



April 16, 2020

British Columbia Utilities Commission
Suite 410
900 Howe Street
Vancouver, BC V6Z 2N3

Attention: Mr. Patrick Wruck, Commission Secretary and Manager, Regulatory Services

Re: ICBC's Application in Response to the COVID-19 Pandemic

Dear Mr. Wruck:

As the British Columbia Utilities Commission (BCUC) is aware, individuals, companies, and organizations across British Columbia and around the world are facing significant challenges due to the novel coronavirus (COVID-19) pandemic. In British Columbia, the provincial government has declared a provincial state of emergency in response to the pandemic. As a Crown corporation and an essential service, the Insurance Corporation of British Columbia (ICBC) is mandated to deliver core public services, and does so taking into account the health and safety of employees, customers and stakeholders, and guidance from provincial health officials.

ICBC is committed to keeping critical customer services, like driver licensing and insurance sales, available during the COVID-19 pandemic. ICBC has already implemented several measures, such as establishing the ability for customers to complete a number of transactions by phone or email, improving the ability for ICBC employees and brokers to work from home, and allowing for customers who pay for their insurance on a monthly payment plan to defer payments for up to 90 days with no penalty.

On March 23, 2020, BCUC issued letter L-14-20, "COVID-19 – Request from the British Columbia Utilities Commission." This letter requested that ICBC, "consider further ways to provide relief to Basic Insurance policyholders" and stated that BCUC is, "prepared to take immediate action" to review requests to "facilitate flexibility in providing any tariff adjustments to all who may be experiencing financial challenges due to the Pandemic."

As part of ICBC's ongoing efforts to support customers, and consistent with BCUC's letter, ICBC is hereby applying for interim approval of three temporary Basic insurance changes, pending further review by BCUC. The proposals will allow ICBC, for a period of 60 days from the interim order, to:

- Waive the cancellation charge on non-fleet owner's certificates;
- Help fleet customers to suspend their insurance and obtain a refund on their insurance without the need to cancel; and
- Permit customers currently not insured for delivery to use their vehicle for delivering food and medical supplies during the pandemic.

ICBC is seeking these approvals on an expedited basis to provide immediate assistance to customers during these unprecedented times. ICBC is seeking interim approval on a non-refundable basis.

ICBC respectfully submits, for the reasons described below, that these proposals are just and reasonable in the current exceptional circumstances and should be approved.

ICBC first describes the proposals and then addresses implementation. A draft Order is included as Appendix A.

Proposals for Temporary Basic Insurance Changes

The three proposals are described below, presented in the order that will provide the greatest relief to the largest number of customers.

1. Suspension of Basic Insurance

Customers are not driving as much during the COVID-19 pandemic. Many workers are working at home, and non-essential businesses with fleet vehicles are at a standstill. ICBC wishes to provide relief to customers who wish to cancel their owner's certificate and obtain a refund on Basic insurance premiums paid.

1.1 Non-fleet Customers

Non-fleet customers may wish to temporarily cease driving and cancel their Basic insurance during the COVID-19 pandemic in order to relieve cost pressures they may be facing.

In current state, customers must cancel their owner's certificates, there is a charge of \$30, and customers receive a refund on their premium in accordance with the Basic Insurance Tariff (Tariff). If the vehicle is required to be insured in the future, it is treated as a new submission with a new certificate.

During the COVID-19 pandemic, to help reduce the financial burden for customers, ICBC is proposing to waive the \$30 charge for non-fleet customers. This temporary change pertains to the Tariff, Basic Insurance Premiums, Section 2.H.1 which provides for a charge of \$30 when an owner's certificate (APV 250) is cancelled.

Under this proposal, the broker will advise the customer that the insurance will no longer be in effect once the cancellation is processed. There is a risk that customers will drive the vehicles without valid insurance. ICBC will communicate with law enforcement to advise of the risk.

Brokers will also need to advise affected customers that they will lose eligibility for the Distance Factor (often referred to as the low kilometre discount), if they cancel their insurance, since this discount is only eligible for certificates with a 12-month term.

The estimated financial impact of waiving the \$30 charge, based on analysis of customer cancellations, is approximately \$2.0 to \$2.5 million. ICBC will also lose the Basic insurance premium associated with the cancelled certificates, but that would be true if the certificate is cancelled, regardless of whether or not the \$30 charge is waived.

This change would be in effect from the date of BCUC's interim order for 60 days, with the option for ICBC to apply to BCUC to extend the end date, if that becomes necessary.

