high ceiling MCT level of 137%, Which is in alignment with recent historical levels, and in relative alignment to the Commission's high ceiling limits of 130% MCT.

ICBC rightly refers in their response to the question above **2013.1 RR RL.2.1.**1 Yet again takes liabilities by defining 130% MCT as a "Solvency Target" (see paragraph D.2 36 within the application), claiming that this "130% MCT Solvency Target" is directly related to *Special Direction IC2*. Which has been noted herein, as being incorrect.

The conclusions reached by ICBC in paragraph D.2 37, wherein to quote:

> "ICBC concluded, for the reasons set out below that a 20 percentage point additional margin should be considered as a reasonable minimum margin to effect rate smoothing as contemplated in *Special Direction IC2*." end quote.

Again *Special Direction IC2*, does not say that. They refer; to quote:

> (iv) for 2013 and each following year, ensure that rates are set in accordance with a capital management plan approved by the commission that includes capital maintenance and build or release provisions

Ahead of the Interveners Exhibit G.1 RTL, the Commission's attention is drawn to Section D.8 pages 3-29 and 3-30 Provisions Relating to Capital. It is understood throughout any given year, events occur that affect the Basic Insurance Capital provisions. Actuarial forecasting has a place in as much as an indicator of these events in a given forth coming quarter, and or next year's Revenue Requirement application. The actuarial forecasting model could also alleviate the stress on the MCT levels by indicating an appropriate dollar value of capital to be transferred from Optional Insurance to Basic Insurance, thereby ensuring the 100% to 130% margin range is employed to avoid any negative impacts on the Basic Insurance Capital MCT levels. A strategy along these lines would greatly enhance the existing Basic Capital Maintenance Plan.

ICBC goes onto greater heights when discussing Section D.6 "Customer Renewal Credit" CRC. Paragraphs 80, 81 and figure 4.11 are preposterous. Again *Special Direction IC2* is totally mute in regard to MCT levels of 175% or 165% . The whole D.6 Section on CRC should be sent back to ICBC. There is no dispute to the fact ICBC is to follow *Special Directive IC2*, just stop inventing outrageous hypothesis, with actuarial models to justify such extreme levels in the MCT. It should be remembered the minimum MCT level is 100%, and the Commission has approved a ceiling level of 130%, not a manufactured solvency target of 130%

2013.2 RR RL.2.2

The following Exhibits noted as Exhibit G.1 RTL and Exhibit G.2 RTL are extracted from ICBC Exhibit .xls files I had requested. Please note I have revised these files by colour coding and adding text boxes as "Questions" in each exhibit.

Insurance Corporation of British Columbia

Exhibit G.1 RTL

Allocation of Adjusted Equity and Capital Maintenance to Coverage

(Figures in $ 000's)

	WHERE DID THIS NUMBER COME FROM
	RTL Agrees with Arithmatic
	RTL added formula to understand summation

ALLOCATION BASE

		Plate Owner			Manual	Total Basic	
		TP Liability	Part 7	Total			
		(1)	(2)	(3)	(4)	(5)	
(a) Unpaid Loss and ALAE	PLEASE EXPLAIN SOURCES OF THESE FIGURES. AND ARE THESE FIGURES FOR 9 MONTHS OR 12 MONTHS	3,350,037	247,979	3,598,016	73,276	3,671,293	
(b) Unearned Premium		966,543	80,724	1,047,267	29,147	1,076,414	
(c) Total		4,316,580	328,703	4,645,283	102,423	4,747,707	(a) + (b)
(d) % of Total		90.9%	6.9%	97.8%	2.2%	100.0%	(c) / (c)(5)
		c10/i10*100	d10/i10*101	c11+d11	g10/i10*101	e11+g11	

ADJUSTED EQUITY

(e) Basic Equity at December 31, 2013	1,371,437		PLEASE EXPLAIN SOURCES OF THESE FIGURES. AND ARE THESE FIGURES FOR 9 MONTHS OR 12 MONTHS
Remove the Effect of Discounting in Unpaid Loss, ALAE, and ULAE			
(f) Amount of Discount	(450,187)		
(g) Provision for Adverse Deviation	500,457		
(h) Total	50,270	(f) + (g)	
(i) Adjusted Equity as of December 31, 2013	1,421,707	(e) + (h)	
(j) Adjusted Equity as of November 1, 2013 (discounted with interest at 4.25%)	1,412,002		PLEASE EXPLAIN REASONS FOR A 4.5% DISCOUNT. WHY NOT MORE OR LESS. IS THIS DISCOUNT FOR 9 MONTHS OR 11

ALLOCATING ADJUSTED EQUITY TO COVERAGE

	TPL Basic	Part 7	Total		
	(6)	(7)	(8)		
(k) Plate Owner Equity	1,283,782	97,759	1,381,540	(j) x (d)	BY REASON OF ANSWERING LINE QUESTION J, THE ANSWER
(l) Manual Policies Equity	28,306	2,155	30,461	(j) x (d)(4) x (k) / (k)total	

ALLOCATING CAPITAL MAINTENANCE TO COVERAGE

(m) PY 2013 Capital Maintenance	56,622	Exhibit G.2 (k)

	TPL Basic	Part 7	Total	
	(9)	(10)	(11)	
(n) PY 2013 Capital Maintenance (Plate Owner)	51,480	3,920	55,400	(m) x (d)
(o) PY 2013 Capital Maintenance (Manual)	1,135	86	1,222	(m) x (d)(4) x (n) / (n)total

Notes:

(a) Source: Internal unpaid claims analysis as of June 30, 2013 for accident years through 2012.
(b) Source: Internal estimate of 2012 unearned premium as of December 31, 2012.
(e) Source: Forecast as of June 30, 2013.
(f) & (g) Source: Internal discounting analysis as of June 30, 2013.
(i) In computing the income on equity to be credited to the policyholders, equity is restated to reflect full value reserves
this is necessary because policyholders already receive credit for investment income on reserves through the discounted cash flow method.
(j) Equity is discounted with interest to November 1, 2013 to reflect the difference in timing for the start of the 2013 policy year.
(j) Interest Rate Source: Exhibit A.1.1 (15)

Corporate Actuarial and Advanced Analytics Department

2013 Basic Capital Maintenance Provision

(Figures in $ 000's)

	WHERE DID THIS NUMBER COME FROM
	RTL Agrees with Arithmatic
	RTL added formula to understand summation

(a)	Capital Available at December 31, 2013	1,371,437		PLEASE EXPLAIN SOURCES OF THESE FIGURES. AND ARE THESE FIGURES FOR 9 MONTHS OR 12 MONTHS
(b)	Minimum Capital Required at December 31, 2013	1,113,041		
(c)	2013 Minimum Capital Test (MCT) Ratio Outlook at December 31, 2013	123.2%	(a) / (b)	
(d)	Regulatory Target MCT Ratio	100.0%		PLEASE EXPLAIN "TRANSIENT TARGET". WHY IS THE 2012 TRANSIENT TARGET RELEVANT TO FORMULA IN LINE H
(e)	Capital Management Target MCT Ratio	130.0%		
(f)	Current Capital Required Target	1,446,953	(b) * (e)	
(g)	2012 Transient Target MCT Ratio	109.0%		
(h)	2013 Transient Target MCT Ratio	110.5%	(g) +[(e) - (d)]/ 20	
(i)	Transient Capital Required Target for 2013	1,229,910	(b) * (h)	PLEASE EXPLAIN SOURCES AND REASONS FOR THE DIVISOR 20 IN THIS FORMULA. WHY NOT 30, 40, 50 etc
(j)	Growth in Capital Required	4.60%		
(k)	Capital Maintenance Provision	56,622	(i) * (j)	

PLEASE EXPLAIN WHY "GROWTH IN CAPITAL REQUIRED" IS AT 4.6%. IS IT BY "OIC" AND OR "BCUC" ORDER. AND WHY ON EXHIBIT G.1 4.5 % IS USED VERSES 4.6% OR VISA - VERSA OR IN LINE WITH THE BANK OF CANADA PRIME RATE

Notes:

(a) & (b) Source: Forecast as of June 30, 2013.

