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May 19, 2015

Ms. June Elder
Manager, Corporate Regulatory Affairs
Insurance Corporation of British Columbia
151 West Esplanade
North Vancouver, BC V7M 3H9

Dear Ms. Elder:

Re: Insurance Corporation of British Columbia
Letter L-43-14 and Order G-155-14/Project No. 3698796
2014 Revenue Requirements Application

Further to your August 29, 2014 filing of the 2014 Revenue Requirements Application, enclosed please find the Commission's Decision and Order G-81-15.

Yours truly,

Erica Hamilton

/kbb
cc: Registered Interveners

IN THE MATTER OF

INSURANCE CORPORATION OF BRITISH COLUMBIA

2014 REVENUE REQUIREMENTS

DECISION

May 19, 2015

Before:

B. A. Magnan, Commissioner / Panel Chair
R. D. Revel, Commissioner
H. G. Harowitz, Commissioner

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EXECUTIVE SUMMARY

On August 29, 2014, the Insurance Corporation of British Columbia (ICBC) submitted an application to the British Columbia Utilities Commission (Commission) for approval of the Revenue Requirements for Universal Compulsory Automobile Insurance (Basic insurance) for the policy year commencing November 1, 2014 (Application).

The Application is made pursuant to sections 59 to 61 of the *Utilities Commission Act* and the *Insurance Corporation Act*. This decision is rendered in accordance with Special Direction IC2 (SD IC2) and applicable Orders in Council.

By Order G-129-14 dated September 4, 2014, the Commission approved ICBC's requested 5.2 percent Basic insurance rate increase on an interim basis for implementation with an effective date on or after November 1, 2014 subject to a final decision on the Basic insurance rate increase.

This decision deals with the setting of the Basic insurance rate increase on a permanent basis for the policy year commencing on or after November 1, 2014 (Policy Year 2014 or PY 2014) as well as approval of a revised New Money Rate to be used in the determination of investment income to calculate the investment income component of the Basic insurance rate indication for the Policy Year 2014.

The Panel determined that a written process was to be used for the review of this Application as described in the reasons attached to Order G-155-14. Two rounds of information requests were issued by the Commission and interveners and responded to by ICBC. In addition, some interveners filed intervener evidence.

The treatment of Loss Costs Forecast Variance (LCFV) as it relates to SD IC2 was extensively explored in this proceeding. The Panel also closely examined whether or not an LCFV that has been excluded in a prior year is eligible for further exclusion (in whole or in part) in subsequent years or must be discontinued in the year immediately following its exclusion. Upon examination of the evidence and interpretation of SD IC2, the Panel determines the LCFV that is eligible for exclusion consideration is limited to the LCFV for Policy Year 2014 and the prior exclusion of the LCFV for the 2013 policy year must be discontinued in setting the rates for PY 2014.

To align with the current ICBC Statement of Investment Policy and Procedures, the Panel approves the revised New Money Rate Formula.

As stated by ICBC in previous applications, the costs of the Transformation Program (TP) are to be borne by the Optional insurance side of ICBC, which is not regulated by the Commission. Therefore, within the Optional insurance funding arrangements committed to by ICBC, any costs such as the shortfall in the recovery of benefits or changes to the costs attributable to TP should not be charged to the Basic insurance business nor should any such allocations be recovered from the Basic capital reserve.

Upon consideration of the actuarial and non-actuarial components of the PY 2014 indicated rate change, the Panel concludes that a rate increase of 5.2 percent is warranted for PY 2014. For the reasons set out in this decision and as applied for in the Application, the Panel approves the 5.2 percent Basic insurance permanent rate increase for PY 2014.

The Application also proposed a framework for the calculation of a Customer Refund Credit (CRC) as set out in SD IC2 and the decisions related to the establishment of the New Basic Capital Management Plan as indicated in Order G-63-14. The Panel directs ICBC to implement the modified CRC process and to file the information required to implement the modified CRC process in the 2015 RRA and those subsequent.

The Panel also accepts ICBC's proposal to file its road safety report as part of the annual revenue requirements process as long as ICBC is required to file its annual revenue requirements applications.

The Panel finds that ICBC is to provide the transitional performance metrics that it has indicated in its submissions in the 2015 and 2016 revenue requirements applications. The Panel accepts ICBC's position that the best time to assess the success of the Claims Transformation is when the TP is complete.

1.0 INTRODUCTION

On August 29, 2014, the Insurance Corporation of British Columbia (ICBC) submitted an application to the British Columbia Utilities Commission (Commission) for approval of the Revenue Requirements for Universal Compulsory Automobile Insurance (Basic insurance) for the policy year commencing November 1, 2014 (PY 2014) (Application).

This decision relates to (i) setting the Basic insurance rate on a permanent basis for PY 2014; (ii) setting a revised New Money Rate relating to the forecast returns of ICBC's investments on premiums ICBC collects from its policyholders; and (iii) comments regarding the draft Customer Renewal Credit framework.

Other matters explored in the public proceeding such as claims cost management and performance measures are also discussed in this decision.

1.1 The Application and approvals sought

ICBC filed the Application pursuant to sections 59 to 61 of the *Utilities Commission Act*, RSBC 1996 c. 473, as amended,[1] and the *Insurance Corporation Act*, RSBC 1996, c. 228, as amended.

In the Application, ICBC seeks Commission approval for a 5.2 percent increase in Basic insurance rates to apply as follows:

- Pursuant to section 89 of the *Utilities Commission Act*, and section 15 of the *Administrative Tribunals Act*, the rate increase to apply on an interim basis for all new or renewal policies with an effective date on or after November 1, 2014 that have: (1) premiums determined through the use of the Schedule of Basic Insurance Premiums of the Basic Insurance Tariff (Schedule C) as filed with the Commission, excluding Rate Class 800, Rate Classes 900 to 906, and excluding policies relating to vehicles located on isolated islands; and (2) premiums determined under a Fleet Reporting Policy. Collectively, policies under (1) and (2) are referred to as the "Plate Owner Basic and Fleet Reporting Policies";
- ICBC applies for the 5.2 percent increase to be made on a permanent basis for Plate Owner Basic and Fleet Reporting Policies and all other new and renewal policies on or after the first day of the first month that is at least 60 days following the Commission's final decision on the Application.

In addition, ICBC is applying for approval of a revised formula for the New Money Rate used in the determination of investment income that forms a component of the Basic insurance rate indication.

By Order G-129-14 dated September 4, 2014, the Commission approved ICBC's requested 5.2 percent Basic insurance rate increase on an interim basis for implementation with an effective date on or after November 1, 2014 for all Plate Owner Basic and Fleet Reporting Policies as specified above. The Commission noted that it will determine the manner by which any variance between the approved interim rate and the

[1] Section 44 of the *Insurance Corporation Act* limits the sections of the *Utilities Commission Act* that apply to ICBC. Section 44(2) of the *Insurance Corporation Act* provides that ICBC is not a public utility.

approved permanent rate, will be refunded or collected at the time it renders its decision on the Application.

1.2 Participants

The Commission, by Letter L-43-14 dated August 22, 2014, and by Order G-155-14 dated October 8, 2014, established the regulatory timetable for the review of the Application. Participants in the public review process had the opportunity to participate in the following:

- an informational presentation;
- matters of interest to ICBC;
- review working session;
- two rounds of information requests (IR) on ICBC's evidence; and
- an intervener evidence process.

There were eleven registered interveners in this proceeding:

- Mr. Richard Landale (Landale)
- Yadong Wang
- Canadian Office and Professional Employee's Union, Local 378 (COPE)
- Mr. Richard McCandless (McCandless)
- Canadian Bar Association
- British Columbia Old Age Pensioners' Organization *et al*. (BCOAPO)
- Insurance Bureau of Canada (IBC)
- British Columbia Trucking Association
- Mr. Gordon Adair (Adair)
- Canadian Direct Insurance (CDI)
- Toward Responsible and Attentive Driving (TREAD)

The Commission also received submissions from interested parties and letters of comment.

1.3 Decision context

By Order G-63-14 and Decision dated May 14, 2014,[2] the Commission approved a 5.2 percent permanent Basic insurance rate increase for Policy Year 2013[3] and established a new Capital Management Plan, in accordance with the Rate Smoothing framework established by Orders in Council 152/13 and 153/13. Order in Council 152/13 amended Special Direction IC2 which specified the manner to be followed by the Commission when setting Basic insurance rates.

This Application, for PY 2014, is the second year under the Rate Smoothing framework and the amended Special Direction IC2. The Commission, in this decision will establish the permanent Basic insurance rate for

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[2] ICBC 2013 Revenue Requirements Application, Order G-63-14 and Decision dated May 14, 2014.
[3] Policy Year 2013 means policies which commenced on or after November 1, 2013 to October 31, 2014.

PY 2014, conforming with the boundaries of Special Direction IC2 and guided by the Capital Management Plan that was established in the May 2014 Decision.

In this decision, the Panel addresses matters that are pertinent to the Basic insurance rate setting as applied for in the Application. First, the Panel reviews the legislative and regulatory framework that is applicable to the Commission's regulation of Basic insurance. Second, the Panel addresses the components of the PY 2014 indicated rate change including approval of the final permanent rate for PY 2014. The remaining sections discusses the draft Customer Renewal Credit framework, claims cost management, performance measures and other matters.

1.4 Key auto insurance industry terms

As in the May 14, 2014 Decision, the Commission is providing specific insurance industry terms used for the general reader of this decision. The relevant definitions referred to in this decision are as follows:

- Accident Year (AY), Policy Year (PY) – Insurance premiums and costs can be accounted for in various ways. Accident Year refers to the compilation of insurance premiums and costs based on when the automobile accident occurred. For example, the Accident Year spanning November 1, 2014 – October 31, 2015 includes all losses associated with automobile accidents occurring between November 1, 2014 and October 31, 2015. Policy Year refers to the compilation of premiums and costs based on when insurance policies are issued. For example, the Policy Year spanning November 1, 2014 – October 31, 2015, includes all losses associated with insurance policies issued between November 1, 2014 and October 31, 2015.
- Loss Costs – The average amount of claims cost per Basic insurance policy on an annualized basis, determined on the basis of accepted actuarial practice. Loss costs are comprised of two components: claim frequency (incidence rate) and claim severity (the average cost per claim). ICBC actuaries forecast frequency and severity separately to arrive at the total losses to be reflected in the revenue requirements.
- Loss Trend – The annual rate of change in loss costs. ICBC actuaries separately analyze claim frequency trends and claim severity trends.
- Loss Costs Forecast Variance – The difference, expressed in percentage points of a rate change fixed in a general rate change order, between (a) the loss costs provision reflected in existing rates, and (b) the loss costs that have emerged.

2.0 APPLICABLE LEGISLATIVE AND REGULATORY FRAMEWORK

ICBC is governed by the *Insurance Corporation Act* and Regulations. ICBC is also subject to specific sections of the *Utilities Commission Act* for the purposes of Basic insurance regulation.

The jurisdiction of the Commission with respect to the regulation of ICBC's revenue requirements and rates is restricted by legislation to Basic insurance. The Commission has no jurisdiction over ICBC's Optional insurance business.

Special Direction IC2 is particularly relevant. Among the provisions of Special Direction IC2 that are relevant to this Application are:

- Section 3(1)(c) provides that for each year that the Commission fixes Basic insurance rates, the Commission must fix those rates on the basis of accepted actuarial practice so that the rates allow ICBC to collect sufficient revenue to pay certain identified costs (subject to sections 3(1)(c.1) and 3(1)(e) below).
- Section 3(1)(c.1) provides that the Commission must, when regulating Basic insurance rates, regulate and fix those rates in a manner that recognizes and accepts actions taken by ICBC in compliance with government directives issued to ICBC.
- Section 3(1)(e) provides that the Commission must ensure increases or decreases in Basic insurance rates are phased in in such a way that those rates remain relatively stable and predictable.
- Section 3(1)(c.2) provides that despite section 3(1)(c),
    - (i) for 2013, the loss costs forecast variance must not be reflected in the general rate change order, and
    - (ii) for 2014 and each following year for which rates are set,
        - (A) the Commission may exclude some or all of that year's loss costs forecast variance from the rate fixed by a general rate change order in accordance with a capital management plan approved by the Commission, and
        - (B) the percentage number of a rate change fixed by a general rate change order must differ from the percentage number of a rate change fixed by the previous general rate change order by no more than 1.5, and must not decrease existing rates.

As such, the Commission is required to comply with all the sections set out in Special Direction IC2 as they apply to the permanent rate setting for PY 2014.

3.0 COMPONENTS OF POLICY YEAR 2014 INDICATED RATE CHANGE

3.1 Actuarial rate level indication

3.1.1 Estimated 5.2 percent rate increase to cover costs

In the Application, ICBC states that a 5.2 percent Basic insurance rate increase in PY 2014 is needed to fully cover costs. This is equivalent to approximately $130 million of required premium change that ICBC needs to collect in PY 2014 to fully cover costs.[4] The dollar impact per policy for an average Basic policyholder is estimated to be a $42 increase from the current projected premium of $806 to a proposed premium of $848[5].

ICBC acknowledges that the 5.2 percent estimated rate increase to cover costs is subject to uncertainty, but is based upon "techniques and assumptions that are appropriate and in compliance with accepted actuarial practice in Canada, and the conclusions reached are reasonable, given the information available at the time of the forecast."[6]

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[4] Exhibit B-13, 2014.1 RR BCUC.1.1.
[5] Ibid., 2014.1 RR BCUC.1.3.
[6] Exhibit B-3, Chapter 3, pp. 3-20–3-21, para 50.

In the Application, ICBC notes that it has undergone a number of internal operational changes including the development of claims cost management strategies since 2005 and more recently the implementation of the new claims job hierarchy in early 2013. ICBC states that these operational changes have affected the manner in which claims are reported, reserved, paid and closed.[7] Further, operational changes and claim initiatives have also altered ICBC's historical claim cost patterns which serve as a basis for ICBC's estimates of its future claim costs. These changes, coupled with external factors such as the changes in economic conditions, weather conditions and an acceleration in the legal representation rate, introduce an increased level of uncertainty surrounding ICBC's forecast of future claim costs.[8]

ICBC submits that a range of professional judgments could be applied in estimating the rate change to cover costs that are within accepted actuarial standards of practice. However, ICBC states, "[a]ccepted actuarial practice, which employs the Standards of Practice of the Canadian Institute of Actuaries, constrains the judgment the actuaries employ."[9] In response to IRs, ICBC provided a sensitivity summary that shows the impact of different hypothetical scenarios and their resulting impact on the rate indication.[10]

ICBC, in Figure 3.2 of the Application, shows the components and impact of the indicated rate change.

Figure 3.2 – Overview of Impact on PY 2014 Indicated Rate Change

Line No.	Components	Impact (percentage points of PY 2014 indicated rate change)
1	Discontinuing Prior Year's Rate Exclusion	+6.6
2	PY 2013 Loss Cost Forecast Variance	-1.5
3	Loss Trend to PY 2014	+2.9
4	Investment Income	-3.0
5	Operating Expense	-0.1
6	Capital Maintenance	+0.2
7	Change in Average Premium	+0.2
8	Other	-0.1
9	Rate Change to Cover Costs	+5.2
10	Capital Provision	0.0
11	**Indicated Rate Change**	**+5.2**

3.1.2 Loss Costs Forecast Variance

Treatment of the Loss Costs Forecast Variance (LCFV) as it relates to Special Direction IC2 (SD IC2) was explored extensively in this proceeding.

[7] Exhibit B-13, 2014.1 RR BCUC.20.1.
[8] Ibid.; Exhibit B-15, 2014.2 RR RM.2.8.
[9] Exhibit B-15, 2014.2 RR RM.8.1A.
[10] Ibid., 2014.2 RR BCUC.83.4.1 – Attachment A.

SD IC2 provides the following definitions and directives:

> **Loss Costs** means "the average amount of claims cost per universal compulsory vehicle insurance policy on an annualized basis, determined on the basis of accepted actuarial practice."
> **Loss Costs Forecast Variance** means "…the difference, expressed in percentage points of a rate change fixed in a general rate change order, between
> (a) the loss costs provision reflected in existing rates, and
> (b) the loss costs that have emerged."

SD IC2 section 3(1)(c) directs the Commission as follows:

> Subject to paragraphs (c.1) and (e), for each year for which it fixes universal compulsory vehicle insurance rates, fix those rates on the basis of accepted actuarial practice so that those rates allow the corporation to collect sufficient revenue"; where paragraph (e) instructs the Commission to "ensure that increases or decreases in universal compulsory vehicle insurance rates are phased in in such a way that those rates remain relatively stable and predictable.

SD IC2 section 3(1)(c.2) also provides specific direction on treatment of the LCFV in respect of Basic insurance rate setting:

(i) for 2013, the loss costs forecast variance must not be reflected in the general rate change order, and

(ii) for 2014 and each following year for which rates are set,

  (A) the Commission may exclude some or all of that year's loss costs forecast variance from the rate fixed by a general rate change order in accordance with a capital management plan approved by the Commission, and

  (B) the percentage number of a rate change fixed by a general rate change order must differ from the percentage number of a rate change fixed by the previous general rate change order by no more than 1.5, and must not decrease existing rates.

Within the context of SD IC2, determination of the appropriate amount of the LCFV to be excluded from rates in this Application hinges on two questions. First, what is the quantum of the LCFV that is eligible for exclusion? Second, what portion, if any, of the eligible LCFV should be excluded in respect of rate smoothing?

3.1.3 What LCFV is eligible for exclusion consideration?

In the May 14, 2014 Decision regarding the 2013 Revenue Requirements Application (RRA), the Commission accepted +6.6 percent as the indicated LCFV for the 2013 Policy Year. And, pursuant to SD IC2, the Commission excluded this amount from the 2013 rates.

Thus, the current Application identifies two LCFV amounts to be considered in rate setting: the +6.6 percent LCFV for the 2013 policy year that was excluded last year and needs to be discontinued at some point; and the -1.5 percent LCFV for the 2014 policy year. This gives rise to questions surrounding the appropriate interpretation of SD IC2 in respect of which amounts are or are not eligible for exclusion consideration in the current Application.

To better understand the various parties' positions on this important matter, by letter dated February 16, 2015, the Panel invited ICBC and interveners to explain their positions, if any, on three key questions.[11]

3.1.3.1 Parties' position

Question 1: **Based on the definition stated in SD IC2, what is the LCFV for the 2014 policy year, and what is the LCFV for the 2013 policy year?**

ICBC submits that "the LCFV for the 2014 policy year is -1.5 percentage points of the rate change. The [LCFV] for the 2013 policy year was 6.6 percentage points of the approved rate increase to cover Basic insurance costs for the 2013 RRA."[12]

Interveners are all in agreement with ICBC's position.

Question 2: **Does the Commission have the ability to exclude all or any part of either (i) the LCFV for the 2014 policy year, or (ii) the LCFV for the 2013 policy year?**

ICBC argues that "[t]he Commission has the ability to exclude all or any part of the [LCFV] for the 2014 policy year, but not the [LCFV] for the 2013 policy year. Excluding the favourable [LCFV] for the 2014 policy year would result in an *increase* in the rate indication."[13]

Landale states that from the wording of SD IC2, the Commission has the ability to exclude all or any part of the LCFV for the 2014 policy year. Landale also states "[i]f the BC Government had any intentions [sic] of changing the directions in regard to LCFV for the relationship between 2013 and 2014, then the BC Government would have made them in the February 2014 revisions. They did not."[14]

CDI submits that "…the BCUC can continue all or part of the [prior year's] exclusion for future policy years… [and] it has discretion to exclude requested rate increases at any time, absent limiting contrary directions from the Lieutenant Governor in Council."[15] CDI's position is based on two arguments.

- The Commission has wide discretion over Basic insurance rates and this wide discretion is maintained in SD IC2. In exercising this discretion, the Commission is to be guided by section 3(1)(e) of SD IC2 to ensure rate changes are 'phased in in such a way that those rates remain relatively stable and predictable,' even where such smoothed rates may run afoul of accepted actuarial practices relied on by ICBC. This provision trumps section 3(1)(c)'s requirements for accepted actuarial practice, and instead, focuses on the BCUC's mandate as a regulator to smooth rates for

[11] Exhibit A-14.
[12] ICBC Final Argument, p. 4
[13] Ibid.
[14] Landale Final Argument, pp. 24–25.
[15] CDI Final Argument, p. 6.

consumers over time, explicitly maintaining the BCUC's discretion as to when changes occur and what changes are acceptable.[16]

- The provisions in SD IC2 are silent on whether the LCFV amounts excluded must be included in future rate changes. Therefore section 3(1)(c.2)(i) does not require the PY 2013 LCFV be reflected in the PY 2014 assessment.[17]

Question 3: **With respect to the 6.6 percent rate exclusion in the 2013 policy year, does the Commission have the ability to repeat any part of this rate exclusion in the 2014 policy year?**

ICBC submits that SD IC2 requires the Commission to discontinue the 2013 policy year rate exclusion in this year, rather than phasing it in. ICBC advances the following arguments for this position.

