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24 January 2014

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
INTERVENER EVIDENCE INFORMATION REQUEST RESPONCES

Further to Commission Order G-141-13 with respect to the above noted Application, I am pleased to file my responses to the BCUC and the BCSPO Information Requests received January 17th 2014

Kind regards,

Richard T. Landale
cc: ICBC and Registered Interveners

PREPARED By
RICHARD T. LANDALE
INTERVENER C1

TO THE
BRITISH COLUMBIAN UTILITIES COMMISSION
900, HOWE STREET,
VANCOUVER
BRITISH COLUMBIA
V6Z 2N3

IN THE MATTER OF
INSURANCE COMPANY OF BRITISH COLUMBIA
ORDER G-141-13 / PROJECT No. 3698726
2013 REVENUE REQUIREMENT APPLICATION

Re: Information Requests received January 17th 2014

FROM:

BRITISH COLUMBIA UTILITIES COMMISSION
Commission Information Request No. 1 on
RichardT. Landale Intervener Evidence (Exhibit C1-9}
Insurance Corporation of British Columbia {ICBC}
Revenue Requirements for Universal Compulsory Automobile Insurance effective November 1, 2013

AND:

BC Public Interest Advocacy Centre
208 – 1090 West Pender Street
Vancouver, BC, V6E 2N7

BRITISH COLUMBIA UTILITIES COMMISSION

On page 9, Mr. Landale concludes that the Commission should "arrive at a decision that reduces and aligns the current ICBC Revenue Requirement application to the 2013 CPP [Canada Pension Plan] and CPI [Consumer Price Index] rates, specifically no more than 1.2%."
1.1 Mr. Landale's Intervener Evidence is mostly based on the consumer price index. Recognizing that Basic Insurance rates must allow ICBC to collect sufficient revenue, would Mr. Landale agree that Basic Insurance rates should also cover ICBC's claims costs? Why or why not?

RESPONSE to BCUC IR 1.1

"WHY" - It is reasonable and respectful to agree that "Any Enterprise" is entitled to recover operating costs, however those costs manifest themselves, no business is in business to loose money.
"WHY NOT" – Before offering an answer, how can one quantify the collection of sufficiency? Let's consider what ICBC is purporting, by way of just a couple of examples.

1. ICBC's Actuarial modeling is of very selective criteria manifested within ICBC, (there is no apparent "independent" review of the criteria, (ref: page 3-34 & 3-35). This criterion is chosen not to reduce rate increases, but to support rate increases. Model testing is carried out until ICBC finds the desired outcome. See Application D.10 Sensitivity Analysis para 103 page 3-32

   > Figure 3.16 below identifies an assumption that is tested, the degree of change to that assumption, and the extent to which that degree of change would impact the rate indication. Although the sensitivities are provided, the actuaries believe that the most appropriate scenario based on the data available employs the assumptions in the rate indication analysis.

   This example demonstrates the selectivity I am purporting. (identify, assumption, sensitivities, appropriate, degree - all highly subjective actions open to many different interpretations).

2. A commonly used tool in any evaluation process, is to categories attributing components by giving a "Weighting Value" By varying this weighting value, one can completely alter outcomes to support any "sufficiency" to raise revenue. Some examples that I can point to become self evident to my overtures from within the Application: Also in the Application are many Tables with Weighted values/criteria to validate ICBC's arguments, a couple of wordy examples:

   Exhibit C.0.5 Summary of Analysis, with text extracts such as:

   > 7. The Bornhuetter-Ferguson Method weights the estimate of incurred loss resulting from either the Paid Development Method or the Incurred Development Method with a separately derived prior estimate of the expected incurred loss amount. The weights are credibility factors, which are based on the maturity of the experience. The more mature the experience, the less credibility is given to the separately derived prior estimate of the expected incurred loss amount.

   Exhibit C.3.0 Summary of Accidents Benefits Selection – Personal

   > 5 . A factor of one is selected from 209 months. Note that the weighted average of all development factors may include information from accident years prior to 1996, which are not shown in the exhibit.

It is recognized the BCUC has given approval to the use of actuarial modeling. This fact is not in contest. What is in contest is the weighting systems that support ICBC evidence. It should not be satisfactory to offer Actuarial Society Member Auditors certificates as meritorious approval directly or indirectly of the weighting systems employed in the models used in the Application, (a natural defending bias).

3. But that is still not a complete answer to the case of ICBC extensive argument and evidence to support a 4.9% rate application increase for their Basic Universal Compulsory Insurance rates. Within the body of ICBC's application there are exceptions noted, some by OIC's and some by reduced operation costs, and some by procedural accounting realignment, in 2011 ICBC adopted the International Financial Reporting Standards - (very costly that was). Resulting in the "Basic MCT ratio decreasing by 12% primarily due to transitional adjustments" - NOTE: "Basic MCT"

All these things impact the components in the rate change indicator table, namely line 6 – Capital Maintenance Provision. Which bring us back to the "Basic Insurance Rates" in the question.

