

BRITISH COLUMBIA UTILITIES COMMISSION**ICBC 2019 RATE REQUEST APPLICATION****INFORMATION REQUEST NO. 1****Submitted by RICHARD McCANDLESS****February 12, 2019**

My information requests are ordered into four categories:

1. Financial Management
2. Capital Management
3. Claims
4. Road Safety
5. Statistics and Performance Measures
6. Third Quarter Report

I apologize for the number of information requests, but given this submission incorporates two major changes – the alignment of the policy year to the fiscal year, and the coverage changes – I believe it is important to gather sufficient information to track to the 2019/20 actuals and to link to future requests.

1. FINANCIAL MANAGEMENT

The rate request includes changing the policy year resulting in a one-time bridge year of 17 months for the period 1 November 2018 to 31 March 2020. Future rate requests will now allow comparison of the request to the actual fiscal year results from prior periods. In order to establish comparability in the current request between fiscal year actuals and the forecasts please provide the following information.

- 1.1 Using the same format as RRA 2017.1 RM 1.1-4 Attachment A, please provide the year-end Basic actuals for 2017/18 and the forecast for 2018/19 and the forecast for 2019/20; include the number of policies earned excluding commercial trailers.
- 1.2 Using the same format and data elements as requested in 1.1, please provide the forecasts for Basic insurance for 2019/20, 2020/21 and 2021/22 including the requested 6.3% rate increase.
- 1.3 Using the same format as RRA 2017.1 RM 1.1-4 Attachment A, please provide the forecast year-end Optional results for 2018/19 and for 2019/20; include the number of policies sold excluding commercial trailers. I understand that the rate request is for the

Basic program, but the financial health of the Optional program is a matter of public concern and should be a matter of concern to the B.C. Utilities Commission. As ICBC will release its combined 2018/19 forecast as part of the 2019/20 service plan on 19 February 2019, and key components of the Optional forecast can be determined by subtraction, please provide the Optional information now.

1.4 Please provide the actual dollar amounts shown in Section C of Figure 3.1 (p. 3-3) for fiscal year 2017/18, and the forecasts for fiscal years 2018/19 to 2021/22.

1.5 Please complete this table for each of the following elements with commercial

	A2017/18	F2018/19	F2019/20	F2020/21	F2021/22
Private/Personal vehicles					
Commercial (Tractors)					
All Other					
TOTAL					

Note: the amounts for 2019/20 to 2021/22 should include the product reform changes and the 6.3% rate increase.

- The number of written policies, the number of earned policies,
- the number of bodily injury claims and the number of property damage claims.
- The written policy revenue and the earned policy revenue
- The incurred bodily injury claims cost, the incurred property damage claims cost and the Part 7 accident benefits cost.

1.6 Please reformat Figure 3.3 (p. 3-5) for the two periods a) 1 November 2018 to 31 March 2019, and b) FY2019/20. Please include both the dollar values as well as the percentage changes.

1.7 Line 3 in Figure 3.3 shows the loss cost trend having a 15.5% (approximately \$535 million) impact on the gross required rate change. The loss cost trend accounts for 17 months of losses bridging the 2017 policy year (ending 31 October 2018) and the 2019/20 policy year (ending 31 March 2020).

During this 17-month period, written personal and commercial policies are forecasted to increase by approximately 80,000 (Appendix B.1.2, pdf 138), generating some \$60 to \$70 million in earned income (equivalent to a rate offset of 2%). Has additional revenue from the increase in policies been netted from the 15.5% impact on the required rate change? If not, where is this offset shown?

1.8 Please provide the four coverage amounts shown on Figure 3-15 (p. 3.25) for 2019/20 for the actual 2017/18 and the forecast 2018/19 fiscal years; if possible, distribute the Manual to the other three categories of cost.

1.9 Using the format provided in IR No. 2016.1 RR RM 1.3 please provide the numbers (excluding trailers) for FY2016/17 (April to March), FY2017/18 and the forecasts for FY2018/19 to FY 2021/22.

1.10 Using the forecast assumptions provided in response to 2017 RR RM.1.6, please provide the forecasts for the four fiscal years 2018/19 to 2021/22. The forecasts should assume that the 6.3% rate increase is approved.

1.11 Please update the information provided in 2017 RR RM. 2.1 with the estimate for 2018/19 and 2019/20.

1.12 Please provide the forecast pension solvency ratio (obligations and assets) for 31 March 2019 and 2020; and does ICBC have any plans to report the pension solvency on a going concern basis?

1.13 In his letter of February 13, 2018 (OIC 84/18), the minister responsible directed ICBC to provide quarterly reports to the ministry responsible on the progress and status of the various initiatives that comprise the rate affordability plan. Given that the BCUC is keenly interested in the financial health of the Basic program, and given the importance of the product changes to the financial health of the Basic program, will ICBC also provide these quarterly reports to the B.C. Utilities Commission?

2. CAPITAL MANAGEMENT

2.1. Figure 8A.5 (pdf 1069/1419) shows \$775 million as the actual 2017/18 Basic capital available. The 2017/18 annual report (p. 97) shows the Basic total equity as \$826.4 million. Please explain the difference.

2.2. The government suspended the requirement for the B.C. Utilities Commission to ensure that Basic rates supported a minimum 100% MCT. Is ICBC confident that the RAAP will generate sufficient net income in future years to achieve the 100% MCT ratio by 2023/24, or is a form of rate surcharge being contemplated to achieve the 100% MCT ratio for 2023/24?

