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Insurance Corporation of British Columbia
Application in Response to the COVID-19 Pandemic

BCUC QUESTIONS TO INSURANCE CORPORATION OF BRITISH COLUMBIA

- 1.0 **Reference:** **Exhibit B-1 (Application), pp. 1–2; Insurance Corporation Act, Section 45; Special Direction IC2 to the British Columbia Utilities Commission, BC Regulation 307/2004, as amended (Special Direction IC2), Section 3 General**

On page 1 of the Application in Response to the COVID-19 Pandemic (Application), the Insurance Corporation of British Columbia (ICBC) applies for interim approval of the following three items:

- 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.

On page 2 of the Application, ICBC submits that these proposals are just and reasonable in the current exceptional circumstances and should be approved.

Section 3 of Special Direction IC2 states:

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

... for each policy year for which the commission fixes universal compulsory vehicle insurance rates, fix those rates on the basis of accepted actuarial practice...”

Section 45 of the *Insurance Corporation Act* states:

... 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.

- 1.1 Accepted actuarial practice is a requirement to set Basic insurance rates under Special Direction IC2. Has ICBC conducted actuarial analyses for each of the three proposals?
- 1.1.1 In ICBC actuary’s opinion, please confirm that each of the three proposals conforms with accepted actuarial practice in Canada.
 - 1.1.2 If ICBC has not conducted any actuarial analysis, or if ICBC views that this Application does not need to meet the accepted actuarial practice requirement, please explain otherwise.

For all three requested items, ICBC proposes that the changes would be in effect from the date of BCUC’s interim order for 60 days, with the option for ICBC to apply to the British Columbia Utilities

Commission (BCUC) to extend the end date, if that becomes necessary.

- 1.2 Please clarify whether ICBC is seeking the BCUC's pre-approval to have the option to extend the end date of the proposed changes on its own, or will be filing separate application(s) to the BCUC to request extensions if that becomes necessary.
- 1.3 Please describe what is meant by "if an extension becomes necessary." Under what circumstances would an extension be deemed "necessary"? (e.g. will an extension be necessary for as long as British Columbia remains in a state of emergency, a certain number of days after the state of emergency has been lifted, or other).

For all three requested items, ICBC indicates that there will be minor system changes to implement the proposals. In addition, ICBC is developing temporary operating procedures for these changes with the customers, brokers and ICBC employees.

- 1.4 To the extent possible, please provide an estimate of the incremental costs to ICBC, if any, to implement the three proposals (e.g. costs related to IT system changes, additional compensation to brokers, staffing, etc.)

2.0 **Reference: Exhibit B-1, pp. 2–3**
Suspension of Basic insurance – non-fleet customers

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. The estimated financial impact of waiving the \$30 charge, based on analysis of customer cancellations, is approximately \$2.0 to \$2.5 million.

- 2.1 Please confirm that the \$30 cancellation charge will be applied equally to all non-fleet customers who wish to cancel their Basic insurance during the 60-day period, regardless of their reasons for cancelling. If not confirmed, please explain and discuss how ICBC will attribute whether cancellations are to the COVID-19 pandemic.
- 2.2 Please explain ICBC's analysis of customer cancellations. Does ICBC expect that approximately 66,667 to 83,333 non-fleet policies¹ will be cancelled during the 60-day period?
- 2.3 Please explain whether non-fleet customers will be required to purchase storage insurance after they have cancelled their Basic insurance policy.
 - 2.3.1 Would the expected increase in storage insurance premium revenue outweigh the financial impact of waiving the \$30 Basic insurance cancellation fee? Please provide a financial analysis where possible.
- 2.4 Will non-fleet customers be able to keep their existing vehicle license plates after cancelling their insurance?
 - 2.4.1 If so, will non-fleet customers be able to purchase storage insurance without having to change their plates when they re-insure to drive in the future?
 - 2.4.2 If so, please clarify whether a tariff amendment approval is required to enable this change in practice.
 - 2.4.3 If no, please explain the process for non-fleet customers to return their existing license plates to ICBC.

On page 2 of the Application, ICBC states:

¹ \$2.0 to \$2.5 million divided by \$30 cancellation fee per policy.

... 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.

- 2.5 Will ICBC and/or brokers inform the policyholder of the consequences of driving a vehicle without valid insurance? Please elaborate on what advice to customers ICBC and/or brokers will provide.
- 2.6 Based on ICBC's statistics, how many cases have been recorded where a person drives without valid insurance? Please provide the number of cases per year and as a percentage of total claims for the last three years.
 - 2.6.1 To the extent possible, please provide a cost estimate per case for ICBC to handle claims without valid insurance.
- 2.7 Please explain whether there are additional measures beyond advising law enforcement of people who may drive their vehicles without valid insurance which ICBC can take.