Going back to the IOC's over the years, these IOC"s has ordered ICBC to transfer funds from Optional Insurance Capital to Basic Insurance Capital. This demonstrates the BC Government recognizes from time to time rate increases that create non compliance to "Predictability and Rate Smoothing" in support of the MCT minimums as required. This is direct Government intervention and subsidy approval. This directly impacts the components given in ICBC's Application, Figure 3.2 – Overview of Impact on PY 2013 Indicated Rate Change page 3-4. Also the arguments as an example of old and new Capital Management Plans put forth by "Chapter 4 The New Basic Capital Management Plan for the Rate Smoothing Framework" An example of these directives is given on the last page of Chapter 4, a letter to ICBC from the Honourable Mary Polak date stamped December 13 2012. IOC 082

In cross checking references I identified <u>dissimilar inferences</u> between IOC 082 and the ICBC Application pages v to vii, para 16, 17 and 18. In particular but definitely not exclusively, paragraph 18a

> "The effect of the 2012 Government Directive regarding the Optional Excess Capital Transfer is that Basic insurance capital levels, as at December 31, 2012, are above the capital management target of 130% MCT".

IOC 082 says:

> "to its universal compulsory automobile insurance business in order to cause the capital available for the universal compulsory automobile insurance business to be equal to or above 100 per cent of Minimum Capital Test as of December 31,2012."

To my reading the Minister is talking about capital transfers to be equal or above 100% MCT, but ICBC has reworded the reference to infer capital management target of 130%. These are quite different interpretations of the Minister's directive to ICBC. I must request the BCUC Commissioners address this clear discrepancy. Since the interpretative out comes with respect to any Capital Management Plan, old and new is pivotal to ICBC's application ahead of ICBC's May 2014 RRA, already announced and referenced to the new capital management plan. Quite frankly the entire section of the Application under the heading of Legislative Framework, starting on page iv paragraph 13 onwards through to page x paragraph 26 - Conclusion, should be scrutinized by the BCUC. Since in the conclusion ICBC says:

> "It also meets the requirements of the applicable Government directives."

To come back to the question of "to collect sufficient revenue" if 3.4 million customers ICBC have are constrained by meager pay increases linked to the Consumer Price Index, what of their "Sufficiency" Seniors are constrained by the CPI and CPP, what of their "Sufficiency". Are ICBC customers less valued than ICBC ? or by the BC Government, the voters, or by the BCUC, an independent body of review.

In the final analysis of this response, I believe the BC Government in it's recent history through OIC's has made it clear, to keep rates "Predictable" and "Rate Smoothing", (history shows this has not been achieved) and the OIC's have ordered several times capital transfers to mitigate rate increase impacts. So "Why Not" is the answer.

1.2 Claims costs include items such as medical costs and wage loss. Does Mr. Landale believe that inflationary factors have been included when calculating the Basic Insurance rate indication?

RESPONSE to BCUC IR 1.2

The words "Inflation or Inflationary" appears 97 times in ICBC's Application. Quite frankly "NO". ICBC does refer to inflationary costs, they generally are in regard to Claims, Medical, inflationary pressures, appropriate inflation assumptions (para 51 page 3-20) as some examples. One promising CPI extract was found on page 5.5

> 17. The forecast Canadian inflation is determined from the average of the annual Canadian consumer price index (CPI) values from the multi-dealer survey in Appendix 5 A as shown in Figure 5.5.

To reiterate, **NO**, I do not think ICBC has considered the CPI as a "Component" in their "Basic Insurance Rate Indication", see "Figure 3.2 – Overview of Impact on PY 2013 Indicated Rate Change". I can not find a single calculation that refers to the CPI for actual rate "Basic Insurance Rate Indication" determination. Also see my response to BCSPO IR 2.1. herein.

Reference: Exhibit Cl-9, pp. 6-7
Exhibit B-1, Chapter 4, pp. 4-24 to 4-25
Customer Renewal Credit

Special Direction /C2 section (3}(1}(c.3} provides the provision of the Customer Renewal Credit (CRC).
On pages 6-7, Mr. Landale discusses the merits of ICBC's proposed CRC. Mr. Landale states:
"ICBC is permitted in "Law" to retain up to $24.99 of all excess premium charges paid by British Columbians until their next renewal anniversary. This essentially gives ICBC excess premium dollars held in trust. Where ICBC can earn interest income at the expense of British Columbian's pockets."
In the Application {Exhibit B-lL ICBC states:
" ... a CRC is distributed only if the amount available for distribution is greater than an average of $25 per policy. The minimum amount of $25 was chosen to strike a balance between the costs associated with administering the CRC and ensuring the amount is meaningful to the policyholder."
ICBC RRA Effective November 1, 2013 1 BCUC IR No. 1 to Mr. Landale
2.1 By way of a customer renewal credit as required by *Special Direction IC2,* what alternative would Mr. Landale consider appropriate to disburse excess capital back to Basic policyholders? Please specify a dollar amount if possible or any other considerations.