(c) Based on *Special Direction IC2*, ICBC must use data available as of the second quarter of 2013 to calculate the MCT ratio as at the end of 2013.

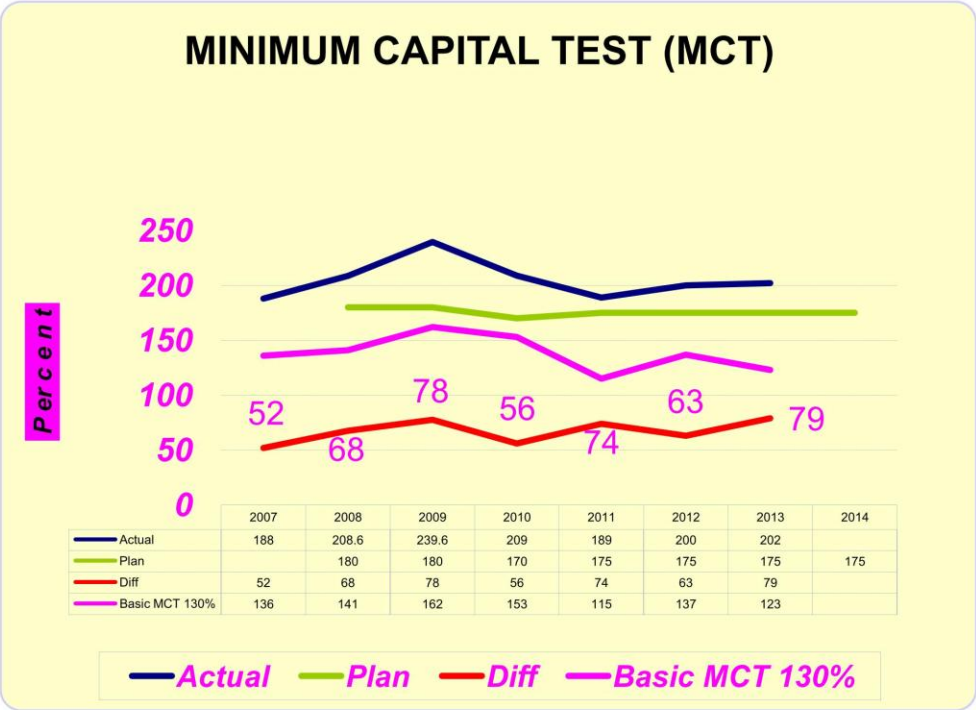
(j) Combined long-term exposure growth and loss cost trend from internal forecasting analysis as at May 31, 2013.

2013.2 RR RL.2.3

RTL EXHIBIT 01 compares the history between 2007 to 2014 for the **Actual MCT**, the **Planned MCT**, and the **Basic MCT 130%.** Again ICBC is right, they do not have the ability to predict a Plan (actuarially) for the MCT, regardless of the IOC directives to use the last available Quarter and MCT levels at year end, when applying for the next year's Revenue Requirement. ICBC has demonstrated quite effectively that the MCT ceiling of 130% meets and exceeds the IOC minimum MCT 100% target consistently over the indicated period. Albeit the Government has ordered ICBC to transfer over a billion from Optional Insurance to Basic Insurance during this period to ensure the 100% MCT level is maintained. Nevertheless, the 130% MCT has been attainable, maintainable and exceeded. Thereby ensuring all British Columbian Basic Insurance Policies is properly protected by having appropriate capital reserves. There is one other plot line in this exhibit, the **"Diff"**. This line makes a loud and clear distinction between Actual year end MCT levels, verses the Basic MCT 130% ceiling approved by the Commission. The range "Diff" is between 52% - 78% percentage points to **Actual MCT to Basic MCT 130%** The conclusion this intervener makes is the current Basic Capital Plan is working. The problem with this conclusion is, the figures are in percentage points. As referenced previously herein, revisions to the existing Basic Capital Management Plan by ICBC adding another 20% margin, raising the MCT to 150% ceiling, in order to provide rate smoothing and other capital build components, is unnecessary, it's a costly duplication to Basic Premium Policy holders.

The question in this IR is: Will ICBC please translate RTL EXHIBIT 01 into real dollars, and fill in the blanks as best they can.

ICBC REVENUE REQUIREMENT APPLICATION 2013



	2007	2008	2009	2010	2011	2012	2013	2014
Actual	188	208.6	239.6	209	189	200	202	
Plan		180	180	170	175	175	175	175
Diff	52	68	78	56	74	63	79	
Basic MCT 130%	136	141	162	153	115	137	123	

NOTE: **Actual** is data collected from ICBC website - Annual Reports & Statements of Operations
Plan MCT of 175% comes from Revised Service Plan 2013-2015 (App 10B pg: 21)
Basic MCT taken from RRA 2012 slide 19 and RRA 2013 Slide 21

Graph lacks **Predictability** by demonstrating a range **"Diff"** between 52% - 78% to Actual MCT to Basic MCT
The graph further demonstrates the lack of **Smoothing between History and MCT Actual dollars**
Contary to the Order in Council OIC 153/13 March 18, 2013 (No information for 2014 available)

2013.2 RR RL.2.4

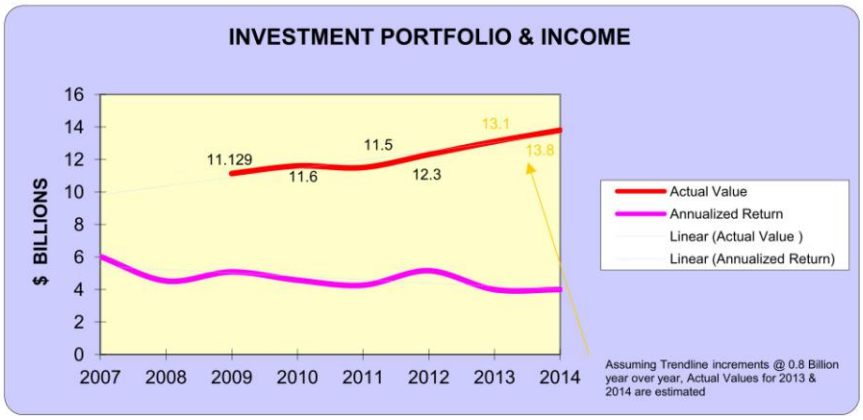
Within the context of ICBC's Chapter 5 Investments of the 2013 RRA the following is discussed.
Paragraph 2 page 5-1 claims; to quote:

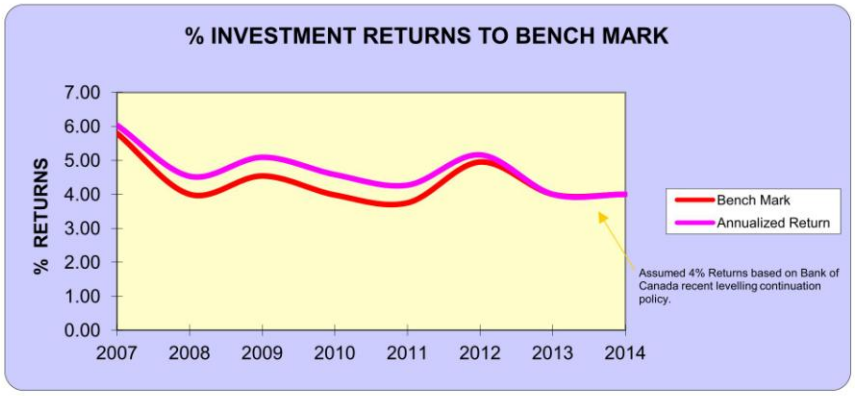
> "low interest rates continue to have impact on ICBC's investment income as premium and bond maturities are invested in historically low bond yields". end quote.

Looking at RTL EXHIBIT 02, it can be observed the "Actual Values" are climbing through 2012 into 2014, while "Annualized Returns" have flattened. According to the Federal Minister of Finance, the forward outlook seems consistent with the flattening indicated, with optimism for growth through 2014, 2015 and onwards. The graph makes no attempt to indicate 2013 and 2014. We leave that to ICBC actuarial pessimism, which in our opinion has no foundation. The country seems to have a larger view where a 4% return seems realistic. The graph portrays a 4% return through 2014

The question is; ICBC has chosen to use words rather than arithmetically or graphically demonstrating their model to support their case of a negative -1.1 percentage point impact (paragraph 18 page 3-6). Please translate your case into real figures, rather than vague actuarial model words to support ICBC's argument.
The question infers there is a greater impact beyond "-1.1 percentage points", thereby reducing the Applications Revenue Requirement Rate increase of 4.9% to a lesser percentage, and closer to reality; - the Federal CPI for example.