On page 2 of the Application, ICBC states:

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.

- 2.8 Please clarify the financial implications to customers of the above-noted advice. When customers "lose [their] eligibility for the Distance Factor," is this applied on a retroactive (to the cancelled policy) or prospective basis (to a future policy re-instatement)? If applied retroactively, please explain the calculation. For instance, for customers who had paid their insurance in full for the policy year, will they receive less of a refund? For customers who are enrolled in monthly payment plans, will ICBC collect additional premiums?

**3.0 Reference: Exhibit B-1, p. 3
Suspension of Basic insurance – fleet customers**

On page 3 of the Application, ICBC submits that a less onerous solution process to suspend Basic insurance for fleet customers would be changing the fleet vehicles' rate class to Rate Class 919 that has a zero premium. According to the Basic insurance tariff, Rate Class 919 is used for the Federal Government vehicles in which these vehicles are exempt from auto insurance.²

- 3.1 Please confirm that the proposal to transfer fleet customers to Rate Class 919 will be applied equally to all fleet customers who wish to suspend their Basic insurance policy during the 60-day period, regardless of the reason to cancel. If not confirmed, please explain otherwise.
- 3.2 Please explain whether fleet customers are required to purchase storage insurance after they suspend their Basic insurance.
- 3.3 Please confirm whether fleet customers will be keeping their vehicles' existing license plates after transferring to Rate Class 919.
 - 3.3.1 If confirmed, will fleet customers be able to purchase storage insurance with a policy under Rate Class 919?
 - 3.3.2 If not confirmed, please explain the process for fleet customers to return their vehicles'

² Basic insurance tariff, Schedule B, p. 16, third revision effective September 1, 2019.

existing license plates to ICBC.

3.4 Please clarify whether an expiry date is necessary for those customers who have been transferred to Rate Class 919 or if ICBC proposing that the transfer to Rate Class 919 will terminate after the 60-day period?

3.4.1 If ICBC's response is the latter, please explain what will happen if a fleet customer is not ready to resume operation, or only resume operation for part of its fleet, after the end of the 60-day period.

4.0 **Reference: Exhibit B-1, pp. 1, 3–4**
Permit Delivery Use in Non-Delivery Rate Classes

On page 1 of the Application, ICBC proposes to permit customers currently not insured for delivery to use their vehicle for delivering food and medical supplies during the pandemic. On page 4 of the Application, ICBC states that 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).

According to the Basic insurance tariff, Rate Class 013 is defined as, "Delivery Vehicles: Commercial Motor Vehicles 5000 kg GVW or Less Including Private Passenger Motor Vehicles and Motor Homes."³

4.1 Please explain the actuarial basis for permitting delivery use in non-delivery rate classes during the pandemic.

4.2 Please provide an estimated range of foregone Basic insurance premium for the differentials between the delivery use rate class and the allowed rate classes⁴ as proposed by ICBC. For example, what is the average premium differential between delivery use (Rate Class 013) and pleasure use (Rate Class 001)? What about delivery use (Rate Class 013) and business use (Rate Class 007)?

4.3 Has ICBC considered permitting other non-delivery rate classes to participate in deliveries? For example, motorcycles (Rate Classes 310, 311, 312, 313, 314), all terrain vehicles and snowmobiles (Rate Classes 030, 035, 036), collector motor vehicles and motorcycles (Rate Classes 701, 710, 711, 712, 713, 714).

4.4 Please clarify whether ICBC will provide definitions in the tariff for "delivering food" and "delivering medical supplies."

4.5 Are customers required to apply or inform ICBC about their change in vehicle use, prior to delivering food or medical supplies?

4.5.1 If so, will there be an audit process to ensure that customers are using their vehicles for delivering food and medical supplies during the pandemic?

4.5.2 If not, in the event of a crash, will ICBC ask the customer to declare their vehicle use at the time of the accident?

4.6 Does ICBC plan to monitor and/or analyze the additional risks, if any, associated with permitting delivery use in non-delivery rate classes? If so, how? If not, why not?

4.6.1 To the extent possible, please provide a cost estimate per case for ICBC to handle claims related to vehicles used for delivery (not large and catastrophic claim).

³ Basic insurance tariff, Schedule B, p. 7, third revision effective September 1, 2019.

⁴ Rate classes 001, 002, 003, 004, 005, 007, 021, 022, 023, 024, 027, 051, and 055.