In anticipation of this Application, and in consideration of the timelines outlined above, ICBC has begun preparations for the minor systems changes necessary to implement the proposal to waive the \$30 charge for non-fleet cancellations. In addition, ICBC has begun developing temporary operating procedures in support of the proposed changes, along with communications to customers, brokers, and ICBC employees to advise them of these changes, if approved. ICBC has also begun developing the necessary amendments to the Tariff.

1.2 Fleet Customers

Like ICBC's non-fleet customers, fleet customers may also wish to suspend Basic insurance on some or all of their vehicles or reduce coverage during the COVID-19 pandemic in order to gain a refund in premium and relieve cost pressures. Like all customers, in current state, fleet customers must cancel the insurance on a vehicle then purchase a new insurance certificate when they wish to put the vehicle back on the road. Unlike non-fleet customers, fleet customers do not pay a cancellation charge when cancelling their insurance certificates.

There would be a spike in new fleet submissions once these fleets are operational again. ICBC could avoid this spike in new fleet submissions and choose a less onerous administrative process by changing the fleet vehicles' rate class to an existing rate class [919] which is exempt from Basic insurance. The rate class can be changed back once the fleet is back in operation. The movement to Rate Class 919 also eliminates the need for system changes.

Schedule B of the Tariff deals with rate classes and permitted uses, including Rate Class 919, which includes vehicles exempt from Basic insurance, but does not currently provide for the type of use outlined in the proposed amendments. As indicated in Schedule C of the Tariff, the rating factor associated with Rate Class 919 is zero, reflecting that there is no Basic insurance coverage or premium associated with this rate class.

ICBC will lose the Basic insurance premium revenue from all vehicles that move to Rate Class 919, but that would be true regardless of whether Rate Class 919 is used or if the fleet insurance certificates are cancelled.

As with the proposed change for non-fleet vehicles, if approved, this change would be in effect for 60 days, beginning from the date of BCUC's interim order, with the option for ICBC to apply to BCUC to extend the end date, if that becomes necessary.

ICBC has begun developing temporary operating procedures in support of the proposed changes, along with communications to customers, brokers, and ICBC employees to advise them of these changes, if approved. ICBC has also begun developing the necessary amendments to the Tariff.

2. Permit Delivery Use in Non-Delivery Rate Classes

Customers currently insured for using their vehicles for personal use may temporarily opt to provide services for which they are not insured, such as the delivery of food or medical products. A customer may make this decision for income-replacement or for charitable reasons. Currently, customers who insure their vehicles for pleasure use only are permitted to use their vehicles up to six days in a calendar month for commuting, business, or delivery. Similarly, a vehicle insured primarily for commuting purposes may also be used up to six days

in a calendar month for business or delivery, and business-rated vehicles can be used up to six days in a calendar month for delivery.

Schedule B of the Tariff deals with rate classes and permitted uses, including the existing delivery Rate Class 013 [*Delivery vehicles 5,000 kg GVW or less also used for pleasure*]. ICBC is proposing to allow customers currently rated in the rate classes 001, 002, 003, 004, 005, 007, 021, 022, 023, 024, 027, 051, and 055¹ to temporarily use their vehicles for delivery of food or medical products on an unrestricted basis (i.e., more than six days in a calendar month) without charging the additional premium associated with Rate Class 013 or the need to make a rate class change to their current owner's certificate. There would be no change for vehicles currently rated for delivery in Rate Class 013.

There is no direct financial impact associated with this change; however, ICBC will not be collecting premium commensurate with the risk associated with delivery vehicles (foregone Basic insurance premium).

As with the changes proposed above for non-fleet and fleet vehicles, if approved, this change would be in effect for 60 days beginning from the date of BCUC's interim order, with the option for ICBC to apply to BCUC to extend the end date, if that becomes necessary.

ICBC has begun developing temporary operating procedures in support of the proposed changes, along with communications to customers, brokers, and ICBC employees to advise them of these changes, if approved. ICBC has also begun developing the necessary amendments to the Tariff.

Appropriateness of Requesting Interim Approvals on a Non-Refundable Basis

As described above, ICBC's proposal is to apply to BCUC to implement these changes on an interim basis, pending BCUC's final review.

ICBC is requesting that the interim approval be granted on a non-refundable basis. ICBC acknowledges that, in the normal course (e.g., in a revenue requirements context), interim approvals are granted on a refundable basis. ICBC respectfully submits that, in the current circumstances, the proposal to grant the interim order on a non-refundable basis is just and reasonable for the following reasons:

- These are exceptional and unique circumstances;
- There is an administrative burden, as well as a cost, associated with reversing manual or system changes implemented as a result of an interim order; and
- Attempting to collect cancellation charges/additional Basic insurance premiums from customers may prove difficult when relief has already been waived during the period of the interim approval. It would also run counter to the intention of assisting customers to manage their insurance needs and costs during this time of financial and economic hardship, and may result in adverse publicity.

