

Feb.15,2021

Attn. Commission Secretary Patrick Wruck
B.C. Utilities Commission

Re. Workshop and Information Request, ICBC 2021 RRA Project No. 1599
Registered Intervener: Darcy Repen

Dear Commission Secretary Wruck,

I am unable to call into the February 18th workshop, due to a work schedule conflict. I am therefore submitting my first round Information Request in writing.

ICBC has requested limiting the initial round of IRs to chapters 3 to 6 of the Application, and the January 27th letter from Acting Commission Secretary Tresoglavic emphasizes that the focus of the proceeding is to review the merits and practicality of the 15% rate reduction request.

In reviewing this request, a key question is whether this 15% rate reduction should be applied to all policyholders equally, or whether the reduction should be adjusted dependent on the current costs and benefits to different, clearly identifiable policyholder groups.

The question that I will be posing to the Commission and ICBC relates to the fairness of applying a blanket 15% reduction without simultaneously addressing and correcting existing disparities in insurance cost and benefits to policyholders in different rate territories, and more specifically in postal Forward Sortation Areas (which ICBC has cited in various informational publications as their delineation for statistical analyses.) ICBC has already acknowledged that a large disparity exists, and their rationale for not correcting it immediately contrasts with their recent annual basic insurance increases (5.5% in 2015, 4.9% in 2016, 6.4% in 2017 and 6.3% in 2019) as well as this current application for a 15% general decrease.

Information Relevant to Analysis

The relevant information required to assess this disparity includes;

1. The territorial rate adjustment (Figure 3.6 from the 2018 ICBC Rate Design)
2. The sum of total policy premiums paid in and claims settlements paid out, by rate territory and Forward Sortation Area (Postal Code), in recent years.
3. A detailed summary and description of the factors associated with the individual variables in the current rating algorithm (Figure 3.3 from the 2018 ICBC Rate Design) including the weight allocated to each factor when the algorithm is applied to individual insurers.
4. Accident and injury statistics by rate territory.

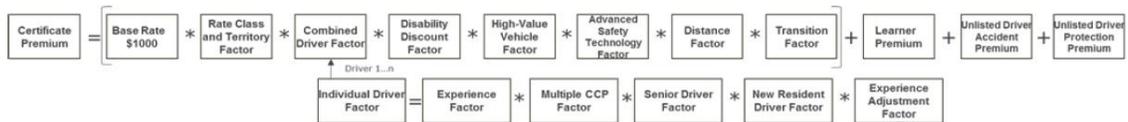
Information Being Requested in IR Round #1

I am therefore requesting the following information;

1. The annual adjustment from 2019 to 2028 for each rate territory, and the percentage effect on a 'representative policyholder' in terms of a basic insurance payment increase / decrease.
2. The policy premiums paid in and the claims settlements paid out, by each British Columbia Forward Sortation Area (eg. V6B, V0J etc.) and by rate territory for the years 2015 to 2019 as a minimum, and preferably including 2020. ICBC Freedom of Information report #RDAR-11934 (F285370- delivered April 14th, 2020) should be used as an example for completion of this information request.
3. The factors applied to each variable in the ICBC rate design algorithm (Figure 3.3 from the 2018 rate design application, as integrated into the 'Duck Creek Rating Engine', or if another rating engine has replaced 'Duck Creek', that rating engine.)

See algorithm formula below;

Figure 3.3 – New Rating Algorithm



4. The number of crashes, casualty crashes, injuries, fatalities, active driver's licenses and policies-in-force by rate territory, and by Forward Sortation Area, for the years 2015-2019 and if available, 2020. (Please see below for an example ICBC report for this information. My request is for this data by rate territory and by Forward Sortation Area, rather than by 'region';)

Active B.C. driver's licences

[Background on the data](#)

Active B.C. driver's licences by region

Region	2015	2016	2017	2018	2019
Lower Mainland	1,985,000	2,020,000	2,055,000	2,070,000	2,105,000
Vancouver Island	595,000	610,000	620,000	630,000	640,000
Southern Interior	540,000	550,000	565,000	570,000	580,000
North Central	230,000	230,000	235,000	235,000	235,000
Unknown	11,000	10,000	8,700	35,000	39,000
British Columbia (total)	3,360,000	3,420,000	3,485,000	3,535,000	3,595,000

5. The average cost of an individual settlement for each claims division; crashes, casualty crashes, injury claims and fatality claims.