RESPONSE to BCUC IR 2.1

There are three responses to the question:

1. The CRC by its nature implies "Excess Capital or Excess Premiums" (mute point at this moment), coming from over charged Insurance Premium Rates. So to be clear, we are discussing "Excess" in this context. Why disburse back excesses taken from Policyholders in the first place?

Answer : Do not take it in the first place. Yet ICBC has manifested a huge body of text, tables and graphs within their Application and IR Responses on the subject. Even to the extent of referring me to their IR - BCUC IR 60.2.1 Well in my opinion the graph and table shown here is highly comparable to my comments and graph in RTL Exhibit 02. Finally I draw attention to my response to BCSPO IR 3.2 herein, in regard to the Manitoba (MPI) and the Saskatchewan (SGI) Insurance programs

2. Another way to answer "the question" is by way of a personal example. I draw the analogy to other product service providers that tried to hold consumer money on account. BC Hydro and Terasen Gas/Fortis BC when given temporary rate approvals ended up overcharging upon the BCUC making a final decision. Thereby causing these companies to calculate refunds, and directly credit customer's next billing following the BCUC decision. The operative words are "Customers next billing following the BCUC decision". Now let us apply that CRC to my example.

The BCUC has approved a temporary rate increase of 4.9%, ideally subject to final decision before May 2014 One of our two cars policies is due in March 2014, and the second car in June 2014. Potentially two different rate scales, due to the time lapse between these two dates. In March 2014 the first car will be levied using the 4.9% rate, and that car's rate will fall within the CRC ceiling. So this car's CRC roughly estimated at $17-$18s will be held for the CRC to be applied in March 2015. The second car if the BCUC approves a 1.2% rate increase as I am suggesting, the CRC will not apply, because the renewal rate will have been set and in place for the correct premium rate to be charged in June 2014.

Going back to the first car, and how BC Hydro and Terasen Gas/ Fortis BC gave refund credits. That is what ICBC must do. Give the money back in the same year. Or charge the same premium for 2013 in March 2014 at renewal time. Followed by the final decision by the BCUC, give each customer 30 days notice to pay the rate differential to ICBC at their next billing cycle. Which in this example would be March 2015, in this case $17 - $18s

3. At the first time of renewal (January 2014 or there abouts), when the customer is purchasing the renewal policy, the insurance agent asks and confirms many questions concerning the policy coverage. As each answer causes a change in the policy, the computer software re-calculates the premium coverage price, along with any applicable discounts, and "voila" the final policy premium payable is calculated. So during this process a daily rate of the CRC can be calculated and incorporated into the final premium coverage price. I am not a software developer, but this is a solution that can be implemented.

Incidentally, I believe this solution would have minimal administrative costs to ICBC, as the cost of software development is attributed to Corporate operating costs as per Appendix 7D Cost Allocation Tables.

I have a question in regard to the definition of :

> The minimum amount of $25 was chosen to strike a balance between the costs associated with administering the CRC and ensuring the amount is meaningful to the policyholder."

Please define the range or hi low limits of "the amount is meaningful". Is this by order of the BC Government, or by BCUC, or by ICBC. What is "Strike a Balance." To me every dollar has a meaningful impact on my purchasing power, as that diminishes, it is not in "Balance". Is that wrong, if so why or why not?

2.2 Suppose ICBC retains a portion of excess capital temporarily {e.g. less than $25 as ICBC proposed}, would Mr. Landale agree that the excess capital will eventually be returned to Basic policyholders by way of either a customer renewal credit or help mitigate possible rate increases?

RESPONSE to BCUC IR 2.2

"YES", on the provision ICBC pays interest on the amount of the CRC, and ICBC applies both the CRC with interest at the next renewal date. No strings attached. The strings could be among other things, ICBC will not refund the CRC because the Policyholder dies before the renewal anniversary. Or, like my 93 year old father, his driver's license was taken by the Superintendent of Motor Vehicles because he failed a compulsory old age driver's test. So he will not have a renewal anniversary date. That is an example of the impact on some other Seniors – perhaps? Another scenario, what happens when a vehicle's ownership transfers from one person to another. How will ICBC handle the CRC. Or what happens when ICBC writes-off a vehicle. The list of "what if's" are fairly endless.

In each of the scenario's described, ICBC incurs normal insurance policy administration duties, along with all the necessary paper work and premium refund credits associated with a mailed cheque to the customer.

So really I still say NO to the CRC in its proposed present fashion.

I would like to ask these three questions:

1. Why should ICBC hold the CRC, they in the present tense – have not earned the CRC in the form of delivered product or service? Or, in the future tense, they "could" earn the CRC, in whole or in part, that will depend whether there is a next anniversary?
2. Is the BC Government and the BCUC proposing that ICBC become a Banking Institution as well as an Insurance Provider by means of creating deposit accounts for each customer eligible for a CRC? How would that operate?
3. In what manner of fashion will ICBC hold the excess premiums constrained by the CRC. Meaning will the CRC excess premium dollars be held in a cash account not earning interest dollars to the benefit of the policyholder, or will the CRC excess premium dollars be invested along with all of the other investment capital ICBC earns interest on to defray and reduce basic insurance rate increases? Please consider the question in the context of 3.4 million customers.