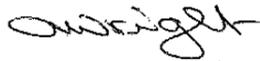
As discussed in the sections above, ICBC has begun developing the necessary amendments to the Tariff. ICBC intends to file the Tariff amendments within 20 days of BCUC's interim order.

¹ This list includes rate classes that are being decommissioned as part of the rate design changes effective September 1, 2019 since not everyone has transitioned to the new rate design yet, and therefore there are still active owner's certificates with these rate classes.

Conclusion

ICBC believes the proposed temporary arrangements in this Application support appropriate ways in which ICBC can provide relief to Basic insurance policyholders. In accordance with the process outlined above, ICBC respectfully requests that BCUC approve the temporary arrangements as proposed in this Application on a non-refundable interim basis pending BCUC review. A Draft Order is included in Appendix A.

Yours truly,



Angela Wright
Manager, Corporate Regulatory Affairs
/lgjb

Cc: Bill Carpenter, Vice President, Insurance, ICBC

Attachment



Appendix A – Draft Order



ORDER NUMBER

G-xx-20

IN THE MATTER OF

the *Utilities Commission Act*, RSBC 1996, Chapter 473

and

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

Insurance Corporation of British Columbia
ICBC's Application in Response to the Covid-19 Pandemic

BEFORE:

Commissioner
Commissioner
Commissioner

On April __, 2020

ORDER

WHEREAS:

- A. On March 23, 2020, the British Columbia Utilities Commission (BCUC) issued letter L-14-20, "Covid-19 - Request from the British Columbia Utilities Commission." The letter requested ICBC "consider further ways to provide relief to Basic Insurance policyholders" who may be experiencing financial challenges due to the novel coronavirus (COVID-19) pandemic (Pandemic);
- B. On April 16, 2020, consistent with letter L-14-20, ICBC filed its Application in Response to the Covid-19 Pandemic with BCUC;
- C. In the Application, ICBC has sought approval for temporary measures that provide further relief, in addition to steps already taken by ICBC, of the financial and economic burden that ICBC customers are facing during these unprecedented times. In particular, the approvals sought would allow ICBC to:
 - I. Waive cancellation charges on non-fleet owner's certificates;
 - II. Permit fleet customers to suspend their insurance and obtain a refund by amending the use of rate class 919 and temporarily transferring fleet certificates to rate class 919;
 - III. Permit customers currently insured in rate classes 001, 002, 003, 004, 005, 007, 021, 022, 023, 024, 027, 051, and 055 to temporarily use their vehicles for delivering food and medical products without charging additional premiums or changing rate classes.

- D. ICBC is proposing that these measures remain in effect for a period of 60 days from the date of BCUC's interim order, with ICBC potentially applying to BCUC at some future date for extensions as required;
- E. ICBC has sought BCUC approval of the measures in the Application on an expedited interim and non-refundable basis in order to provide immediate assistance to customers, with final BCUC approval to be provided once BCUC has given full consideration to the Application. ICBC cites several reasons why it is appropriate to approve interim rates on a non-refundable basis, specifically:
 - I. These are exceptional and unique circumstances;
 - II. There would be an administrative burden, as well as a cost, to make these temporary changes reversible; and
 - III. Attempting to collect cancellation/premium relief provided based on interim approval may be difficult, would not assist customers in this time of financial and economic hardship, and would not likely garner public support.
- F. ICBC confirms that it will file amendments to the Basic Insurance Tariff (Tariff) reflecting the proposed changes within 20 days of the interim approval being granted; and
- G. BCUC has reviewed and considered the Application and considers the approval is required as warranted.

NOW THEREFORE BCUC orders, pursuant to sections 59 to 61 and 89 of the *Utilities Commission Act* RSBC 1996, c. 473 and sections 44 and 45 of the *Insurance Corporation Act*, RSBC 1996, c. 228, as follows:

1. The Application is approved, on an interim and non-refundable basis, effective April ____, 2020.
2. ICBC is to file Tariff amendments reflecting the approved proposals within 20 days of this order, and ICBC is authorized to provide service on the basis of this Order in the intervening period until the BCUC issues its final Order.

DATED at the City of Vancouver, in the Province of British Columbia, this ____ day of April 2020.

BY ORDER

(X. X. last name)
Commissioner

Attachments