

WEISBERG LAW
C O R P O R A T I O N

2730 Ailsa Crescent
North Vancouver, B.C.
V7K 2B2
Reply to: Fred J. Weisberg
Telephone: (604) 980 4069
Email: fredweislaw@gmail.com

January 30, 2017

VIA eFile

Attention: Ms. Laurel Ross, Acting Commission Secretary
British Columbia Utilities Commission
Sixth Floor, 900 Howe Street
Vancouver, B.C.
V6Z 2N3

Dear Ms. Ross:

**RE: Insurance Corporation of British Columbia
2016 Revenue Requirements Application
Toward Responsible Educated Attentive Driving
Submissions on Further Process**

We are writing on behalf of our clients, Toward Responsible Educated Attentive Driving (“TREAD”), to provide submissions regarding the scope and process of the remaining review of the Insurance Corporation of British Columbia (“ICBC”) 2016 Revenue Requirements Application (“RRA”) requested by the Commission in its letter dated 16 January 2017 (Exhibit A-16).

In Order G-2-17, the Commission noted that an amended regulatory timetable would be issued in due course for all other matters in the ICBC 2016 RRA proceeding. Exhibit A-16 advised that requested submissions from ICBC and Interveners will be considered when making a determination on the remaining regulatory process.

Government Announced Review of ICBC

Exhibit A-16 noted that in a news release dated December 19, 2016, the Ministry of Transportation and Infrastructure announced that it directed ICBC’s Board to commission a third party review with a goal to produce a range of options for ICBC to increase fairness, affordability and sustainability in Basic insurance rates (“Independent Review”). The news release also indicated that ICBC’s Board expects some or all of the work to be

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completed in time to support the next rate filing process.¹ In addition, Exhibit A2-2 states that ICBC's "... Board *will have more information in the New Year...*". (emphasis added)

Given the potentially significant and far-reaching consequences of the Independent Review on the future of ICBC's Basic insurance business and the role of the Commission as ICBC's independent regulator, the remaining process for review of the 2016 RRA must include an examination of the work that ICBC's Board expects will be completed in time to support the next rate filing process. Such examination should include determination of the following:

1. What additional information is or will be available regarding the selection of third party reviewers, terms of reference, scope, costs and timing of the Independent Review?
2. Whether the third party commissioned to conduct the Independent Review will be paid by ICBC's Basic insurance business, and what costs will be incurred by ICBC in conjunction with the Independent Review. It must be noted that both the time period (i.e. January through August 2017, and perhaps later) and the subject matter clearly have an immediate and direct connection to costs that fall within the 2016 RRA.
3. What is the scope and nature of work expected to be done by ICBC (as opposed to the third party) in conjunction with the Independent Review?
4. Identify specifically what work will be "completed in time to support the next rate filing process", the expected completion date(s), and what work may not be completed until after "the next rate filing process".

The government's express goal for the Independent Review to find ways to "...keep insurance rates affordable and align future rate increases with inflation" appears to be at odds with accepted actuarial practice. ICBC, the Commission and Interveners all require a clear understanding of the full implications of an approach that would determine future rate increases on the basis of affordability and alignment with inflation, while presumably ignoring the same accepted actuarial practice previously relied upon by ICBC and required by *Special Direction IC2* for setting Basic insurance rates.

TREAD submits that the above questions and related issues would best be addressed in a Workshop convened by the Commission Panel.

¹Exhibit A2-2, p. 2.

ICBC's Requests for Approval in 2016 RRA

In the ICBC 2016 RRA, in addition to the proposed 4.9 percent Basic rate increase, ICBC requests two other approvals as follows:

1. Approval of a proposed allocation methodology for the deferred premium acquisition cost (DPAC) *between Basic insurance and Optional insurance*. This change is driven by financial reporting requirements and *does not impact the rate indication* or the Outlook Minimum Capital Test (MCT) Ratio. (emphasis added)
2. Approval to discontinue the quarterly reporting requirement for government initiatives while continuing to report these initiatives annually as a chapter in each revenue requirements application. ICBC makes the request on the basis that moving to annual reporting is a streamlining opportunity that would allow for sufficient regulatory review of government initiatives while maintaining an efficient process for both the Commission and ICBC.