ICBC REVENUE REQUIREMENT APPLICATION 2013





	2007	2008	2009	2010	2011	2012	2013	2014
Actual Value			11.129	11.6	11.5	12.3	13.1	13.8
Annualized Return	6.03	4.53	5.09	4.58	4.27	5.16	4.00	4.00
	2007	2008	2009	2010	2011	2012	2013	2014
Bench Mark	5.79	4.00	4.54	3.98	3.75	4.95	4.00	4.00
Annualized Return	6.03	4.53	5.09	4.58	4.27	5.16	4.00	4.00

NOTE: Data collected from ICBC website - Annual Reports

ICBC manages an investment portfolio with a carrying value of $11.13 billion at the end of 2009.
ICBC manages an investment portfolio with a carrying value of $11.6 billion at the end of 2010.
ICBC manages an investment portfolio with a carrying value of $11.5 billion at the end of 2011.
ICBC manages an investment portfolio with a carrying value of $12.3 billion at the end of 2012.
ICBC manages an investment portfolio with a carrying value of $ TBA billion at the end of 2013.

MCT2009 to 2014.xls Investment **RTL - EXHIBIT 02**

2013.2 RR RL.2.5

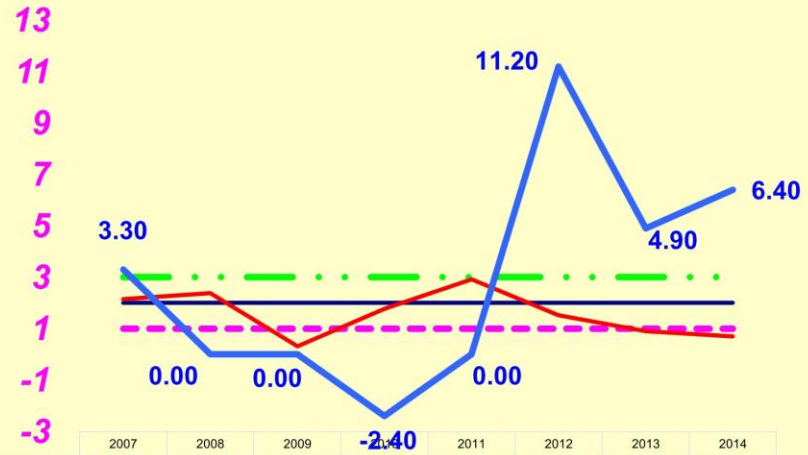
RTL –EXHIBIT 03 titled, "Inflation Rate Verses ICBC Basic Premium Rates". This graph demonstrates how the Canada Consumer Price Index (CPI the red line) has impacted everybody across the country between 2007 and looking ahead into 2014. The Dark Blue line, Inflation Control Target (Infl Cntl Target) is an arbitrary 2% line, flat across the time range. It is there to visually high light the Mean Average point between ICBC's High and Low Inflation Targets taken from ICBC website. The Light Blue line is a record of ICBC's Basic Premium Rates across the time range, with 2014 forecast on the bases the Commission will rubber stamp ICBC's 2013 Revenue Requirement Application.

By Order in Council and by the BCUC orders Basic Insurance Premiums should adhere to the principles of "Rate" – Smoothing, Predictability and Stability. The Light Blue line does not reflect that order or principle.

The question is, Seniors will not get a 2% Canada Pension increase in 2014, it is likely to be between 0.9% and 1.2%, based on Government estimates reported in the news media in mid November. The current application is seeking a 4.9% increase to be dated November 1st. 2013, with the knowledge that at the end of May 2014, ICBC will be coming back to the Commission for the 2014 Revenue Requirement Application. ICBC has excluded the 6.6 percentage point "PY2012 Loss Costs Forecast Variance" rate indicator for the 2013 year, as directed by IOC and BCUC orders. ICBC will attempt to recover this exclusion in the coming 2014 application and beyond. Will ICBC deny this claim, if not, will ICBC please clarify it's position so that exhibit RTL - Exhibit 03 can be updated for the benefit of the Commission's deliberations and inclusion in their 2013 decision.

ICBC REVENUE REQUIREMENT APPLICATION 2013

INFLATION RATES verses ICBC BASIC PREMIUM RATES



	2007	2008	2009	2010	2011	2012	2013	2014
Infl Cntl Target	2	2	2	2	2	2	2	2
Low Range	1	1	1	1	1	1	1	1
Hi Range	3	3	3	3	3	3	3	3
CPI	2.14	2.38	0.31	1.78	2.92	1.52	0.90	0.70
Basic Pemium Rates	3.30	0.00	0.00	-2.40	0.00	11.20	4.90	6.40

ICBC BASIC RATE INCREASES BETWEEN 2007 AND 2013 / 2014 (Est) HAVE NOT DEMONSTRATED ANY FORM OF PREDICTABILITY OR SMOOTHING IN RELATION TO THEIR FORECASTING OR TO THE FEDERAL CPI

NOTE: Bank of Canada Consumer Price Index (CPI) http://www.bankofcanada.ca/rates/price-indexes/cpi/
All other data obtained from ICBC website
2014 Basic Premium Rate is 2013 plus 1.5% and CPI (estimated)

2013.2 RR RL.2.6

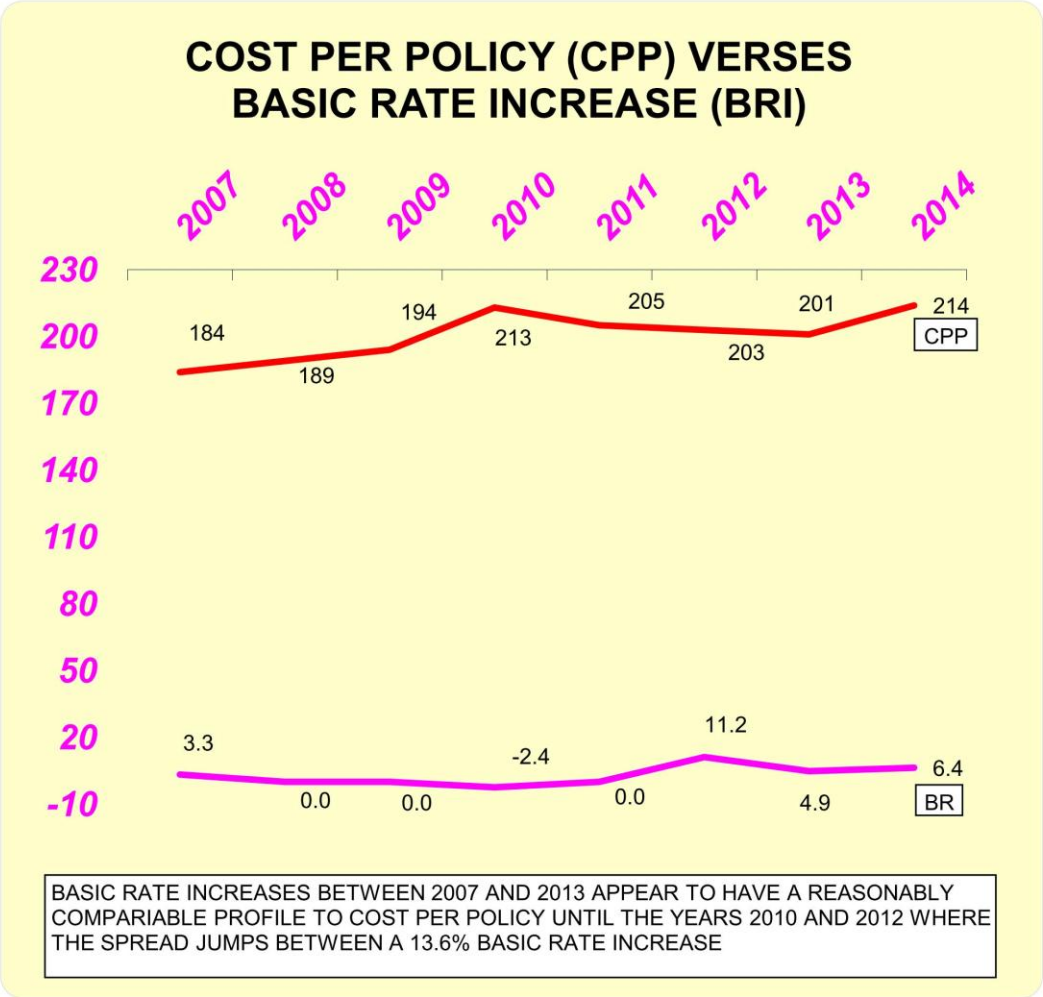
RTL - EXHIBIT 04 Taking a different view on the enormity of ICBC basic insurance premium rate increases over recent years verses ICBC's reported "Internal Operating" Costs Per Policy (CPP). One might ask why the graph figures only reflect the "Internal Operating" costs; this is because ICBC has reported in Tables 7D a 50 / 50 split in various administrative, human resource services etcetera. ICBC does not provide equivalent numbers for "JUST" Basic Insurance Premiums. We welcome ICBC's correction and restatement of these numbers as they apply to Basic Insurance.