- As SD IC2 mandates that the Commission determine Basic insurance rates in accordance with accepted actuarial practice. Unless there is a legal requirement to the contrary, PY 2014 rates must be fixed to cover the costs related to PY 2014.
- Rates would continue to remain deficient in PY 2014 unless the rate indication rectifies the ongoing deficiency caused by the exclusion in 2013 RRA.
- SD IC2 only permits the exclusion of "that year's" loss costs forecast variance, and "that year's" refers to the loss costs forecast variance in the current rate indication.
- The term loss costs forecast variance has been used in the context of the regulation of ICBC for many years to mean the difference between the forecast loss costs in the prior filing and how the costs have emerged as of the date of the filing under consideration at the time.[18]

Landale submits that the Commission has the ability to exclude some or all of the LCFV for the 2013 policy year.[19]

BCOAPO believes that the Commission does have the jurisdiction to exclude part of the 6.6 percent 2013 rate exclusion in the 2014 policy year to help achieve the Government's rate smoothing objectives in SD IC2. BCOAPO submits it "would shield low and fixed income Basic insurance policyholders from having to cope with another 5.2% rate increase unnecessarily."[20]

Further to CDI's arguments noted in respect of Question 2, CDI argues that "…the BCUC should, in line with its mandate and wide discretion, and in order to promote greater stability and predictability in Basic insurance rates, introduce the 6.6% rate slowly over a number of policy years, to keep with the spirit and intent of *Special Direction IC2*."[21]

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16 Ibid., pp. 11–12.
17 Ibid, p. 8.
18 ICBC Final Argument, pp. 5–8.
19 Landale Final Argument, p. 25.
20 BCOAPO Final Argument, p. 14.
21 CDI Final Argument, p. 9.

McCandless states that the price control (rate smoothing) framework imposed on the Commission is a new component of the rate determination process. He urges the Commission to "adopt a more expansive interpretation of the wording" in SD IC2.[22]

3.1.3.2 Commission discussion and determination

The Panel notes that all parties are of a common view as to how the LCFV values are determined (i.e. responses to Question 1). Specifically, no party to the proceeding argued that the excluded LCFV for the 2013 policy year should be combined with the LCFV for the 2014 policy year, to arrive at an "adjusted" single LCFV value for the purposes of understanding SD IC2. The parties are in agreement that the LCFV values for the 2013 and 2014 policy years are distinct and separate and need to be treated as such.

The Panel determines that the phrase "that year's loss costs forecast" in section3(1)(c.2)(ii)(A) of SD IC2 must be interpreted as applying to one or another policy year's LCFV but not more than one at the same time.

With that in mind, it becomes further apparent that "that year's loss costs forecast variance" must refer to the most current LCFV, or in the case of the current Application, the LCFV for the 2014 policy year (i.e. -1.5%). SD IC2 section 3(1)(c.2)(ii) states that "for 2014 and each following year for which rates are set…" the Commission "may exclude some or all of that year's loss cost forecast variance". The provision of "that year's loss cost forecast variance" in section 3(1)(c.2)(ii)(A) follows from (ii) which states "for 2014 and each follow year", and not from (i) which states "for 2013."

What remains, then, is the question of whether or not a LCFV that has been prior excluded is eligible for further exclusion (in whole or in part) in subsequent years, or must be discontinued in the year immediately following its exclusion.

In trying to resolve this issue, the Panel takes note of the potentially competing objectives of two paragraphs in section 3(1) of SD IC2: paragraph (c) in support of adhering to accepted actuarial practice; and paragraph (e) in support of phasing in rates in a relatively stable and predictable way.

CDI specifically argues that rate smoothing should trump actuarial practice (within limits), and other interveners take similar positions that would give the Commission broader latitude in rate smoothing, even at the potential expense of rigid adherence to accepted actuarial practice.

ICBC argues the contrary, that sound actuarial practice constrains the Commission's latitude and discretion.

In examining those two sections, the Panel takes particular note of the fact that paragraph (c) begins with "subject to… …paragraph (e)". Such wording would indicate that, subject to any specific instructions elsewhere in SD IC2 to the contrary, paragraph (e) would indeed trump paragraph (c).

[22] McCandless response to the BCUC request of February 16, 2015.

However, this interpretation must be tempered by the specific instructions set out in section 3(1)(c.2)(ii) as it pertains to LCFV exclusion in particular, which brings us back to the meaning of “that year’s”. As already noted, for the purposes of the current Application, the Panel understands “that year’s” as referring specifically and only to the LCFV for the 2014 policy year, which would exclude the LCFV for the 2013 policy year from eligibility.

The argument put forward by some interveners, that section 3(1)(c.2)(ii)’s silence on when LCFV exclusions are to be discontinued provides the Commission with the latitude to consider further exclusion of a prior year’s LCFV in the current year. The Panel examined this silence within the context of the instruction to consider “that year’s loss cost variance” and in that light, does not view the silence as implied permission to expand the Commission’s discretion.

In due consideration of all the arguments, **the Panel determines that pursuant to SD IC2, the loss cost forecast variance provision that is eligible for exclusion consideration is limited to the LCFV for the 2014 policy year. The prior exclusion of the LCFV for the 2013 policy year must be discontinued in its entirety in setting the rate in PY 2014.** More specifically, any future exclusion of the then current LCFV can be for one year only. The exclusion must be discontinued in setting the rate immediately in the following year, subject to the rate change limit set out in section 3(1)(c.2)(ii)(B) of SD IC2.

<u>What portion of the eligible LCFV should be excluded from current rates?</u>

Pursuant to the prior determination, then, the eligible LCFV for consideration in the current Application is the -1.5 percent LCFV for the 2014 Policy Year.

In the 2013 RRA Decision, the Commission accepted ICBC’s proposal that future years’ RRAs would be governed by the practice that only in circumstances of unfavourable (positive as opposed to negative) LCFV would some or all of a loss cost forecast variance be excluded.[23] This Panel agrees with the 2013 RRA Decision and, as such, **the Panel determines that the LCFV for the 2014 Policy Year will be included in the PY 2014 rate.**

The Panel acknowledges the considerable thought and effort that went into the submissions from all parties in respect of what portion of the LCFV for the 2013 Policy Year the Panel should exclude, had the Panel determined that this LCFV was eligible for exclusion consideration. However, in light of the foregoing determinations, those submissions are rendered moot and the Panel does not provide any findings or determinations thereon.

3.2 ICBC actuarial assumptions

Two key actuarial assumptions underpinning the estimate of the 5.2 percent rate increase necessary to cover the expected loss costs for Policy Year 2014 are Bodily Injury (BI) frequency and BI severity.

The methodology ICBC used to forecast the PY 2014 Personal BI claim frequency rate is generally consistent with the methodology it applied in the 2013 RRA, with two notable differences.

[23] ICBC 2013 RRA Decision, p. 33; ICBC 2013 RRA, Exhibit B-3, 2013.1 RR BCUC.75.5.

First, the methodology for estimating the accident year 2013 Personal BI[24] claim frequency rate has been changed. In the 2013 RRA, ICBC based its (accident year 2013) frequency estimate upon the average level estimated for the prior three accident years (2010, 2011 and 2012). In this 2014 RRA, ICBC based its estimate solely upon the accident year 2013 claim experience that has emerged (i.e. rather than relying on an average of prior years). ICBC applied this alternate approach "…as it was considered to be more responsive to recent favourable frequency that continues to emerge in 2014."[25] This change in methodology results in an estimate of 1.42 percent for the accident year 2013 Personal BI claim frequency rate.[26]

ICBC considers that after accident year 2013 the frequency trend pattern will continue a downward trend,[27] declining at "half of the long-term pre-recession trend rate"[28] due to the impact of four factors:

- improvements in the safety of the road infrastructure;
- improvements in the safety of the vehicle population;
- a growing proportion of drivers in their safest driving years; and
- an increasing number of vehicles per household.[29]

ICBC asserts that these favourable influences were dampened due to the recession in 2008 and 2009 and the proliferation of smartphones, but that the dampening effect should now stabilize.[30]

The second change in methodology is ICBC's introduction of a weather adjustment. Based on ICBC's analysis, it determined that "[p]recipitation levels have a relationship to changes in claim frequency, and the level of precipitation in BC was extremely low, compared to normal levels, for much of 2013."[31] As a result, ICBC makes an upward adjustment to the accident year 2013 frequency rate (from 1.42 percent to 1.45 percent) to reflect what ICBC calculates the accident year 2013 frequency rate would have been under normal weather conditions.[32] ICBC then projected the Personal BI frequency rates for accident years 2014, 2015 and 2016 based on the accident year 2013 adjusted claim frequency rate of 1.45 percent.

ICBC's methodology in forecasting the PY 2014 Personal BI severity is consistent with the methodology it applied in the 2013 RRA. ICBC estimates that claim severity has been increasing at a rate of 5.7 percent per year and assumes that it will continue to increase at a rate of 5.7 percent per year after accident year 2013. ICBC submits that its selection of the +5.7 percent future severity trend rate is actuarially sound and reasonable. ICBC acknowledges that the acceleration in the legal representation rate has, and continues to,

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[24] Personal BI, as distinguished from Commercial BI, is a component of the overall BI. The methodology used for Commercial BI is similar to Personal BI, but with different numbers.
[25] Exhibit B-13, 2014.1 RR BCUC.7.1, p. 2 of 4.
[26] Ibid., 2014.1 RR BCOAPO.12.1 – Attachment A.
[27] Exhibit B-3, p. 3-19.
[28] Ibid., Exhibit D.0, para. 11.
[29] Ibid., p. 3-13.
[30] ICBC Final Argument, pp. 20–21.
[31] Exhibit B-3, p. 3-18, para. 45.
[32] Exhibit B-15, 2014.2 RR BCUC. 83.1.

put pressure on the severity level, and that new pressures on BI claims costs continue to emerge. However, ICBC also believes the claims initiatives it has introduced will help moderate BI cost pressures.[33]

3.2.1 Intervener submissions

With the exceptions noted below, the interveners did not express concerns with ICBC's actuarial analysis or assumptions set out in the Application.

Landale expressed concern over ICBC's reliance on the annual precipitation levels for Vancouver International Airport (YVR) only to calculate the weather adjustment. Landale argues that precipitation rates vary significantly throughout the province and urges the Commission to "…research/canvass the 18 ICBC Regional Districts for their respective Annual Precipitation…," weight the values and apply the weighted values in the calculation of the rate indication. [34]

IBC "has serious concerns that ICBC has not provided sufficient evidence regarding the factors that are driving claims costs and frequency, and the subsequent requested rate increase."[35] In particular, IBC contends that ICBC should provide more data concerning "…the proliferation of smartphones and other personal electronic devices since 2009… to ensure that this is in fact the true driver of claims costs and frequency."[36]

CDI expresses concern with ICBC's position that despite the noted factors that are purportedly having a favourable influence on claim frequency (and hence rates) these positive factors are tempered by the widespread use of smartphones that contribute to distracted driving and hence put "…pressure of BI frequency." CDI challenges this position and states that ICBC's own numbers show that "BI frequency has been coming down since 2011, even as Smartphone penetration increases."[37]

3.2.2 ICBC reply and position

With respect to the weather adjustment, ICBC submits that its application of a weather adjustment is appropriate and follows actuarial standards of practice.[38] ICBC submits that it has demonstrated that "…precipitation is a statistically significant explanatory factor of the volatility in Bodily Injury claim frequency" and that making the weather adjustment "follow[s] the recommended practices of actuarial standard."[39]

As to the use of YVR precipitation only, ICBC states three reasons why it chose the YVR weather station to measure precipitation for the BC driving population:

- One, a majority of the BC driving population is located in the southwest corner of the province of which YVR is a reasonable representation of the precipitation in the area.

[33] ICBC Final Argument, p. 20, para. 49; Exhibit B-3, p. 3-22, para 53.
[34] Landale Final Argument, p. 20.
[35] IBC Final Argument, p. 1.
[36] Ibid., p. 2.
[37] CDI Final Argument, p. 15.
[38] ICBC Final Submission, p. 22, para. 54.
[39] Exhibit B-15, 2014.2 RR BCUC.83.3.

- Two, the data is provided by Environment Canada which is a reputable government agency.
- Three, the YVR weather station data is reliable and extensive compared to other nearby weather stations. For example, daily precipitation data extends [sic] back over 30 years with no missing values.[40]

ICBC also states"…[e]ven if the other weather station data were more reliable, their inclusion into the frequency models would increase model complexity for what ICBC believes would add little if any improvement to its frequency forecast…"[41]

In response to IBC's challenge that ICBC has not sufficiently made the case for the impact of smartphones on claim costs and frequency, ICBC argues that it has provided significant evidence and analysis both in the Application and subsequent IR responses, and that the evidence is compelling.[42]

ICBC contends that CDI's statements concerning the impact that the proliferation of smartphones has had on claim frequency are based on erroneous information, and that correct information shows that BI frequency trend flattened from 2009 to 2012 when smartphone penetration peaked, and that as the rate of increase in smartphone penetration slows down the upward pressure on BI frequency would be expected to stabilize.[43]

3.2.3 Commission discussion and determination

The Panel acknowledges that except for the two noted differences, ICBC's actuarial methodology and assumptions are for the most part consistent with the methodology and assumptions employed by ICBC in the 2013 RRA, which the Panel accepted as following actuarial standards of practice.

With respect to ICBC's change in methodology to calculate the Personal BI accident year 2013 frequency rate, the Panel is persuaded that the change is on the basis of accepted actuarial practice.

The Panel also accepts the use of a weather adjustment for this Application. However, the Panel shares the concern expressed by Landale regarding ICBC's reliance upon the YVR weather station as the single source of precipitation data. The Panel is not convinced that complete and reliable data from other locations throughout the province are not available to improve the accuracy of the weather adjustment in an efficient manner. **In the event that ICBC intends to include a weather adjustment in future RRAs, the Panel directs ICBC to conduct additional research into the availability, quality and usefulness of incorporating precipitation levels reported by other weather data stations as part of the actuarial analysis.**

Given the evidence on record, the Panel is persuaded that the actuarial analysis presented in the Application conforms with accepted actuarial practice. Therefore, apart from the non-actuarial adjustments in later sections of this decision, **the Panel accepts the actuarial analysis presented in the Application.**

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[40] Exhibit B-13, 2014.1 RR BCUC.9.6.
[41] Exhibit B-15, 2014.2 RR BCUC.90.3.
[42] ICBC Reply Argument, p. 13.
[43] ICBC Final Argument, p. 12.

3.3 Investments

ICBC's investment portfolio is funded by premiums earned and is guided by ICBC Statement of Investment Policy and Procedures (SIPP). The actuarial rate indication analysis incorporates two investment yields: (i) New Money Rate (NMR) and (ii) Yield on Basic Equity (YoBE). The NMR is the yield on new investment assets that ICBC will be purchasing with future Basic insurance premiums related to the future policy year. ICBC submits that the NMR should be reflective of the strategic asset mix in the most current SIPP. The YoBE is the yield generated by ICBC's current investment portfolio.[44]

In the Application, ICBC is applying for approval for a revised NMR formula. ICBC submits that "the revised [NMR] formula aligns with the more efficient portfolio asset mix specified in the [SIPP] approved by ICBC's Board of Directors and provided in Appendix 5 A in this Application."[45]

ICBC expects that income earned on investments will offset a portion of the claims costs.[46] As shown in Figure 3.2, "[h]igher expected investment income as compared to PY 2013 has a favourable impact of -3.0 percentage points on the PY 2014 indicated rate change."[47]

3.3.1 Requested approval of NMR formula

The NMR consists of the following assets: (i) risk-free, (ii) credit, (iii) equity and (iv) real estate.

Figure 5.1 – Proposed Revised Formula for the New Money Rate (Weighting as of June 2014)

Asset Type	Weight	Forecast Element	Risk Premium (Added to Forecast Element)
Risk-free assets	16%	Forecast 3-year Government of Canada bond yield calculated from multi-dealer survey.	N/A
Credit assets	61%	Forecast 3-year Government of Canada bond yield calculated from multi-dealer survey.	1.46%
Equity assets	17%	Forecast 30-year Government of Canada bond yield calculated from multi-dealer survey.	6.40%[6]
Real Estate Assets	6%	Forecast Canadian inflation from multi-dealer survey.	4.25%

The weighting for each component is based on the target allocation for June 2014 in accordance with the SIPP. ICBC notes that the weighting will adjust for any change to the strategic asset mix in the SIPP and liquidity requirements.

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[44] Exhibit B-3, p. 5-1.
[45] Ibid., p. ii.
[46] Ibid., p. 2-1.
[47] Ibid., pp. 3-6.

Each credit asset type has credit spreads that are subject to change each year as they are moving averages. ICBC is not planning to adjust credit spreads for unusual economic conditions[48]. ICBC has committed to provide the supporting credit assets data in future revenue requirement applications.[49]

3.3.2 Equity component of the NMR

Most of the focus on the revised NMR proposal explored what is the most appropriate risk premium to apply to ICBC's equity investments in the equity asset component of the NMR.

As of June 30, 2014, the strategic target mix in equities is 17 percent, which consists of Canadian equities (12 percent), US equities (2.5 percent), and EAFE[50] equities (2.5 percent). ICBC uses the Capital Asset Pricing Model (CAPM) to forecast equity returns[51].

$$\bar{r}_a = r_f + \beta_a (\bar{r}_m - r_f)$$

Where:

r_f = Risk free rate

β_a = Beta of the security

$\bar{r}_m$ = Expected market return

As for the risk premium component in the CAPM: $\bar{r}_m - r_f$, ICBC uses the risk premium of 6.40 percent found in the May 10, 2013 Decision on the Generic Cost of Capital proceeding.[52] This is the same approach as the previously approved NMR.

ICBC provided two alternatives to the 6.40 percent risk premium. The first alternative is an index forecast. However, ICBC is unable to identify an index forecast for Canadian and International equities. ICBC cites timing and consistency issues found in the S&P 500 index forecast. The second alternative is historic equity market returns. ICBC cites the drawback that volatility in historic equity market returns can translate into volatile rate changes, which is contrary to the requirement of SD IC2 that Basic insurance rates should remain relatively stable and predictable.[53]

3.3.3 Parties' position

ICBC submits that the use of the equity risk premium from the 2013 Generic Cost of Capital Decision in the NMR is appropriate because it is transparent and standardized. Forecasting equity market returns is inherently difficult, and a wide range of results can be produced using different approaches. The approach

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[48] Exhibit B-15, 2014.2 RR BCUC.100.3.
[49] Exhibit B-13, 2014.1 RR BCUC.43.2.1 and 43.4.
[50] EAFE represents Europe, Australia, Far East.
[51] Exhibit B-7, slide 53, p. 27.
[52] The equity risk premium of 6.40% is sourced from the May 10, 2013 Decision on the Commission's Generic Cost of Capital Proceeding (Stage 1), p. 62.
[53] Exhibit B-15, 2014.2 RR BCUC.101.3 and 101.8.

used by the Commission to arrive at an equity risk premium as part of its Generic Cost of Capital proceedings was thorough and based on expert evidence.[54]

BCOAPO was the only intervener that submitted comments on the proposed NMR formula. BCOAPO supports ICBC's proposed NMR formula including the use of the Commission determined market equity risk premium.[55]

3.3.3.1 Commission determination

To align with the current ICBC Statement of Investment Policy and Procedures, the Panel approves the revised NMR formula. The Panel accepts the investment income component of the PY 2014 indicated rate change. ICBC is directed to use the approved New Money Rate formula to calculate the investment income component of Basic insurance rate indication in future RRAs.

The Panel views that the 6.4 percent risk premium is the most appropriate estimate to use in the equity component of the NMR. First, the Panel agrees that equity index forecasts vary depending on the methodology and assumptions used by the forecast provider. The Panel also notes that ICBC is unable to identify reliable equity index forecasts. Therefore, it may be difficult to assess equity index forecasts in a cost effective and timely manner. Second, the Panel notes that the 6.4 percent equity risk premium as determined in the GCOC proceeding was based on expert evidence filed at that time. The methodology and data was thoroughly examined in that proceeding.

Overall, the Panel is persuaded that ICBC has provided sufficient explanation and rationale to revise the NMR formula. The Panel accepts the 6.4 percent risk premium used in the equity component of the revised NMR and the YoBE. In other parts of the NMR formula, such as credit assets, the Panel acknowledges ICBC's commitment to provide sufficient information in future RRAs to substantiate the risk premiums.

