



**IN THE MATTER OF**

**AN APPLICATION BY THE INSURANCE CORPORATION OF BRITISH COLUMBIA  
FOR AN ORDER SPECIFYING THE FORM AND CONTENT OF, AND REVIEW PROCESS FOR  
ICBC UNIVERSAL COMPULSORY AUTOMOBILE INSURANCE REVENUE REQUIREMENTS  
APPLICATIONS MEETING SPECIFIED CRITERIA**

**REASONS FOR DECISION**

**April 6, 2010**

**BEFORE:**

A.W.K. Anderson, Panel Chair/Commissioner  
A.J. Pullman, Commissioner  
P.E. Vivian, Commissioner

with relatively small changes in Basic Insurance rates. ICBC believes that the information it maintains is sufficiently detailed and disaggregated (Exhibit B-5, p. 16).

IBC devotes a major portion of its submission to argue in favour of more detailed information about operating expenses and to express concerns about cross subsidization between Basic and Optional Insurance.

In response to ICBC's undertaking to explain any "significant" plan versus actual variance and any significant year-over-year variance in operating expenses where annual fluctuations are more than 5 percent unless the net change is not material, IBC submits that these limits are too high when considering issues such as cross-subsidization and prudence of operating costs (Exhibit C4-4, p. 5). IBC also submits that operating expense information at the divisional level and below is necessary if the Commission and the Interveners are going to be allowed to draw any conclusions regarding cross-subsidization. IBC wants the same level of operating expense information as in the 2007 Revenue Requirements Application and the opportunity to ask questions that go beyond the level of detail specified by ICBC (Exhibit C4-4, p. 5).

ICBC submits that the operating expense information that it proposes to provide in a streamlined application is entirely adequate for such a process. Appendix E of the Amended Application presents operating expenses sample mock-up schedules and allocation information to illustrate the type of information that will be provided. ICBC is open to provide historical information as presented in Exhibit B-4, 2009 ST BCUC.19.

### **Commission Determination**

The Commission Panel notes that ICBC has had its financial allocation methodology, functions and factors reviewed and approved by the Commission in previous proceedings. The Commission Panel considers that those previous findings, in the absence of significant changes to either the Basic or Optional components of ICBC's insurance business, are likely to continue to provide appropriate cost allocations between those business components in all material respects. IBC's concerns about cross subsidization accordingly seem unwarranted, and the Commission Panel sees no reason to make any changes to the Application arising from the expressed concern.

**The Commission Panel directs ICBC to report, in any filing or application under either the streamlining or full regulatory review models, any changes to its business operations or systems which could require changes to its cost allocation formulae or methods in any significant way.**

The Commission Panel notes that a 1.0 percent change in operating expenses leads to an indicated rate impact of approximately 0.1 percent (Exhibit B-1-2, para. 68). The Commission Panel considers the operating expense information as set out in Section C.2.3 and Appendix E of Exhibit B-1-2, in addition to the historical information directed below provides