BC Public Interest Advocacy Centre

1.0 **Reference: Ex. C1-9, Landale Intervener Evidence, para. 4 ICBC Rates and CPI**
"There are no constraints for ICBC to follow, beyond any placed by the British Columbian Government Order in Council (OIC), or by Regulations and Direction from the British Columbian Utilities Commission (BCUC). These two power bodies control ICBC Universal Compulsory Automobile Insurance Rates and Premiums. Due to a lack of direction or regulation in regard to the Federal Consumer Price Index (CPI), ICBC has increased their Universal Compulsory Automobile Insurance Rates and Premiums at an unabated rate through the years."
1.1 Do you believe ICBC rates should be regulated in such manner that they are in some way directly linked to the CPI? Please explain -- in particular, state (or show mathematically, if possible) what that relationship should be.

RESPONSE to BCPSO IR 1.1
"YES" – Almost without exception "Crown Corporations" Federal or Provincial Ministries reference CPI. (see my response BCUC IR 1.2). Although in ICBC's Application several Financial Institution documents demonstrate where the CPI is referenced quite liberally. "Why should ICBC be the exception?"
In the question, "or show mathematically, if possible" I can only say the Federal CPP/CPI document provided in the Intervener Evidence is the only computation I can legitimately sight, as I do not have career credentials to offer any other evidence. - That is not much of an answer to a valid question. But I offer the following:
ICBC Figure 3.2 – Overview of Impact on PY 2013 Indicated Rate Change page 3-4 is my starting point. It is ICBC's responsibility to apply the CPI component, and by so doing, demonstrate the CPI influence.
In regard to the relationship of the CPI to ICBC, I suggest ICBC follow the Federal Government's lead to the calculations to arrive at the CPI January anniversary of each and every year. As there is a time lapse between January and May of some 4 months, when each year ICBC must submit a Revenue or Rate Application to the BCUC. So ICBC has a reasonable period to apply the applicable CPI component within their new application for that year. Also see my response BCSPO IR 2.1 for comments and an example.

2.0 **Reference: Ex. C1-9, Landale Intervener Evidence, para. 14 and Ex. B-1, Revenue Requirements Application, Ch. 4, p. 23 Customer Renewal Credit - Program Parameters**
"The merits of the 'Customer Renewal Credit' directive is possibly a basis for a separate hearing. It is noted according to the IOC 152 order, the CRC is a 'one time, non-refundable, non-transferable credit.' Which I doubt; the OIC 152 opens the 'Barn Door', to be emulated in some other fashion yet to be contrived by ICBC in subsequent applications."
The Application states (at p.4-23) "…the Commission may approve a CRC if: the Commission determines that rates fixed by general rate change orders will remain relatively stable and predictable despite the approval of the CRC."
2.1 Do you believe the term "stable and predictable" has been sufficiently defined for the purpose of the proposed CRC? If not, please explain.

RESPONSE to BCPSO IR 2.1
Preamble to response. In the prior six months I have not been able to examine *Special Direction IC2*. (Ignorance is no excuse, but I can not find in the BCUC website this direction as it is applicable today). So I choose to rely on what evidence I can find. I can find IOC's, and

BCUC G-xxx-xx directives, and BCUC Decisions. These are directives issued to ICBC. And *Special Directive IC 2 and amendments* are as distant as space is in the universe to me.
The premise to my evidence is IOC 152, which states as follows:

> "customer renewal credit" means a one-time, non-refundable, none-transferable credit that is
> (a) available to an existing universal compulsory vehicle insurance policyholder,
> (b) applied to reduce the universal compulsory vehicle insurance premium paid by the policyholder at the time of the policyholder's next renewal, and
> (c) redeemable only within 12 months of' the effective date of the order of the commission that approves the customer renewal credit

The question here is: Did the BC Cabinet create the text in OIC 152, or did ICBC create the text for the BC Cabinet to put forward to the Lt. Governor? Hence my reference to the Barn Door being opened.