3.4 Operating expenses and allocation information

"The determination of the rate indication includes a forecast of the corporate operating expenses allocated to the Basic insurance line of business for the 2014 policy year."[56] As shown in Figure 3.2, operating expense has a minimally favourable impact of -0.1 percent on the rate indication for PY 2014[57].

The review process focused on the Transformation Program (TP) in terms of potential savings and expenses that were shifted outside the TP. The standard benefit rate was also an issue raised in the review process.

3.4.1 Costs associated with operationalized TP projects

> The Government directive of April 19, 2010 with respect to the TP approved by Order in Council 222/10, April 29, 2010 (the Government Directive regarding TP) authorizes ICBC to undertake TP. It directs ICBC to pay for TP costs to a maximum of $400 million from Optional

[54] ICBC Final Argument, p. 33.
[55] BCOAPO Final Argument p. 14.
[56] Exhibit B-3, p. 8-1, para. 1.
[57] Ibid., p. 8-2.

> insurance which [costs] would otherwise be allocated between Basic and Optional insurance based on the methodology approved by the Commission.[58, 59]

The TP is a collection of projects that involve transformational changes supporting ICBC's business strategy. ICBC submits that the TP includes the introduction of new systems, and improvements to business processes, which give ICBC employees the tools to be successful. In accordance with the Government Directive regarding TP, TP project operational costs and depreciation expense for TP project capital costs are funded 100 percent by Optional insurance. As TP projects are completed and operationalized, post-implementation and future ongoing operating costs are allocated between Basic and Optional insurance in accordance with ICBC's Commission-approved financial allocation methodology.[60]

ICBC claims that future savings will offset the costs associated with operationalized TP projects. For example, ICBC states:

- "…in future years, anticipated operating savings from TP efficiencies will offset the costs associated with operationalized TP projects."[61]
- "Claims Transformation has been the most significant component of TP-related change to date… Going forward, the Commission will see overall operating expense savings resulting from the implementation of Claims Transformation."[62]
- "Going forward, the Commission will see overall operating expenses savings associated with the implementation of ClaimCenter, particularly in the reduction of FTEs, as well as associated claims cost savings."[63]

Interveners did not submit a position on this issue.

3.4.1.1 Commission discussion

From Letter L-61-10 dated August 9, 2010, the Commission stated:

> Although the TP is intended to be funded by Optional Insurance, the Commission recognizes that there are potential risks for Basic Insurance ratepayers. In particular, if the TP delivers sub-optimal business solutions or the technology fails, both the Basic Insurance and Optional Insurance lines of business will bear the costs of any consequences.

This Panel observes that ICBC anticipates future operating savings from TP efficiencies. The benefits of TP are expected to generate a favourable impact on Basic insurance rates. The Panel observes that substantiated and specific information relating to the future operating savings would be informative. The

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[58] Ibid., p. iv.
[59] Order in Council 222/10 is attached as Appendix D to this decision.
[60] Exhibit B-3, p. 8-1.
[61] Exhibit B-13, 2014.1 RR BCUC.68.1 and 68.2; ICBC Final Argument, p. 30.
[62] ICBC Final Argument, p. 31.
[63] Exhibit B-15, 2014.2 RR BCUC.104.1, p. 3 of 10.

Panel requests that ICBC tracks these projected savings and report on the results starting with the 2017 RRA in a format that would allow for sufficient evaluation of the benefits to Basic policyholders.

3.4.2 Project costs determined not to be within the foundational TP scope

The issue of costs that were originally planned for TP but are now shifted out to corporate operating expense were explored in the IR process.[64] "In December 2013, parallel processing costs (planned at $14.5 million over four years) were shifted to corporate operating expenses based on a decision by ICBC's Board of Directors after consultation with external advisors."[65] "For the 2014 policy year, the parallel processing costs were forecasted at $1.6 million. … [ICBC indicates that] the Basic Insurance portion of these costs is $1.1 million (66% of $1.6 million) which would have no impact on the 2014 rate indication of 5.2%."[66]

The Government Directive regarding TP provides a schedule that sets out the scope of the TP. The Government Directive regarding TP also specifies a list of non-funded items [to be paid] by Optional insurance.[67]

3.4.2.1 Parties' position

ICBC submits that management continues to evaluate project costs that fit within the definition of TP. "As a project develops and the outcome and scope is more clearly defined, it is anticipated that there may well be other aspects of a project identified to be outside of TP definition. The specific cost and list of items that do not fit within TP is continually evolving."[68] Further, ICBC states:

> For project costs that are determined not to be within TP scope and will be undertaken and funded by corporate operating expenses, these costs are included as part of ICBC's operating expenses in the annual revenue requirements application. ICBC considers that this type of reporting provides the Commission with the necessary information regarding the status of TP.[69]

ICBC submits that "[a]ny project costs that, upon further review, are determined not to meet the test for inclusion within the TP costs will be absorbed in ICBC's operating budget in the same year, so that there is no increase to Basic insurance rates as a result of costs shifting out of TP."[70]

Interveners did not submit a position on this issue.

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[64] Exhibit B-13, 2014.1 RR BCUC.68.3; Exhibit B-15, 2014.2 RR BCUC.111.1–111.5.
[65] Exhibit B-13, 2014.1 RR BCUC.68.3.
[66] Exhibit B-15, 2014.2 RR BCUC.111.1.
[67] Order in Council 222/10.
[68] Exhibit B-15, 2014.2 RR BCUC.111.3.
[69] Ibid., 2014.2 RR BCUC.111.5.
[70] ICBC Final Argument, p. 31, para. 78.

3.4.2.2 Commission determination

The Panel is concerned that Transformation Project costs determined not to be within the foundational TP scope will by default become part of corporate expenses and will have to be proportionately paid for by Basic insurance policyholders at some point. All else being equal, this may increase Basic insurance rates or deplete Basic capital. There appears to be lack of evidence presented in the Application indicating the rationale for such shift out of TP and into corporate expenses. The parallel processing costs were only referenced in the review process but were not addressed until specific IRs were asked. Notwithstanding ICBC Board of Director's review and approval of shifting costs out of TP, the Panel is concerned about the transparency of these decisions.

As mentioned earlier, the Commission in Letter L-61-10 stated:

> Although the TP is intended to be funded by Optional Insurance, the Commission recognizes that there are potential risks for Basic Insurance ratepayers. In particular, if the TP delivers sub-optimal business solutions or the technology fails, both the Basic Insurance and Optional Insurance lines of business will bear the costs of any consequences.

The Panel considers the parallel processing costs of $1.6 million ($1.1 million allocated to Basic) for PY 2014 are acceptable for this Application. **In future RRAs, the Panel directs ICBC to identify all costs that will be shifted out of TP to corporate expenses as separate line items. For each item, ICBC is to justify why the costs are out of the scope of TP by way of measuring them against the criteria set out in the Government Directive regarding TP. ICBC is directed to report on these costs and quantify and explain the impact, if any, on the Basic insurance rates or Basic capital.**

3.4.3 Standard benefit rates for PY 2013 and PY 2014

"ICBC uses a standard benefit rate to allocate benefit costs associated with labour resources in support of projects, including non-TP, TP, and cost recoverable government initiatives."[71] The allocation of pension and post-retirement benefits expense issue was explored in the 2013 RRA Decision. The Commission in the 2013 RRA Decision directed ICBC to reduce the PY 2013 indicated rate change by 0.064 percent, to account for the Basic insurance line of business share ($1.7 million) of the pension and post-retirement benefits expenses not appropriately allocated to the TP, and recovered from government initiatives. In that Commission determination, it also referred to section 49(1) of the *Insurance Corporation Act* (ICA) which states:

> The Commission must ensure that the universal compulsory vehicle insurance business and the revenue of the corporation, other than revenue from the corporation's optional vehicle insurance business, are not used to subsidize the corporation's optional vehicle insurance business.[72]

ICBC complied with the Commission's specific directive relating to the 0.064 percent reduction in the PY 2013 Basic rate. However, the $1.7 million shortfall relating to TP and cost recoverable government

[71] Ibid., p. 29.
[72] 2013 RRA Decision, dated May 14, 2014, p. 20.

initiatives was reflected in Basic capital as ICBC indicates that the 2013 RRA Decision was received after ICBC's financials for the year end 2013 were closed.[73] The $1.7 million shortfall is broken down to approximately $1.6 million in TP and $0.1 million in government initiatives[74]. ICBC states that "… in retrospect, reflecting the 2013 portion of the shortfall [in benefit costs] relating to TP in Optional capital would have been more appropriate."[75]

In this Application, for the 2014 fiscal year, ICBC states that "[t]he shortfall in benefit cost recovery related to TP will be funded by Optional insurance. For the cost-recoverable government initiatives, the shortfall will be reflected in reduced Basic capital rather than being recovered from government."[76] ICBC indicates that the adjustment of standard benefit rate shortfall to Basic insurance related to the 2014 outlook of cost-recoverable government initiatives is $0.2 million.[77]

"For the 2015 fiscal year, ICBC does not anticipate that any adjustments will be required as it will be using a standard benefit rate based on the principle of full recovery."[78] However, ICBC indicates that in 2015 the rate required to fully recover benefit costs will not be applicable to some existing cost-recoverable government initiatives because of previous commitments.[79]

Interveners in this proceeding did not submit a position with regard to the matter of the standard benefit rate.

3.4.3.1 Commission determination

The Panel is concerned that although the intent of the directive in the 2013 RRA Decision of reversing the charging of costs attributable to the TP was accepted by ICBC, it was balanced off by drawing the funds from the Basic capital rather than from the Optional insurance capital reserve. The Panel recognizes the difficulty faced by ICBC in that ICBC's financials for the year end 2013 were closed by the time of the 2013 RRA Decision was issued. At the same time, ICBC should recognize the conflict this treatment may have with section 49(1) of the ICA.

Section 49(1) of the ICA provides that the Commission must ensure that the Basic insurance business is not used to subsidize ICBC's Optional insurance business. For clarity, Basic insurance business includes the Basic insurance rate and the Basic capital. **Accordingly, the Panel directs ICBC to replace the $1.6 million incorrectly charged to Basic capital in 2013.** The Panel acknowledges that ICBC has accounted for the shortfall in benefit cost recovery related to TP from Optional insurance in 2014, and expects ICBC to correctly allocate those costs to Optional insurance going forward in compliance with section 49(1) of the ICA.

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[73] Exhibit B-13, 2014.1 RR BCUC.75.1; Exhibit B-15, 2014.2 RR BCUC.112.1
[74] ICBC 2013 RRA, Exhibit B-31, 2013 RR BCUC.UT.12.
[75] Exhibit B-15, 2014.2 RR BCUC.112.1.1.
[76] Exhibit B-13, 2014.1 RR BCUC.75.1.
[77] Ibid., 2014.1 RR BCUC.75.5.
[78] Ibid., 2014.1 RR BCUC.75.1.
[79] Ibid., 2014.1 RR BCUC.75.5.

As for the cost-recoverable government initiatives, which amount to $0.1 million and $0.2 million in the 2013 and 2014 fiscal years, respectively, the Panel accepts those portions to be absorbed by Basic capital as per ICBC's existing agreements with the government. The acceptance of $0.3 million for cost-recoverable government initiatives is consistent with SD IC2 section 3(1)(c.2) in that the Panel recognizes and accepts the actions taken by ICBC in compliance with government directives issued to ICBC. The Panel notes that in 2015 the rate required to fully recover benefit costs will not be applied to some existing cost-recoverable government initiatives due to previous commitments. Therefore, **ICBC is directed to report on any amount related to non-fully recoverable costs that would have any impact on the Basic insurance rate indication and/or Basic capital in future RRAs until such time when all costs are fully recovered from government.**

3.5 Approved rate on a permanent basis for PY 2014

Upon consideration of the actuarial and non-actuarial components of the PY 2014 indicated rate change, the Panel concludes that a rate of increase of 5.2 percent is warranted for PY 2014. The Panel is satisfied with the evidence based actuarial analysis components of the proposed rate. The Panel also accepts the analysis of the non-actuarial components as they apply to the PY 2014 year. For the reasons set out in this section of the Decision, **the Panel approves the 5.2 percent Basic insurance permanent rate increase for PY 2014, as set out in the Application.**

4.0 CUSTOMER RENEWAL CREDIT

In response to the Commission's determinations in the 2013 RRA Decision regarding a new Capital Management Plan and Customer Renewal Credit (CRC), ICBC has provided its proposed mechanics for implementing a CRC.

Special Direction IC2 and the 2013 Government Directive regarding Rate Smoothing introduced the concept of a CRC as a one-time, non-refundable, non-transferable credit that is:

- Available to an existing universal compulsory vehicle insurance policyholder;
- Applied to reduce the universal compulsory vehicle insurance premium paid by the policyholder at the time of the policyholder's next renewal; and
- Redeemable only within 12 months of the effective date of the order of the Commission that approves the CRC.

Section 3(1)(c.3) of SD IC2 requires that for 2014 and each following year for which the Commission sets Basic insurance rates, approve a CRC if:

(i) there is excess capital available,

(ii) the CRC will 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 Basic insurance rates will remain relatively stable and predictable despite the approval of the CRC.

Section 1.1 of SD IC2 provides the following guidance on how MCT is to be determined.

1.1 For each year for which the commission fixes universal compulsory vehicle insurance rates, the MCT must be determined

(a) using data available from the most recent quarter at the time the corporation files a general rate change order, and

(b) as at the end of that year.

The 2013 Government Directive regarding Rate Smoothing indicates that in circumstances where Basic capital is well in excess of the capital management target, a portion of the excess capital should normally be credited via a CRC. ICBC should seek prior Commission approval to issue any CRC and obtain direction from the Commission on how it is to be implemented and calculated. CRCs should only be proposed in circumstances where it will not detract from rate stability and predictability, and where it is cost effective to implement.[80]

In its CRC directives from the 2013 RRA, the Commission set the new capital management target at 145% MCT. With respect to the CRC, the Commission found:

> "Based on the 145% MCT new Capital Management Target, the Panel finds that a 160% MCT ratio level meets the 'well in excess' capital available requirement for the provision for determining the possibility of a Customer Renewal Credit (CRC).
>
> … if the MCT ratio equals to or exceeds 160% MCT, ICBC is directed to pay out a CRC such that the MCT level returns to 150% MCT, subject to the condition, as required by *Special Direction IC2*, that approval of the CRC will allow for the maintenance of relatively stable and predictable rates."[81]

In this Application, ICBC proposes a 3 step approach to applying for a CRC.

Step 1: Is the Outlook MCT Ratio equal to or greater than 160%?

The CRC directives stipulate that a CRC should only be considered if the Basic MCT is 160% or higher. Based on SD IC2, ICBC's position is that the Outlook MCT ratio should be used for this threshold determination.[82] ICBC acknowledges that choice of the Outlook MCT ratio as the value to be used for Step 1 consideration is its interpretation of SD IC2.[83]

The issue of the forecast of the Outlook MCT ratio at year end was pursued in IRs. The validity of that forecast takes on added importance if it is to be used as the basis to trigger a CRC. While ICBC claims that it doesn't try to avoid the MCT from exceeding the forecast 160% CRC threshold[84], ICBC states that the year to date MCT ratio at June 30, 2014 of 164% is expected to decrease by 19 percentage points to 145% by year-

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[80] Order in Council 153/13. Attached as Appendix C to this decision.
[81] ICBC 2013 RRA Decision dated May 14, 2014, pp. ii–iii, 33. Emphasis removed.
[82] Exhibit B-3, p. 4-5.
[83] Exhibit B-15, 2014.2 RR BCUC.96.1.
[84] Ibid., 2014.2 RR BCUC.93.1.

end and provided five reasons for the expected drop[85]. In further examination of the MCT calculation, ICBC states that

> [a]ll else equal, it cannot be said that it is typically the case that the year-end Outlook MCT will be lower than the mid-year estimate. Whether or not the year-end Outlook MCT as of the second quarter is lower than the mid-year estimate is largely dependent on some of the factors discussed… including expected claims seasonality and expected future investment returns.[86]

Step 2: What is the amount of the CRC to be sought by ICBC in the Application?

If the Outlook MCT Ratio is greater than or equal to the threshold of 160%, ICBC proposes that it will determine the CRC amount that it will propose in the revenue requirements application based on the amount of excess Basic capital above 150% MCT. This approach is captured by the formula:

CRC Amount = (Outlook MCT Ratio - 150%) X Outlook Capital Required

Step 3: Has anything occurred during the course of the regulatory proceeding that would result in a CRC in the amount sought by ICBC being contrary to the goal of relatively stable and predictable rates?

"The third criterion for issuing a CRC, as per SD IC2, is that relative rate stability and predictability is maintained despite the issuance of a CRC."[87] ICBC proposes that the Commission "examine whether the circumstances have changed since the end of the second quarter such that approving a CRC at all, or alternatively approving a CRC in the amount initially proposed by ICBC, would be counter to the overriding objective of the rate smoothing framework established by SD IC2."[88] "Depending on the length of the regulatory process and the timing of the Commission's decision, ICBC will be able to provide the Commission with either the outlook MCT ratio as of the third quarter, or the year-end actual MCT ratio."[89]

Timing of completion of regulatory process	Information filed
September through November	None
December through to early March	Q3 outlook MCT ratio
Early March through to end of May	Year-end actual MCT ratio which must remain confidential until after it has been tabled in the legislature
From June onward	Year-end actual MCT ratio

[85] Exhibit B-13, 2014.1 RR BCUC.34.1.
[86] Exhibit B-15, 2014.2 RR BCUC.95.7.
[87] Exhibit B-3, p. 4-6.
[88] Ibid.
[89] Exhibit B-13, 2014.1 RR BCUC.35.3.

Other administrative issues

ICBC also addresses the mechanics of determining and redeeming a CRC based on the principles of simplicity, fairness and cost-effective implementation[90]. The mechanics include defining the eligibility period and redeemable period, calculating the CRC percentage and determining customer eligibility and CRC per customer.[91]

ICBC has identified additional matters for future consideration. Draft amendments to its tariff are provided but ICBC is not seeking approval of them at this time. ICBC also discusses future customer communications and issues around the CRC being cost effective to implement. The new Policy Administration System (PAS) and Insurance Sales and Administration System are to be tested during 2015 and rolled out thereafter.

In its Final Argument, ICBC notes that:

> ICBC does not set out to build capital in excess of the capital management target and therefore does not foresee that the Outlook MCT ratio will exceed 160% in the short-term. If this should occur before the new PAS system is ready, ICBC will be able to comply with the Commission's order to issue a CRC using a short-term operational solution.[92]

4.1 Parties' positions

Only BCOAPO addressed the issue of the CRC framework in its Final Argument. In light of the significant volatility in quarterly MCT, BCOAPO raised the prospect of creating an MCT Index for CRC purposes. In response, ICBC cited SD IC2's content regarding the use of OSFI guidelines. BCOAPO notes Commission staff's interest in the volatility of quarterly MCT estimates and BCOAPO remains interested in whether some form of an MCT index might prove useful for regulatory purposes, considering the rate stability objective and the unavoidable volatility in MCT.[93]

In its Reply Argument, ICBC states that:

> The thrust of BCOAPO's submission is that there is limited prospect of a CRC being issued, symptomatic of "a regime in which the downside rate protection for ICBC is not balanced with an upside rate protection for customers." The CRC is intended to be a release valve, used only when there is an unforeseen accumulation of excess capital. It would not be beneficial for Basic policyholders to set rates so as to deliberately accumulate excess capital, only to return it to policyholders *via* a CRC.[94]

[90] Exhibit B-3, p. 2-11.
[91] Ibid., pp. 4-6–4-15.
[92] ICBC Final Argument, p. 59.
[93] BCOAPO Final Argument, p. 15.
[94] ICBC Reply Argument, p. 23.

4.2 Commission discussion and determination

The Panel appreciates the thought that has gone into ICBC's recommended three-step process for determining the CRC, and agrees with the basic framework put forward. However, the Panel does not agree with where and how ICBC proposes to incorporate the most recent actual MCT and the Outlook MCT in the three steps. More specifically, the Panel's modifications call for use of the most recent actual MCT value for purposes of Steps 1 and 2, and use of the Outlook MCT value for purposes of Step 3. Our reasoning follows.

