



bcuc
British Columbia
Utilities Commission

Marija Tresoglavic
Acting Commission Secretary

Commission.Secretary@bcuc.com
bcuc.com

Suite 410, 900 Howe Street
Vancouver, BC Canada V6Z 2N3
P: 604.660.4700
TF: 1.800.663.1385
F: 604.660.1102

October 9, 2020

Sent via eFile

ICBC BASIC INSURANCE TARIFF AMENDMENTS
EXHIBIT A2-1

Angela Wright
Manager, Corporate Regulatory Affairs
Insurance Corporation of British Columbia
151 West Esplanade
North Vancouver, BC V7M 3H9
regaffairs@icbc.com

Re: Insurance Corporation of British Columbia – Rate Design Basic Insurance Tariff Amendments – Project No. 1599134 – BCUC Staff Questions

British Columbia Utilities Commission (BCUC) staff submit the following guide for the record in this proceeding:

Rate Design Basic Insurance Tariff Amendments
Staff Questions No. 1 To Insurance Corporation of British Columbia
Dated October 8, 2020

Sincerely,

Original signed by:

Marija Tresoglavic
Acting Commission Secretary

/aci

Enclosure



Insurance Corporation of British Columbia
Rate Design Basic Insurance Tariff Amendments

STAFF QUESTIONS No. 1 TO INSURANCE CORPORATION OF BRITISH COLUMBIA

1.0 Reference: INTRODUCTION
Exhibit B-1, Application, p. 1
Review process and timeline

On page 1 of the Application, the Insurance Corporation of British Columbia (ICBC) states:

ICBC has determined that three amendments to the Basic Insurance Tariff (Tariff) are necessary. ICBC now seeks approval from the BCUC [British Columbia Utilities Commission] for amendments to the Tariff as described in this Rate Design Tariff Amendment Application (Application) to give better effect to the original intent of rate design. The three proposed amendments are as follows:

- Improving the process for customers to prove eligibility for the Distance Factor.
- Simplifying the listing of learner drivers for licensed driver training schools and institutes.
- Adjusting Schedule C of the Tariff for two rate classes (Rate Classes 030 and 035) applicable to golf carts and utility vehicles to smooth the impact of the rate design transition, consistent with the approach to other rate classes.

On page 2 of the Application, ICBC states:

ICBC proposes an effective date of February 1, 2021 in order to update systems and complete testing before renewal reminder letters are sent to customers, ICBC requests BCUC approval of the amendments set out in this Application by November 5, 2020.

- 1.1 Please explain the significance of the proposed effective date of February 1, 2021 for each of the three proposed amendments. In the event that ICBC does not receive a decision from the BCUC by its requested date of November 5, 2020, please explain the potential impacts (e.g. a later effective date), for each amendment.
- 1.1.1 Please discuss whether ICBC views that an interim relief is appropriate if it wishes to maintain the February 1, 2021 effective date. Discuss this option for each of the three proposed amendments if any different.
- 1.2 Please confirm that decisions on each of the three tariff amendment approvals sought can be ordered independently. If not confirmed, please explain otherwise.

2.0 Reference: IMPROVING PROCESS FOR THE DISTANCE FACTOR ELIGIBILITY
Exhibit B-1, pp. 2–3
Distance Factor

On page 2 of the Application, ICBC states:

ICBC wishes to give more time for customers to prove that they meet the eligibility conditions for the Distance Factor... If a customer proves their eligibility after the application of a renewal certificate, ICBC proposes that they receive a refund representing the difference between the Distance Factor of 1.0 and 0.9 calculated from the date that eligibility is proven to the end of the current certificate term... Under the proposed amendments relating to the discount factor, ICBC will accept verification after application for a renewal certificate and before the expiration of the certificate.

On page 3, ICBC states that it expects no financial impact from this proposed amendment.