Turning to the BCPSO excerpt offered in the question. This excerpt is actually taken from the Application para 76 page 4-24. In the application there are 3 bulleted paragraphs. These paragraphs are almost 100% copied from IOC 153 date stamped March 19th 2013. I say almost 100%, because in fact the ICBC application text has been reformatted and has word/s added. Please read IOC 153 to confirm.
Now what comes first…. The Chicken or the Egg ? Do IOC's take precedence over Acts of Parliament ? I think they do. Does an Act of Parliament take precedence over the *Special Direction IC 2 and amendments* ? I think they do. Does *Special Direction IC 2 and amendments* take precedence over the Directions and Decisions of the BCUC ? I do not have the answer, perhaps the Commission could address the question.
Now back to BCPSO reference to para 74 page 4-23 "been sufficiently defined"
"NO" - I have never read so much mumbo-jumbo as purported on pages 4-23 to 4-27 of the Application. It is beyond my abilities to express the mumbo-jumbo in a coherent fashion. Save to say: page 4-25 "Figure 4.12 – Calculation of the Amount Available for Distribution per Policy Using Illustrative Assumptions" ICBC uses 3 million policy holders. When we all know it is 3.4 million plus. Right there is a 13.3% misrepresentation in the calculation. Although the magnitude of the error is not great, the error puts into question the entire premise of the CRC program, implementation and refund value process.
Now that the calculation errors have been discussed, back to the original question:
Do you believe the term "stable and predictable has been sufficiently defined"
"NO" To review IOC 152 again, where on page 4 the following appears among other things, it refers to "relatively stable and predictable <u>despite</u> the approval of the CRC", see para (c.3)(iii)

> (c.3) for 2014 and each following year for which the commission fixes universal compulsory vehicle insurance rates, approve a customer renewal credit if
> (i) there is excess capital available,
> (ii) the customer renewal credit wi11 not result in the MCT falling below the capital management target specified in a capital management plan approved by the commission, and
> (iii) the commission determines that rates fixed by general rate change orders will remain relatively stable and predictable despite the approval of the customer renewal credit

On May 27th 2010 OIC 287 gives direction in regard to, quote:

> "The directions contained herein are intended to outline a framework to the Insurance Corporation of British Columbia that will provide for rate stability and predictability while minimizing the need for Basic rate increases."

I do not believe that either of these two examples sufficiently defines stability or predictability, but they do qualify any impact with words like: "despite" and "minimizing". To fill this void in

the BC Government OIC to define Rate Stability and Predictability, I offer the following for consideration:

> In the determination of Basic Universal Compulsory Insurance policy rates the following component titled "Stable and Predictable Factor" (SPF) shall be added to the components used in for example:- "ICBC Figure 3.2 – Overview of Impact on PY 2013 Indicated Rate Change as a percentage point in this current PY2013" year and in all succeeding years based on the Federal CPI index effective January of each and every successive year. The SPF will be the High limit permissible for the Indicated Rate derived from the sum of all the other components. From time to time and subject to BCUC approval, all other components can be added to or deleted from the contributing components in this table.
> For example:

Figure X.X – Overview of Impact on PY 2013 Indicated Rate Change

Line No.	Components		Impact (percentage points of PY 2013 indicated rate change)
~~1~~	~~PY 2012 Loss Cost Forecast Variance~~		~~+6.6~~
~~2~~	~~Loss Trend to PY 2013~~		~~+4.4~~
3	Investment Income		-1.1
~~4~~	~~Impact of IAS 19R and Assumption Changes~~		~~+0.2~~
~~5~~	~~Operating Expense (Excluding Line 4)~~		~~-0.6~~
6	Capital Maintenance Provision		+0.9
7	Change in Average Premium		+1.0
8	Other		+0.1
9	Rate Change to Cover Costs	~~+11.5~~	+0.9
~~10~~	~~PY 2012 Loss Cost Forecast Variance Exclusion~~		~~-6.6~~
11	Indicated Rate Change		~~+4.9~~
12	**Stable and Predictable Factor (SPF)**		**+1.2**
13	**Application for Rate Change**		**+1.2**

Note: Line item 12 – Stable and Predictable Factor is equal to the Federal CPI

I am not particularly happy about line item 8 – Other. In my opinion very weak explanations have been provided to account for this component.

In recognition of the items lined through, it is obvious such an impact would dramatically affect the stability of the minimum 100% MCT. As the short fall impacts the MCT on a quarterly bases, ICBC could advise the BC Treasury as ordered, so that an OIC could be issued by the BC Cabinet to restore the MCT levels for the next quarter to be within the 100% to 130% MCT ceiling, by transferring Capital from the Optional Insurance to the Basic Insurance. There are ample precedents for this solution.

2.2 Do you believe the proposed CRC program should only be approved if ICBC premiums are explicitly linked to the CPI (by formula or other specific means)? Please explain.

RESPONSE to BCPSO IR 2.2
"NO" In my opinion there is no link between the CPI and the CRC. According to IOC 152 the CRC is a one time event, so any excess capital gathered from basic premiums should be returned to the policyholder at par. Although I do discuss the CRC should earn interest, but this interest is in context to the question and related response. I would change my opinion rapidly within context of any such variant of the CRC came before the BCUC in any future application. Hence my reference to the "Barn Door being opened."

3.0 **Reference: Ex. C1-9, Landale Intervener Evidence, para. 19 Future Rates - Impacts on Fixed-Income Insurees**
"Clearly ICBC is out pacing the ability for Seniors to cope with the negative impact ICBC's Revenue Requirement applications are having. There are many other disadvantaged peoples across our British Columbian society with low incomes or unable to work for many reasons, who are in comparable economic circumstances to Seniors. Serious consideration must be given equally to these peoples."
In response to BCPSO IR#2, 8.1, ICBC provided the following table:
3.1 Please comment as to how Seniors like yourself will be affected by the anticipated ICBC premium increases depicted in IR#2 BCPSO 8.1.