The Panel sees a clear and important distinction between the purpose of Steps 1 and 2 on the one hand, and Step 3 on the other. Steps 1 and 2 have utility in establishing whether or not there is a potential case for a CRC, and if so, in what quantum. There is value, therefore, in making these steps as predictable, objective and transparent as possible. In contrast, Step 3 is clearly the point at which consideration and judgment need to take over, to ensure that MCT targets are protected when considering if the potential case should go forward as indicated. Within this context, the Panel notes that the Outlook MCT, particularly at the time of Application filing, has a significant subjective component, and hence may be open to potential disagreement as to what can and should reasonably be expected as the most accurate forecast. In contrast, the most recent actual MCT value, notwithstanding that it does not take into account potential/anticipated year-end adjustments, is both unambiguous and objective. It stands to reason, then, that Steps 1 and 2 should rely on the most recent actual MCT value and Step 3 should be guided by the Outlook MCT as an important input to ensuring that the issuance of a CRC does not jeopardize MCT targets.

Based on the above, the Panel finds that the following three-step process is appropriate:

<u>Step 1</u>: The potential of a CRC is triggered based on the actual MCT ratio using the data available from the most recent quarter at the time of ICBC's RRA filing. For instance, in the current RRA filing timeline, the CRC will be triggered if the actual MCT ratio as of the second quarter is equal to or exceeds 160% MCT.

<u>Step 2</u>: ICBC will use the following formula to calculate the CRC amount for Commission approval:

CRC Amount = (Actual MCT Ratio - 150%) X Actual Capital Required

<u>Step 3</u>: If a potential CRC is triggered in Step 1, the Commission will, in Step 3, determine if the CRC will be issued and if so, in what amount. In making this determination, the Commission will consider the three criteria set out in SD IC2 and the government directive.

As per SD IC2 section 3(1)(c.3), the Commission approves a CRC being issued if: (ii) the CRC will not result in the MCT falling below the Capital Management Target specified in the Capital Management Plan, and (iii) the Commission determines that rates fixed by general rate change orders will remain relatively stable and predictable despite the approval of the CRC. The 2013 Government Directive regarding Rate Smoothing also references that a CRC should only be proposed where it is cost effective to implement.

Thus, the Commission, in making its determination in Step 3, will consider the following three criteria.

1. Will issuing a CRC maintain the Capital Management Target?

Specifically, in light of the Outlook MCT value brought forward by ICBC and any other information in evidence, does the Commission have reason to believe that issuing the CRC as calculated in Step 2 will result in the year-end MCT falling below the current Capital Management Target (currently 145%). In such cases, the Commission may decide to either:

i. not approve ICBC to issue a CRC at all; or

ii. approve ICBC to issue a CRC but revise the amount such that the anticipated post-CRC MCT level stays at or above the Capital Management Target.

If after applying this criterion the Commission continues to believe that a CRC (in some amount) is indicated, final determination will be subject to criteria 2 and 3 below.

2. Based on administrative and/or other relevant costs, is issuing a CRC cost effective?
3. Has anything occurred during the course of the regulatory proceeding that would result in a CRC being contrary to the goal of relatively stable and predictable rates?

The Panel again emphasizes that this framework establishes an important distinction between how Steps 1 and 2 are applied and how Step 3 is applied. Specifically, Steps 1 and 2 are essentially prescriptive in nature, relying on actual data and a clearly defined formula. Step 3, on the other hand, leaves room for judgment: ICBC and interveners can make submissions for the Commission to consider in its final determination of the final CRC (if any) to be issued.

This modified CRC process raises practical questions regarding what ICBC must file in its RRA application to satisfy the information requirements for this process and which year-end Outlook MCT Ratio will be used.

To satisfy the information requirements of this process, ICBC must file in their RRA application:

- the most recent quarter's actual MCT ratio (e.g. second quarter actual MCT ratio); and
- year-end Outlook MCT ratio (e.g. year-end Outlook MCT ratio as of second quarter).

If a CRC is triggered in Step 1, ICBC must also file:

- calculation of the CRC amount from Step 2;
- if necessary, recalculation of the CRC amount such that the CRC issuance will not result in the MCT falling below the Capital Management Target specified in the Capital Management Plan (e.g. 145% MCT ratio);
- the estimated/proposed CRC amount received by the average policyholder (e.g. CRC pay out such that the MCT returns to 150%);
- administrative and other relevant costs to support ICBC's position on whether it is cost effective to issue a CRC; and
- evidence to support ICBC's position on whether the issuance of a CRC is contrary to the goal of relatively stable and predictable rates.

Regarding the year-end Outlook MCT ratio to be used in Step 3, the Commission will use the most recent outlook available. This will be the outlook MCT ratio filed in the application, or, in the event that the next quarter's MCT information is available during the evidentiary phase (e.g. evidentiary phase runs beyond November 30th of the year of RRA). ICBC will file an evidentiary update on all bullet points above using the most recent outlook available.

The Panel directs ICBC to implement the modified CRC process as outlined in the discussion above and to file the information required to implement this process in the 2015 RRA and those subsequent.

5.0 CLAIMS COST MANAGEMENT AND ROAD SAFETY

Claims costs are the most significant factor in determining ICBC's Basic insurance rates. In Chapter 6 of the Application, ICBC provided information regarding claims cost management, including ICBC's corporate BI strategy in managing BI claims cost. Parties in this proceeding focused on the following issues: customer service quality levels; legal representation rate and initiatives; and road safety.

5.1 Customer service quality levels – Claims Contact Centre

As mentioned previously in this decision, the TP is a collection of projects that involve transformational changes supporting ICBC's business strategy. ICBC submits that a "key focus of the Transformation Program is the transformation and modernization of the claims handling process, which ICBC refers to as Claims Transformation."[95] "While transitioning to the new claims management systems, processes, and organizational structure, [ICBC submits that] there are a number of elements that are expected to negatively impact the efficiency and quality of file handling, with a consequential impact on claims costs."[96]

In this Application, interveners explored customer service quality in the transitional period, including intervener evidence filed by COPE titled "ICBC Call Center Workforce Review." Some of the service quality indicators that ICBC provided are: a) Average handle time (AHT), b) Average speed to answer and c) Abandon rates.[97]

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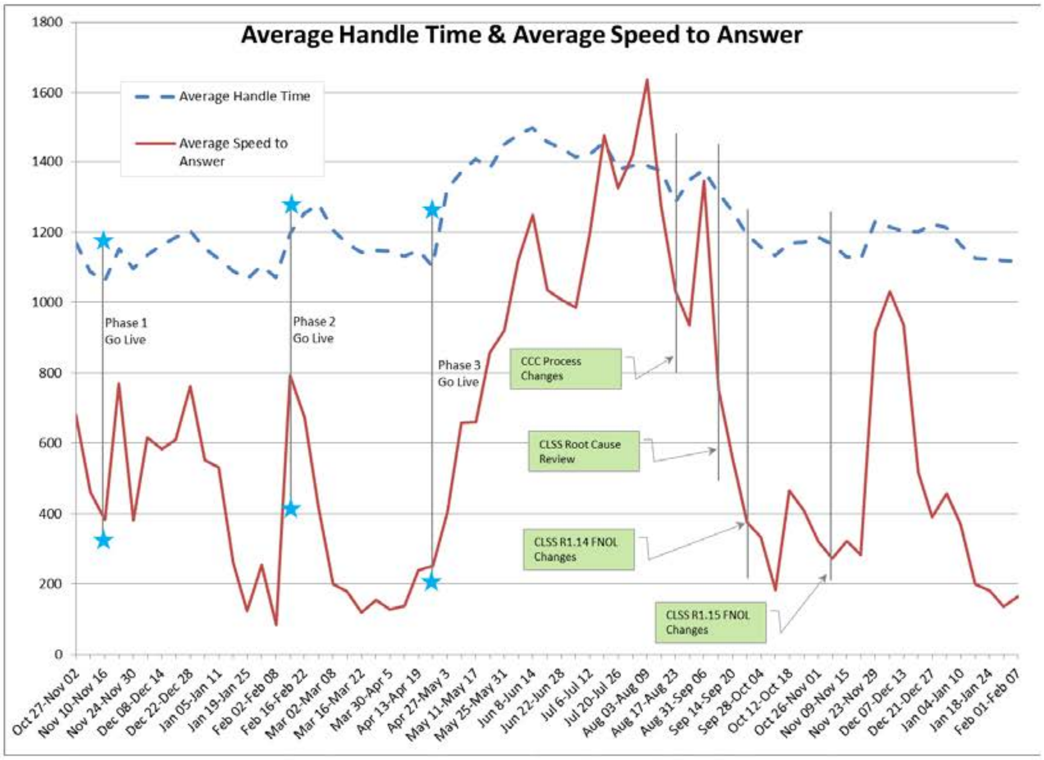
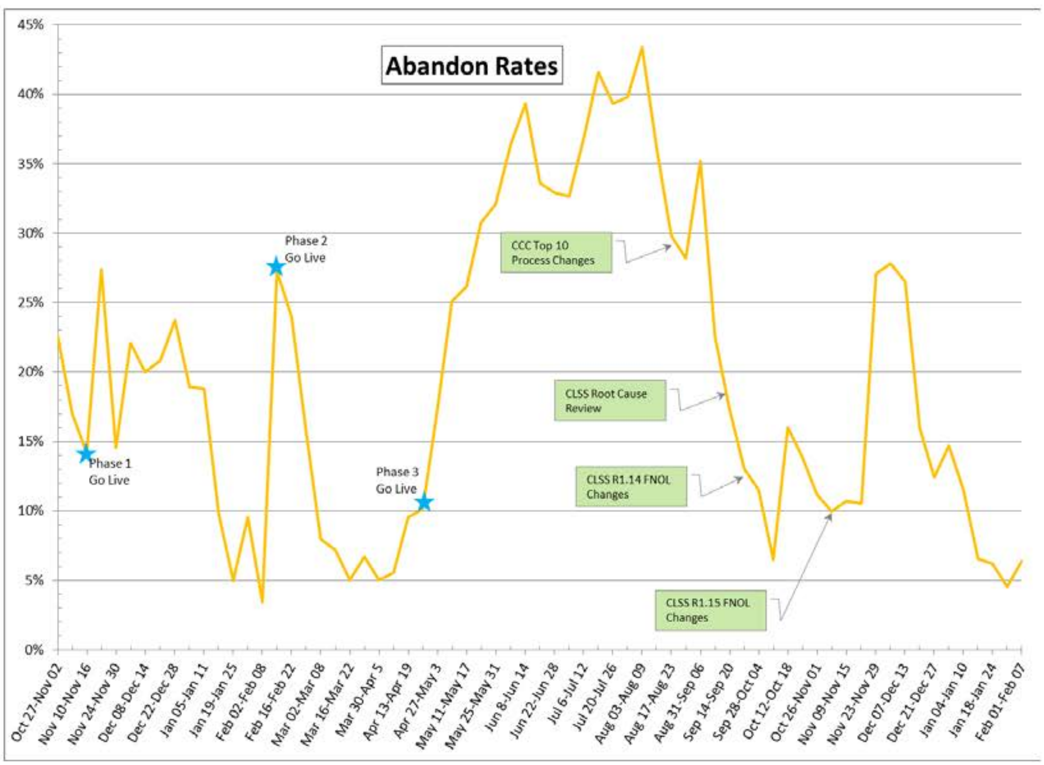
[95] Exhibit B-13, 2014.1 RR BCUC.78.4 – Attachment A, p. 1.
[96] Ibid., p. 15.
[97] ICBC Final Argument, p. 56.


Average Handle Time & Average Speed to Answer
Average Handle Time
Average Speed to Answer
Phase 1 Go Live
Phase 2 Go Live
Phase 3 Go Live
CCC Process Changes
CLSS Root Cause Review
CLSS R1.14 FNOL Changes
CLSS R1.15 FNOL Changes


Abandon Rates
Phase 1 Go Live
Phase 2 Go Live
Phase 3 Go Live
CCC Top 10 Process Changes
CLSS Root Cause Review
CLSS R1.14 FNOL Changes
CLSS R1.15 FNOL Changes

5.1.1 Parties' position

ICBC submits that:

> The current impacts respecting abandoned calls and wait times are in large part transitional in nature and improvements are evident over the most recent weeks and months, as adjusters have become more proficient in using ClaimCenter and as efficiencies and systems improvements have been identified.[98]
>
> …ICBC will continue to identify potential efficiencies and system improvements and implement appropriate fixes in order to improve wait times. The data depicted above in the response to information request 2014.1 RR BCUC.50.3 shows the significant improvement in AHT, average speed of answer, and abandon rates following the September 28, 2014 system improvements. With further system improvements to AHT scheduled for November 2014, ICBC expects these measures to continue to improve. The Claims Contact Centre will ensure that staffing levels are appropriate.[99]
>
> Claims Transformation is progressing as expected for an implementation of this size, scope and complexity. ICBC had anticipated a 12 to 18 month period of stabilization post full implementation, in which adjusters would become fully proficient in handling claims and during which efficiencies and systems fixes would be identified. As expected, ICBC began seeing significant improvement in call centre operational metrics in Fall 2014.[100]
>
> The current trend towards improvement in average handle time, abandon rates, and average speed to answer is evident in the following two graphs from ICBC's Rebuttal Evidence to COPE, which depict results to February 2015. This information is presented as an aggregate of all types of claims handled, which is significant in that the New Claims Initiation for BI claims has been consistently favourable for many months.[101]

COPE explored the issue of service quality through a series of detailed IRs, focusing on the following:

- Claims Transformation Implementation
- Service Level Goals, Service Level Metrics
- First Call Resolution
- New System Introduction and Average Handle Time
- Staffing Plan
- E-Claims and Deflected Calls
- Impact of Understaffing
- Balancing Staffing and Service
- Telecommunication Resources and Costs[102]

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[98] Exhibit B-13, 2014.1 RR BCUC.50.2.
[99] Ibid., 2014.1 RR BCUC.50.4.
[100] ICBC Final Argument, p. 55.
[101] Ibid., pp. 55–56.
[102] Exhibit B-13, 2014.1 RR COPE.3.1–3.4 and 5.1–15.5.

In its Final Argument, COPE makes the following submissions:

> COPE says that this proceeding has played a vital role in identifying and quantifying the serious shortcomings in service quality in the implementation phase of the new system. By the time the Commission will be examining ICBC's rate application for the coming year, the "growing pains" and adjustments will be behind us, according to the Corporation. The Commission now has an extensive set of current baseline metrics that it will be able to use to determine whether, in fact, Claims Transformation has delivered the service improvements that ICBC has promised, and whether there remain any deficiencies that must be corrected.
>
> COPE is not asking that the Commission make any specific orders against ICBC for the rectification of service deficiencies at this point. Rather, it submits that the Commission should use the next cycle of ICBC rate hearings to ensure that adequate service levels have been restored and are securely in place, making full use of its statutory powers to see to it that acceptable results are achieved.[103]

5.1.2 Commission discussion

The Panel observes that during the TP transition period, customer service quality, in part, as measured by: a) average handle time (AHT), b) average speed to answer, and c) abandon rates, have fluctuated and/or deteriorated to a significant degree. In the case of AHT, the trend had been a steady increase in time spent. Average speed to answer fluctuated between increases and decreases in time during late 2013 and early 2014. In the middle of 2014 the time increased significantly, peaking at 1,600 seconds. Abandon rates exhibited similar characteristics as the average speed to answer results, and peaked at close to 45 percent of calls being abandoned in the third quarter of 2014. The Panel views that there is significant room for more improvement, despite some improvements shown after ICBC's implementation of process changes since the third quarter of 2014.

In the 2013 RRA Decision, the Commission stated:

> The Panel encourages ICBC to establish performance metrics specifically for the transition period so as to measure how well the transition is progressing and that the anticipated benefits are on track. For instance, further to the CCIC expansion in 2013 to handle a larger number of unrepresented claims by telephone, ICBC can assess whether the expansion provides added value to customers and ICBC. Such assessment should include efficiency, productivity, and customer satisfaction, and to the extent that it relates to claims costs. **The Panel requests ICBC include performance metrics of claims initiatives that are informative to reflect the transition period starting in the next RRA until the TP is fully implemented.**[104]

Although ICBC did not develop any new specific metrics, it did choose certain performance metrics which illustrated the impact of the transition to the new claims system. The Panel requests ICBC to continue to monitor and report on these measures as claims staff become more familiar with the new systems and

[103] COPE 378 Final Argument, p. 3.
[104] ICBC 2013 RRA Decision dated May 14, 2014, p. 41.

become more experienced in its use. Further discussion on performance measures may be found in Section 6 of this decision.

5.2 Legal representation rate and initiatives

Legal representation is a significant driver of BI claims costs.[105] The legal representation rate has increased from 39 percent in 2009 to 48 percent in 2013, and a forecast of 50 percent in 2014.[106]

In the 2013 RRA Decision, the Commission stated:

> With respect to the legal representation rate, although the Panel recognizes that mandatory auto insurance differs across Canada, it encourages ICBC to seek out the experiences in other Canadian jurisdictions. For example, it would be informative to understand if other Canadian jurisdictions are experiencing similar acceleration in legal representation rate observed in BC. The Panel is concerned that if the level of legal representation continues to accelerate in future years, that would have the impact of further upward pressure on future claims costs.
>
> ICBC also indicated it is currently conducting a comprehensive claimant attitude survey and expects to have the analysis in mid-2014. **The Panel requests ICBC to file the results of the claimant attitude survey in the next RRA including: methodology, sample size, sample representation, and the survey questions themselves. ICBC is also requested to provide any action plans including any metrics used to measure the effectiveness of claims management changes and measurable outcomes resulting from the survey in the next RRA or when available.** [107]

In Chapter 6, ICBC discusses further work it has done to address the increasing rate of legal representation and provides the results of its Customer Attitudes Survey (formerly known as Claimant Attitude Survey) on the topic carried out during late 2013 and early 2014. [108]

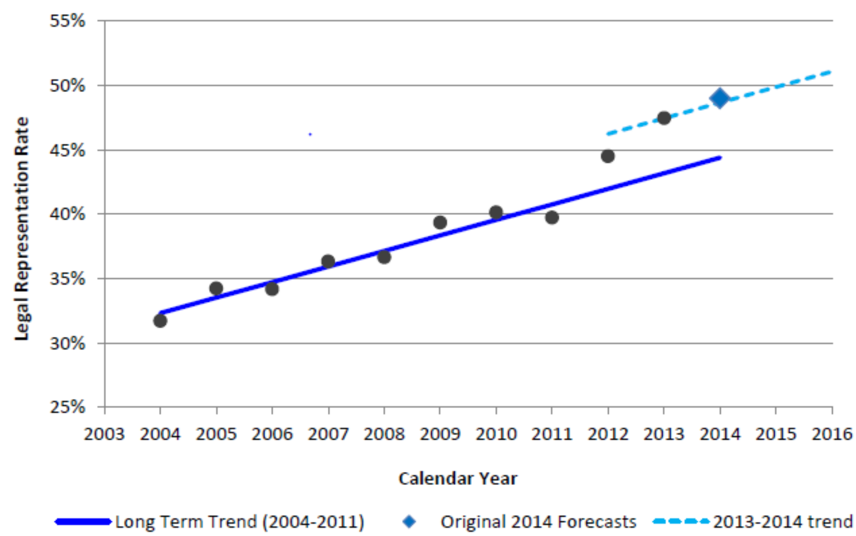
5.2.1 Parties' position

> Figure 3.14, ICBC shows the rate at which BI claims become represented by a lawyer. The upward trend in legal representation had been contributing to increased BI severity at a fairly steady rate prior to 2012. In 2012 and 2013, there has been an acceleration in that rate, which ICBC has identified is associated primarily with claims involving mild soft tissue injuries. Some of the additional increase in 2013 and 2014 may relate to transitional impacts of implementing the new claims management system. However, [ICBC] discussed in Chapter 6 [that] a number of initiatives are expected to help reduce the growth in the representation rate, and ICBC has also undertaken further analysis in order to better understand the causes and effects of increasing rates of legal representation. For 2014, the legal representation

[105] Exhibit B-3, p. 6-11.
[106] Exhibit B-13, 2014.1 RR BCUC.78.1; Exhibit B-15, 2014.2 RR COPE.33.2.
[107] ICBC 2013 RRA Decision, dated May 14, 2014, p. 41.
[108] Exhibit B-3, p. 6-1; ICBC 2013 RRA, Exhibit B-3-1, 2013.1 RR BCUC.154.2.

