



February 21, 2014

British Columbia Utilities Commission
Sixth Floor
900 Howe Street
Vancouver, BC V6Z 2N3

Attention: Ms. Erica Hamilton, Commission Secretary and Director

Re: Filing of ICBC's 2013 Revenue Requirements Undertakings

Dear Ms. Hamilton:

Further to ICBC's letter of February 20, 2014, enclosed are responses to four additional information requests that were outstanding after the conclusion of the Oral Hearing (February 6 to February 14, 2014) on ICBC's 2013 Revenue Requirements Application. ICBC expects to file three additional information requests early next week.

As noted in the February 20, 2014 letter, there are two further requests that ICBC anticipates filing confidentially in the second week of March, after approval by ICBC's Board of Directors of 2013 financial information.

Yours truly,

June Elder
Manager, Corporate Regulatory Affairs

Cc: Registered Intervenors
Geri Prior, B.Comm, FCA, Chief Financial Officer, ICBC

Attachments



INSURANCE CORPORATION OF BRITISH COLUMBIA UNDERTAKING

HEARING DATE

February 12, 2014

TRANSCRIPT REFERENCE

Volume 5, page 671 line 6 to page 672 line 20

ICBC REFERENCE

2013 RR BCUC.UT.3

REQUESTOR: BCUC

QUESTION

Provide the incurred accident year 2013 bodily injury Basic frequency number without adjustments.

RESPONSE

In the oral hearing (Transcript Volume 4: page 571 lines 24-26, page 572 lines 1 to 4, and page 578 lines 8 to 11), the focus of the discussion leading up to this requested undertaking was on the Personal line of business only. In the response to information request 2013.1 RR BCUC.24.1-1.2, Attachment A – Bodily Injury Basic Frequency as at August 31 of Each Accident Year, and in the response to 2013 RR BCUC.UT.1, the information presented corresponded to the total of the Personal and Commercial lines of business. The information provided in this undertaking also corresponds to the total of the Personal and Commercial lines of business, and therefore both adjusted and unadjusted figures are discussed.

ICBC's updated estimate of incurred Bodily Injury (BI) frequency for accident year 2013 as of December 31, 2013 is 1.49%,¹ which is calculated as the product of the restated BI

¹ The updated Personal BI Frequency forecast for accident year 2013 as of December 31, 2013 is 1.46%, and is calculated in a similar fashion to what is described in this Undertaking.



frequency at 12 months (1.35%) and the baseline development factor of 1.109. The reasons for using the restated BI frequency at 12 months are outlined in the response to undertaking 2013 RR BCUC.UT.1.

An estimate of BI frequency obtained by multiplying the recorded BI frequency at 12 months (1.30%) without adjustment by the baseline development factor of 1.109 would have downward bias, and hence it would not be a best unbiased estimate under accepted actuarial practice. For more information, please see the response to undertaking 2013 RR BCUC.UT.1.

Although the accident year 2013 incurred BI claim frequency of 1.49% is marginally lower than the estimate for 2013 included in the Application, the forecast for BI frequency in 2014 and later years remains substantially the same. Further discussion of the sensitivity of the indicated rate level change to the use of forecasts as of year-end will be included in the response to undertaking 2013 RR BCUC.UT.14C which will be filed confidentially with the Commission (see Transcript Volume 7: page 1166, line 2 and page 1171, line 19).

It should be noted that with the implementation of ICBC's new claims management system, ICBC expects there will be further disruptions in the claims recording patterns in the future.



INSURANCE CORPORATION OF BRITISH COLUMBIA UNDERTAKING

HEARING DATE

February 12, 2014

TRANSCRIPT REFERENCE

Volume 5, page 678 line 23 to page 679 line 26

ICBC REFERENCE

2013 RR BCUC.UT.4

REQUESTOR: BCUC

QUESTION

In regards to the Management target asset decline scenario - how much more volatility in the equity market was assumed for the 10% probability scenario? Compare the equity market volatility to the 2008 DCAT analysis.

RESPONSE

The asset decline scenario used in the 2013 DCAT analysis (overall results provided in the response to information request 2013.2 RR BCUC.180.1) represents an adverse scenario with an unfavourable equity return at a 10% probability level. The table below provides the impact on the overall investment portfolio and its impact on MCT for both the 2013 and 2008 DCAT analyses.

	Impact on Investment Portfolio	MCT impact
2013 Analysis	-4.6%	-33 ppts
2008 Filing	-4.0% ¹	-29 ppts ¹

¹ For the 2008 Filing, the results at a 10% probability level were not performed; however, the analysis did provide results at 1%, 2.5%, 5%, and 20% probability levels. Therefore, for comparative purposes, the 10% probability level was interpolated using these data points.



The table is showing the potential for a larger decline in the impact on the investment portfolio in 2013, which is consistent with a higher level of volatility associated with the added uncertainty in the current investment markets.

ICBC's strategic asset mix targets the total proportion of equities to 22% of the investment portfolio, which serves to limit the impact of a significant drop in equity yields on the yield on the overall portfolio.



