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February 24, 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 Application Undertakings

Dear Ms. Hamilton:

Further to ICBC's letter of February 21, 2014, enclosed are responses to three 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.

In addition, as noted in ICBC's letter of February 20, 2014, 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

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 14, 2014

TRANSCRIPT REFERENCE

Volume 7, page 1126, line 11 to page 1127, line 14; page 1128, lines 15-25

ICBC REFERENCE

2013 RR BCUC.UT.10

REQUESTOR: BCUC

QUESTION

Confirm whether there has been a general provision in the forecast for 2011 and 2012, the forecast amount, and the favourable variance for each of the three categories:

- Potential unspecified and unforeseen adverse events.
- Divisions challenged to meet tight operating budget targets.
- Additional claims cost control initiatives that may need to be implemented during the fiscal year.

RESPONSE

ICBC confirms that there has been a general provision included in the forecast for each of fiscal years 2011 and 2012. For fiscal year 2011, the forecast amount was $1.5 million. For fiscal year 2012, the forecast amount was $1 million.

In the case of fiscal year 2011, ICBC did not have a need to draw on the general provision amount included in the forecast. As such, ICBC realized a favourable variance equalled to the forecast amount of $1.5 million.

During 2012, approximately $100,000 of the general provision forecast amount of $1 million was utilized. As such, ICBC realized a favourable variance of $0.9 million.

For forecasting purposes, ICBC does not allocate the general provision amount (i.e., there is no specific budget established) for each of the three categories noted above. Therefore, detailed variance explanations for each of the three categories is not available.

In the normal course of business, ICBC's divisions try to absorb the costs associated with each of the three categories, wherever possible, within their existing budget. The general provision, which is only established at the corporate level, is not normally utilized unless and until the divisional budget is depleted.

Examples of unforeseen adverse events include:

- Stanley Cup riot in 2011: investigation and legal costs absorbed by Corporate Law & General Counsel during 2011, provision in budget for 2012 and future years.
- Improper access of personal information in 2011: investigation and legal costs absorbed by Corporate Law & General Counsel during 2011.
- Improper adjusting practices at ICBC's claims centre in 2012: approximately $100,000 of costs were drawn from the corporate general provision.

Examples of divisional challenges to meet tight operating budget targets include:

- During 2011, the Information Services Division absorbed recruitment-related costs as a result of the difficulty in attracting qualified resources.
- During 2012, the Information Services Division absorbed costs associated with (1) extended support for software due to a software upgrade delay, and (2) unanticipated peak mainframe usage charges for a workload charging software.

Examples of claims cost control initiatives that may need to be implemented include:

- "Connecting with the Customer" strategy in 2011: costs associated with this strategy absorbed by Claims Division during 2011.

INSURANCE CORPORATION OF BRITISH COLUMBIA UNDERTAKING

HEARING DATE

February 14, 2014

TRANSCRIPT REFERENCE

Volume 7, page 1132, line 2 to page 1133, line 25

ICBC REFERENCE

2013 RR BCUC.UT.11

REQUESTOR: BCUC

QUESTION

Reconcile the number of full-time equivalent (FTE) reductions in 2012 and 2013 within the response to information request 2013.1 RR BCUC.120.1 showing FTEs at corporate level and the number of FTE reductions shown in the response to information request 2013.2 RR BCUC.215.1.

RESPONSE

The response to information request 2013.1 RR BCUC.120.1 shows:

- FTEs for Core Operations (staffing that impacts the policy year (PY) 2013 actuarial rate indication, as shown in Chapter 7, Figure 7.5, on page 7-16).
- FTEs in support of ICBC's Transformation Program (TP).
- FTEs in support of other initiatives excluded from Core Operations (e.g., government initiatives which are cost recoverable, employees seconded to support the 2010 Olympics, which are funded 100% by Optional insurance, etc.).
- Total ICBC FTEs (Corporate View), which is the sum of the three above.