Between 2007 and 2014 the projected CPP has risen steadily at an averaged rate of 4.5 percentage points year over year. With 2010 being a high point and 2013 appearing to be a flat point. The obvious question is Why ? Since this averaged rate has no correlation to the Basic Rate Increase (BPI) which seems modest during the years 2007 and 2011. With thanks to the Commission, the drop in 2010, while 2011 and 2013 show the greatest combined rate change of 13.6 percentage points. The suggested outlook for 2014 is based on a 1% inflation rate increase and the 1.5% Compounding Smoothing Rate, while 2014 could see another 6.4%. Leading to a whopping 20% increase in Basic Insurance Premiums over the 2011 to 2014 three year revenue application cycle, which is demonstrated in RTL Exhibit 03 and 04.

The question is, what is going to stop ICBC from expanding the gap between the Cost Per Policy (CPP) and the Basic Rate Increase (BPI). At some point these two lines must become parallel, for British Columbians to have Rate Smoothing, Predictable Rates, and Stable Rates, as has been the key collective note in the Order in Council Directives going back through to 2007. Perhaps an answer can be found in understanding exhibits, RTL – EXHIBIT 10,and 11. and 12 (the data).

Towards the end of this Information Request 2, exhibits RTL- EXHIBIT 10, 11 and 12 are discussed. They should be viewed as complementary to the above question. The purpose of these exhibits is to present "REAL" numbers as they personally relate to the Intervener. Although the figure are personal, as an average Basic Premium Policy payee, I am also an average Senior.

ICBC REVENUE REQUIREMENT APPLICATION 2013



NOTE: Data collected from ICBC website - Annual Reports & ICBC RRA 2013 pg: 9-15
All other data obtained from ICBC website
2014 assumes 2013 4.9% plus 1.5% Rate Increase

	2007	2008	2009	2010	2011	2012	2013	2014
Cost Per Policy (CPP)	184	189	194	213	205	203	201	214
Basic Rate Increase (BRI)	3.30	0.00	0.00	-2.40	0.00	11.20	4.90	6.40

2013.2 RR RL.2.7

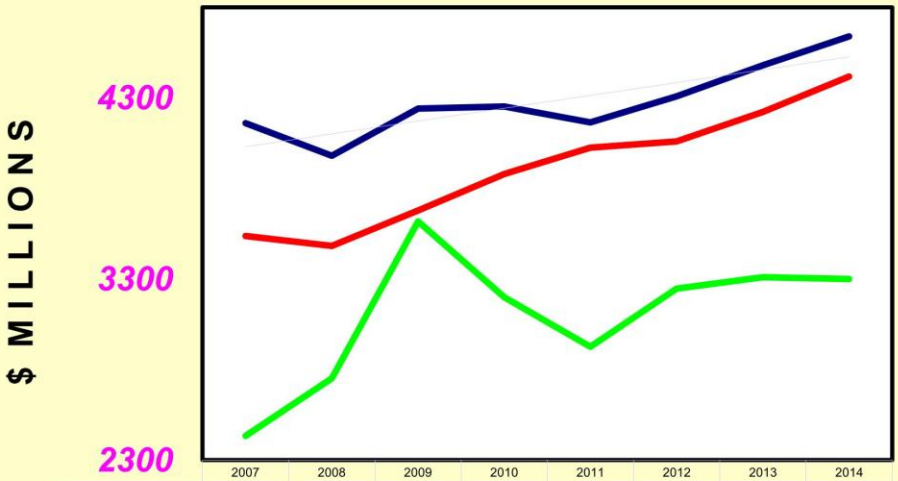
RTL –EXHBIT 05 titled "ICBC Year over Year Summary" takes a fairly narrow view of three key financial indicators in ICBC's Basic Insurance business. The exhibit compares Total Revenues, Total Expenses and Total Equity between the years 2007 to 2013, with 2014 extrapolated forward for this year, using the same basic rate adders found in RTL- EXHIBIT 10,11, and 12.

From this graph the general health and growth in both Revenues and Expenses have followed the same basic path, up, up and up some more. While the Equity (Basic Capital) has been as volatile as reported by ICBC in their current application, and in past applications. Nevertheless, ICBC's equity has grown from 2007 levels by almost 1 billion dollars. That is a pretty good Equity Growth result considering the rough economic climate the World and British Columbia has experience since 2008 almost near collapse.

The question is; on one hand ICBC reports savings of $50 million dollars, and claims they are working to keep expenses under control, yet this graph indicates otherwise, expenses continue to climb. It would be most helpful to see a "Comprehensive Table" inclusive of all expenses as applicable to Basic Insurance. Since line items 4 and 5 (Figure 3.2 and paragraphs 19 and 20 page 3-6) are so dependant on each other in the final 4.9% Rate Change Indicator Figure 3.2 page 3-4. This table could shed light on the components that make up lines items 4 and 5, which could then be compared to the "Allocated Tables 7D.1 and 7D.2" pages 7D-1 to 7D-7 inclusive) for appropriate cost assignments.

ICBC REVENUE REQUIREMENT APPLICATION 2013

ICBC YEAR OVER YEAR SUMMARY



	2007	2008	2009	2010	2011	2012	2013	2014
Total Revenue	4160	3980	4241	4252	4165	4308	4479	4639
Total Expenses	3537	3483	3678	3880	4025	4059	4222	4417
Total Equity	2433	2751	3617	3199	2926	3247	3310	3299

THIS CHART DEMONSTRATES EXPENSES ARE OUT OF CONTROL IN RELATION TO REVENUE, WHILE EQUITY FOLLOWS FINANCIAL MARKET

NOTE: Data collected from ICBC Annual Reports
2014 figures are estimates based on extrapulations of previous years

2013.2 RR RL.2.8

Within the 2013 Revenue Requirement Application, there has been made a big "Hoo-Ha" in regard to Bodily Injuries (BI) ", Claims Costs, Legal Services and Medical Service Costs. ICBC's models demonstrate gloom and doom pressures on Basic Capital, exacerbating the burden placed on the Minimum Capital Test (MCT) indicator. It all could be true ,or not !

In RTL – EXHIBIT 06 there are two graphs, accompanied with the associated data table used to produce those graphs. Graphically speaking, they speak for themselves, in particular graph titled "Policy Revenues to Policy Claims" depicts three lines, Red "Premiums Earned", Pink "Investment Income", and Green "Claims Reported". Premiums Earned has increased over PY 2012, with a trend line indicating further increases into PY2014. While both Claims Reported and Investment Income lines show strong signs of stability (flattening), the gap between these two lines and the Premium Earned line expands. This is perceived as a good trend within the context and limitations of the graph.. Whereby Premium Earned (income or revenue) grows at a greater rate than Claims Reported. Giving strength to the opinion "Basic Premiums" are out performing liabilities.