INSURANCE CORPORATION OF BRITISH COLUMBIA UNDERTAKING

HEARING DATE

February 14, 2014

TRANSCRIPT REFERENCE

Volume 7, page 1096, line 26 to page 1097, line 18

ICBC REFERENCE

2013 RR TREAD.UT.1

REQUESTOR: TREAD

QUESTION

Produce a copy of the policy year-2013 revenue requirements application communication plan.

RESPONSE

Communications Plan

Background

ICBC will file a revenue requirements application with the BCUC at the end of August. The application will include a request for approval for a basic insurance rate change and a new capital management plan. It will also include details of a new framework for setting rates, which was approved by government in March.

Optional insurance rates will decrease and offset some of the basic rate change for customers who buy both basic and optional insurance from ICBC (this is the case for the vast majority of customers (approximately 80 per cent). While the numbers are not yet finalized, the difference between the basic and optional changes should result in a minimal change (about a \$1 per month).



The ongoing pressure from injury costs and the introduction of a new framework to setting rates make the story not only about this year's rate change but future rate changes as well.

Goals

- Tell the story in simple way, covering this year's rate changes while also setting the stage for the next few years.
- Provide customers, employees and stakeholders, with the rationale for the current rate changes in advance of the filing.

Approach

- A proactive approach to communicating with customers, employees, stakeholders and media.

Friday, August 30

- Op-Ed appears in The Vancouver Sun on Friday morning.
- News release is issued to all media later that morning.
- Mark Blucher to be primary spokesperson, with support – as required – from Adam Grossman.

Audiences

- **Government:** Proactive and collaborative.
- **Media:** Proactive, via news releases and Op-Ed.
- **Customers:** Proactive. Through traditional and social media, and via customer letter on icbc.com.
- **Employees:** Proactive. Information should be shared at the same time, or just before where appropriate, as media.
- **BCUC:** Communicate with BCUC ahead of time.
- **Stakeholders:** Proactive. Information should be shared with key stakeholders at the same time, or just before where appropriate, as media.

Key messages

- If these changes are approved, about 80 per cent of our customers – those who purchase all of their full personal vehicle insurance through ICBC – will see an average increase of less than a dollar a month.
- We want to prevent year-to-year spikes and keep insurance rates as stable and predictable as possible for our customers.



- We remain committed to providing our customers with the best service and coverage at the lowest possible cost.

Communications Roll Out

- August 29 – Inform BCUC of news release
- August 30 - 7:30 am – Media - Post Op-Ed/letter to customers to icbc.com
- August 30 – 8:00 am – Employees – Employee message emailed with link to Op-Ed on icbc.com; General information posted on internal website for employees
- August 30 – 9:00 am – Media – Issued news release
- August 30 – 9 am – 9:15 am – Brokers - Principally Speaking and Extranet message
- August 30 – Social media – Monitor social media and use response points for any necessary response
- By September 19 – BCUC – BCUC decision on interim rates
- September 25 – Renewal reminder – First renewal reminder goes out
- November 1 – BCUC – Interim rate increase comes into effect; optional rate decrease comes into effect.



INSURANCE CORPORATION OF BRITISH COLUMBIA UNDERTAKING

HEARING DATE

February 13, 2014

TRANSCRIPT REFERENCE

Volume 6, page 1036, line 24 to page 1038, line 22

ICBC REFERENCE

2013 RR TREAD.UT.3

REQUESTOR: TREAD

QUESTION

Is \$3.2 million ICBC's share of the Canadian Driver Licence Agreement (CDLA) costs and is there an irrevocable commitment to pay the cost at this point because ICBC has engaged in the initiative.

RESPONSE

When cross examining Mr. Dickinson on the potential for a reciprocal agreement (Transcript Volume 6, page 1036, line 24 to page 1037, line 5), Mr. Weisberg referred to the response to information request 2013.2 RR BCUC.222.1-2, stating that the response provided a cost of \$3.8 million broken down into a one-time cost of \$3.2 million and an estimated \$0.6 million annual ongoing cost. In fact, this information request response states the following:

CCMTA members have identified the need for CDLA changes, leading to ongoing intergovernmental discussions which have resulted in project delays and may result in further changes to scope, cost, and timing. The \$3.2 million one-time cost estimate and \$0.6 million annual ongoing cost estimate were prepared based on an earlier CDLA scope. Discussions have not concluded and therefore updated one-time and ongoing cost estimates are not known. The timing of expenditures is also yet unknown.



Mr. Dickinson therefore misspoke at page 1037, line 12 when he responded that Mr. Weisberg's statement was correct.

The essence of the information request at page 1038, line 7 is: ICBC is to check whether the \$3.2 million is ICBC's share of those costs.

ICBC's response is: The costs are not known as stated in the above excerpt from the response to information request 2013.2 RR BCUC.222.1-2. ICBC is therefore not able to respond to this specific request.

The essence of the information request at page 1038, line 22 is: ICBC is to check whether there is an irrevocable commitment for ICBC to pay its share of the costs for the CDLA program.

ICBC's response is: ICBC's commitment to CDLA was first introduced in the Service Agreement Addendum for the 2007 rate year filed as part of the 2007 Revenue Requirements Application (please see the 2013 Revenue Requirements Application, Chapter 8, page 8-3, paragraph 9 and Appendix 8 A - Addendum to the Service Agreement for 2012, page 3). The timing and priority of implementation are at the discretion of government.