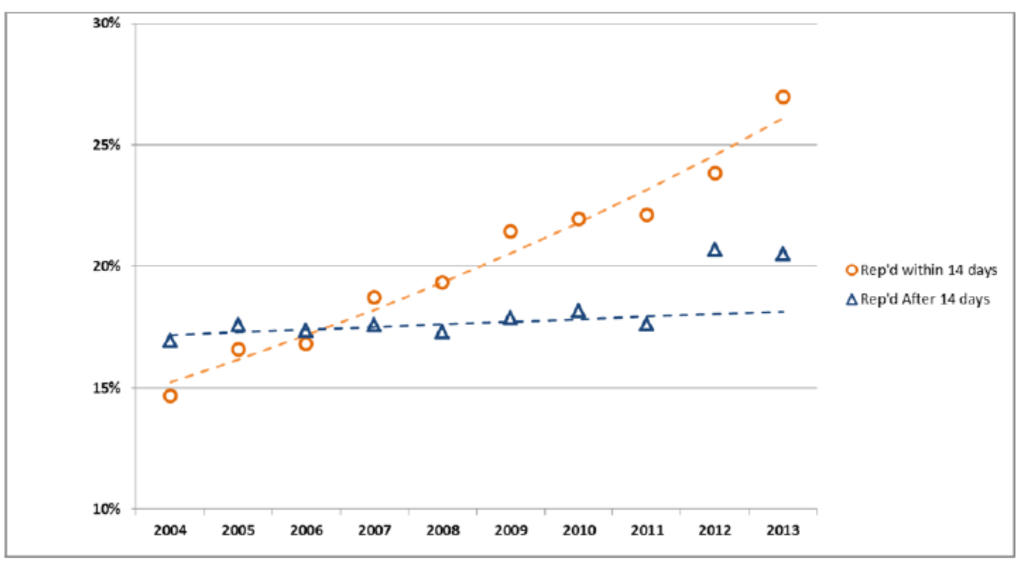
rate is expected to return to approximately the long-term trend rate of increase, although from a higher level, as reflected in the forecast shown below.[109]

Figure 3.14 – Rate of Represented BI Claims



The following shows the breakdown of the legal representation rate at a more granular level.[110]

Legal Representation Rate



	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Rep'd Within 14 days O	15%	17%	17%	19%	20%	21%	22%	22%	24%	27%
Rep'd After 14 days Δ	17%	17%	17%	17%	17%	18%	18%	18%	21%	21%
Total Representation Rate	32%	34%	34%	36%	37%	39%	40%	40%	45%	48%

[109] Exhibit B-3, p. 3-23.
[110] Exhibit B-13, 2014.1 RR BCOAPO.30.1–30.2.

To address the upward pressure on the legal representation rate issue, ICBC discussed its First Notice of Loss (FNOL) process. ICBC states:

> In 2013, changes were made to the FNOL process to provide more comprehensive information to a claimant when they first report their claim. The intent is to address the injured claimant's needs up front and mitigate potentially unanswered questions that may arise before subsequent contact with an injury adjuster as this could cause some people to seek legal representation when it may not otherwise be necessary to do so.[111]

In Appendix 6 A, ICBC filed information regarding the Customer Attitudes Survey. ICBC discussed the methodology, sample size, sample representation, and the survey questions. The survey was also conducted by an independent research company.[112] Regarding the survey results, ICBC states:

> The results show that the driver "perceived lawyer benefits" exerts the most powerful influence on customers' representation decisions and that a greater sense of control is a key perceived lawyer benefit. The drivers "tolerance of lawyer detriments" (such as delays in getting to a settlement) and "deserving attitude" rank lower. Perceived complexity of the claims process plays a relatively minor role in customers' decisions regarding legal representation. Expectations of unfair compensation and "economic motivation" exert some influence on the propensity to seek legal representation, but to a lesser extent.[113]

Further to the Customer Attitude Survey, ICBC states:

> …the findings of the Customer Attitudes Survey suggest that some of these initiatives [discussed in Chapter 6 of the Application] on their own may not be as effective as hoped at reducing the legal representation rate. ICBC will build on these initiatives and shift to a more comprehensive and deliberate strategy to address those factors which exert the most powerful influence on customers' representation decisions.[114]
>
> ICBC is working on leveraging the survey and additional research to refine current programs and initiatives, and inform development of new ones, as appropriate.[115]

Regarding legal representation rate, COPE states:

> ICBC's efforts to understand the underlying causes of this trend [increasing representation rate] are totally inadequate.[116]
>
> The Commission should probe the underlying question: what is making so many claimants decide not to rely upon their direct dealings with ICBC to reach a satisfactory resolution of their claims? It is not possible to get to the heart of this very expensive problem without

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[111] Exhibit B-3, p. 6-6.
[112] Ibid., pp. 6A-1 to 6A1-3; Exhibit B-15, 2014.2 RR COPE.33.4.1–33.4.4.
[113] Ibid., p. 6A-4.
[114] Ibid., p. 6-16.
[115] Ibid., p. 6-18.
[116] COPE Final Argument, p. 14.

> asking some uncomfortable questions. The Commission should require ICBC to file a more revealing study of the causes of this trend; its evidentiary basis may require a more searching survey, the use of focus groups, or perhaps a combination of techniques to discover the motivations behind the rising tide of individual decisions to retain counsel.[117]

BCOAPO also addresses the matter of legal representation and states:

> Our client groups are very concerned that the legal representation rate is continuing to grow, with the 2014 forecast provided in the 2014 RRA showing a rate of 50 percent claims having legal counsel. The legal representation rate has been steadily increasing, with a growth of 10 percent in just three years. This is an alarming trend given the impact on claims costs.[118]
>
> It is the position of BCOAPO that long wait times, the high number of deflected calls, and high abandoned call rates during Claim Transformation likely had some negative impact on the legal representation rate. This is particularly evidenced by the fact that the rate at which claimants are hiring a lawyer is occurring earlier on in the process, within 14 days of making their claim.[119]
>
> Given the significant impact of legal represented claims on claims costs, and ultimately on policyholders' rates, it is the view of our client groups that focused attention must be put on developing and implementing action plans that set out measurable outcomes on addressing the rising rate of legal representation, particularly early on in the claims process. It is our clients' view that immediate and concerted attention should be put on this issue given that increases in the legal representation rates now can have long-term impacts that will continue to be felt in the costs of future claims.[120]

In Reply Argument, ICBC states:

> ICBC's evidence is that the Customer Attitudes Survey did consider drivers relating to claims handling, such as whether the customer expected a difficult process, unfair compensation, unfair treatment, or biased adjusters. The results of the Customer Attitudes Survey were that the leading influence was the perception of lawyer benefits, with all of the above exerting less influence.[121]
>
> …BCOAPO's attempt to equate the results for "perceived lawyer benefits" with customer dissatisfaction regarding claims handling represents a significant overgeneralization and misrepresents the Customer Attitudes Survey results… ICBC's initiatives to provide faster and easier access to treatment with a streamlined first notice of loss process and reimbursement of user fees address the "perceived lawyer benefits" regarding an increased

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[117] Ibid., p. 16.
[118] BCOAPO Final Argument, pp. 16–17.
[119] Ibid., p. 20.
[120] Ibid., p. 22.
[121] ICBC Reply Argument, p. 15; Exhibit B-17, p. A-15.

sense of control in the claims process, providing better access to treatments, and enabling claimants to focus on their recovery.[122]

5.2.2 Commission discussion

The Panel notes the continued increase in the level of legal representation rate for BI claims. As requested in the 2013 RRA Decision, ICBC in this Application, responded in terms of comparing (or presenting the lack of comparability) of legal representation with other Canadian jurisdictions. [123] ICBC also provided the results of the Customer Attitudes Survey and the requested information in Appendix 6 A.

The Panel shares interveners' concerns about the potential impact on the cost implications for Basic insurance rates should the legal representation rate continue to climb. Of special concern is the significant increase of ICBC claimants opting for legal representation within the first 14 days of filing of a claim.

The Panel notes that the Customer Attitudes Survey provided ICBC with further insights as to why customers seek legal representation. ICBC identified the factors that exert the most influence on the customer's representation decision. The Panel acknowledges that ICBC is still working on how to refine and develop programs and initiatives using the survey and additional research.

In the 2013 RRA Decision, the Commission requested that ICBC provide an action plan. Consistent with that decision, **ICBC is requested to show how it has used the Customer Attitude Survey results to develop current and future strategies to address rising legal representation rate. ICBC should demonstrate how these strategies are linked to specific reasons that customers are seeking legal representation. The action plan should include metrics used to measure the effectiveness of claims management changes and measureable outcomes including any indications of a decline in the level of legal representation. ICBC is requested to provide this action plan in the 2015 RRA. If the information is not available by the 2015 RRA, ICBC is requested to provide a status update at that time.**

5.3 Road safety

The 2013 RRA proceeding signaled consideration of a proposal for undertaking the regulatory review of ICBC's Road Safety programs within the revenue requirements proceedings, rather than maintaining the separate road safety reporting framework that had been in place since 2008.[124]

ICBC's Road Safety program helps customers be safe by minimizing risks on the road and reducing the frequency and severity of crashes. ICBC uses the Safe Systems approach to identify and prioritize the major factors related to crashes. "The Safe Systems approach seeks to prevent or minimize the impact of crashes when they do occur by influencing driver behaviour, improving the road network, and encouraging safer vehicles. Road Safety priorities under the safe systems approach may employ a combination of different strategies as appropriate, including enforcement, engineering and education."[125]

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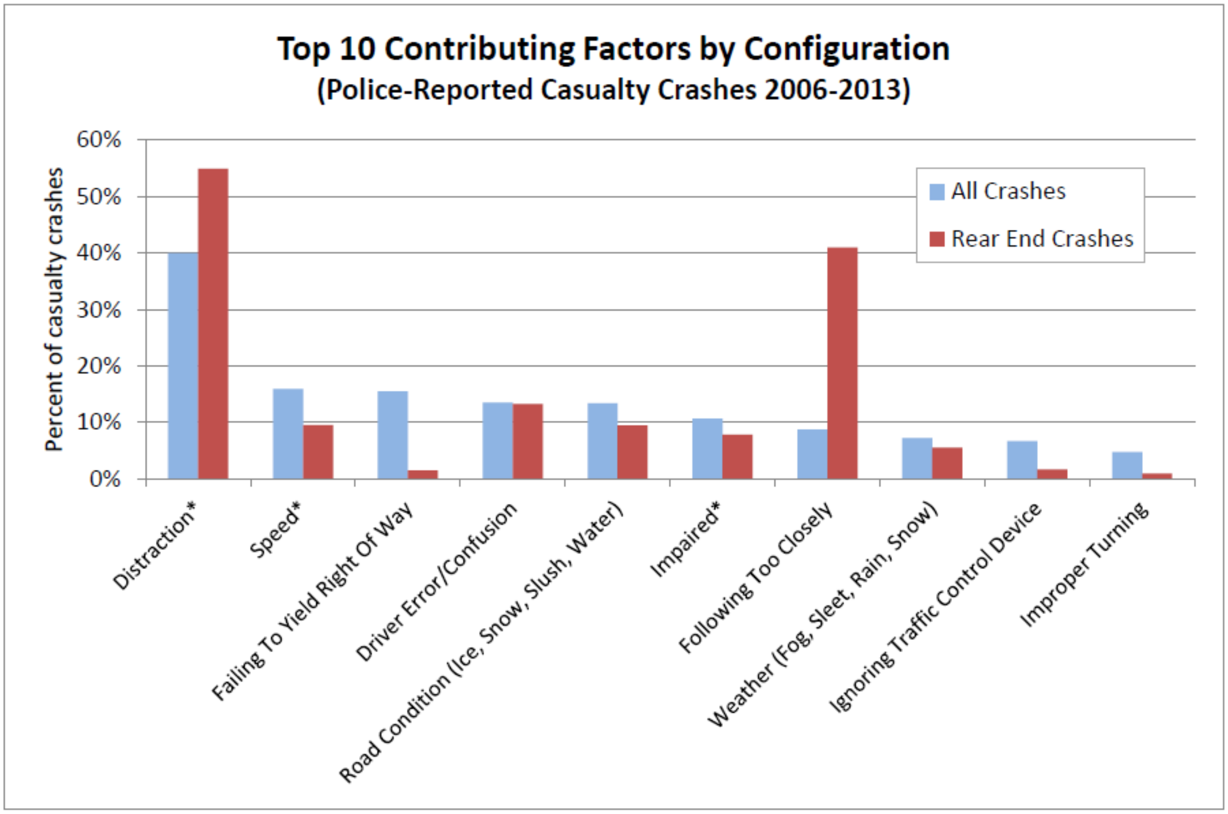
[122] ICBC Reply Argument, pp. 15–16.
[123] Exhibit B-13, 2014.1 RR BCUC.54.1.
[124] Exhibit B-3, p. 7-1; ICBC 2013 RRA Decision dated May 14, 2014, p. 47.
[125] Exhibit B-3, p. 7-3.

ICBC indicates that for 2014, the key focus will be on distracted driving, high-risk driving, commercial vehicles and vulnerable road users while maintaining significant gains made in previous years in auto crime, impaired driving and occupant protection. Figure 7.3 of the Application shows the top 10 contributing factors for all police-reported casualty crashes. Distracted driving is the key contributor.[126]

Figure 7.3 – Top 10 Contributing Factors by Configuration



Source: Business Information Warehouse - TAS data as of June 30, 2014
- Distraction includes: use of communication/video equipment, driver inattentive and driver internal/external distraction.
- Speed includes: exceeding speed limit, excessive speed over 40 km/h and driving too fast for conditions.
- Impaired includes: Includes alcohol involvement, ability impaired by alcohol, alcohol suspected, drugs illegal, ability impaired by drugs, drugs suspected and ability impaired by medication.

[126] Ibid., p. 7-8.

Figure 7.5 provides the 2013 planned and actual Road Safety expenditures and the 2014 Plan.

Figure 7.5 – Road Safety Expenditures

Road Safety Department Expenses ($000s)	2013 Plan	2013 Actual	2014 Plan
Enhanced Traffic Enforcement	23,650	22,952	24,123
Road improvements	8,052	8,475	8,212
Education & Awareness			
Distracted driving	326	303	1,035
High-risk driving	891	820	428
Vulnerable road users	0	0	250
Commercial vehicles	480	332	195
Impaired driving	834	753	609
Occupant protection	105	52	39
Auto crime	275	187	225
Research & measurement, community	276	79	195
Subtotal Education & Awareness	3,187	2,526	2,976
Total Direct Expenses	**34,889**	**33,953**	**35,311**
Compensation	3,970	3,831	4,010
General expenses	6,227	5,969	5,052
Total Road Safety Expenses	**45,086**	**43,753**	**44,373**
Total Road Safety FTEs	42.3	41.1	41.6

Distracted driving is a matter of interest to several interveners in this proceeding.

5.3.1 Parties' position

In its Final Argument, ICBC makes the following statements with respect to monitoring and evaluation of its distracted driving strategy:

> It is not normally possible to attribute an effect of road safety interventions on claims frequency. However, ICBC believes assessment is possible in the case of its distracted driving strategy by using the frequency of rear-end collisions as one of several indicators. ICBC has discussed the correlation between distracted driving, rear-end collisions and the recent trend in BI claims costs… ICBC will incorporate data analysis, tracking of information and survey results related to distracted driving as part of its monitoring and evaluation framework. Over time, ICBC intends to expand this work to include the other road safety priorities. ICBC expects to report on the progress of this work on distracted driving in the 2015 RRA, while the expansion of the framework to encompass other road safety priorities will be addressed in 2016.[127]

[127] ICBC Final Argument, pp. 43–44; Exhibit B-13, 2014.1 RR IBC.8.1 and 23.1.

"[IBC] is concerned that, given limited resources and budget, ICBC must ensure that its road safety strategy is directed towards programs and initiatives that directly address the main sources of collisions that result in injuries, deaths and property damage."[128]

The stated aim of ICBC's road safety campaign is to reduce pressure on bodily injury claims costs. IBC is concerned that ICBC has not adequately demonstrated that the proliferation of smartphones and other personal electronic devices is putting significant pressure on bodily injury claims frequency. IBC contends that an intuitive link has led to a decision to direct the road safety strategy's limited resources to address the use of smartphones without establishing that this is truly the largest driver of claims costs and frequency.[129]

IBC states that ICBC should place more importance on collecting and analyzing data available to it to determine the most important factor(s). IBC contends that ICBC should clearly demonstrate how it will measure the impact of its road safety strategy against clearly stated objectives. Further, IBC is concerned that the road safety strategy does not meet the Commission's previous directions that road safety filings should contain "clear funding tests, targeted programs to produce measurable claims cost reduction outcomes, and periodic or post-project evaluation carried out in a manner appropriate to the program."[130]

In its Reply Argument, ICBC responds to IBC's assertion that ICBC should be relying on more than an "intuitive link" that the use of smartphones is the largest driver of claims cost and frequency. ICBC explains that it determines its road safety priorities based on analysis of road safety data, sourced from both ICBC and the TAS database maintained by law enforcement. Figure 7.3 shows the top 10 contributing factors for all police-reported casualty crashes and distracted driving is a top contributor.[131]

ICBC notes that it has developed its Monitoring and Evaluation framework in an attempt to overcome the challenges of evaluating its road safety programs, and remains committed to exploring the possibilities of developing reliable data through the continued refinement of this framework. ICBC will be providing an update on the progress of its work on distracted driving as part of the 2015 RRA.[132]

BCOAPO states that it welcomes ICBC's focus on combatting distracted driving. In particular, it supports the advertising campaign that has focused on the dangers of texting when driving. BCOAPO would also like to see increased pro-active efforts on ICBC's part to make the top pedestrian-involved crash locations in BC safer for pedestrians.[133]

5.3.2 Commission determination

As per SD IC2, ICBC is required to file an RRA annually by August 31st. The Panel finds that reviewing Road Safety matters in the annual RRA review process is appropriate and more regulatory efficient than by way of a separate filing. Stakeholders will be informed of ICBC's Road Safety programs and understand how they

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[128] IBC Final Argument, p. 2.
[129] Ibid.
[130] Ibid., p. 3.
[131] ICBC Reply Argument, p. 17.
[132] Ibid.; Exhibit B-15, 2014.2 RR BCUC.109.1–109.2.
[133] BCOAPO Final Argument, pp. 22, 25.

are aimed to minimize risks on the road and reduce frequency and severity of crashes. **The Panel accepts ICBC's proposal to file its Road Safety report as part of the annual RRA. In the event that ICBC is not required to file RRAs annually, ICBC is to file an annual Road Safety report on or before September 30 of each year, consistent with the previous reporting framework.**

The Panel acknowledges ICBC's work in progress on distracted driving and ICBC's commitment to provide such reporting in the 2015 RRA. The Panel also notes that the updated monitoring and evaluation framework will expand to broader road safety priorities in 2016. In any Road Safety reporting, the Panel expects that ICBC will demonstrate how Road Safety programs, including distracted driving, meet the clear funding tests, targeted programs to produce measurable claims cost reduction outcomes, and periodic or post-project evaluation carried out in a manner appropriate to the program.

6.0 PERFORMANCE MEASURES

ICBC has reported on performance measures as agreed to in the May 2004 Negotiated Settlement Agreement and modified per the July 2006 Decision and the 2013 RRA Decision. Furthermore, ICBC has committed to file a full review of its performance measures as part of the 2017 RRA after the completion of TP. This is consistent with the Commission's directive in the 2013 RRA Decision.

ICBC's performance measures are categorized into four general areas: Service, Financial, Efficiency and Directional. While ICBC operates as an integrated business and most performance measures are for the entire company, including both Basic insurance and Optional insurance, the Commission-approved financial allocation methodology enables the insurance expense ratio, loss ratio and non-insurance expense ratio to be shown for Basic insurance only.[134]

Figure 10.1 of the Application provides a summary table of the performance measures historical results and the 2014 forecast, outlook or target where appropriate. The intent of the Performance Measures tabulation has been to provide a snapshot of the performance of the organization in each of the four general areas.

[134] Exhibit B-3, p. 10-1.

