



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

Streamlined Review Process

April 21, 2020

Summary of Application

Tariff changes provide some relief for a 60 day period following approval.

- **Non-fleet:** waiving the \$30 cancellation charge on a non-fleet owner's certificate;
- **Fleet:** simpler administrative process when cancelling a policy and resuming coverage, as opposed to changing the cost of coverage or charges levied for service; and
- **Delivery:** permitting customers currently not insured for delivery to make greater use of their vehicles for delivering food and medical supplies.

Questions from BCUC to ICBC

- Accepted Actuarial Practice
- Extension of End Date
- System Changes
- Suspension of insurance – non-fleet
- Suspension of insurance – Fleet
- Permit Delivery Use for non-delivery rate classes

1.0 Accepted Actuarial Practice

- 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.

1.0 Extend the End Date

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).

1.0 System Changes

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 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.

2.0 Suspension of Basic Insurance – non fleet customers

- 2.2 Please explain ICBC's analysis of customer cancellations. Does ICBC expect that approximately 66,667 to 83,333 non-fleet policies 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.

2.0 Suspension of Basic Insurance – non fleet customers

- 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.

2.0 Suspension of Basic Insurance – non fleet customers

- 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.

2.0 Suspension of Basic Insurance – non fleet customers

- 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.

2.0 Suspension of Basic Insurance – non fleet customers

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 Suspension of Basic Insurance – fleet customers

- 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.

3.0 Suspension of Basic Insurance – fleet customers

- 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' existing license plates to ICBC.

3.0 Suspension of Basic Insurance – fleet customers

- 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 Permit Delivery Use in Non-Delivery Rate Classes

- 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 classes 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)?

4.0 Permit Delivery Use in Non-Delivery Rate Classes

- 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.”

4.0 Permit Delivery Use in Non-Delivery Rate Classes

- food from a full-service restaurant, limited-service eating place, grocery store, pet and feed supply store or veterinary service as an employee or owner of that business
- medical supplies from a pharmacy, medical supply, drug store, pet and feed supply store or veterinary service as an employee or owner of that business.

4.0 Permit Delivery Use in Non-Delivery Rate Classes

- 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?

4.0 Permit Delivery Use in Non-Delivery Rate Classes

- 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).

Interim Rates and Next Steps

- ICBC is seeking an interim order on a non-refundable basis, effective April 23, 2020
- Non-refundable is reasonable due to logistical issues and cost associated with refunds

Conclusion

- ICBC submits that the measures are just and reasonable and should be approved
 - Benefits Basic policyholders during unprecedented times
 - Adheres to the regulatory framework, including accepted actuarial practice