The second graph titled "Average Basic Premiums to Rate Increases" takes on a more personal look at Basic Insurance Premiums verses ICBC reported "Average Premium Rates". The third red line in this graph is a "Corporate Loss %" indicator taken from ICBC's 2013 RRA Section Appendix 7E Historical Information page 7E-1. This line is essentially flat, see data table for actual reported Corporate Loss % ratios. Using the same Table on page 7E-1, I have super imposed the "BASIC Loss % Plum colour (an accidental omission on my part).

The dark Blue line RTL Basic Premiums (my personal Basic Insurance Premiums before any discounts) are in sharp contrast to the assertions ICBC has made within the current application, see ICBC Application Exhibit B.0.2 under the heading "Description of the Average Premium, Figure 1 Summary of PY2013 Average Premium Forecast" page 1 and the associated pages describing extremely complicated model and actuarial mumbo-jumbo. To repeat, the graphs Dark Blue line and the Pink Line clearly reflect "Reality", what individual Basic Premiums are paid by British Columbians. Clearly ICBC Basic Premium Rates have sky rocketed to this point, with 2013 and 2014 prospects just plain scary. It is indisputable !

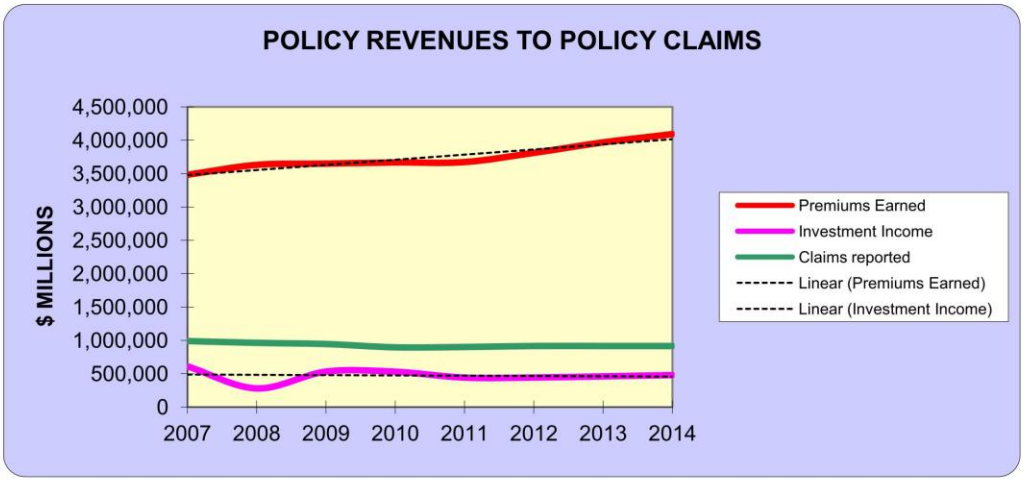
The Basic Premium Rate I have paid since 2007 are in again, "Sharp" contrast to Section B6 Change in Average Premium, paragraph 28 page 2-7, this so called Average Premium has a +1.0 percentage point impact on the 4.9% Indicated Rate change, Figure 3-2 page 3.4. The graph goes onto suggest my Basic Premium Rate before discounts will climb steadily (not Stable, but Predictable) along the Trend line starting back in 2010 through to 2014. There are other implications outlined by ICBC in Section B paragraphs 22 through to 24 inclusive pages 3-7 and 3-8. Too many words, and not enough tables to explain the indicator values for me to comprehend.

In concert with this IR discussion and question, the Commission's attention is drawn to the last IR **2013.2 RR RL.2.12,** where Compound Annual Growth Rate (CAGR) is discussed in detail.

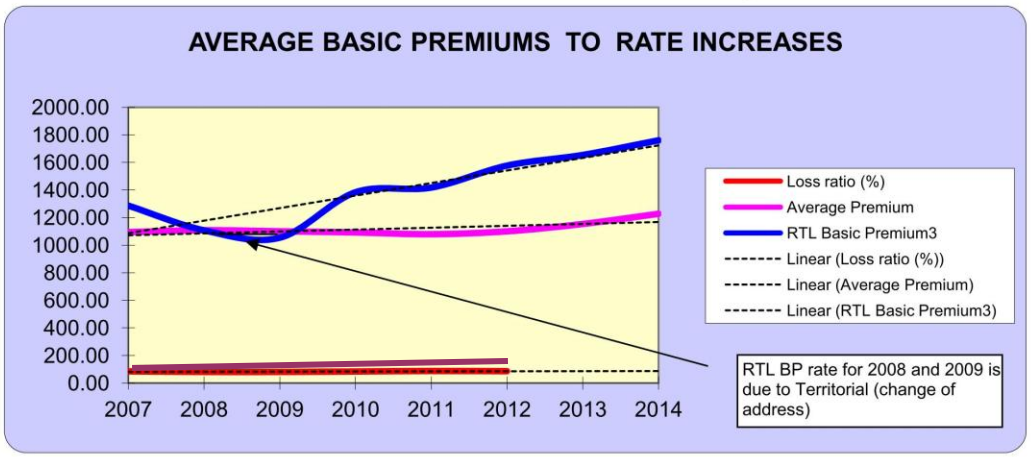
The question is; ICBC should re-evaluate their +1.0 percentage point indictor using "Real" Basic Policy Premium Rates paid by British Columbians, by bringing the Indicated Rate Change down to a horizontal line that does meet the criteria of Stable and Predictable Rates.

I know it is not very scientific, but if one were to draw a line on the Dark Blue line from 2007 to 2014, the inclination of that line almost overlays the Red Trend line in the Policy Revenue to Policy Claims graph.

ICBC REVENUE REQUIREMENT APPLICATION 2013



THIS CHART DEMONSTRATES CLAIMS DECLINING VERSES PREMIUMS EARNED ARE RISING WHILE INVESTMENT INCOME CONTINUES PREDICTABLY, INCREASING @ 2% ANNUALLY



THIS CHART DEMONSTRATES AVERAGE REPORTED BASIC PREMIUMS DECLINING OVER WHILE "CURRENT" LOSS RATIO% ARE STABLE, VERSES RTL BP "ACTUALLY" INCREASE SHARPLY BEFORE ANY DRIVER DISCOUNTS

	2007	2008	2009	2010	2011	2012	2013	2014
Premiums Earned	3,482,434	3,631,215	3,650,025	3,667,324	3,673,210	3,811,386	3,969,000	4,093,000
Investment Income	611,600	280,449	532,477	530,319	441,880	443,216	460,945	479,382
Claims reported	992,000	964,000	946,000	895,000	900,000	915,000	915,000	915,000
	2007	2008	2009	2010	2011	2012	2013	2014
Loss ratio (%)	84.70	81.40	81.30	83.90	86.80	85.70		
Average Premium	1094	1108	1100	1092	1079	1100	1154	1228
RTL Basic Premium[3]	1287	1108	1055	1384	1418	1577	1654	1760

NOTE: Data collected from ICBC website - Annual Reports 2009, 2012 pg:6, with Forecasts on pg: 33
Key Financial and Operative Comparitives pg's:6,4 respectively.

3 RTL Basic Premium from ACTUAL file records

MCT2009 to 2014.xls Summary of Policies **RTL - EXHIBIT 06**

2013.2 RR RL.2.9

Looking forward through to 2022 (the limit of BC Stats information) RTL – EXHIBIT 07 was created to demonstrate relationships between Basic Premiums Earned, Black Line, and the BC Population Growth between 2013 and 2022, segmented into three groups. Total BC Population, Pink line, Age 2- to 64 Red Line, BC Senior Population, Green Line.