The requested approval of a proposed allocation methodology demonstrates the inconsistency in ICBC's approach to which issues are considered in or out of scope in an RRA proceeding. In a number of other contexts, ICBC has cited a connection to Optional insurance as a bar to inclusion of an issue in an RRA proceeding. Express acknowledgement that the allocation methodology "does not impact the rate indication" also suggests on its face that the issue is not appropriate for inclusion in an RRA proceeding.² In contrast, ICBC has resisted any examination of costs related to development of a new Rate Design even though such costs clearly would have an impact on the rate indication. The Commission should require ICBC to demonstrate consistent and appropriate rationales in support of its positions regarding RRA scoping.

ICBC's request for approval to discontinue the quarterly reporting requirement for government initiatives is highly inappropriate in light of the government's increasing actions to limit or remove Commission discretion in regulating ICBC. Those actions, along with the recently announced Independent Review of ICBC's Basic insurance business, make it more important than ever to provide timely reporting of government initiatives.

2016 RRA Process To Date and Suspended Regulatory Timetable

In response to the Commission's first question in Exhibit A-16, TREAD submits that the remainder of the 2016 RRA proceeding should not be limited to focus only on ICBC's two outstanding requests.

² It is unclear whether there are no costs related to the proposed allocation methodology change or that any related costs have been netted out by reducing other (approved) expenditures.

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Further process should include the following:

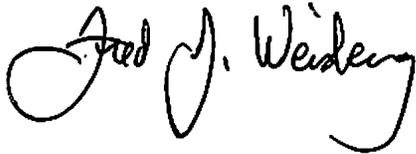
1. A Workshop led by the Commission Panel to address questions and issues related to the Independent Review, as discussed in more detail above. The costs associated with the Independent Review are expected to be incurred almost entirely within the same time period covered by the 2016 RRA, yet the Commission and Interveners have had no opportunity whatsoever to obtain any information regarding the nature or magnitude of those costs. The relevance of these costs to the 2016 RRA is beyond doubt, and customers and the Commission would greatly benefit from increased clarity of the intended scope and nature of the Independent Review. In addition, the Commission should ensure that any costs paid by ICBC's customers in connection with the Independent Review will likely result in a practical and appropriate "range of options for ICBC to increase fairness, affordability and sustainability in Basic insurance rates".
2. The proposed Workshop is also required to examine whether ICBC is applying consistent and appropriate rationales in support of its positions on scoping of RRA issues. As discussed above, it is not apparent that there is a sound basis to include ICBC's request for approval of the proposed allocation methodology in the 2016 RRA, yet oppose any mention or consideration of matters with even the slightest connection to Rate Design.
3. The proposed Workshop should also inquire into ICBC's long-delayed development of a new Rate Design. The various explanations for the delay provided in Ms. Prior's sworn testimony in the 2013 RRA proceeding have long since expired or lost relevance, and the Commission appears not to have followed up on its own directions regarding development of a new Rate Design. The costs of such work, whether incurred or avoided, are directly relevant to the 2016 RRA and by ICBC's own past statements would provide the clear benefit of reducing Basic rates for 2/3 of its customers.
4. The proposed Workshop would also provide a forum for ICBC to address questions regarding the timing, nature and extent of ICBC's involvement in seeking OIC 960/16 that resulted in the suspension of the same regulatory timetable that ICBC recently proposed/supported.
5. As well, the proposed Workshop would provide an opportunity for Interveners to seek clarification from the Commission of certain procedural peculiarities related to ICBC proceedings, including the apparently unexplained removal of Exhibit B-5 from the BCUC website page for ICBC's 2014 RRA.

In response to the Commission's second question in Exhibit A-16, TREAD proposes the following regulatory process, with suggested dates, for the completion of the review of the 2016 ICBC RRA.

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ACTION	DATE (2017)
ICBC Reply Submission	Monday, February 6
Commission Order re: Further Process	Monday, February 13
Workshop led by Commission	Monday, February 27
Commission Order re: Further Process, if required arising from the Workshop	TBD
ICBC Written Argument	TBD
Intervener Written Argument	TBD
ICBC Reply	TBD

Yours truly,



Fred J. Weisberg
Barrister & Solicitor
Weisberg Law Corporation
Counsel to Toward Responsible Educated Attentive Driving (“TREAD”)