

BRITISH COLUMBIA UTILITIES COMMISSION

**IN THE MATTER OF THE UTILITIES COMMISSION ACT, R.S.B.C. 1996,
CHAPTER 473, as amended**

and

**THE INSURANCE CORPORATION ACT, R.S.B.C. 1996, Chapter 228, as
amended**

**AN APPLICATION BY THE INSURANCE CORPORATION OF BRITISH
COLUMBIA FOR APPROVAL OF THE REVENUE REQUIREMENTS FOR
UNIVERSAL COMPULSARY AUTOMOBILE INSURANCE
EFFECTIVE NOVEMBER 1, 2016**

Submissions on Rate Change

**British Columbia Old Age Pensioners' Organization, Active Support Against
Poverty, Council of Senior Citizens' Organizations of BC, and the Tenant
Resource and Advisory Centre**

(BCOAPO)

December 23, 2016

A. INTRODUCTION

1. These are the submissions on ICBC's proposed rate change of the BC Old Age Pensioners' Organization, Active Support Against Poverty, Council of Senior Citizens' Organizations of BC, and the Tenant Resource and Advisory Centre (BCOAPO) in this proceeding. BCOAPO is a coalition of community-based organizations whose members collectively represent a broad range of ICBC's low and fixed income universal compulsory automobile insurance policyholders.
2. BCOAPO has a long history of effective participation in processes before the BC Utilities Commission (the Commission) and has been an active intervener in most proceedings involving ICBC before the Commission.
3. These final submissions are made in the context of Order in Council No. 960, issued on December 19, 2016, which amends Special Direction IC2 to the Commission by adding that for the 2016 policy year (PY2016) the Commission must issue its final general rate change order by January 16, 2017 and the PY2016 rate change must not exceed 4.9%.
4. As a result of Order in Council No. 960, the Commission issued Order G-195-16 on December 20, 2016, which suspended the regulatory timetable that had been established for this proceeding (Order G-163-16). Flowing from that the Commission, by way of letter dated December 20, 2016 (Exhibit A-14), invited the applicant and registered interveners to make submissions as to whether or not the Commission should approve the PY2016 Basic insurance rate change of 4.9% on a permanent basis. Submissions from the applicant and registered interveners were, of necessity, requested on an expedited basis.
5. Special Direction IC2 directs that the allowable rate change is limited to that approved for the previous year's application, plus-or-minus 1.5%. As a 5.5% increase was approved for PY2015, the allowable range for 2016 is 4.0% to 4.9%.
6. The Commission indicates in its letter of December 20, 2016 (Exhibit A-14) that having considered the evidence on record on a preliminary basis and the amendments to Special Directive IC2 it believes that the 4.9% rate increase requested by ICBC should be approved.
7. These submissions of BCOAPO are confined to what limited analysis can be conducted on a preliminary review of the evidence, as the suspended proceeding precludes any detailed analysis and challenging of the application and evidentiary record.

B. ANALYSIS

8. In the 2016 Revenue Requirements Application (the Application), the Insurance Corporation of British Columbia (ICBC) is applying for approval of a 4.9% increase in universal compulsory insurance rates for the policy year commencing November 1, 2016. More specifically, ICBC states:

The proposed Basic insurance rate was determined with in accordance with: accepted actuarial practice; *Special Direction IC2 to the BC Utilities Commission, BC Regulation 307/2004* as amended (*Special Direction IC2*) and government directives issued under it; Commission Order G-74-16, dated May 27, 2016 (the Decision on 2015 Revenue Requirements); and other relevant Commission directives.¹

9. As our clients are ICBC customers with household budget challenges resulting from fixed or low incomes, we remain concerned about the ongoing divergence between increases in insurance rates versus British Columbia incomes. For someone earning \$150,000 per year, an auto insurance increase of 4.9% may be readily absorbed, but for a family earning \$40,000 per year, the additional insurance costs further strain already strained household budgets. Unfortunately, these types of issues, which speak to the longer term sustainability of ICBC, are beyond the scope of this now truncated review.
10. It is still worth bearing in mind, and noting for the record, that, generally, auto insurance actuarial practices are premised on the needs and experience of practitioners supporting companies operating within a competitive market structure. In those settings, actuarially indicated rates pass through a marketing filter, whose purpose includes anticipating competitor reaction. Individual companies in competitive auto insurance markets cannot automatically pass cost increases through to rates, because that risks losing market share.
11. For Basic insurance, ICBC faces no issues concerning customer retention or competitor influences, and therefore no market-driven downward pressure on rates. Instead, we have the regulatory process, which, when allowed to function, can act as a constraining alternative.

¹ Exhibit B-1, p. i

C. CONCLUSION

12. ICBC seeks a general Basic insurance rate increase of 4.9% for PY2016. We acknowledge the proposed increase amount was arrived at by accepted actuarial practice and do see any basis to challenge those actuarial practices.
13. BCOAPO cannot object to the approval of the 4.9% rate increase in light of the actuarial evidence. The compressed timelines do not allow any meaningful probing of the underlying costs associated with providing Basic insurance.
14. We acknowledge that Basic insurance is a closed system so that any forecast variance flows through Basic capital leading to a correction of future rates.
15. Finally, we cannot object to the proposed rate increase in light of the inability to conduct a fulsome analysis of the application and subsequent evidentiary record in light of the suspended proceeding.

All of which is respectfully submitted.

Sincerely,

BC Public Interest Advocacy Centre

Michael Seaborn
Barrister & Solicitor