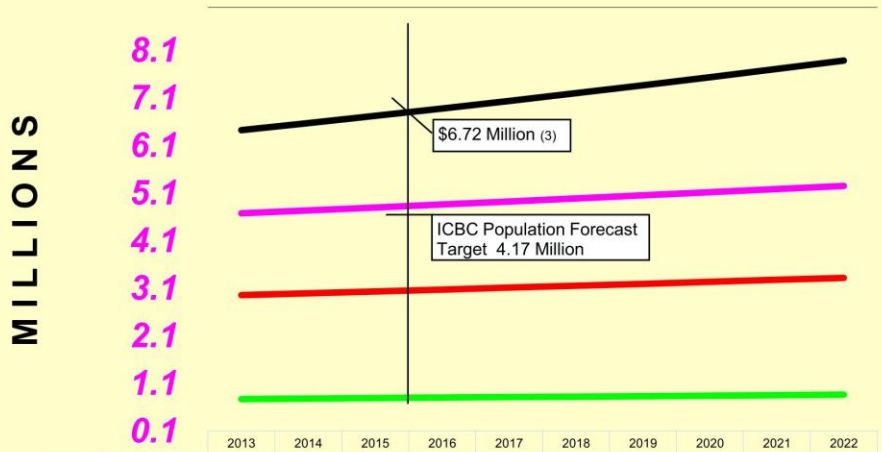
The exhibit includes the data source and multiplier formula.

Here again the graph demonstrates the disconnect between ICBC Basic Premiums Earned and the three BC Population groups. Very little discussion is necessary, the graph speaks for itself. It is recognized ICBC may wish to argue the claim that $2.25 millions is earned using BC Population Stats, verses ICBC continuing to use (out of Province) Population stats.

The question is; Will ICBC please re-align itself, and the various models and actuarial formulas to BC Stats. After all this is the Province in which you do business.

ICBC REVENUE REQUIREMENT APPLICATION 2013

BC POPULATION GROWTH VERSES PREMIUM PROJECTIONS



	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
BC Total Pop	4.6690	4.7297	4.7912	4.8535	4.9166	4.9805	5.0452	5.1108	5.1773	5.2446
Age 20 - 64	2.9502	2.9885	3.0274	3.0667	3.1066	3.1470	3.1879	3.2293	3.2713	3.3139
BC Senior Pop	0.7655	0.7754	0.7855	0.7957	0.8061	0.8166	0.8272	0.8379	0.8488	0.8599
Premiums Earned	6.4158	6.5642	6.7161	6.8714	7.0303	7.1930	7.3593	7.5295	7.7037	7.8819

BC STATS PROJECTS POPULATION GROWTH RATE OF 1.3% ANNUALLY. PREMIUMS EARNED EXTRATRAPUTED @ 1.3% PLUS 1% ANNUAL RATE INCREASE WILL YIELD $6.72 MILLION IN PY2015, OVER $2.55 MILLION ABOVE ICBC OWN FORECAST FOR THAT YEAR

NOTEs: 1. Data collected from ICBC Annual Reports and BC Stats
2. See RTL - Exhibits 6 & 10 for reference information
3. (6.5642*1.3%)*1%+(6.5642*1.3%)

2013.2 RR RL.2.10

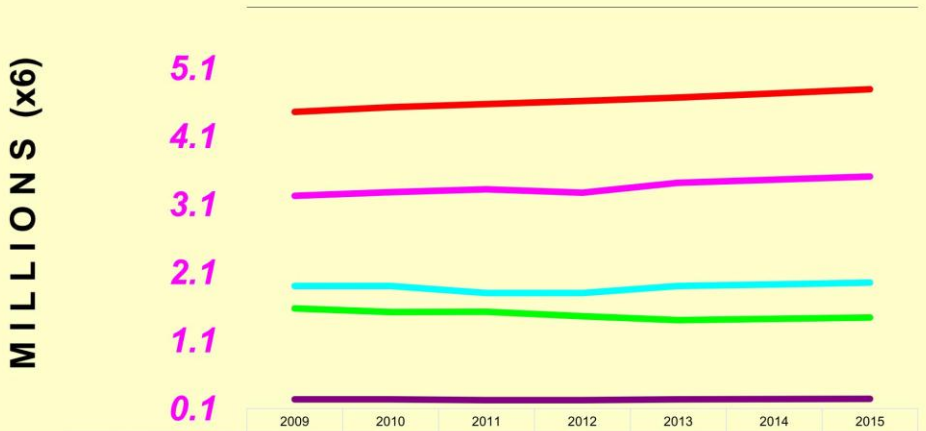
From what I can gather RTL –EXHIBIT 08 "ICBC Work Force verses Policies Earned by BC Population" seems to indicate reasonable parallels. Congratulations. I need not have created this graph.
According to my niece, a Human Resource Director for a medium sized company operating across Canada with additional offices in the United States, she tells me; the relationships between ICBC Managers and Full Time Employees (FTE) is consistent with general practice. When I was working as a Front Line Supervisor , I had 14 full time staff, plus a range of Contractors between 2 to 5 more to supervise. Our immediate First line Manager over saw on average about 65 FTE's and five front line Supervisors in his department. My nieces opinion leaves me mute on the subject. *Times have changed !*

The question is; in the first round of IR's ICBC submitted upon request an updated Organizational Chart. Will ICBC please populate staffing levels, so a comparison can be drawn to the apparent data indicated in the application and in the RTL – Exhibit 08.

It is recognized ICBC may decline to respond to this request, but be assured the question will be asked many times over, because relationships have been made, and re affirmed by the allocators in Tables 7D. Its just a matter at what hearing it becomes appropriate.

ICBC REVENUE REQUIREMENT APPLICATION 2013

ICBC WORK FORCE VERSES POLICIES EARNED BY BC POPULATION



	2009	2010	2011	2012	2013	2014	2015
Policies Earned x 6	3.225	3.281	3.321	3.272	3.419	3.463	3.508
BC Total Pop x 6	4.459	4.529	4.576	4.622	4.669	4.730	4.791
FTE / 1000 Policies	1.571	1.518	1.524	1.458	1.401	1.419	1.438
Mngrs / 1000 Policies	1.9	1.9	1.8	1.8	1.900	1.925	1.950
Exec / Manager x 8	0.24	0.24	0.23	0.23	0.24	0.24	0.24

FORECAST

BC STATS PROJECTS POPULATION GROWTH RATE OF 1.3% ANNUALLY.
PREMIUMS EARNED EXTRATRAPUTED @ 1.3% PLUS 1% ANNUAL RATE

NOTE: Data collected from ICBC Annual Reports
BC Stats - Population
Manager Staffing levels extrapulated from ICBC Figure 7.8 - Span of Control
Executive Staffing levels extrapulated from Paragragh 71 page 7-23

2013.2 RR RL.2.11

Again some Congratulations to ICBC Staffing profiles in relation to Policies Earned. Policies Earned as shown in RTL EXHIBIT 09 is growing very nicely, where FTE's are "Relatively Stable and Predictable".

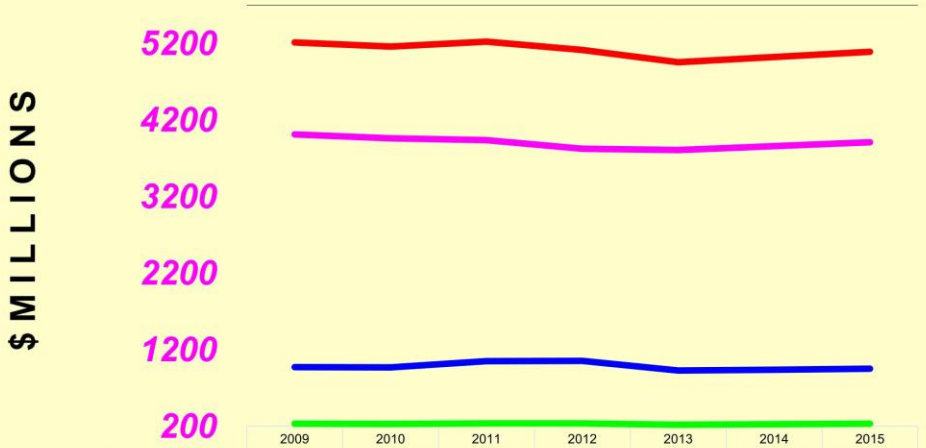
The graph shows that all levels of Staff remunerations are consistent, even the forward projections, while guess work, there seems little reason to believe others. What is missing in the reported remunerations is the Executive and Senior Managers total remunerations that is inclusive of Bonuses, Incentives, and approved expenses.

The question is; Will ICBC please correct the data for the forecast years 2013, 014, 2015, and update remunerations for all Bonus, Incentives and approved expenses.