- 2.1 Please describe the process in which a customer can prove that they qualify for the Distance Factor after the application of a renewal certificate, but before the expiration of that certificate.
 - 2.1.1 Please specify how ICBC will verify that the customer has met the requirements of the Distance Factor under the above process.
- 2.2 Please explain why there is no financial impact from the proposed amendment to the process for establishing Distance Factor eligibility given that the amended process may result in customer refunds.

**3.0 Reference: SIMPLIFYING THE PROCESS FOR LICENCED DRIVER TRAINING SCHOOLS AND INSTITUTES
Exhibit B-1, p. 3
Number of Licensed Driver Training Schools and Institutes**

On page 3 of the Application, ICBC states that the second proposed amendment to the Tariff is to simplify the listing of learner drivers for licensed driver training schools and institutes.

- 3.1 Please provide a table summarizing the number of commercial and non-commercial driver training schools and institutes in BC impacted by the proposed Tariff amendment.

**4.0 Reference: SIMPLIFYING THE PROCESS FOR LICENSED DRIVER TRAINING SCHOOLS AND INSTITUTES
Exhibit B-1, p. 3; Motor Vehicle Act Regulation, Division 27, Section 27.04
Commercial Vehicle Driver Training Industry**

On page 3 of the Application, ICBC states:

The proposed Tariff amendments are a proactive measure in anticipation of the mandatory entry-level training (MELT) program for the commercial vehicle driver training industry... There are 72 non-fleet commercial driving schools who otherwise would be required to list all drivers in order to avoid a UDAP for their student drivers.

Section 27.04 of Division 27 of the Motor Vehicle Act Regulation states:

A driver training school licence must be issued for a period ending at midnight on the last day of the 11th month following the month of issuance, and any duplicate of it expires at the same time as the original.

- 4.1 Please explain the current process required to become commercial vehicle driver (e.g. what are the current training requirements?).
- 4.2 Please indicate when the MELT program is expected to come into effect.
- 4.3 Please identify and explain any risks associated with the Tariff amendments taking effect prior to

the MELT program taking effect.

4.4 Please confirm, or explain otherwise, that the 12-month period in which a driver training school or institute's license is effective may not necessarily coincide with the same 12-month policy year for its Basic insurance certificate.

4.4.1 If confirmed, please discuss whether the proposed amendments to Tariff, Section 2.0, page 42 only require a vehicle driver training school or institutes to be licensed at the time of application for a new or renewal Basic insurance certificate. If so, please explain why.

**5.0 Reference: ADJUSTING SCHEDULE C OF THE TARIFF FOR GOLF CARTS AND UTILITY
Exhibit B-1, p. 4
Rate Classes 030 and 035**

On page 4 of the Application, ICBC states:

Prior to the September 1, 2019 rate design changes, a Claim-Rated Scale (CRS) factor was applied to premiums where most customers in Rate Classes 030 and 035 were eligible for the maximum discount of 43%. In the new driver-based rating model, implemented on September 1, 2019, CRS was removed and replaced with a Combined Driver Factor (CDF) representing the risk of the drivers operating the vehicle. However, since Rate Classes 030 and 035 were not subject to listing drivers given the use of these vehicles, their premium was not impacted by the CDF which for most policies provided a discount to Basic insurance premium. This change resulted in a significant increase in Basic insurance premium for some of these customers since they lost their CRS discount and were not eligible for a driver discount due to not having a CDF.

5.1 Please indicate if there are any other ICBC rate classes in which customers lost their CRS discount due to the implementation of the new driver-based rating model and were not eligible for a driver discount due to not having a CDF (e.g. Rate Class 036).

5.1.1 If yes, please identify those rate classes and explain why ICBC has not proposed a similar tariff amendment change for those rate classes as it has for Rate Schedule 030 and 035.

5.1.2 If not, please explain why the change from the Claim-Rated Scale to the new driver-based rating model only affects Rate Classes 030 and 035, but not others.