RESPONSE to BCPSO IR 3.1
Regrettably I am unable to respond because I do not understand ICBC explanation or table. I can not see how ICBC's response relates to the CPI or Seniors. My sincere apologize for this response to the question. I can only hope my responses to BCPSO other questions are more satisfactory.

3.2 If ICBC cost increases necessarily exceed CPI, what other ways would you propose ICBC use to recover the added costs? (For example, could it rely on higher rate penalties rather than general rate increases?) Please explain.

RESPONSE to BCPSO IR 3.2
I must place this caveat on my response. I am not a professional insurance specialist, or financial expert. So my proposal in this regard is by its nature limiting. My response does not ignore the question, but I will focus my response on reducing costs to recover costs from ICBC's overall operating structure, by suggesting ICBC reorganize back to the "Core Business" of insurance.
ICBC is in the unique position of not having any competitors, and by their own acknowledgments they are not comparable to other Provinces in this Great Nation that has Basic Compulsory Insurance, ICBC does what it pleases. Now ICBC is governed by the BC Government (IOC's and other letters of direction) and the BCUC. ICBC have been ordered to follow the Superintendent of Financial Institutions (OSFI) MCT rules, so currently what else is there to constrain ICBC to adhere to the CPI. In BCUC IR 1.1 I open my response with the recognition ""Any Enterprise" is entitled to recover operating costs, however those costs manifest themselves, no business is in business to loose money". What "Competitive Market

Constraints" are there for ICBC to moderate their excessive rate increases, which I have demonstrated in my IR #1 with RTL Exhibit 03. It shows ICBC is outpacing Seniors CPP by over 5%. Here are some identifiable cost reductions measures for implementation:

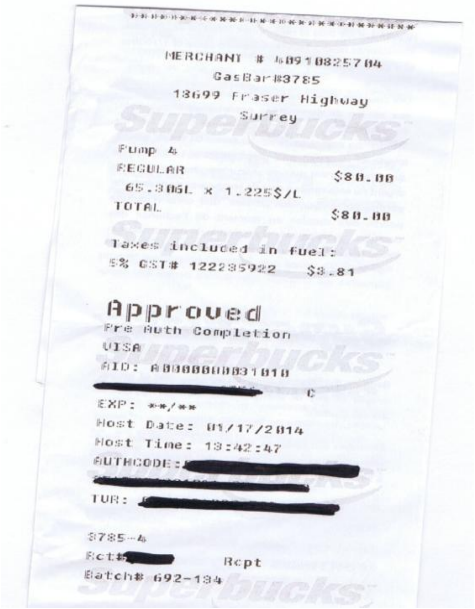
1. Constrain ICBC's MCT" targets to follow Saskatchewan Government Insurance (SGI) and the Manitoba Public Insurance (MPI) Basic insurance models, MCT Targets. (also see item 11).
2. Reduce the Executive Branch, has any one questioned the number of Vice Presidents - 13? See ICBC Organization Structure 2013 (2013.1 RR Tread. 12.5 – Attachment A). Then there's a President/CEO, and gosh knows how many Board of Directors, all collecting a salary, bonus, incentive and or stipend.
3. ICBC's Call in Centre on 152nd Street in Surrey receives calls from all over the Canada, America and Mexico. Using this building as a model, Centralize all Executive Administrative, Human Resources, and Non Direct Customer Contact services into one place that covers the entire Province.
4. Send back to the BC Government all Non Insurance related business, such as License Plates, Road Safety Programs and so on. In 1973, ICBC was legislated to provide all British Columbians with Basic and Property Automobile Insurance, that's it ! insurance, not a hodgepodge of other services for the Government.
5. Mandate ICBC to follow the Federal CPI in it's calculations for Rates.
6. A "detailed" review by the BCUC of Chapter 7 will go a long way to reduce ICBC's costs. Further the last line in ICBC's 2012 Annual Report page 4 says, "Expense Ratio 21.1% or $21.10 in every $100.00 is spent in operating costs of one sort or another. "Cut costs now", $50 million to date is not enough.
7. Sell off all Non Direct Contact with Policyholders ICBC properties except for the 2 core centres mentioned in item 3 above. Just thinking about the building/land operating costs is staggering.
8. Albeit said by ICBC to my overtures to the Transformation Program, the BCUC should implement server scrutiny and auditing of this program now. The whole concept of this program is fraught with waste. Another example of waste is the 2011 Regional Claim Centres Detailed Work Effort Study (2011 Detailed WES)... 43 pages, what did that cost, and it is not over yet. (See last paragraph in letter to the BCUC L-87-11 dated November 17th 2011).
9. The BCUC should review all employee job descriptions, salaries and benefit packages, including retirement and severance, and deployment of all staff at all levels across ICBC business lines. There is money to be saved here.
10. Stop the transfers of Capital to the BC Treasury. Those capital transfers have been expropriated by high insurance premiums in excess of real operating needs due to inflationary actuarial based models that justify high rate increase applications to the BCUC. History tells this story, over 1.1 billion dollars.
11. BCUC correspondence E-9-1 from Richard McCandless dated December 6th 2013 offers the Commission valuable information and insight, very worthy of their detailed attention in this matter. We can not afford the BCUC to ignore Mr. McCandless.