Figure 10.1 – Performance Measures Results and 2014

	PERFORMANCE MEASURES	2011 Actual	2012 Actual	2013 Actual	2014[1]
Service	Insurance Services Satisfaction	97%	97%	96%	≥95%
Service	Driver Licensing Satisfaction	94%	95%	94%	≥95%
Service	Claims Services Satisfaction (BCUC) Accident Benefit Only (BCUC)	85% 80%	86% 81%	88% 82%	83% 76%
Service	New Claims Initiation Calls answered in 100 seconds	77%	68%	53%	53%
Service	Customer Contact Service Level Calls answered in 90 seconds	79%	79%	75%	75%
Service	Customer Approval Index[2]	63%	62%	59%	n/a
Service	Legal Representation Rate	40%	45%	48%	50%
Service	Complaints Heard by the Fairness Commissioner	154	221	198	n/a
Financial	Basic Loss Ratio[3]	104.3%	103.5%	102.2%	102.1%
Financial	Basic Insurance Expense Ratio[3] Basic Administrative Cost Ratio Basic Premium Tax Ratio Basic Commissions Ratio Basic Insurance Expense Ratio	 4.3% 4.4% 2.6% 11.3%	 3.8% 4.4% 2.5% 10.7%	 3.7% 4.4% 2.4% 10.5%	 3.6% 4.4% 2.3% 10.3%
Financial	Basic Non-recurring Expenses – Restructuring Costs Expense Ratio[4]	-	0.7%	-	-
Financial	Basic Non-insurance Expense Ratio[3]	5.5%	5.4%	5.1%	5.1%
Financial	Investment Return	Benchmark +0.52%	Benchmark +0.21%	Benchmark +0.34%	Policy Market Benchmark Return
Financial	Injury Severity Bodily Injury Paid Severity Below $40,000 Above $40,000 Accident Benefit Paid Severity[5]	 $34,929 $10,252 $142,572 $2,201	 $32,681 $9,842 $145,168 $2,156	 $29,871 $10.349 $134,681 $2,133	 $37,092 n/a n/a $2,133
Financial	Bodily Injury Reported Frequency[6]	n/a	n/a	n/a	1.48%
Efficiency	Cost Per Policy In Force[3]	$356	$337	$352	$340
Efficiency	Claims Efficiency Ratio[3]	18.7%	19.0%	19.2%	18.6%
Directional	Injured Person Rate	288	294	304	n/a
Directional	Crash Rate	931	927	922	n/a
Directional	New Driver Comparative Crash Rate	1.02	1.01	0.98	n/a

1 This column represents the 2014 forecast, outlook, or target as discussed further in Section B.
2 2011 and 2012 results have been restated; please see paragraph 35 for more information.
3 The Basic financial ratios and the efficiency performance measures exclude Transformation Program costs and government initiatives which are cost recoverable.
4 For further information please see Section B.2.2.
5 Net of the impact of purchased structured settlements.
6 Since this is the first year that bodily injury frequency is being introduced as a performance measure no prior year actual results are being provided. Please see Chapter 7- Road Safety for discussion of this metric.

Many of the Service Quality Measures appear to show unfavourable performance over the past three years and low targets for 2014. ICBC was asked to provide a comprehensive discussion on Claims Transformation implementation, transitional impacts and service quality.[135] The response detailed the need for claims

[135] Exhibit B-13, 2014.1 RR BCUC.78.4.

transformation, its timeline, transitional impacts, customer service and some positive signs as the transition is now being implemented. ICBC concludes that:

> ICBC made the decision to pursue Claims Transformation with the long term best interests of servicing our policyholders in mind. It was necessary for ICBC to invest in its processes, systems and people in order to streamline business processes and provide employees better tools to improve the customer experience, while at the same time control claims and operating costs. Given the magnitude of the changes associated with achieving the longer term benefits of Claims Transformation, there have been and will be impacts on efficiency and file handling quality during the transition period. ICBC has implemented Claims Transformation in a deliberate and well-considered manner, involving consultation, prioritization, and business oversight and planning. The pre-planning and implementation of the Claims Transformation Program was executed, making readjustments as appropriate and expected with a project of this size, scope and complexity. ICBC has developed mitigation strategies to minimize impacts to customers and will continue to monitor customer satisfaction as part of its management practices. The initial signs are positive, with a measurable return to historical levels of service, and support that the implementation of Claims Transformation is being reasonably and effectively managed.[136]

In the 2013 RRA Decision on page 41, the Commission encouraged ICBC to establish performance metrics specifically for the transition period starting in the next RRA so as to allow the assessment of efficiency, productivity and customer satisfaction as they relate to claims costs. In response, ICBC stated: "Proper development of new performance metrics would require considerable data, analysis and testing and, given that final phases of Claims Transformation are in progress, would not be practical to develop at this time."[137]

While ICBC states that it would not be practical to develop new performance metrics at this time, ICBC has provided a number of performance metrics related to the transitional period in the Application and in the IR responses, such as:

- Figure 6.3 – Claims Cost Savings and Transitional Impacts
- Figure 6.4 – Performance Measures Results
- Figure 6.5 – Bodily Injury Claims Paid Loss Amounts and Costs of Litigation
- Figure 6.6 – Average Costs of Bodily Injury Claims and Litigation Costs
- Average handle time (AHT) and average speed to answer

6.1 Parties' positions

COPE's participation in this proceeding is focused on the Claims Transformation Program. With respect to the regulatory process going forward, COPE states "[i]n the evaluation of the success of Claims Transformation in the Claims Contact Centre, COPE recommends that the Commission's decision in this proceeding direct the Corporation to include the following metrics in its next Revenue Requirement Application."[138]

---

[136] Ibid., p. 20.
[137] Ibid., 2014.1 RR BCUC.47.2.
[138] COPE Final Argument, p. 13.

COPE suggests ICBC should be directed to file at least two years of pre-implementation data (i.e., from the beginning of 2012) with monthly breakdowns for the following metrics: calls offered; calls deflected; calls abandoned; average delay to abandon; calls handled; average speed of answer; service level stated as percent of calls answered within “x” seconds, showing 20- second increments from 80 to 400-plus; average handle time; WFM (Workforce Management) “S-ACD” superstate showing the total number of hours scheduled on the phones; WFM staff shrinkage superstates showing the number of hours scheduled off the phones (other work activities or absence); Schedule Adherence target assumption (currently 90 percent - the corresponding “unproductive” shrinkage is 10 percent; actual staff/agents scheduled (FTEs); agent occupancy; and first call resolution.

It is the COPE position that data relating to these metrics will properly equip the Commission to apply standard call centre industry analytics to derive a more complete picture of the various dimensions of service performance.

COPE also recommends that the Commission should direct ICBC to file the results of the workload Interim Study that it is undertaking in July of 2015.[139]

BCOAPO also addresses the issues of the legal representation rate and the decline in calls answered in 100 seconds performance metric. BCOAPO states:

> A J.D. Power report indicated that (in the United States) customer service dissatisfaction is a major driver of consumers switching insurers. With no alternative to Basic coverage insurer in BC, might the corollary behaviour manifest as claimants seeking legal representation for their claims? We asked ICBC's opinion on whether this might be a factor in legal representation growth. ICBC’s response did not directly address the question.[140]

BCOAPO supports the development of customer service metrics that could accurately measure a claimant’s propensity to seek representation.[141] BCOAPO is also concerned that the Complaints Heard by the Fairness Commissioner metric is too restrictive since it does not include complaints to the Customer Relations Department.[142]

In its Reply Argument, ICBC responds to BCOAPO and COPE submissions regarding legal representation and it’s Customer Survey. This was discussed in Section 5.2 of this decision regarding legal representation rate.

ICBC also responds to COPE’s submissions regarding the TP transition and makes the following submissions:

> ICBC’s evidence was that, given the magnitude of systems and business process changes, a 12 to 18 month period of stabilization after full implementation of ClaimCenter would be needed for adjusters to become fully proficient in handling claims and to identify efficiencies

[139] Ibid., pp.13–14.
[140] BCOAPO Final Argument, p. 20.
[141] Ibid., p. 21.
[142] BCOAPO Final Argument, p. 24.

> and systems fixes. However, Claims Contact Centre operational metrics were expected to rebound well before that time had elapsed, and have done so.[143]
>
> The achievement of steady state benefits will not coincide with the next RRA cycle…ICBC's evidence is that it expects the full benefits of Claims Transformation to be achieved by the end of 2016.
>
> …ICBC's next RRA will similarly account for the financial benefits of Claims Transformation and include updates on the status and benefits of Claims Transformation.[144]

ICBC submits that consideration of BCOAPO's issues with performance measures should await the full review of performance measures planned for the 2017 RRA. ICBC reports on the performance measures as agreed to in the May 2004 Negotiated Settlement Agreement and modified per the July 2006 Decision and the 2013 RRA Decision. The performance measure of Complaints Heard by the Fairness Commissioner was canvassed in the 2013 RRA, and was left unchanged.[145]

Regarding COPE's list of metrics that it suggests the Commission direct ICBC to report on, ICBC states:

> COPE advocates that the Commission direct ICBC to provide updated and historical data from 2012 for all fourteen of the operational metrics and performance measures of interest to COPE. ICBC submits that this is excessive and unnecessary…
>
> - ICBC has indicated its willingness to include average handle times and average speed to answer in the 2015 and 2016 RRAs. ICBC will also provide abandon rates for the Claims Contact Centre, and is amenable to providing statistics for deflected calls (also requested by BCOAPO) if desired by the Commission.[146]

ICBC submits that the Commission's 2013 RRA Decision acknowledged that ICBC will propose changes to the overall suite of performance measures after Transformation as part of its 2017 RRA.[147]

6.2 Commission discussion

At the outset of Section 6.0, the Panel noted that ICBC has committed to file a full review of its performance measures as part of the 2017 RRA after the completion of TP. While ICBC has indicated its reluctance to the Commission's encouragement to file metrics for the transitional period, the Panel notes that ICBC has in practice introduced some new and appropriate transitional period metrics in this Application and throughout the evidentiary phase. The Panel is satisfied with the information ICBC provided in the Application and IR responses as meeting the intent of the 2013 RRA Decision request. In consideration of this and also acknowledging ICBC's undertaking to provide some updates in its filings, the Panel makes the following finding.

[143] ICBC Reply Argument, p. 18
[144] Ibid., pp. 18–19.
[145] Ibid., p. 19.
[146] Ibid., p. 21.
[147] Ibid., p. 22.

The Panel directs ICBC to provide the transitional period performance metrics that it has indicated in its submissions (i.e. average handling time, average speed to answer, abandon rates for Claims Contact Centre, deflected calls, in addition to Figure 6.3 through 6.6 noted above) in the 2015 and 2016 Revenue Requirements. The Panel accepts ICBC's position that the best time to assess the success of the claims transformation is in the 2017 RRA when TP is complete, as indicated in the 2013 RRA Decision. The Panel is also persuaded, and determines, that updating additional performance measures beyond those referred to above are unnecessary at this time as such would divert effort and costs that would be better spent bringing TP to a successful resolution.

The Panel notes COPE's request that ICBC be required to file the workload Interim Study that it is undertaking in July of 2015. On page 4 of the Reasons for Decision for Order G-174-14 regarding an IR dispute, the Panel stated:

> The Commission Panel agrees with ICBC's interpretation of this "while the Commission can set Basic Insurance rates and establish performance measures, it has no jurisdiction to dictate how ICBC decides to staff particular areas of the organization or allocate work among employees in order to manage its costs or achieve performance measures." However the Commission Panel has jurisdiction to identify problems in service and performance levels, identify the apparent causes of such problems and direct improvements in service if necessary. While the Commission cannot direct how ICBC must fix any problems identified, it is entirely within the purview of the regulator to examine and identify such problems. The Commission Panel has reviewed the disputed IRs with this lens.

Consistent with the Panel's view in Order G-174-14, the Panel considers that the workload Interim Study pertains to operational matters of ICBC. The Panel earlier in this section and in Section 5.1 already discussed performance measures and performance levels. The Panel finds that workload and staffing levels are of the purview of ICBC and its bargaining unit. Therefore, the Panel denies COPE's request to include the interim Workload Study to be reviewed as part of any RRA.

7.0 OTHER MATTERS

The Panel notes that some parties have registered concerns about the review process and the possibility that perhaps some intervener IRs and evidence are challenging the merits of the legislative framework applicable to Basic insurance regulation.

The Panel shares the concerns of these parties and offers the following reflective comments along with a request that interveners give careful thought to the nature of their involvement during any particular Commission proceeding.

The Commission, in all circumstances, must operate under the authority of the regulatory tools provided and is bound by legislation. The Commission cannot address matters regarding statutory requirements beyond its jurisdiction.

With specific regard to ICBC, the Commission is bound to its jurisdiction under the Basic insurance regulation set out by SD IC2, the ICA, and certain sections of the UCA and cannot address matters beyond these.

With specific regard to the ICBC 2014 RRA, this is a revenue requirements application whereby the Commission sets Basic insurance rates across all rate classes as applied for in the Application. The Panel will not comment on any matters pertaining to rate design (e.g. discretionary treatment to a certain group) in a revenue requirements proceeding as they are out of scope. In accordance with the ICA, the Commission sets Basic insurance rates that it considers to be adequate, efficient, just and reasonable. SD IC2 sets out the way in which the Commission should set Basic insurance rates – the primary factor being on the basis of accepted actuarial practice. The resulting rate indication can be higher, lower or equal to general inflation rates and cannot be tied to the Consumer Price Index. Rates must be set so as to be sufficient to cover expected obligations and subject to Government directives.

With regard to the management of its capital, in the 2013 RRA ICBC sought and received approval by the Commission of a Capital Management Plan (CMP)[148]. This CMP established all aspects of capital management relating to ICBC, including the respective MCT thresholds, and the Panel finds no compelling reason to revise the CMP at this time.

While the Commission has a very specific legislative mandate with which it must comply, it greatly values legitimate public input and is cognisant that participating members of the public may not be fully versed in the protocols and formalities of a quasi-judicial hearing. The Commission tends to be generous in its interpretation of its legislative mandate to enhance and assist public understanding. That said, it is incumbent upon all parties to apprise themselves, as best as possible, of the expectations and constraints placed upon them in order that all proceedings, or any specific proceeding, can be conducted with efficiency and clarity as well as with maximum fairness and generosity.

---

[148] ICBC 2013 RRA Decision dated May 14, 2014, pp. 24–33.

8.0 SUMMARY OF DIRECTIVES

This summary is provided for the convenience of readers. In the event of any difference between the Directions in this summary and those in the body of the decision, the wording in the decision shall prevail.

	Directive	Page
1.	**The Panel determines that the phrase "that year's loss costs forecast" in section3(1)(c.2)(ii)(A) of SD IC2 must be interpreted as applying to one or another policy year's LCFV but not more than one at the same time.**	9
2.	**the Panel determines that pursuant to SD IC2, the loss cost forecast variance provision that is eligible for exclusion consideration is limited to the LCFV for the 2014 policy year. The prior exclusion of the LCFV for the 2013 policy year must be discontinued in its entirety in setting the rate in PY 2014.**	10
3.	**the Panel determines that the LCFV for the 2014 Policy Year will be included in the PY 2014 rate.**	10
4.	**In the event that ICBC intends to include a weather adjustment in future RRAs, the Panel directs ICBC to conduct additional research into the availability, quality and usefulness of incorporating precipitation levels reported by other weather data stations as part of the actuarial analysis.**	13
5.	**the Panel accepts the actuarial analysis presented in the Application.**	13
6.	**To align with the current ICBC Statement of Investment Policy and Procedures, the Panel approves the revised NMR formula. The Panel accepts the investment income component of the PY 2014 indicated rate change. ICBC is directed to use the approved New Money Rate formula to calculate the investment income component of Basic insurance rate indication in future RRAs.**	16
7.	**In future RRAs, the Panel directs ICBC to identify all costs that will be shifted out of TP to corporate expenses as separate line items. For each item, ICBC is to justify why the costs are out of the scope of TP by way of measuring them against the criteria set out in the Government Directive regarding TP. ICBC is directed to report on these costs and quantify and explain the impact, if any, on the Basic insurance rates or Basic capital.**	19
8.	**Accordingly, the Panel directs ICBC to replace the $1.6 million incorrectly charged to Basic capital in 2013.**	20
9.	**ICBC is directed to report on any amount related to non-fully recoverable costs that would have any impact on the Basic insurance rate indication and/or Basic capital in future RRAs until such time when all costs are fully recovered from government.**	21
10.	**the Panel approves the 5.2 percent Basic insurance permanent rate increase for PY 2014, as set out in the Application.**	21

11.	**The Panel directs ICBC to implement the modified CRC process as outlined in the discussion above and to file the information required to implement this process in the 2015 RRA and those subsequent.**	27
12.	**ICBC is requested to show how it has used the Customer Attitude Survey results to develop current and future strategies to address rising legal representation rate. ICBC should demonstrate how these strategies are linked to specific reasons that customers are seeking legal representation. The action plan should include metrics used to measure the effectiveness of claims management changes and measureable outcomes including any indications of a decline in the level of legal representation. ICBC is requested to provide this action plan in the 2015 RRA. If the information is not available by the 2015 RRA, ICBC is requested to provide a status update at that time.**	35
13.	**The Panel accepts ICBC's proposal to file its Road Safety report as part of the annual RRA. In the event that ICBC is not required to file RRAs annually, ICBC is to file an annual Road Safety report on or before September 30 of each year, consistent with the previous reporting framework.**	39
14.	**The Panel directs ICBC to provide the transitional period performance metrics that it has indicated in its submissions (i.e. average handling time, average speed to answer, abandon rates for Claims Contact Centre, deflected calls, in addition to Figure 6.3 through 6.6 noted above) in the 2015 and 2016 Revenue Requirements. The Panel accepts ICBC's position that the best time to assess the success of the claims transformation is in the 2017 RRA when TP is complete, as indicated in the 2013 RRA Decision. The Panel is also persuaded, and determines, that updating additional performance measures beyond those referred to above are unnecessary at this time as such would divert effort and costs that would be better spent bringing TP to a successful resolution.**	44

DATED at the City of Vancouver, in the Province of British Columbia, this 19th day of May, 2015.

Original signed by:

B.A. MAGNAN
COMMISSIONER

Original signed by:

R.D. REVEL
COMMISSIONER

Original signed by:

H.G. HAROWITZ
COMMISSIONER

BRITISH COLUMBIA
UTILITIES COMMISSION

ORDER
NUMBER G-81-15

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IN THE MATTER OF
the *Utilities Commission Act*, RSBC 1996, Chapter 473

and

the *Insurance Corporation Act*, RSBC 1996, Chapter 228, as amended

and

an Application by the Insurance Corporation of British Columbia
for Approval of the Revenue Requirements for Universal Compulsory Automobile Insurance
for the Policy Year Commencing November 1, 2014

BEFORE: B. A. Magnan, Panel Chair and Commissioner
R. D. Revel, Commissioner
H. G. Harowitz, Commissioner

May 19, 2015

O R D E R

WHEREAS:

A. By Order G-63-14 and Decision dated May 14, 2014, the British Columbia Utilities Commission (Commission) approved a 5.2 percent Universal Compulsory Automobile Insurance (Basic insurance) permanent rate for the Insurance Corporation of British Columbia (ICBC) for the Policy Year commencing November 1, 2013;

B. Special Direction IC2 to the British Columbia Utilities Commission, BC Regulation 307/2004 as amended (Special Direction IC2), requires that the British Columbia Utilities Commission (Commission) must do the following, among others:

   i. beginning in 2014, require the Insurance Corporation of British Columbia (ICBC) to apply annually for a general rate change order by August 31 of the year of the application for rates effective November 1 of that year; and

   ii. for 2014 and each following year for which rates are set, the percentage number of a rate change fixed by a general rate change order must differ from the percentage number of a rate change fixed by the previous general rate change order by no more than 1.5, and must not decrease existing rates;

C. By Letter L-43-14 dated August 12, 2014, the Commission established a preliminary regulatory timetable for the anticipated ICBC 2014 Revenue Requirements Application;

D. On August 29, 2014, ICBC submitted an application to the Commission for approval of the Revenue Requirements for Universal Compulsory Automobile Insurance, effective November 1, 2014 (Application), for a 5.2 percent increase in Basic Insurance rates. In addition, ICBC applied for approval of a revised formula for the New Money Rate used in the determination of investment income that forms a component of the Basic insurance rate indication;

E. The Application requests for the 5.2 percent increase in Basic Insurance rates to apply as follows:

   i. Pursuant to section 89 of the *Utilities Commission Act*, and section 15 of the *Administrative Tribunals Act*, the rate increase to apply on an interim basis for all new or renewal policies with an effective date on or after November 1, 2014 that have: (1) premiums determined through the use of the Schedule of Basic Insurance Premiums of the Basic Insurance Tariff (Schedule C) as filed with the Commission, excluding Rate Class 800, Rate Classes 900 to 906, and excluding policies relating to vehicles located on isolated islands; and (2) premiums determined under a Fleet Reporting Policy. Collectively, policies under (1) and (2) are referred to as the "Plate Owner Basic and Fleet Reporting Policies;"

   ii. ICBC applies for the 5.2 percent increase to be made on a permanent basis for Plate Owner Basic and Fleet Reporting Policies and all other new and renewal policies on or after the first day of the first month that is at least 60 days following the Commission's final Decision on the Application;

F. By Order G-129-14 dated September 4, 2014, the Commission approved ICBC's requested 5.2 percent Basic insurance rate increase on an interim basis for implementation with an effective date on or after November 1, 2014. The Commission noted that it will determine the manner by which any variance between the approved interim rate and the approved permanent rate, will be refunded or collected at the time it renders its decision on the Application;

G. By Order G-155-14, dated October 8, 2014, the Commission established a regulatory timetable and set out a written hearing process with two rounds of information requests and an intervener evidence process for the review of the Application;

H. ICBC filed its Final Argument on March 5, 2015. Registered interveners filed their final arguments by March 18, 2014. Subsequently, ICBC filed its Reply Argument on April 2, 2015;

I. The Panel reviewed and considered all evidence on record for the Application; and

J. The jurisdiction of the Commission with respect to the regulation of ICBC's revenue requirements and rates is restricted by legislation to Basic insurance. The Commission has no jurisdiction over ICBC's Optional insurance business.