The response to information request 2013.2 RR BCUC.215.1 shows specifically the staff reductions by employee group associated with the $25 million restructuring cost provision. Of the 197 forecast staff reductions included in the restructuring cost provision, 167 was anticipated in 2012 and the remaining 30 in 2013. In actuality, during 2012, 163 staff reductions were realized. The 2013 outlook was adjusted to 8.

In Attachment A– Reconciliation of FTEs, ICBC shows a comparison of staff reductions at the corporate level as per the responses to information requests 2013.1 RR BCUC.120.1 and 2013.2 RR BCUC.215.1.

As discussed in the response to information request 2013.2 RR BCUC.215.1.1, ICBC's Core Operations staffing may be impacted by, for example, short-term staffing requirements, use of temporary staffing resources, and a shift of employee resources between Core Operations and TP/Other. For these reasons, the FTEs by Employee Group shown in Chapter 7, Figure 7.5 will not directly reconcile to the FTE reductions associated with the $25 million restructuring cost provision in the responses to information requests 2013.1 RR BCUC.128.3 and 2013.2 RR BCUC.215.1.

For example, as shown in Attachment A – Reconciliation of FTEs, in comparing 2012 actual to 2013 forecast, Bargaining Unit FTEs decreased by 14 in Core Operations, decreased by 9 in TP, increased by 35 in Other, for a net increase of 12 Bargaining Unit FTEs (Corporate View) between the 2 years.

During the 2012 corporate restructure, 12 Bargaining Unit positions were eliminated, resulting in those FTEs being compensated through the $25 million restructuring cost provision. However, in the 2013 forecast, ICBC had anticipated other changes to Bargaining Unit staffing irrespective of those eliminated Bargaining Unit positions. For example, a total of 37 additional FTEs were planned and hired to support the implementation of the BC Services Card initiative. Although these staff add to ICBC's FTEs (Corporate View) in the 2013 forecast, they are nevertheless fully recoverable. As a result, these FTEs do not impact ICBC's Basic insurance rate indication and are therefore removed from FTEs (Core Operations) as presented in Chapter 7, Figure 7.5 and in the response to information request 2013.1 RR BCUC.120.1.

In the case of Management and Confidential employees, ICBC had anticipated and provided for a reduction of 175 Management and Confidential FTEs as part of its $25 million restructuring cost provision. During 2012, ICBC realized 151 of those staff reductions and anticipated an outlook of 8 more in 2013.

The restructure of ICBC's Management and Confidential employee group involved:

- Elimination of certain senior executive positions.
- Elimination and reclassification of certain positions (e.g., from Vice President to Director).
- Elimination of certain management and confidential positions.
- Consolidation of key staffing functions.

The 2013 forecast Management and Confidential FTEs (Corporate View) reflects not only the results of the 2012 corporate restructure, but also ICBC's natural attrition, wherein staff may voluntarily leave employment due to, for example, retirement or a new job. In those circumstances, ICBC may have to replace staff in order to continue to meet with the service expectations of customers.

Furthermore, in the case of any FTE analysis (whether Bargaining Unit or Management and Confidential), one must consider the impact of timing on the calculation of annual average FTEs. Firstly, ICBC's corporate restructure took place in the later part of the year. As a result, the 2012 actual FTEs reflect only a partial year's staff reduction, as compared to a full year's result anticipated in the 2013 forecast. Secondly, in the normal course of business, ICBC does hire new staff to address operational requirements or in response to business demands. The timing of new hires will also impact the comparison of FTE results year over year.

For all the reasons discussed above, the staff reductions associated with the $25 million restructuring cost provision will not directly reconcile to the change in FTEs between 2012 actual and 2013 forecast.