In consideration to others, I will leave it there.

I do not support increasing driver penalties while ICBC is in the business of administrating non insurance business. Leave this suggestion to the BC Minister of Justice and the courts.

4.0 Reference: Ex. C1-9, Landale Intervener Evidence, para. 28 and para. 30 Loss Costs - Commercial PD Frequency - GDP Impact
In Paragraph 28, you state your 2008 annual premium was $1,152, and that the expected premium effective December 2014 would be $1,506.
In Paragraph 30, you describe how Vancouver gasoline prices have increased from $0.78 per litre in January 2009, to $1.22 per litre in November 2013.
4.1 Please describe how much you spent on fuel in 2013 versus how much your Basic insurance cost.

RESPONSE to BCPSO IR 4.1
Please see sales gas receipt for January 17th - $80.00 I have blacked out personal information for security reasons.


MERCHANT # 4091082570 4
GasBar#3785
13699 Fraser Highway
Surrey
Pump 4
REGULAR $80.00
65.306L x 1.225$/L
TOTAL $80.00
Taxes included in fuel:
5% GST# 122285922 $3.81
Approved
Pre Auth Completion
VISA
AID: A0000000031010
[redacted] C
EXP: **/**
Host Date: 01/17/2014
Host Time: 13:42:47
AUTHCODE: [redacted]
TVR: [redacted]
3785-4
Rct#[redacted] Rcpt
Batch# 692-134

After a review of all my gasoline purchases for 2013 from my Visa credit card statement. We spent $1,040 and traveled about 8,000 km's In a normal year these numbers would be about 25 to 30% higher due to increased travelling and vacation throughout British Columbia.
Due to my wife's fall this past summer and surgery, she is temporarily handicapped. Treatment on February 6th may offer some relief. This is unhappily a typical Senior's story.
There is no control on gasoline pricing, so to correlate gasoline with ICBC Insurance Premiums is limited to my historical numbers, which is not really unique to us, more or less.

- 2013 Gasoline cost $1,040.98 (17 fill ups – includes both cars).
- June 2013 my ICBC Insurance Premium was $1,474.00,
- March 2013 my wife's car was $1,366.00
- January 18th 2014 Gasoline at Fraser Hiway and 152nd St cost $1.299 per litre, up from $1.219, a 6.56% increase over 18 days.

4.2 Do you believe your expenditures are typical of Seniors you know? Of Seniors in general? (Please explain why, including the extent to which you have actively discussed auto insurance costs with other Seniors.)

RESPONSE to BCPSO IR 4.2
We are a married couple of 45 years, three children and six grandchildren and one great granddaughter, I worked my entire life since the age 17, we own our home and have little debt. We do not take lavish vacations, we go out to dinner once a week, and buy a cup of coffee almost every day, health permitting. We live a little above the Federal recognized poverty line on fixed incomes and our CPP cheques. I leave the Commission, Interveners and ICBC to draw their own conclusions to this part of the question.
With respect to the question of ICBC and discussions with other Seniors, peoples, and family, I suggest I may have discussed these matters with some fifty peoples. Support ranges from good luck with that, *to*, ICBC is just another cash cow, *to*, my premiums just keep going up, ICBC is like the Government-nobody wins. Very very few people have ever considered becoming an intervener, and probably never will. As an organization, I am sure the BCSPO can contribute to these comments.

Since the BCSPO asks: Do you believe your expenditures are typical of Seniors you know?
Here is a shortened story that is most relevant and typical:

In the news recently a Grandfather was responding to a reporter's question with respect to yet another BC Crown Corporation rate increases - BC Ferries. He said he can no longer afford to visit his grandchildren 4 – 5 times a year, he will have to cut back on the number of visits. In our case, my wife and I have 1 daughter and 4 grandchildren and one great grandchild living in Nanaimo. We have not been able to afford to visit them in 2 years. We've never seen our great grandchild. Thank you BC Ferries, thank you BC Government, thank you BC Crown Corporations et al.
Oh !, I know how to cut back on spending, slash our Christmas gift costs, and stop mailing them out .
"WHAT"

4.3 What are you more able to modify: your km driven or your Basic insurance cost? If the former, please explain how that impacts (or will impact) your activities.