It is recognized ICBC may decline to respond to this request, but be assured the question will be asked many times over, because relationships have been made, and re affirmed by the allocators in Tables 7D. Its just a matter at what hearing it becomes appropriate.

ICBC REVENUE REQUIREMENT APPLICATION 2013

ICBC WORK FORCE COMPENSATION BY POLICIES EARNED



	2009	2010	2011	2012	2013	2014	2015
Bargaining Unit	4009	3961	3936	3822	3808	3858	3908
Mngrs / 1000 Policies	972	968	1050	1054	926	938	950
Exec / Manager x 8	231	230	236	237	220	226	232
Total Workforce	5212	5159	5222	5113	4954	5022	5090

FORECAST

THE EXECUTIVE / MANAGER COMPENSATION VALUES HAVE BEEN EXTRAPULATED FROM WORK FORCE RATIOS DETAILED IN GRAPH RTL - EXHIBIT 08
ICBC SHOULD PROVIDE CORRECTED VALUES

NOTE: Data collected from ICBC Annual Reports
Manager Staffing levels extrapulated from Figure 7.8 - Span of Control
Executive Staffing levels extrapulated from Paragragh 71 page 7-23

2013.2 RR RL.2.12

The following discussion accompanied by RTL EXHIBITS 10, 11, and 12 should be viewed together. They address the most significant part of the long term effects this ICBC 2013 Revenue Requirement Application is about, the "New Basic Capital Management Plan"

The key premises is not to directly argue against elements within the plan per-say, but rather the accumulated impact of "Compound Annual Growth Rate (CAGR)" based on my current personal Basic Insurance Premiums, before discount, which was discussed in IR …2013.2 RR RL.2.8 and RTL EXHIBIT 06
The "New Basic Capital Management Plan" as outlined (and I mean out – lined) in this application, is a total disaster awaiting all British Columbians in the future, it's a land mine designed to empty our wallets. This is a very strong characterization of what appears for 2014 and 2015 as a great solution to the problems of Rate Smoothing, Predictability, Capital Build and Solvency, that the old Basic Capital Management Plan could not do. In that regard, RTL EXHIBIT 01 ,addresses the MCT, Capital Build and Solvency. Well in my opinion the old plan does work, which also means the Basic Premium Earned structure does work.

I do not see why Seniors, and other British Columbians should have to pay ICBC's internal (Rate Smoothing and Predictability) problems while managing Basic Premium Rates year over year. Do a better job with investing !
In addressing the "New Basic Capital Management Plan" I have amassed data in RTL - EXHIBIT 12 to demonstrate "REAL DOLLARS" paid and could be paid between 2009 to 2025. Based on the assertions by ICBC and using CAGR calculations effective from my Basic Premium in 2013, my insurance policy by 2025 will cost a huge $4,497.92 by then. Now that's the "Land Mine"see RTL EXHIBIT 11. That represents an averaged annualized CAGR of 5.38% year over year . We must now consider the alarm bells ICBC says are knocking on their door, Bodily Injuries, Legal Fees, Medical Injury costs, Reduced Return on Equity, and the list goes on.

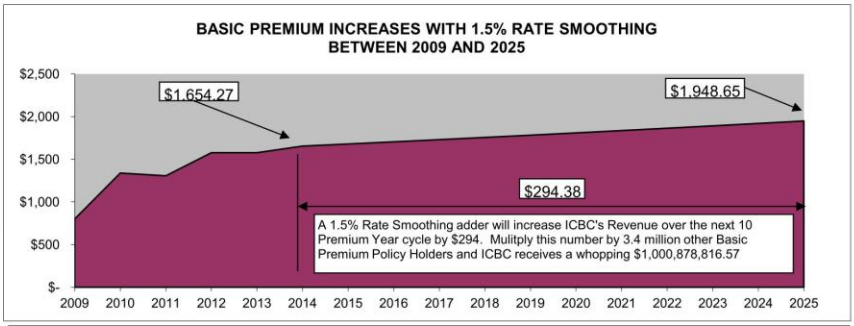
ICBC has indicated there are about 3.4 million policy holders they have as customers, taking my 2025 possible premium rate, multiplied by 3.4 million, ICBC will have generated an additional mind bending $54.23 billion more dollars, based on their current "New Basic Capital Management Plan"….. Hey, we have to say a collective "NO" to this plan.

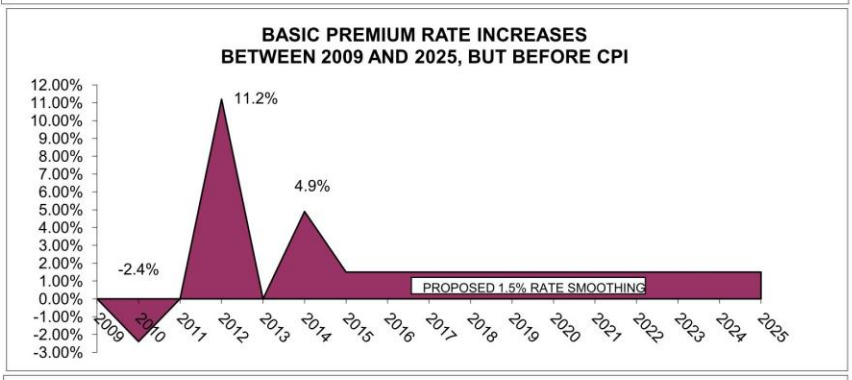
I was going to spell out every argument I had, but Sunday night is here, and I have run out of time…….!

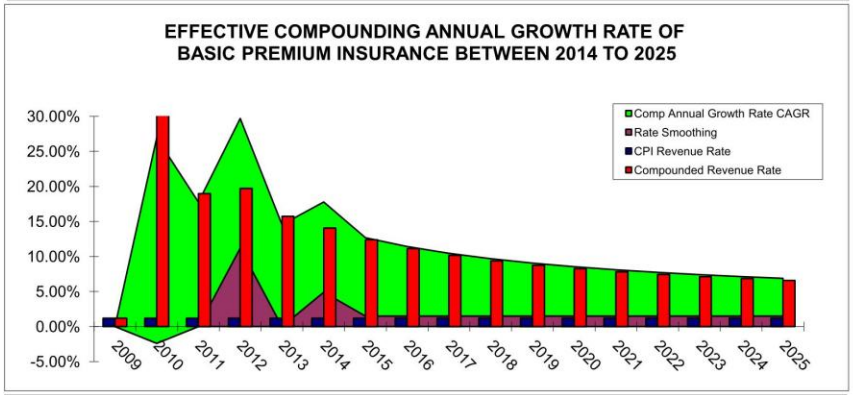
> I must ask each Commissioner to understand from where I am coming, and thereby request they ask their own questions of themselves and of ICBC, as this Senior, I can not afford this "New Basic Capital Management Plan"

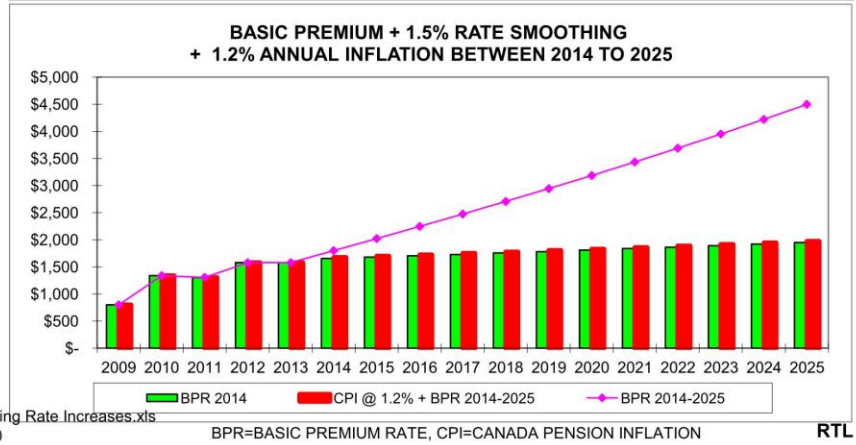
The question is; What are the projected Basic ICBC Average Premiums from 2013 to 2025 using CAGR calculations, based on the premise of the "New Basic Capital Management Plan"

Footnote: I just ran out of time, I apologize for the grammatical and spelling errors. And I am awfully sorry for the graph colours, there is no inference implied by these colours, I seem to have printer colour coding problems.