NOW THEREFORE for the reasons set out in the Decision that is issued concurrently with this order, the Commission orders as follows:

1. A 5.2 percent Basic insurance permanent rate increase for Policy Year 2014 is approved.

…/3

2. The revised New Money Rate formula is approved. ICBC is directed to use the approved New Money Rate formula to calculate the investment income component of Basic Insurance rate indication in future revenue requirement applications.

3. The Commission will accept, subject to timely filing and if applicable, amended Basic insurance rate schedules in accordance with the terms of this order.

4. ICBC is directed to comply with all determinations and directives set out in the Decision that is issued concurrently with this order.

DATED at the City of Vancouver, in the Province of British Columbia, this 19th day of May 2015.

BY ORDER

Original signed by:

B. A. Magnan
Panel Chair / Commissioner

Insurance Corporation of British Columbia
Application for Approval of the Revenue Requirements
for Universal Compulsory Automobile Insurance
for the Policy Year Commencing November 1, 2014

ACRONYMS AND ABBREVIATIONS

AB	Accident Benefits
AHT	Average Handling Time
Application	Revenue Requirements for Universal Compulsory Automobile Insurance for the Policy Year Commencing February 1, 2014
AY	Accident Year
Basic insurance	Universal Compulsory Automobile Insurance
BCOAPO	British Columbia Old Age Pensioners' Organization *et al.*
BCUC, or Commission	British Columbia Utilities Commission
BI	Bodily Injury
BU	Bargaining Unit
CDI	Canadian Direct Insurance
CMP	Capital Management Plan
CMT	Capital Management Target
COPE	Canadian Office and Professional Employees Union Local 378
CPI	Consumer Price Index
CRC	Customer Renewal Credit
DCAT	Dynamic Capital Adequacy Testing
EAFE	Europe, Asia, Far East
FNOL	First Notice of Loss
IBC	Insurance Bureau of Canada

ICA	*Insurance Corporation Act*
ICBC, or Corporation	Insurance Corporation of British Columbia
IR	Information Request(s)
LCFV	Loss Costs Forecast Variance
M&C	Management and Confidential
MCT	Minimum Capital Test
MOU	Memorandum of Understanding
NMR	New Money Rate
OIC	Order in Council
OIC 152/13	*Special Direction IC2* amended by Order in Council 152/13, March 18, 2013, to promote greater stability and predictability in Basic insurance rates
OIC 153/13	Government directive of March 19, 2013 with respect to Rate Smoothing approved by Order in Council 153/13, March 18, 2013
OIC 222/10	The Government Directive regarding Transformation Program
OSFI	Office of Superintendent of Financial Institutions
PED	Personal Electronic Device
PY	Policy Year
PY 2013	Policy Year Commencing November 1, 2013
PY 2014	Policy Year Commencing November 1, 2014
RRA	Revenue Requirements Application
SIPP	Statement of Investment Policy and Procedures
SIU	Special Investigations Unit
Special Direction IC2	Special Direction IC2 to the BC Utilities Commission, BC Regulation 307/2004

Tariff	Basic Insurance Tariff
TAS	Traffic Accident System
TP	Transformation Program
TREAD	Towards Responsible and Attentive Driving
UCA	*Utilities Commission Act*

Insurance Corporation of British Columbia
Application for Approval of the Revenue Requirements
for Universal Compulsory Automobile Insurance
for the Policy Year Commencing November 1, 2014

SPECIAL DIRECTION IC2

to the British Columbia Utilities Commission

Definitions

1 In this Special Direction:

"Act" means the *Insurance Corporation Act*;

"capital available" means capital available as that term is described in the MCT guideline;

"capital management target" means the MCT target, determined in a capital management plan approved by the commission, that is the total of the following:

(a) the MCT required under section 3 (1) (b);

(b) the margin, expressed in percentage points of MCT, that reflects the corporation's risk profile in relation to the corporation's universal compulsory vehicle insurance business and its ability to respond to adverse events that arise from those risks;

(c) any additional margin, expressed in percentage points of MCT, consistent with relatively stable and predictable universal compulsory vehicle insurance rates;

"customer renewal credit" means a one-time, non-refundable, non-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;

"excess capital available" means universal compulsory vehicle insurance capital available in excess of the capital reflected in the capital management target specified in a capital management plan approved by the commission;

"existing rates" means the universal compulsory vehicle insurance rates in effect on the date the corporation files an application for a general rate change order;

"general rate change order" means a commission order that

(a) fixes rates, expressed as a percentage change from existing rates, for universal compulsory vehicle insurance to cover the overall revenue requirements of the corporation's universal compulsory vehicle insurance business, and

(b) does not include an order relating to rate design or customer renewal credit;

"loss costs" means the average amount of claims cost per universal compulsory vehicle insurance policy on an annualized basis, determined on the basis of accepted actuarial practice;

"loss costs forecast variance" means the difference, expressed in percentage points of a rate change fixed in a general rate change order, between

(a) the loss costs provision reflected in existing rates, and

(b) the loss costs that have emerged;

"MCT" means MCT as that term is described in the MCT guideline;

"MCT guideline" means the Guideline for Minimum Capital Test (MCT) for Federally Regulated Property and Casualty Insurance Companies issued by the Office of the Superintendent of Financial Institutions Canada as that guideline is amended or replaced from time to time.

[am. B.C. Regs. 229/2009, s. (a); 108/2010, s. 1; 115/2013, s. 1.]

MCT

1.1 For each year for which the commission fixes universal compulsory vehicle insurance rates, the MCT must be determined

(a) using data available from the most recent quarter at the time the corporation files a general rate change order, and

(b) as at the end of that year.

[en. B.C. Reg. 115/2013, s. 2.]

Application

2 This Special Direction is issued to the commission under section 47 of the Act and section 3 of the *Utilities Commission Act*.

Directions relating to the corporation generally

3 (1) With respect to the exercise of its powers and functions under the Act in relation to the corporation generally, the commission must do the following:

(a) Repealed. [B.C. Reg. 108/2010, s. 2 (a).]

(a.1) beginning in 2014, require the corporation to apply annually for a general rate change order by August 31 of the year of the application for rates effective November 1 of that year;

(b) set rates for the corporation's universal compulsory vehicle insurance business in a way that will allow the corporation to maintain, in relation to its universal compulsory vehicle insurance business, at least 100% of MCT;

(c) subject to paragraphs (c.1) and (e), for each year for which it fixes universal compulsory vehicle insurance rates, fix those rates on the basis of accepted actuarial practice so that those rates allow the corporation to collect sufficient revenue,

(i) for 2004, to achieve the net income target set for that year under paragraph (a),

(ii) for each following year for which rates are set, to pay the following:

(A) the costs that are to be incurred by the corporation in that year for road safety programs under section 7 (i) of the Act, including, without limitation, payments by the corporation to any level of government with respect to road safety;

(B) the costs that are to be incurred by the corporation in that year for vehicle licensing, driver licensing and other services and activities of the corporation under section 7 (g) and (h) of the Act that are to be undertaken in that year in accordance with the agreement, as amended from time to time, entitled "Service Agreement between The Ministry of Public Safety and Solicitor General and the Insurance Corporation of British Columbia" and dated as of September 1, 2003;

(C) the payments that the corporation is to make in that year under the agreement entitled "Memorandum of Understanding between B.C. Provincial Government and ICBC" and executed in February, 2003;

(D) the remuneration that the corporation is to pay in that year to persons appointed as agents by the corporation under section 9.2 of the *Insurance Corporation Act* for collecting government fees, fines and other amounts payable by the corporation to the government and for collecting premiums, fees, debts and other revenue on behalf of the corporation;

(E) up to and including 2008, the payments that the corporation is to make in that year under the agreement entitled "Traffic and Road Safety Law Enforcement Funding Memorandum of Understanding" made between the corporation and the government as represented by the Minister of Public Safety and Solicitor General and dated December 2, 2003,

(ii.1) for 2009, to make the payments that the corporation has agreed to make under the agreement dated for reference January 1, 2009, between the corporation and the government as represented by the Minister of Public Safety and Solicitor General entitled "Traffic and Road Safety Law Enforcement Funding Memorandum of Understanding",

(ii.2) for 2010 and subsequent years, to make the payments that the corporation has agreed to make under the agreement dated for reference January 1, 2010, between the corporation and the government as represented by the Minister of Public Safety and Solicitor General entitled "Traffic and Road Safety Law Enforcement Funding Memorandum of Understanding",

(ii.3) for 2012 and subsequent years, to make the payments that the corporation has agreed to make under the agreement dated for reference April 1, 2012, between the corporation and the government as represented by the Minister of Justice and Attorney General entitled "Traffic and Road Safety Law Enforcement Funding Memorandum of Understanding", including amendments and extensions to that agreement,

(iii) for 2005 and each following year for which rates are set, to achieve or maintain, as the case may be, the MCT requirement under paragraph (b), and

(iv) for 2013 and each following year, ensure that rates are set in accordance with a capital management plan approved by the commission that includes capital maintenance and build or release provisions;

(c.1) when regulating and fixing universal compulsory vehicle insurance rates, regulate and fix those rates in a manner that recognizes and accepts actions taken by the corporation in compliance with government directives issued to the corporation;

(c.2) despite paragraph (c),

(i) for 2013, the loss costs forecast variance must not be reflected in the general rate change order, and

(ii) for 2014 and each following year for which rates are set,

(A) the commission may exclude some or all of that year's loss costs forecast variance from the rate fixed by a general rate change order in accordance with a capital management plan approved by the commission, and

(B) the percentage number of a rate change fixed by a general rate change order must differ from the percentage number of a rate change fixed by the previous general rate change order by no more than 1.5, and must not decrease existing rates;

(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 will 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;

(d) subject to subsection (2) of this section, ensure that universal compulsory vehicle insurance rates are not based on age, gender or marital status;

(e) ensure that increases or decreases in universal compulsory vehicle insurance rates are phased in in such a way that those rates remain relatively stable and predictable.

(2) The commission may approve universal compulsory vehicle insurance rates that provide discounts to or are otherwise preferential for

(a) persons who are at least 65 years of age, or

(b) persons with disabilities.

(3) In regulating and fixing rates for the corporation, the commission must treat any premiums levied under section 34 (1.1) (e) of the *Insurance (Vehicle) Act* as revenue for the corporation's universal compulsory vehicle insurance business.

(4) In this section, **"government directive"** means a directive in writing to the corporation

(a) given by the minister responsible for Part 1 of the Act, and

(b) approved by the Lieutenant Governor in Council.

[am. B.C. Regs. 313/2004, s. 1; 300/2005; 155/2007, s. 1; 229/2009, ss. (b) and (c); 108/2010, s. 2; 116/2012, ss. (a) and (b); 115/2013, s. 3; 20/2014.]

Directions relating to the corporation's optional vehicle insurance business

4 (1) With respect to the exercise of its powers and functions under the Act in relation to the corporation's optional vehicle insurance business, the commission must not fix rates applicable to optional insurance.

(2) In determining, under section 12 of the *Utilities Commission Act*, whether disclosure of information with respect to the corporation's optional vehicle insurance business is necessary for the administration of the *Utilities Commission Act* as it applies to the corporation, the commission must consider the effect of disclosure of the information on the corporation's ability to compete in the optional vehicle insurance

market on a basis similar to its competitors and the harm to the corporation's competitive position that may result from the disclosure of the information.

[am. B.C. Regs. 313/2004, s. 2; 155/2007, s. 2; 108/2010, s. 3.]

Note: this regulation replaces B.C. Reg. 321/2003.

PROVINCE OF BRITISH COLUMBIA

ORDER OF THE LIEUTENANT GOVERNOR IN COUNCIL

Order in Council No. 153 *, Approved and Ordered* MAR 18 2013

Judith Guichon

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 Mary Polak, Minister of Transportation and Infrastructure, to give the attached government directive to the Insurance Corporation of British Columbia.

Mary Polak

Minister of Transportation and Infrastructure

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: Special Direction IC2 to the British Columbia Utilities Commission, Reg. 307/2004, s. 3 (4)

Other:

March 6, 2013 O/177/2013/27

BRITISH
COLUMBIA

MAR 1 9 2013

Paul Taylor, Chair
Board of Directors
Insurance Corporation of British Columbia
Executive Office
Room 517, 151 West Esplanade
North Vancouver BC V7M 3H9

Reference: 216145

Dear Chair Taylor:

Re: Government Directive Related to Rate Smoothing

I am writing to provide direction to the Insurance Corporation of British Columbia ("ICBC") to bring greater stability and predictability in universal compulsory vehicle ("Basic") insurance rates.

This letter of direction rescinds and replaces the May 18, 2010, and November 25, 2011, government directives.

ICBC is directed to base its 2013 Revenue Requirements Application on the existing Commission-approved Capital Management Plan, as modified to comply with the May 18, 2010, and November 25, 2011, government directives. However, ICBC should bring forward to the Commission for approval by May 31, 2014, a revised Basic Capital Management Plan that continues to protect the solvency of Basic insurance while also improving ICBC's ability to use Basic capital to promote more stable and predictable Basic rates.

ICBC's new Capital Management Plan should include the concept of a non-transferable, non-refundable "customer renewal credit." In circumstances where Basic capital is well in excess of the capital management target fixed by the Commission, a portion of the excess capital should normally be credited towards the cost that existing customers pay to renew a Basic insurance policy in the 12 month period following the effective date of the Commission's order approving the customer renewal credit. ICBC should seek prior Commission approval to issue any customer renewal credit and obtain direction from the Commission on how it is to be implemented and calculated. Customer renewal credits should only be proposed in circumstances where it will not detract from rate stability and predictability, and where they are cost-effective to implement.

.../2

Ministry of Transportation and Infrastructure

Office of the Minister

Mailing Address:
Parliament Buildings
Victoria BC V8V 1X4

If circumstances should arise where, despite the implementation of a capital management plan consistent with the above principles, Basic capital is projected to fall below the regulatory minimum requirement of 100% MCT as determined under *Special Direction IC2 to the British Columbia Utilities Commission*, then ICBC is directed to report to Treasury Board immediately and develop an appropriate plan to address Basic capital levels in conjunction with Treasury Board.

Government recognizes that it is not possible to eliminate all rate volatility in the face of challenging external circumstances. However, Government considers that the new rate smoothing framework in *Special Direction IC2 to the British Columbia Utilities Commission*, coupled with a new Basic Capital Management Plan, are important steps in promoting greater stability and predictability in Basic insurance rates.

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*.

Finally, I understand that ICBC intends to apply to the BC Utilities Commission (BCUC) to have their Revenue Requirements Application deadline extended from May 31, 2013, to August 30, 2013.

Sincerely,

Mary Polak

Mary Polak
Minister

PROVINCE OF BRITISH COLUMBIA

ORDER OF THE LIEUTENANT GOVERNOR IN COUNCIL

Order in Council No. 222 *, Approved and Ordered* APR 29 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 directive issued by the Minister of Public Safety and Solicitor General to the corporation dated April 19, 2010.

Minister of Finance and Deputy Premier

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 Act*, R.S.B.C. 1996, c. 228, s. 47
Other (specify):-

April 19, 2010

O/281/2010/7

BRITISH
COLUMBIA

April 19, 2010

Mr. T. Richard Turner
Chair
Insurance Corporation of British Columbia
Room 517, 151 West Esplanade
North Vancouver BC V7M 3H9

Dear Mr. Turner:

The Insurance Corporation of British Columbia ("ICBC") has identified a need to embark on a significant program aimed at updating the systems and processes in place at the corporation, which is referred to as the Transformation Program. I am writing this letter of direction to ICBC about this Program.

Government recognizes the importance of ICBC re-investing sufficient capital in its business through the Transformation Program so as to permit ICBC to enhance the quality of service to all universal compulsory automobile insurance and optional automobile insurance ratepayers. Government also supports limiting the impact of ICBC's investment in the Transformation Program on universal compulsory automobile insurance rates.

ICBC is therefore authorized to undertake the Transformation Program which I understand to be estimated at a cost of $400 million. A description of the scope of this Program is included as in the Schedule to this letter.

In the absence of this directive, all of the costs associated with the Transformation Program would be allocated between optional automobile insurance and universal compulsory automobile insurance based on the methodology approved by the British Columbia Utilities Commission. However, with respect to certain costs associated with the Transformation Program that meet the criteria outlined below ("Optional-Funded Transformation Program Costs"), ICBC is directed to use optional automobile insurance capital available to also cover the portion of those costs that would otherwise be allocated to universal compulsory automobile insurance. ICBC is further directed not to seek recovery of any portion of these Optional-Funded Transformation Program Costs in universal compulsory automobile insurance rates.

.../2

The use of optional automobile insurance capital available to pay for Optional-Funded Transformation Program Costs is warranted in these special circumstances. ICBC should not, in the absence of a government directive, use optional automobile insurance capital available to pay for costs appropriately allocated to universal compulsory automobile insurance in accordance with the cost allocation methodology approved by the British Columbia Utilities Commission from time to time.

It is therefore important to place clear parameters around the amount and types of Transformation Program costs that are to be considered Optional-Funded Transformation Program Costs as follows:

- Optional-Funded Transformation Program Costs can include only project operational costs and depreciation expense for project capital costs related to the Transformation Program.

- On an annual (calendar year) basis, Optional-Funded Transformation Program Costs will be limited to the total budgeted amount of Transformation Program project operational costs and depreciation expense for project capital costs for that year that is approved by Treasury Board.

Actual Optional-Funded Transformation Program Costs spent over the life of the Transformation Program will be limited to a cumulative total of $400 million. For clarity, Optional-Funded Transformation Program Costs are not to include any of the following:

- Post-implementation costs and ongoing operating costs associated with the systems and processes implemented as part of the Transformation Program.

- Costs associated with future upgrades and enhancements to the systems and processes that had been funded as Optional-Funded Transformation Program Costs.

- Actual Transformation Program costs expensed, in a given calendar year, that exceeds the budget approved by Treasury Board; or

- Actual costs associated with the Transformation Program in excess of the $400 million cumulative limit.

.../3

In order to ensure that Optional-Funded Transformation Program Costs are not recovered in universal compulsory automobile insurance rates, ICBC is directed to comply with the following requirements:

- Treasury Board will, for each calendar year, approve a deduction from any amount payable under an *Optional Capital Payment Order* issued by the Lieutenant Governor in Council pursuant to section 26 of the *Insurance Corporation Act* that authorizes such deductions. The amount of any deduction will be equal to at least $400 million, less the cumulative amount of Optional-Funded Transformation Program Costs expensed over the life of the Transformation Program to the end of the last calendar year. This deduction will be based on ICBC's update on the Transformation Program to be provided to Treasury Board within 30 days after the end of the previous calendar year.

- In determining its forecast revenue requirements for universal compulsory automobile insurance, ICBC will deduct the budgeted amount of Optional-Funded Transformation Program Costs approved by Treasury Board for the calendar year from ICBC's forecast corporate operating costs, before allocating the remaining forecast corporate operating costs as between universal compulsory automobile insurance and optional automobile insurance in accordance with the cost allocation methodology approved by the British Columbia Utilities Commission from time to time.

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.

Yours truly,

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

Enclosure

Schedule to Directive
Scope of Transformation Program

The Transformation Program involves the transformation of ICBC's service delivery model, including:

(a) the provision of replacement and new systems, technology and processes to support the claims and insurance operations;

(b) the provision of enhanced product options and customer service functionality for purchasing insurance, vehicle licensing, and claims initiation and processing;

(c) the provision of processes, systems and technology to support a more direct link between premiums and driver risk;

(d) the provision of processes, systems and technology to support enhanced training and workforce mobility for corporation staff;

(e) the provision of processes, systems and technology to support employee collaboration and employee communication;

(f) the provision of processes, systems, technology and training to key business partners to support improved customer service; and

(g) the provision of program and project support, infrastructure, processes, systems, technology and training to enable ICBC to deliver on (a) to (f).

As previously indicated, actual Optional-Funded Transformation Program Costs spent over the life of the Transformation Program will be limited to a cumulative total of $400 million.

