

December 2, 2013

VIA E-MAIL: june.elder@icbc.com; regaffairs@icbc.com

Ms. June Elder
Manager, Regulatory Affairs
Insurance Corporation of British Columbia
151 West Esplanade
North Vancouver, BC V7M 3H9

Dear Ms. Elder:

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

Please find attached the Information Request No. 2 of Insurance Bureau of Canada pertaining to ICBC's Application of August 30, 2013.

Yours truly,



Serge Corbeil
Government Relations Manager, Western & Pacific

Attach.

cc: British Columbia Utilities Commission
Registered Interveners

BRITISH COLUMBIA UTILITIES COMMISSION
Insurance Corporation of British Columbia (“ICBC”)
2013 ICBC Revenue Requirements Application

Insurance Bureau of Canada (“IBC”) Information Requests No. 2

42.0 Response to 2013.1 RR IBC.5.1

ICBC states “The result is a decrease in ICBC’s average premium and premium revenue.”

42.1 We were under the impression that ICBC was being compensated by the provincial government for this discount. Could you please confirm if the decrease in premium revenue due to the 25% discounted Basic insurance premium for seniors is still being offset by a provincial government subsidy?

42.2 Is this amount covering 100% of the senior rate discount?

42.3 Are any other discounts offset by the provincial government? If so, which one(s) and what is the amount of this offset?

43.0 Responses to 2013.1 RR IBC.28.1-2 and 2013.1 RR IBC.31.1

In response to 2013.1 RR IBC.28.1-2 ICBC explains, regarding its consolidation of key functions, that functions have been realigned into divisions and departments where similar activities are performed. In response to 2013.1 RR IBC.31.1 ICBC explains that changes in ICBC’s division structures may impact allocator values. It is also noted that there have been various other changes to divisions, departments and functions since 2005.

43.1 Please provide a comparison diagram or chart showing how ICBC’s divisions, departments, as well as the key functions within those divisions and departments, have changed for each year from 2005 to 2013. This information is necessary to understand how allocator values have been impacted and the reliability of the current allocation methodology.

44.0 Response to 2013.1 RR IBC.31.1

ICBC states that “the type of allocators that are typically impacted by changes in division structures are Shared Service allocators and select Average allocators” [emphasis added].

44.1 What allocators in addition to those that are “typically” impacted have also been affected by changes in division structures. Please be specific and include references to Chapter 7, Appendix 7D, Figure 7D.2 and the categories within the divisions listed in the Appendix, as well as the associated allocators.

45.0 Response to 2013.1 RR IBC.31.2

The initial Information Request asked whether it is time to update the allocation methodology to

better reflect the current Divisions and/or Expense Categories. ICBC's response refers only to the Claims Division.

- 45.1 Is ICBC suggesting that changes to divisions and/or expense categories only impact claims-related functions and the associated allocation methodology, allocators and allocator values?
- 45.2 Are there changes to divisions and/or expense categories that impact allocation methodology, allocators and allocator values that are not claims-related?

46.0 Response to 2013.1 RR IBC.35.3

ICBC explains, in part, how the Claims Division reorganization is expected to impact the current allocators, and explains that the new consolidated area is named Customer and Injury Services Operations and the associated allocator is derived by proportionately blending the allocators of the merged area, and then goes on to state:

In addition, as noted in Chapter 7, Appendix 7 D, Figure 7D.2, footnote 1, the management structure relating to Rehabilitation and Out of Province Claims changed resulting in the management group Rehabilitation and Out of Province Claims being discontinued. Also discontinued is Call Centre Support which primarily consisted of facility costs that, as part of the reorganization, are no centralized under Claims Building Support. As these areas have been discontinued, the allocator of Weighted Average – Cost Centres is no longer used to allocate each of Call Centre Support and of Rehabilitation and Out of Province Claims.

- 46.1 With regards to the allocator derived by proportionately blending the allocators of the merged areas, is this an allocator that the Commission has approved?
- 46.2 If the management group Rehabilitation and Out of Province Claims is discontinued, where are those functions now performed? Please reference Chapter 7, Appendix 7D, Figure 7D.2.
- 46.3 If the Call Centre consisted “primarily” of facility costs, what other costs were involved and where are the facility costs and other costs now accounted for with the allocation? Please reference Chapter 7, Appendix 7D, Figure 7D.2 when providing the answer.
- 46.4 If the management group Rehabilitation and Out of Province Claims and Call Centre Support are discontinued and the allocator Weighted Average - Cost Centres is no longer used, what allocator is now used for the functions that were in these areas and where are the costs now accounted for with the allocation? Please reference Chapter 7, Appendix 7D, Figure 7D.2 when providing the answer.
- 46.5 Given the reorganization and changes to the areas being allocated, please provide a comparison diagram/chart showing how the content of each cost category in Chapter 7, Appendix 7D, Figure 7D.2, as well as each of the corresponding allocators have changed for each year from 2005 through 2013.

47.0 Response to 2013.1 RR IBC.38.1-2

In response to the initial question, ICBC states that there are two different views of operating expenses: (1) a line of business view operating expenses used for financial reporting in ICBC's financial statements and in actuarial rate indication and (2) a divisional view of base operating expenses.

47.1 Please explain the rationale for two views and how the two views are reconciled, particularly in the context of the allocation methodology.

48.0 Response to 2013.1 RR IBC.29.1

The original request sought a list of programs that make up the \$16 million expenditure on Programs with a brief explanation of each program if its intent is not clear from its title. For \$9 million of that expense, ICBC did not provide a list and simply stated "other projects less than \$0.5 million individually".

48.1 Please answer the original question and provide a breakdown of the \$9 million.

49.0 Response to 2013.1 RR BCUC.122.1

ICBC states that it is a reasonable approximation to say that 67% of a reduction in compensation costs would benefit Basic.

49.1 If according to Figure 7D.2 Claims Services are allocated 59.9% to Basic and Administrative-Insurance is allocated 50% to Basic and Insurance Services is allocated 53.3% to Basic (while Road Safety is allocated 93.4%, and Administrative-Non-insurance 100%) and given that the majority of employees are in Claims Services, Administrative-Insurance and Insurance Services, is it not more likely that the reasonable approximation of a reduction in compensation is less than 67%? Please provide a calculation referencing Figure 7D.2