2013 RR BCUC.UT.11 – Attachment A – Reconciliation of FTEs

Attachment A - Reconciliation of FTEs

Employee Group	Data Presented In Response to 2013.1 RR BCUC.120.1							Higher / (Lower)		Data Presented In Response to 2013.2 RR BCUC.215.1 Staff Reductions Related to $25m Restructuring Cost Provision	
	2008 Actual	2009 Actual	2010 Actual	2011 Actual	2012 Actual	2013 Forecast		2011 Actual vs. 2012 Actual	2012 Actual vs. 2013 Forecast	2012 Actual	2013 Outlook
ICBC FTEs (Core Operations)											
Bargaining Unit	4,044	4,009	3,961	3,936	3,822	3,808		(114)	(14)		
Management and Confidential	890	972	968	1,050	1,054	926		4	(128)		
Total ICBC FTEs	**4,934**	**4,981**	**4,929**	**4,986**	**4,876**	**4,734**	**Change in ICBC FTEs (Core Operations) (as per Figure 7.5, page 7-16)**	**(110)**	**(142)**		
FTEs (Transformation Program)											
Bargaining Unit			68	98	105	96		7	(9)		
Management and Confidential			73	74	62	58		(12)	(4)		
Total ICBC FTEs (Transformation Program)	-	-	**141**	**172**	**167**	**154**	**Change in TP FTEs**	**(5)**	**(13)**		
Other FTEs (Excluded from Core Operations)											
Bargaining Unit		18	13	15	11	46		(4)	35		
Management and Confidential	1	3	2	2	2	4		-	2		
Total Other FTEs (Excluded from Core Operations)	**1**	**21**	**15**	**17**	**13**	**50**	**Change in Other FTEs (mostly due to Govt Initiatives)**	**(4)**	**37**		
							Change in FTEs Excluded from Core Operations (TP + Other)	**(9)**	**24**		
ICBC FTEs (Corporate View):											
Total Bargaining Unit FTEs	4,044	4,027	4,042	4,049	3,938	3,950		(111)	12	(12)	-
Total Management and Confidential FTEs	891	975	1,043	1,126	1,118	988		(8)	(130)	(151)	(8)
Total ICBC FTEs (Corporate View)	**4,935**	**5,002**	**5,085**	**5,175**	**5,056**	**4,938**	**Change in ICBC FTEs (Corporate View)**	**(119)**	**(118)**	**(163)**	**(8)**

INSURANCE CORPORATION OF BRITISH COLUMBIA UNDERTAKING

HEARING DATE

February 14, 2014

TRANSCRIPT REFERENCE

Volume 7, page 1139, line 16 to page 1141, line 20

ICBC REFERENCE

2013 RR BCUC.UT.12

REQUESTOR: BCUC

QUESTION

Provide an estimate of the 2013 forecast amount of $19 million "pension and post-retirement benefit adjustment" not allocated to TP and Government Initiatives through the use of a standard benefit rate, and indicate what would be the impact on Basic insurance revenue requirements if this amount was excluded.

RESPONSE

ICBC's standard benefit rate for the 2013 forecast, revised to reflect the full cost of total benefits as indicated in the response to information request 2013.1 RR BCUC.125.3 would have been 34.32% (calculated as $104 million of total benefits divided by $303 million of estimated salaries) as compared to the 21.75% used to allocate to ICBC's divisions. The full cost of total benefits would include both the first $19 million amount associated with the pension and post-retirement benefit adjustment, and the second $19 million amount associated with the change in International Financial Reporting Standards (IFRS) on employee benefits (IAS 19R), assumptions for accounting purposes, and discount rate.

The labour cost associated with the Transformation Program (TP) and the fully recoverable Government Initiatives would have included a component for the 21.75% standard benefit

rate used in the 2013 forecast. However, in applying the 34.32% revised standard benefit rate as calculated above, ICBC estimates that the amount not allocated to TP and not recovered from Government Initiatives would have been:

- TP – approximately $1.6 million; impact on Basic insurance revenue requirements estimated to be approximately 0.06 percentage point.
- Government Initiatives – approximately $0.1 million; impact on Basic insurance revenue requirements estimated to be approximately 0.004 percentage point.