2.3. In previous rate requests the objective was to achieve at least a MCT ratio of 100% through a combination of rate increases and Optional transfers. The 2017 request stated that a 6.4% general rate increase together with the equivalent of a 13.9% transfer from the Optional program would achieve this result. If the 6.3% rate increase is approved what is the expected Basic equity and MCT expected as of 31 March 2020?

3. CLAIMS MANAGEMENT

3.1. Please revise the response to 2017 RR RM. 4.1 deleting years 2012 to 2015 and adding the actuals for 2016/17 (April to March) and 2017/18, and the forecasts for 2018/19 to 2020/21.

- 3.2. Please update the response to 2017 RR RM. 4.2 deleting years 2011 to 205 and adding the actuals for 2017/18, and the forecasts for 2018/19 to 2020/21.
- 3.3. Please provide the dollar amounts for the years shown in Figure 3.16 (pdf 93/1419). What is the definition of minor injury used to create this graph?
- 3.4. Figure 8A.6 (pdf 1070) shows the forecast for the Basic prior years claims adjustment as \$486 million, some \$268 million more than the 2017/18 actual. Given the new reserving policy described by Ian Mulgrew (<https://vancouver.sun.com/opinion/columnists/ian-mulgrew-now-a-meat-chart-icbc-trying-to-shortchange-the-injured-lawyers-claim>) does ICBC expect that negative adjustments for 2019/20 for prior years claims costs?
- 3.5. The cost of the Civil Resolution Tribunal (CRT) has been netted out of the BI claims savings; what are the estimated costs of the CRT for 2019/20 and 2020/21?
- 3.5.1 How many disputes will be heard at this level of funding?
- 3.6. Please provide the actual discount rate on unpaid claims for 2017/18 and the forecast for 2018/19 to 2021/22.
- 3.7. Figure 8A.6 shows the actual BI severity in 2017/18 of \$47,491 rising to \$51,775 for 2018/19. What is the forecast BI severity for 2019/20 and 2020/21 after the RAAP is in effect?
- 3.8. On November 23, 2018, while discussing ICBC’s second quarter financial summary Attorney General Eby stated that the average injury payment for litigated claims for the first six months of 2018/19 was \$121,686. Using the following format, please provide a) the number of closed Basic exposures or claims, b) the total settlement amount and C) the average settlement (severity) amount per exposure or claim.

	2012	2015	2016/17	2017/18	f2018/19
Unrepresented					
Rep. – Not Litigated					
Rep.- Litigated					

- 3.9 Please update the FTE information provided in response to 2017 RR RM. 4.5 by deleting years 2011 to 2014 and adding 2018 March actual and the forecast for 2019 March.
- 3.10 Please update the driver licensing FTE information provided in response to 2017 RR RM. 4.6, deleting years 2011 to 2014 and adding 2018 (March) and the forecast for 2019 (March).

- 3.11 Please update the FTE information provided in response to 2017 RR RM. 4.7, deleting the years 2010 to 2014 and adding 2018 (March) and the forecast for 2019 (March).
- 3.12 Using the format in response to 2017 RR RM. 4.9, please delete years 2011/12 to 2014/15 in Table 1 and provide the personal net written age exposure information for 2017/18.
- 3.13 Please update the information provided in response to 2017 RR RM. 4.10 with the data for FY2017/18.
- 3.14 Please update the information in the response to 2017 RR RM. 4.11 Table 1 by deleting the years 2011/12 to 2014/15 and add the 2017/18 data.

4.0 ROAD SAFETY

- 4.1 Please update the information in 2017 RR RM. 5.2 with the information for 2017/18.
- 4.2 Please update the annual fine information provided in 2017 RR RM. 5.5 with the information for 2017/18 and the forecast for 2018/19.
- 4.3 Please provide the 2019/20 marginal additional cost of, and the estimated additional amount of ticket fines, resulting from activating the intersection safety cameras on a 24x7 basis.
- 4.3.1 What is the source of the additional cost of operating the devices?

5.0 STATISTICS and PERFORMANCE MEASURES

- 5.1 Please update the information provided in the first table in the response to 2017 RR RM. 8.3 with the information for fiscal years 2016/17 (April to March), 2017/18 and the forecast for 2018/19.
- 5.2 Figures 8F.4 (pdf 1143) and 8F.5 show the average cost of paid BI claims. I believe understand that the average paid severity for 2017/18 (for example) was \$39,986, but what are the three columns entitled “Average Costs of Litigation for Closed BI Claims” attempting to convey? Was the average cost of closed litigated claims above \$40,000 in 2017/18 really \$27,710? What is this number?

In 2014 ICBC persuaded the B.C. Utilities Commission to delay a review of performance indicators until the completion (steady state) of the Transformation Program. In the 2017 RRA ICBC proposed a major change to the current performance measures, both in numbers and definitions. This was rejected by the BCUC, partly because of the various changes to the Basic program that were in development at the time.

- 5.3 Given that the Basic coverage changes, and the fundamental redesign of the Basic premium,

will be in the process of implementation in 2019/20 and 2020/21, why does ICBC believe that this is an appropriate time change and or reduce the already limited number of performance measures? Would it not be more useful to develop a new set of service measures as well as performance measures to monitor progress toward the attainment of the policy objectives?

6.0 THIRD QUARTER REPORT

6.1 On 7 February 2019 the third quarter financial report was released, and a corporate-level forecast for year-end. The new 2018/19 year-end forecast is significantly greater than the operating loss of \$890 forecast in November 2018. It is now \$1.18 billion. Given the Q3 information for the Basic and Optional programs and the higher year-end forecast, is ICBC contemplating an additional Basic rate increase of more than 6.3% for 2019/20, or will it still meet its 2019/20 forecast targets despite the higher 2018/19 forecast?

Thank You