**6.0 Reference: ADJUSTING SCHEDULE C OF THE TARIFF FOR GOLF CARTS AND UTILITY
Exhibit B-1, pp. 5-6
Proposed Factors**

On page 5 of the Application, ICBC states:

Upon reconsideration, ICBC has determined that the impact from removing the CRS factor should not have been expected to be transitioned over a 10 year period, but rather adjusted at the front end... Since 10 years of Schedule C Vehicle Rate Class and Territory Factors were approved by Order G-188-18, ICBC is proposing amendments to Schedule C for Rate Classes 030 and 035 for the remaining years 2 through 9 of this transition period. Vehicle Rate Class and Territory Factors were to transition over 10 years, therefore, the final year [year 10, effective September 1, 2028] will not require amending. The amendments ICBC is proposing to Schedule C are consistent with the determinations used in the 2018 Rate Design Application. [*Emphasis Added*]

On pages 5 and 6 of the Application, ICBC provides a table illustrating the impacts of updating rate class and territory costs using the vehicle rate class and territory factors proposed in the Application using

Territory D for Rate Class 030 compared to the current factors.

On page 6 of the Application, ICBC states:

“The proposed amendments to Schedule C of the Tariff will adjust for the impact of removing the CRS adjustment while still applying a 10 year transition to account for the updated rate class and territory costs.” ICBC further states, “Overall, these proposed amendments will move Rate Class 030 and 035 customer’s Basic insurance premium closer to what they paid prior to the modelling changes.” [Emphasis Added]

Finally, on page 6 of the Application, ICBC states:

At the broadest level, they [the proposed amendments] support the objective of the rate design of “improving fairness in BC’s insurance system”. The change ICBC is requesting is to adjust for the removal of the impact of CRS but to still maintain the 10 year transition for rate class and territory. Therefore, this proposal aligns with the 2018 Government Directive that states “rates associated with territory and rate class are to reflect historical loss data where available and be set according to accepted actuarial practice, and the rate impact changes are to be spread over 10 years”.

- 6.1 Please confirm that ICBC has conducted actuarial analyses for the proposed tariff amendments to Schedule C for Rate Class 030 and 035 and that the proposed amendments have been prepared in accordance with accepted actuarial practice in Canada.
 - 6.1.1 The Government Directive states, “rates associated with territory and rate class are to reflect historical loss data where available”. Please indicate how the actuarial analysis considers this.
 - 6.1.2 If not confirmed, please explain why the proposed amendments do not need to meet accepted actuarial practice.
- 6.2 Please clarify what is meant by the statements that the impact from removing the CRS factor should have been “adjusted at the front end”.
 - 6.2.1 Please clarify whether the proposed amendments to Schedule C of the Tariff are meant to incorporate the above-noted adjustment but from February 1, 2021 onwards. If yes, please explain how this is achieved and also discuss whether there are any additional adjustment(s) (e.g. refunds to customers) in consideration that the “front end” adjustment was not made In Year 1. If not, please explain why not.
- 6.3 Please explain how the amendments ICBC is proposing to Schedule C of the Tariff are consistent with the determinations used in the 2018 Rate Design Application. In particular, please explain which determinations (e.g. revenue neutrality, improve fairness) were applied and which were not applied, and why.
 - 6.3.1 Please confirm or otherwise explain that the 2018 Government Direction allows for the proposed amendments to Rate Class 030 and 035 customers’ Basic insurance premium to be “closer to what they paid prior to the modelling changes” as stated on page 6 of the Application.
- 6.4 Please explain how the proposed vehicle rate class and territory factors for Rate Class 030 and 035 are calculated for the remaining years 2 (effective February 1, 2021) through 9 of the transition period and explain why this method was selected.
- 6.5 Please explain whether the results of the illustrative example as discussed on page 6 are similar when applied to: i) other territory segments in Rate Class 030; and ii) all territory segments in Rate Class 035.