Insurance Corporation of British Columbia
Application for Approval of the Revenue Requirements
for Universal Compulsory Automobile Insurance
for the Policy Year Commencing November 1, 2014

INSURANCE CORPORATION ACT
RSBC 1996, Chapter 228

Part 2 — Regulation of the Corporation

Division 1 — Interpretation

Interpretation

43 (1) [Repealed 2003-94-66.]

(2) In this Part, an activity has or is likely to have the effect of appreciably impeding or reducing competition if

(a) the activity has or is likely to have a detrimental effect on existing or potential competition, and

(b) the detrimental effect is or is likely to be large enough to be material, even though that detrimental effect may not be large enough to constitute preventing or lessening competition substantially within the meaning of sections 79 (1) and 92 (1) of the *Competition Act* (Canada).

Division 2 — Role of the British Columbia Utilities Commission

***Utilities Commission Act* to apply**

44 (1) Subject to subsections (3), (6) and (7), the *Utilities Commission Act*, other than sections 3, 5 (4) to (9), 22, 23 (1) (a) to (d) and (2), 25 to 38, 40, 41, 43 (1) (b) (ii), 44.1, 44.2, 45 to 57, 59 (2) and (3), 60 (1) (b) (ii) and (2) to (4), Part 3.1, 97, 98, 106 (1) (k), 107 to 109 and 114, Parts 4 and 5 and sections 125.1 and 125.2 of that Act, applies to and in respect of the corporation as if it were a public utility, and a reference in this Part to the *Utilities Commission Act* or to a provision of that Act is deemed to be a reference to that Act or provision as it applies for the purposes of this Act.

(2) Despite subsection (1), the corporation is not a public utility.

(3) For the purposes of subsection (1),

(a) a reference to "rate" in the *Utilities Commission Act* and in this Part is deemed to be a reference to "rate", as defined in section 1 of the *Utilities Commission Act*, as if paragraph (a) of that definition read as follows:

"(a) compensation of the Insurance Corporation of British Columbia, other than any fee or other remuneration to which that corporation is entitled for any activity it undertakes under section 7 (g), (h) or (i) of the *Insurance Corporation Act*,",

(b) a reference to "service" in the *Utilities Commission Act* is deemed to be a reference to universal compulsory vehicle insurance, and includes

(i) the corporation's practices and procedures related to universal compulsory vehicle insurance, and

(ii) the corporation's performance in providing universal compulsory vehicle insurance to its customer base as a whole or to classes of its customers,

but does not include the corporation's provision of universal compulsory vehicle insurance to any one customer,

(c) section 23 (1) (g) (i) of the *Utilities Commission Act* is deemed to read as follows:

"(i) the convenience or service of the public, or", and

(d) section 43 (3) (a) of the *Utilities Commission Act* is deemed to read as follows:

"(a) all profiles, contracts, reports of accountants, actuaries and consultants, accounts and records in its possession or control relating in any way to its property or service or affecting its business, or verified copies of them, and".

(4) In addition to any rights or powers that the commission may exercise under subsection (1) of this section in relation to the corporation, the commission is to supervise the corporation in accordance with sections 45 and 46 and Division 3 and, for that purpose, has all of the rights and powers that would be available to the commission were that supervisory duty imposed on it under the *Utilities Commission Act*.

(5) Despite section 11 (1) and (2) of the *Utilities Commission Act*, the fact that a commissioner or an employee of the commission obtains or is otherwise covered by insurance coverage provided by the corporation is not a contravention of the *Utilities Commission Act* and does not disqualify the commissioner or employee from acting in any matter affecting the corporation.

(6) Section 62 of the *Utilities Commission Act* does not apply to rates for optional vehicle insurance.

(7) The Lieutenant Governor in Council may prescribe provisions of the *Utilities Commission Act* that do not apply to the corporation or to one or more of the businesses in which the corporation is engaged.

Regulation of universal compulsory vehicle insurance

45 (1) If the corporation is authorized by the Lieutenant Governor in Council to provide universal compulsory vehicle insurance, the corporation must make available universal compulsory vehicle insurance in a manner, and in accordance with practices and procedures, that the commission considers are in all respects adequate, efficient, just and reasonable.

(2) If the commission, after a hearing held on its own motion or on complaint, finds that the manner in which universal compulsory vehicle insurance is provided by the corporation does not comply with subsection (1) or that the practices and procedures in accordance with which that insurance is provided do not comply with subsection (1), the commission must

(a) determine the manner or the practices and procedures, as the case may be, that comply with subsection (1), and

(b) order the corporation to comply with that manner or with those practices and procedures.

(3) After a hearing held on the commission's own motion or on complaint, the commission may determine and set adequate, efficient, just and reasonable standards, practices or procedures to be used by the corporation in providing universal compulsory vehicle insurance and may order the corporation to comply with those standards, practices or procedures.

(4) The commission may, by order, require the corporation to report, at the times and in the form ordered by the commission, on the corporation's performance in providing universal compulsory vehicle insurance, including, without limitation, on the corporation's performance in complying with any order made under subsection (2) or (3).

(5) The commission may exercise its powers and duties under this section in relation to the provision by the corporation of universal compulsory vehicle insurance to the corporation's customer base as a whole or to classes of its customers, but not in relation to the provision by the corporation of universal compulsory vehicle insurance to any one customer.

(6) Despite this section and section 44, and despite section 110 of the *Utilities Commission Act*, the commission does not have the power to change a term or condition of any plan of universal compulsory vehicle insurance established under the *Insurance (Vehicle) Act*.

Reserve funds

46 (1) The commission may, by order, require the corporation to maintain, for the purposes set out in section 8.4, reserves that are equal to or greater than the reserves the corporation is required to maintain under that section.

(2) The commission must take the corporation's obligation to maintain reserves into account in fixing rates of the corporation.

Commission subject to direction

47 (1) In addition to any other power the Lieutenant Governor in Council may have to issue directions to the commission, the Lieutenant Governor in Council may, by regulation, issue directions to the commission respecting the factors, criteria and guidelines that the commission must or must not use in regulating and fixing rates for the corporation, including, without limitation, one or more of the following directions:

(a) establishing financial outcome targets for the corporation generally and for its optional insurance business in particular, including targets for the corporation's capital base, within the meaning of the *Financial Institutions Act*, and the corporation's profits, and directing the commission to accommodate those targets when regulating and fixing those rates;

(b) identifying circumstances in which the commission is and is not to regulate and fix rates applicable to optional vehicle insurance;

(c) establishing criteria on which rates may, and must not, be based;

(d) identifying activities the corporation may or must undertake on behalf of the government or under an enactment, and directing how those activities, and the costs related to them, are to be treated for the purposes of regulating and fixing rates;

(e) directing the commission to consider specified factors or criteria when regulating and fixing rates;

(f) authorizing the commission to determine any factor or criterion the commission considers to be relevant in relation to the regulation and fixing of rates.

(2) In addition to any other power the Lieutenant Governor in Council may have to issue directions to the commission, the Lieutenant Governor in Council may, by regulation, issue one or more of the following directions to the commission:

(a) setting out the basis on which and the manner in which the commission is to perform its obligations under this Part;

(b) directing the commission to require the corporation to prepare a plan, in the manner and form, with the content and at the time or times required by the Lieutenant Governor in Council, of the steps the corporation will take to meet the financial outcome targets referred to in subsection (1) (a);

(c) directing or authorizing the commission to approve and monitor compliance with the plan referred to in paragraph (b) of this subsection;

(d) identifying activities the corporation must undertake on behalf of the government and

(i) establishing requirements as to the manner in which and the practices and procedures in accordance with which those activities are to be undertaken, and

(ii) providing direction to the commission as to how it should regulate those activities to ensure that they are undertaken in accordance with the requirements established under subparagraph (i).

(3) The commission must comply with any direction issued under subsection (1) or (2) despite

(a) any other provisions of the *Insurance Corporation Act* or the *Utilities Commission Act*, or

(b) any previous decision of the commission.

(4) The powers of the Lieutenant Governor in Council under subsection (1) include the power, by regulation, to issue directions that apply, rely on or incorporate, with or without modification, any or all of the provisions of any code, guideline or regulation as they may be amended or replaced from time to time before or after the making of the Lieutenant Governor in Council's regulation, including, without limitation, any or all of the provisions of the MCT guideline.

Limitation

48 Nothing in this Part or in the *Utilities Commission Act* gives to the commission the right or power to alter or affect any rights, remedies or entitlements that may exist at law with respect to compensation for injury or death, or loss or damage to property, that arises out of the use or operation of a vehicle.

Division 3 — Competition Regulation

Separation of businesses

49 (1) The commission must ensure that the universal compulsory vehicle insurance business and the revenue of the corporation, other than revenue from the corporation's optional vehicle insurance business, are not used to subsidize the corporation's optional vehicle insurance business.

(2) For the purpose of subsection (1), the commission may issue any orders it considers necessary to ensure that the corporation's optional vehicle insurance business and activities are segregated from the corporation's other businesses and activities for accounting purposes, and that, in addition, any other businesses and activities of the corporation that the commission considers appropriate are segregated from the remaining businesses and activities of the corporation for accounting purposes, including, without limitation, orders

(a) requiring reports from auditors,

(b) requiring reports from actuaries, and

(c) specifying cost allocation practices and other accounting practices that the corporation is to follow.

(3) Before taking any action under this section, the commission must consider any current reports ordered under subsection (2) (a) or (b).

IN THE MATTER OF
the *Utilities Commission Act*, RSBC 1996, Chapter 473

and

Insurance Corporation of British Columbia
2014 Revenue Requirements Application

EXHIBIT LIST

Exhibit No.	Description
COMMISSION DOCUMENTS	
A-1	Letter Dated August 12, 2014 – L-43-14 Preliminary Regulatory Timeline
A-2	Letter Dated August 15, 2014 – Notice of Informational Presentation and Review Working Session Extension Request
A-3	Letter Dated September 4, 2014 – Commission Order G-129-14 approving interim rates effective November 1, 2014
A-4	Letter Dated September 17, 2014 – Commission Submitting Matters of Interest
A-5	Letter Dated September 24, 2014 – Commission Letter Providing Information on Further Process
A-6	Letter Dated October 8, 2014 – Commission Order G-155-14 issuing the Regulatory Timetable
A-7	Letter Dated October 16, 2014 – Commission Information Request No. 1
A-8	Letter dated October 29, 2014 – Commission letter to COPE regarding ICBC disputed IRs
A-9	Letter dated November 13, 2014 – Commission Order G-174-14 with Reasons for Decision
A-10	Letter dated November 26, 2014 – Commission IR No. 2
A-11	Letter dated January 5, 2015 – Commission Response to SQM Benchmark Report Request
A-12	Letter dated January 26, 2015 – Commission IR No. 1 to COPE 378
A-13	Letter dated January 26, 2015 – Commission IR No. 1 to Mr. Landale

Exhibit No.	Description
A-14	Letter dated February 16, 2015 – Commission letter on Loss Cost Forecast Variance

APPLICANT DOCUMENTS

B-1	**INSURANCE CORPORATION OF BRITISH COLUMBIA (ICBC)** Letter Dated August 14, 2014 - Notice of Informational Presentation and Review Working Session
B-1-1	Exhibit moved to B-3-1
B-2	Letter Dated August 15, 2014 – ICBC Submitting Notice of Dates for Informational Presentation and Review Working Session
B-3	Letter Dated August 29, 2014 – ICBC Submitting Revenue Requirements Application for the Policy Year Effective November 1, 2014 (contains excel attachments)
B-3-1	Letter Dated September 18, 2014 – ICBC Submitting Errata to the Application Appendix 11 B (Exhibit moved from B-1-1)
B-3-2	Letter Dated October 14, 2014 - ICBC Submitting Errata for Application, Review Working Session Presentation, and Response to Matters of Interest
B-4	Letter Dated September 9, 2014 – ICBC Informational Presentation
B-5	Removed Exhibit
B-6	Letter Dated September 25, 2014 – ICBC Response to Commission Draft Regulatory Timeline Options
B-7	Letter Dated September 26, 2014 – ICBC Submitting Working Session Presentation
B-8	Letter Dated September 26, 2014 – ICBC Response to Matters of Interest
B-9	Letter Dated October 1, 2014 - ICBC Reply Submissions on Further Process
B-10	Letter Dated October 27, 2014 – ICBC Comments regarding Information Requests
B-11	Letter Dated October 28, 2014 – ICBC Submitting Supplemental Responses to Matters of Interest
B-12	Letter Dated November 3, 2014 – ICBC Submitting Errata to Application and Matters of Interest
B-13	Letter Dated November 6, 2014 – ICBC Submitting Responses to Information Requests No. 1

Exhibit No.	Description
B-13-1	Letter Dated November 6, 2014 – ICBC Submitting Confidential Responses to Information Requests No. 1 – Attachments held **CONFIDENTIALLY**
B-13-2	Letter Dated November 25, 2014 – ICBC Submitting Errata for Responses to Information Requests No. 1
B-13-3	Letter Dated December 19, 2014 – ICBC Submitting Supplemental Response to information request 2014.1 RR RM.8.d Brokers and Autoplan Licences
B-14	Letter dated November 18, 2014 – ICBC submitting responses to outstanding COPE Information Requests
B-15	Letter Dated December 17, 2014 - ICBC Responses to Interveners Information Requests No. 2
B-15-1	**CONFIDENTIAL** Letter Dated December 17, 2014 - ICBC Confidential Response to the Commission's Information Request 2014.2 RR BCUC.110.1C
B-16	Letter Dated December 17, 2014 - ICBC Responses to COPE378 Information Request No. 2
B-17	Letter Dated February 19, 2015 – ICBC Submitting Rebuttal Evidence

INTERVENER DOCUMENTS

C1-1	**LANDALE, RICHARD (LANDALE)** Letter Dated August 12, 2014 – Request for Intervener Status by Richard Landale
C1-2	Letter Dated September 10, 2014 – Landale Submitting Matter of Interest Document
C1-3	Letter Dated September 17, 2014 – Landale Submitting Matters of Interest
C1-3-1	Letter Dated September 18, 2014 – Landale Submitting Errata to Matters of Interest
C1-4	Letter Dated September 19, 2014 – Landale Submitting Response to ICBC Errata
C1-5	Letter Dated September 29, 2014 – Landale Submitting Comments on Further Process
C1-6	Letter Dated October 21, 2014 – Landale Information Request No. 1

Exhibit No.	Description
C1-7	Letter Dated November 26, 2014 – Landale Information Request No. 2
C1-8	Letter Dated January 12, 2015 – Landale Submitting Evidence
C1-9	Letter Dated February 6, 2015 - Landale Submitting Information Request Responses
C1-9-1	Letter Dated February 10, 2015 – Landale Submitting Attachment to Information Request Responses
C2-1	**WANG, YADONG (WANG)** Letter and Online Registration Dated August 26, 2014 – Request for Intervener Status by Yadong Wang
C3-1	**CANADIAN OFFICE AND PROFESSIONAL EMPLOYEES' UNION, LOCAL 378 (COPE 378)** Letter Dated August 28, 2014 – Request for Intervener Status by Leigha Worth and Jim Quail
C3-2	Letter Dated September 17, 2014 – COPE378 Submitting Matters of Interest (revised)
C3-3	Letter Dated September 17, 2014 – COPE378 Submitting Matters of Interest
C3-4	Letter Dated September 29, 2014 – COPE378 Submitting Comments on Further Process
C3-5	Letter Dated October 21, 2014 – COPE378 Information Request No. 1
C3-5-1	Letter Dated October 24, 2014 – COPE378 Submitting Corrected Information Request No. 1
C3-6	Letter Dated November 3, 2014 – COPE378 Submitting Response to ICBC IR Response Objections
C3-7	Letter Dated November 26, 2014 – COPE378 Information Request No. 2
C3-8	Letter Dated January 12, 2015 – COPE378 Submitting Evidence
C3-9	Letter dated February 9, 2015 – COPE378 Submitting IR Response to BCOAPO
C3-10	Letter dated February 9, 2015 – COPE378 Submitting IR Response to BCUC
C4-1	**MCCANDLESS, RICHARD (MCCANDLESS)** Letter Dated September 4, 2014 – Request for Intervener Status by Richard McCandless

Exhibit No.	Description
C4-2	Letter Dated August 8, 2014 - McCandless Submitting Letter of Comment
C4-3	Letter Dated September 3, 2014 - McCandless Submitting Letter of Comment
C4-4	Letter Dated September 10, 2014 - McCandless Submitting Comments
C4-5	Letter Dated September 17, 2014 – McCandless Confirming No Matters of Interest Submission
C4-6	Letter Dated September 24, 2014 - McCandless Submitting Comments regarding Further Process
C4-7	Letter Dated October 17, 2014 – McCandless Information Request No. 1 to ICBC
C4-8	Letter Dated November 2, 2014 – McCandless Information Request No. 2
C5-1	**Canadian Bar Association (CBA)** Letter Dated September 4, 2014 – Request for Intervener Status by Michael Shireff
C5-2	Letter Dated September 26, 2014 – CBA Submitting Comments on Further Process
C6-1	**British Columbia Pensioners' and Seniors' Organization, Active Support Against Poverty, BC Coalition of People with Disabilities, Counsel of Senior Citizens' Organizations of BC, and the Tenant Resource and Advisory Centre (BCOAPO)** Letter dated September 5, 2014 – Request for Intervener Status by Sarah Khan, Lobat Sadrehashemi and Tony Roberts
C6-2	Letter Dated September 17, 2014 – BCOAPO Submitting Matters of Interest
C6-3	Letter Dated September 29, 2014 – BCOAPO Submitting Comments on Further Process
C6-4	Letter Dated October 21, 2014 – BCOAPO Information Request No. 1
C6-5	Letter Dated November 26, 2014 – BCOAPO Information Request No. 2
C6-6	Letter Dated January 26, 2015 – BCOAPO Information Request No. 1 to COPE378
C7-1	**Insurance Bureau of Canada (IBC)** Letter dated September 8, 2014 – Request for Intervener Status by Miranda Lee
C7-2	Letter Dated September 17, 2014 – IBC Submitting Matters of Interest

Exhibit No.	Description
C7-3	Letter Dated September 29, 2014 – IBC Submitting Comments on Further Process
C7-4	Letter Dated October 21, 2014 – IBC Information Request No. 1
C7-5	Letter Dated November 26, 2014 – IBC Information Request No. 2
C8-1	**BRITISH COLUMBIA TRUCKING ASSOCIATION (BCTA)** Letter dated September 8, 2014 – Request for Intervener Status by Louise Yako
C8-2	Letter Dated September 18 2014 – BCTA Submitting Matters of Interest
C9-1	**ADAIR, GORDON (ADAIR)** Letter dated September 8, 2014 – Request for Intervener Status by Gordon Adair
C10-1	**CANADIAN DIRECT INSURANCE INCORPORATED (CDI)** Letter dated September 8, 2014 – Request for Intervener Status by Karen Hopkins-Lee
C10-2	Letter Dated September 29, 2014 – CDI Submitting Comments on Further Process
C10-3	Letter Dated October 21, 2014 – CDI Information Request No. 1
C10-4	Letter Dated November 26, 2014 – CDI Information Request No. 2
C11-1	**TOWARD RESPONSIBLE EDUCATED ATTENTIVE DRIVING (TREAD)** Letter dated September 8, 2014 – Request for Intervener Status by Fred Weisberg
C11-2	Letter Dated September 17, 2014 – TREAD Submitting Matters of Interest
C11-3	Letter Dated September 29, 2014 – TREAD Submitting Comments on Further Process

Exhibit No.	Description
INTERESTED PARTY DOCUMENTS	
D-1	**STRIDE, GARY (STRIDE)** Letter Dated August 29, 2014 – Request for Interested Party Status by Gary Stride
D-2	**INSURANCE BROKERS ASSOCIATION OF BRITISH COLUMBIA (IBABC)** Letter dated September 8, 2014 – Request for Interested Party Status by Charles Byrne
D-3	**WATSON, KAYLA (WATSON)** Letter dated September 9, 2014 – Request for Interested Party Status by Kayla Watson
D-3-1	Letter dated September 25, 2014 – Watson Submitting Comments
LETTERS OF COMMENT	
E-1	Simpson, Scott Letter of Comment Dated August 29, 2014 – Redacted version on web only
E-2	Taylor, John Letter of Comment Dated August 27, 2014 – Redacted version on web only
E-3	Moved to C4-2
E-4	Kyle, Rob Letter of Comment Dated September 7, 2014 – Redacted version on web only
E-5	Read, Darlene Letter of Comment Dated September 22, 2014 – Redacted version on web only
E-6	Willington, A Letter of Comment Dated September 24, 2014 – Redacted version on web only
E-7	Hawrelak,T Letter of Comment Dated October 23, 2014 – Redacted version on web only
E-8	Storness-Bliss, T Letter of Comment Dated October 23, 2014 – Redacted version on web only