Defense of Request Relative to Scope of Proceeding

The issue and I am seeking to address and correct, and the information I am requesting is related directly to the application;

1. In the January 27th letter from Acting Commission Secretary Tresoglavic, it reads; “A revenue requirements proceeding normally would not explore ICBC’s territorial rate schedule(s).”
 - a. Section D.2.1 of the ‘Tariff Amendment Application in Support of Enhanced Care’ is specifically seeking changes in their Basic insurance premium by amending Vehicle Rate Class and Territorial Factors. By extension, my request to intervene with respect to Territorial Factors is already within the scope of the proceeding.
 - b. In the letter, it reads; “...the purpose of this proceeding is to review ICBC’s request for a general Basic insurance rate decrease of 15% which affects all Basic insurance policyholders equally, and not to review how ICBC’s rates are designed.”
 - i. My reason for intervening is to illustrate that the Basic insurance decrease of 15% should not affect all Basic insurance policyholders equally. It is an extraordinary opportunity for ICBC to correct a territorial rate disparity without inflicting ‘rate shock’ on any particular territory’s policyholders.
 - ii. The implication of this statement is that the correct proceeding to address this issue would be the Rate Design Application. Based on the timeline of recent Rate Design Applications (2007, 2018) one could expect that the next Rate Design Application might be in 2029. This interval makes it impossible to address this issue without causing an undue amount of financial stress on certain territorial policyholders. Based on existing data released by ICBC via FOI reports, policyholders in several territories have already been paying significantly more than policyholders in the Lower Mainland / Fraser Valley / Maple Ridge/Pitt Meadows / and Southern Vancouver Island territories per claims settlement dollar paid out. This is being perpetuated in response to an undefined (no specific annual percentage) government directive to moderate the change over 10 years.
2. The four chapters of the application (which ICBC has requested the scope of the initial IR be limited to) are pertaining to rates. Chapter 3 is an Actuarial Rate Level Indication Analysis, and includes analyses of costs related to vehicular damage, injuries / injury claims management, and fatalities / death benefits.
 - a. My arguments will illustrate how a massive disparity in the number of these related claims, and particularly injury claims, should lead to a re-evaluation of how policy premiums are set in different rate territories / Forward Sortation Areas. They are therefore related to the analysis presented in Chapter 3.
3. ICBC’s ‘Strategic Objectives’ and other statement in publications and on their website frequently refer to ‘fairness’. (eg. “Deliver fair, affordable and sustainable rates (Strategy under Goal 1)”

from the 2019/2020 Annual Service Plan Report, “Keep rates as low as possible while ensuring fairness in pricing” from the 2017/2018 Annual Service Plan Report, and from the website, below;

Open and fair rate setting

In setting premiums, ICBC does not discriminate on the basis of age, sex or marital status and discounts are provided based on the number of years that a driver has been claims free. We collect insurance premiums from more than 2.6 million motorists and invest these premiums to provide insurance benefits for customers and victims of crashes.

- a. While emphasizing that ICBC does not discriminate on the basis of age, sex or marital status, the existing data suggests that an unintentional ‘discrimination’ has existed and is being perpetuated against policyholders living in specific rate territories. This is compounded by the fact that policyholders in these rate territories are also;
 - i. Required to purchase and utilize winter-rated tires seasonally, while those in the territories receiving preferential rates are not required to do so based on road classification.
 - ii. Subjected to an increased frequency and greater enforcement of windshield repair requirements, with substantial costs regardless of insurance level.
 - iii. Contributing disproportionately to transportation infrastructure development and debt servicing in the territories receiving preferential rates. (eg. the elimination of Lower Mainland bridge tolls and the transfer of costs into general Provincial debt.)

Thank you for considering my questions and information requests related to my intervention in this proceeding.

Sincerely,
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