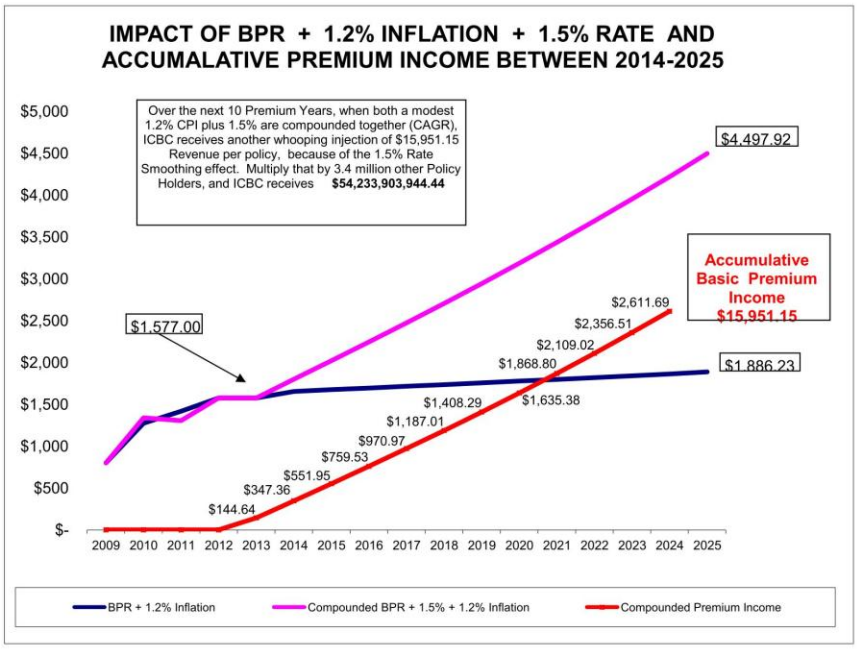








BPR=BASIC PREMIUM RATE, CPI=CANADA PENSION INFLATION



BPR = BASIC PREMIUM RATE

Definition of 'Compound Annual Growth Rate - CAGR'

The year-over-year growth rate of an investment over
a specified period of time.

BPR = BASIC PREMIUM RATE. **CPI** - CANADA PENSION INFLATION RATE

CAGR
GRAPH DATA TABLES

	YEAR	BPR +1.5%	Rate Smoothing	Comp Annual Growth Rate CAGR	CPI Revenue Rate	Compounded Revenue Rate	BPR 2014	CPI @ 1.2% + BPR 2014-2025	BPR 2014-2025
1	2009	$ 800.00	0.00%	0%	1.20%	1.20%	$ 800.00	$ 800.00	$ 800.00
2	2010	$ 1,338.00	-2.40%	29.33%	1.20%	30.53%	$ 1,338.00	$ 1,338.00	$ 1,338.00
3	2011	$ 1,306.00	0.00%	17.75%	1.20%	18.95%	$ 1,306.00	$ 1,306.00	$ 1,306.00
4	2012	$ 1,577.00	11.20%	18.49%	1.20%	19.69%	$ 1,577.00	$ 1,577.00	$ 1,577.00
5	2013	$ 1,577.00	0.00%	14.54%	1.20%	15.74%	$ 1,577.00	$ 1,577.00	$ 1,577.00
6	2014	$ 1,654.27	4.90%	12.87%	1.20%	14.07%	$ 1,654.27	$ 1,674.12	$ 1,798.92
7	2015	$ 1,679.09	1.50%	11.17%	1.20%	12.37%	$ 1,679.09	$ 1,699.24	$ 2,021.49
8	2016	$ 1,704.27	1.50%	9.91%	1.20%	11.11%	$ 1,704.27	$ 1,724.72	$ 2,246.17
9	2017	$ 1,729.84	1.50%	8.95%	1.20%	10.15%	$ 1,729.84	$ 1,750.60	$ 2,474.08
10	2018	$ 1,755.79	1.50%	8.18%	1.20%	9.38%	$ 1,755.79	$ 1,776.85	$ 2,706.09
11	2019	$ 1,782.12	1.50%	7.55%	1.20%	8.75%	$ 1,782.12	$ 1,803.51	$ 2,942.95
12	2020	$ 1,808.85	1.50%	7.04%	1.20%	8.24%	$ 1,808.85	$ 1,830.56	$ 3,185.31
13	2021	$ 1,835.99	1.50%	6.60%	1.20%	7.80%	$ 1,835.99	$ 1,858.02	$ 3,433.72
14	2022	$ 1,863.53	1.50%	6.23%	1.20%	7.43%	$ 1,863.53	$ 1,885.89	$ 3,688.72
15	2023	$ 1,891.48	1.50%	5.90%	1.20%	7.10%	$ 1,891.48	$ 1,914.18	$ 3,950.78
16	2024	$ 1,919.85	1.50%	5.62%	1.20%	6.82%	$ 1,919.85	$ 1,942.89	$ 4,220.37
17	2025	$ 1,948.65	1.50%	5.38%	1.20%	6.58%	$ 1,948.65	$ 1,972.03	$ 4,497.92

Increases	$ 1,148.65	30.20%	
Effective Compound Increase over term			143.58%
Annualized Compound Rate over 17 years			5.38%

		BPR + 1.2% Inflation	Compounded BPR + Inflation	Compounded BPR + 1.5% + 1.2% Inflation	Compounded Revenue Rate	Compounded Premium Income			
1	2009	$ 800.00	0.00%	$ 800.00	0.00%	$ -			
2	2010	$ 1,275.33	6.25%	$ 1,338.00	6.25%	$ -			
3	2011	$ 1,418.17	0.00%	$ 1,306.00	0.00%	$ -			
4	2012	$ 1,577.01	11.20%	$ 1,577.00	11.20%	$ -			
5	2013	$ 1,577.01	0.00%	$ 1,577.00	0.00%	$ -			
6	2014	$ 1,654.28	4.90%	$ 1,798.92	14.07%	$ 144.64	2014	$ 1,654.27	
7	2015	$ 1,674.13	1.20%	$ 2,021.49	12.37%	$ 347.36	2015	$ 1,679.09	$ 24.81
8	2016	$ 1,694.22	1.20%	$ 2,246.17	11.11%	$ 551.95	2016	$ 1,704.27	$ 25.19
9	2017	$ 1,714.55	1.20%	$ 2,474.08	10.15%	$ 759.53	2017	$ 1,729.84	$ 25.56
10	2018	$ 1,735.12	1.20%	$ 2,706.09	9.38%	$ 970.97	2018	$ 1,755.79	$ 25.95
11	2019	$ 1,755.95	1.20%	$ 2,942.95	8.75%	$ 1,187.01	2019	$ 1,782.12	$ 26.34
12	2020	$ 1,777.02	1.20%	$ 3,185.31	8.24%	$ 1,408.29	2020	$ 1,808.85	$ 26.73
13	2021	$ 1,798.34	1.20%	$ 3,433.72	7.80%	$ 1,635.38	2021	$ 1,835.99	$ 27.13
14	2022	$ 1,819.92	1.20%	$ 3,688.72	7.43%	$ 1,868.80	2022	$ 1,863.53	$ 27.54
15	2023	$ 1,841.76	1.20%	$ 3,950.78	7.10%	$ 2,109.02	2023	$ 1,891.48	$ 27.95
16	2024	$ 1,863.86	1.20%	$ 4,220.37	6.82%	$ 2,356.51	2024	$ 1,919.85	$ 28.37
17	2025	$ 1,886.23	1.20%	$ 4,497.92	6.58%	$ 2,611.69	2025	$ 1,948.65	$ 28.80
									$ 294.38
				Accumulative Totals		**$ 15,951.15**			$ 1,000,878,816.57
									$54,233,903,944.44

NOTES TO READER:
This Data Sheet is the source data to generate RTL- Exhibits 10 and 11
I apologize for not providing the formulas, I do not know how to include them.
Data sheet formatting is also for personal convenience.

ICBC Compounding Rate Increases.xls DATA

RTL - EXHIBIT 12