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PROVINCE OF BRITISH COLUMBIA

ORDER OF THE LIEUTENANT GOVERNOR IN COUNCIL

Order in Council No. 287 , *Approved and Ordered* MAY 27 2010

~~Lieutenant Governor~~
Administrator

Executive Council Chambers, Victoria

On the recommendation of the undersigned, the ~~Lieutenant Governor~~ *Administrator*, by and with the advice and consent of the Executive Council, orders that approval is given to the attached letter of direction dated May 18, 2010 from the Minister of Public Safety and Solicitor General to the Insurance Corporation of British Columbia.

Minister of Public Safety and Solicitor General

Presiding Member of the Executive Council

(This part is for administrative purposes only and is not part of the Order.)

Authority under which Order is made:

Act and section:- *Insurance Corporation of British Columbia Act*, R.S.B.C. 1996, c. 228, ss. 7 and 47
Other (specify):- Special Direction IC2 to the British Columbia Utilities Commission, B.C. Reg. 307/2004, s. 3 (1) (c.1)

May 18, 2010 O/387/2010/88

BRITISH
COLUMBIA

May 18, 2010

Dr. Nancy McKinstry
Chair
Insurance Corporation of British Columbia
Room 517, 151 West Esplanade
North Vancouver BC V7M 3H9

Dear Dr. McKinstry:

The Insurance Corporation of British Columbia (ICBC) has a Basic Insurance Capital Management Plan that is intended to address the capital requirements of universal compulsory automobile insurance.

In providing this letter to you, I wish to emphasize my appreciation of the fact that responsibility for approving Basic insurance rates rests with the independent BC Utilities Commission (BCUC). 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.

ICBC's Capital Management Plan works well when the corporation must build capital to reach its management Minimum Capital Test (MCT) target for universal compulsory automobile insurance as approved by the BCUC. However, in some circumstances where the universal compulsory automobile insurance capital level exceeds the management MCT target, the release of excess capital in accordance with the Capital Management Plan can give rise to significant rate volatility, counter to the Plan's objective of promoting relatively stable and predictable rates. An additional concern is volatility in investment markets, which could erode universal compulsory automobile insurance capital available and thus necessitate additional rate increases in future years.

ICBC should continue to apply the Capital Management Plan, except with respect to the release of capital. In order to enhance the effectiveness of the Plan, ICBC is directed to apply the following capital release conditions when the MCT level for universal compulsory automobile insurance determined as at the end of the previous year exceeds the management MCT target:

(a) Where the actuarial rate indication is zero or negative when determined before taking into account a provision for capital release, ICBC will not release excess capital.

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Ministry of
Public Safety
and Solicitor General

Office of the
Minister

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(b) Where the actuarial rate indication is a rate increase when determined before taking into account a provision for capital release, and where the universal compulsory automobile insurance MCT level determined as at the end of the previous year exceeds the management MCT target in place at that time by less than 20 percentage points, ICBC will release capital to offset the actuarially indicated rate increase, with the amount of the offset equal to the actuarially indicated rate increase determined before taking into account a provision for capital release or one percentage point more than the previous year's offset, whichever is lower.

(c) Where the actuarial rate indication is a rate increase when determined before taking into account a provision for capital release, and where the universal compulsory automobile insurance MCT level determined as at the end of the previous year exceeds the management MCT target in place at that time by 20 percentage points or more, ICBC will release capital to offset the actuarially indicated rate increase, with the amount of the offset equal to the actuarially indicated rate increase determined before taking into account a provision for capital release or 1.5 percentage points more than the previous year's offset, whichever is lower.

(d) The capital offset of an actuarially indicated rate increase, which is accumulated as a result of applying conditions (b) and (c) above, must not exceed four percentage points.

(e) ICBC should not release the amount calculated under (b), (c) and (d) above if the universal compulsory automobile insurance MCT level determined as at the end of the previous year, less the calculated capital release amount, yields a capital level below the management MCT target. In such cases, the capital release amount should be set equal to the capital available at the end of the previous year, less the capital required to achieve the management MCT target level as at the end of the previous year.

This approach advances the objective of ensuring relatively stable and predictable universal compulsory automobile insurance rates. By applying this approach in the current situation, for instance, ICBC will use its excess Basic capital to help moderate actuarially indicated rate increases for Basic automobile insurance in the future. Also, limiting the annual and cumulative amount by which capital available can be released ensures that Basic automobile insurance will remain sufficiently capitalized over time.

This letter of direction is a government directive within the meaning of that term as defined in Special Direction IC2 to the BC Utilities Commission.

Yours truly,

Michael de Jong, Q.C.
Attorney General
Solicitor General and
Government House Leader

PROVINCE OF BRITISH COLUMBIA

ORDER OF THE LIEUTENANT GOVERNOR IN COUNCIL

Order in Council No. 560 *, Approved and Ordered* NOV 30 2011

Lieutenant Governor

Executive Council Chambers, Victoria

On the recommendation of the undersigned, the Lieutenant Governor, by and with the advice and consent of the Executive Council, orders that approval is given to the attached letter of direction, dated November 25, 2011 issued by the Minister of Public Safety and Solicitor General to the Insurance Corporation of British Columbia.

Minister of Public Safety and Solicitor General

Presiding Member of the Executive Council

(This part is for administrative purposes only and is not part of the Order.)

Authority under which Order is made:

Act and section: *Insurance Corporation of British Columbia*, R.S.B.C. 1996, c. 228, ss. 7 and 47

Other: Special Direction IC2 to the British Columbia Utilities Commission, B.C. Reg. 307/2004; s. 3 (1) (c.1)

November 28, 2011 O/858/2011/88

BRITISH
COLUMBIA

NOV 2 5 2011

Ms. Nancy McKinstry
Chair
Insurance Corporation of British Columbia
Room 517, 151 West Esplanade
North Vancouver BC V7M 3H9

Dear Ms. McKinstry:

I am writing to provide direction to the Insurance Corporation of British Columbia (ICBC), regarding its use of Basic capital to bring greater stability and predictability in universal compulsory vehicle (Basic) insurance rates. In providing this letter, I respect the fact that responsibility for approving Basic insurance rates rests with the independent BC Utilities Commission.

Government is cognizant of the impact that increases to Basic insurance rates can have on British Columbia drivers and their families. On May 18, 2010, Government issued a directive to ICBC to establish a framework for rate stability while minimizing the need for Basic rate increases by directing ICBC to use Basic excess capital to help moderate future actuarially indicated rate increases.

ICBC has identified that ICBC Basic Capital levels have eroded over 2011, due to lower investment income and higher bodily injury costs. Additionally, ICBC has identified that there is pressure on ICBC Basic insurance rates due to these factors.

The May 2010 direction letter requires ICBC and BCUC to use information on ICBC's Basic capital position from the end of the previous calendar year, which is aligned with ICBC's normal reporting cycle. Using more up-to-date information is important in the present context of a lower interest rate environment, where ICBC's capital position may change significantly between the end of the previous year and the time ICBC files a revenue requirements application to set Basic rates.

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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.
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> 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.

Government believes that the above framework will bring greater stability and predictability to Basic insurance rates in the face of rising claims costs and investment market volatility, while protecting the Corporation from excessive risk through adequate capitalization.

This letter of direction is a government directive within the meaning of that term as defined in Special Direction IC2 to the British Columbia Utilities Commission.

Sincerely,

Shirley Bond

Shirley Bond
Solicitor General and
Attorney General