RESPONSE to BCPSO IR 4.3
"NO" we will not modify our driving distances, as Seniors it is an outing, an opportunity to visit family, friends all over British Columbia, and places in Alberta, go to the doctor or hospital, to the bank, shopping for groceries, and quite frankly …. "Why should we ?" Further; there are no bus stop/routes within 1km of our house, so using BC Transit is not an option, unless I use Park-n-Ride to attend the BCUC. How do you suggest on a cost effective bases, my wife get to those places mentioned with a 4 wheel walker, and carry the shopping. BC Transit is not a reasonable option, let alone being cost effective. Ah ! I know Taxi !!!
"NO" Why would I alter my insurance coverage. Regardless of ICBC, I purchase the best insurance coverage to provide for our, Vehicles, House, Medical, Life, Travel insurance. Without proper coverage, damaging incidents are far more costly to manage. Insurance in all these matters is to defray recovery, replacement, personal damages like rehabilitation. Those people that reduce or cut their insurance coverage's go down the road of life without full protection, run the gambit, and could end up hurting themselves with losses far greater than with insurance coverage. It's a chosen trade-off.

Let me ask this question: After working all our lives, why should ICBC prosper while we suffer diminishing quality of life and purchase power ?

5.0 Reference: Ex. C1-9, Landale Intervener Evidence, para. 33 Performance Measurement - Incentive Alignment
"In any event the evidence is abundantly clear some 95% of Seniors in British Columbia buying UCAI from ICBC are under extreme financial pressure. It is noted ICBC does discount Senior's who are 65 and over UCAI premiums (pleasure use only). It is also noted some Seniors benefit from safe driver discounts. The safe driver discount can be lost for any number of reasons solely assessed by ICBC."
5.1 Would you support the Commission requiring ICBC to specifically link their bonus (incentive compensation) program to customer rate changes such that the greater the rate increase, the lower the total potential bonuses distributed? Please explain.

RESPONSE to BCPSO IR 5.1
I deserve a medal for this response, as I am curbing my emotions.

"NO" The BCUC should totally discourage incentives and bonuses because:

The human race is a greedy race, we feed on the weak, grow stronger and prosper for it. We control the environment in which the human race operates with law, regulation, and force and wealthy enterprise. The weak are unable to afford representation to contest the powerful Governments, the Law Courts, the injustices of man to man, the arbitory decisions of insurance settlements. So the strong inherit the earth.

If I had the power I would not only strip every bonus and incentive from ICBC's system, I would do it across every financial institution and Government office. I have no problem paying some one a million dollars, I have a problem that their greed is rewarded with incentives and bonuses.

In 1995 I wrote a 17 page letter to the Executive Committee of a company under going a Corporate Culture makeover. After 18 years of service needless to say I was the last front line supervisor to be laid off. One year later the CEO retired with one of Canada's largest ever retirement settlements. During that year the company downsized from some 1,300 employees to 700 employees to make the takeover attractive to the new owners, the share price marginally went up about 11% leading to the takeover.

Here are two suggestions:
The BCUC decree today for the current ICBC 2013 RRA that all Senior's purchasing and or renewing their motor vehicle insurance shall have a Senior Discount of 25%, plus a rebate of the premium rate increase approved for that year and every year thereafter. And ICBC can implement their CRC as specified in OIC 152. This in effect creates a "Neutral" impact for Seniors from ICBCs excessive premium increase rates every year.
Alternatively:
ICBC increase the Senior's 25% discount by the Federal CPI set every January for each year.

I would like to return to my RESPONSE to BCPSO IR 3.2 , by way of offering a classic example of operating duplication and excess with a business sequence scenario. Although the scenario may not precisely reflect the actual daily business operation... If not, I welcome ICBC correct this scenario at every step.

According to Table 7D Administrative – Non – Insurance table page 7D-7, some $11.324 million dollars is managed by ICBC on behalf of the BC Government. How is that ? Well ICBC agents are responsible to deliver these services at the time a Policy Holder purchases or renews his/her motor vehicle insurance. So this agent operating an independent business has their own book keeping process which includes among other things, ICBC accounts for Basic and Optional insurance, Road Star, Licensing Plate fees (and other services), Violation/Penalty fines, BC Transit fines, 4.4% Premium Taxes, and Road Safety (including enhanced law enforcement). If you do not believe me, take a look on page 3 of your policy receipt. These are accounts this agent's business has to manage in their operating costs. Albeit ICBC reimburses them within a fee rate structure, (I will not get into that). As this agent from time to time advances these monies onto ICBC. ICBC in turn has to duplicate these accounts for all of their 3.4 million customers in their accounting systems. And then distribute the revenues to the appropriate place… BC Treasury perhaps. This is a duplication of services, labour and resources. Resources that involve, Buildings, Computers, Employees, and what else.
Let the agent who is the first point of contact handle the through payment system, and ICBC record their core business accounts. This means the transactions are managed once.
The potential to dramatically reduce the impact of 11.324 million dollars exists by cutting this duplication.

I suggest the first reaction for ICBC is to say this is not regulated by the BCUC. Hmmmm. Why or why not ?

"WHY" ICBC can answer that my eloquently than I.

"WHY NOT" The moment ICBC put 7D-7 table in supportive evidence to their 2013 RRA, it became evidence for scrutiny. And challenge.