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March 2, 2021

Sent via email/eFile

ICBC 2021 REVENUE REQUIREMENTS
EXHIBIT A-7

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 – 2021 Revenue Requirements Application – Project No. 1599153 – BCUC Information Request No. 1

Dear Ms. Wright:

Further to your December 15, 2020 filing of the above-noted application, enclosed please find British Columbia Utilities Commission Information Request No. 1. Pursuant the regulatory timetable established by Order G-12-21, please file your responses on or before Wednesday, April 14, 2021.

Sincerely,

Original signed by:

Patrick Wruck
Commission Secretary

/cmv

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Insurance Corporation of British Columbia
Revenue Requirements Application for Universal Compulsory Automobile Insurance
Effective May 1, 2021

INFORMATION REQUEST NO. 1 TO INSURANCE CORPORATION OF BRITISH COLUMBIA

Table of Contents **Page no.**

A. EXECUTIVE SUMMARY

1.0 Reference: EXECUTIVE SUMMARY
Exhibit B-1, Chapter 1, Appendix 1A, pp. 1A-2, 1A-2
Interim Rates

On pages 1A-2 to 1A-2 of the Insurance Corporation of British Columbia 2021 Revenue Requirements Application (Application), the Insurance Corporation of British Columbia (ICBC) states that it is instructed by the government directive dated November 30, 2020[1] that ICBC will not recover the Enhanced Care Rebate from recipients if the final rate approved by the British Columbia Utilities Commission (BCUC) for the 2021 Policy Year (PY 2021) differs from the rate decrease for which ICBC has applied.

ICBC also states, "Accordingly, the amount of any additional rebate due to customers resulting from the BCUC approving a larger final rate decrease than the request rate will be based on the difference between the approved interim rate change and the BCUC's final rate change order."

Further, on page 1A-2, ICBC states:

> Interim rate approvals will allow the BCUC to readjust rates, if necessary, back to the date they were made interim. If the BCUC's final decision determines a Basic insurance rate to be other than as sought in this Application, ICBC proposes that, in recognition of the closed system in which rate setting occurs, and excepting the adjustments to the

[1] Order in Council 633/20, December 14, 2020 (B.C. Reg. 281/2020).

Enhanced Care rebates as directed by government and described in Section A.2 above; the difference be deferred until implementation of the approved Basic insurance rate arising from the next [revenue requirements application] RRA on December 15, 2022. This is the least costly of the options available and causes least disruption for customers especially during a time of transition to a significantly different insurance model.

1.1 For clarity, please explain how the difference between interim rates and permanent rates will be treated if the BCUC approves a final rate decrease which is less than the requested rate decrease (i.e. less than a 15 percent rate decrease). Please explain the impacts on the Enhanced Care Rebate, Basic capital, the next RRA expected on December 15, 2022 and any other impacts.

1.1.1 Please provide the same information in the event that the BCUC approves a final rate decrease which is more than the requested rate decrease (i.e. more than a 15 percent rate decrease).

1.2 Please describe the options available, including the estimated cost and benefits, to deferring any difference between interim rates and permanent rates until the implementation of the next approved Basic insurance rate.

B. ACTUARIAL RATE LEVEL INDICATION ANALYSIS

2.0 Reference: ACTUARIAL RATE LEVEL INDICATION ANALYSIS
ICBC 2019 Revenue Requirement Application dated December 14, 2018, Exhibit B-1, Chapter 3, pp. 3-5, 3-6; ICBC 2021 Revenue Requirements Application (Application), Exhibit B-1, Chapter 4, Appendix 4A, Section A, p. 4A-1; Web-Based Workshop & Procedural Conference Transcript Volume 1 (Workshop Transcript), p. 45
Loss Cost Forecast Variance

On page 3-5 of the ICBC 2019 Revenue Requirements Application (2019 RRA), ICBC provided Figure 3.3 showing a breakdown of the premium components which explained the proposed 6.3 percent rate increase between the Projected policy year (PY) 2019 Premium at Current Rate Level and the PY 2019 Required Premium:

Figure 3.3 – Overview of Impact on PY 2019 Indicated Rate Change

Line No.	Components	Impact (Percentage points (ppt) of PY 2019 indicated rate change)
1	Removal of Prior Year's Capital Provision	12.8
2	PY 2019 Loss Cost Forecast Variance	14.0
3	Loss Cost Trend to PY 2019	15.5
4	Product Reform Impact	-37.4
5	Investment Income	0.4
6a	Operating Expense: Claims Services Expense (ULAE)	0.9
6b	Operating Expense: Other	0.3
7	Capital Maintenance Provision	0.0
8	Change in Average Premium	0.2
9	Other	-0.4
10	**PY 2019 Rate Change to Cover Costs**	**6.3**
11	Capital Provision	**0.0**
12	**PY 2019 Indicated Rate Change**	**6.3**

On page 3-6 of the ICBC 2019 RRA, ICBC explains:

The loss cost forecast variance is the difference between the estimate for PY 2017 loss

> cost provision reflected in existing rates (as presented in the 2017 RRA) and the re-estimate of the PY 2017 loss cost provision reflecting updated information and claims emergence since the setting of the existing rates. This one–time difference is called the "PY 2019 Loss Cost Forecast Variance (LCFV)" and makes up part of the PY 2019 rate change to cover costs. [*emphasis added*]

On page 4A-1 of the Application, ICBC states:

> Enhanced Care replaces the [Rate Affordability Action Plan] RAAP product reform initiatives for claims that occur on or after May 1, 2021; consequently, claims that occurred under RAAP product reform and under the full tort model prior to that date do not have an impact on the policy year (PY) 2021 rate indication.

On page 45 of the Workshop Transcript, ICBC was asked to explain what happens to changes and estimates for PY 2021 and why there is no impact on rates for changes in estimates for prior policy periods and regimes. In response, ICBC stated:

> …rate setting is forward looking. We're looking at costs that occur the next upcoming policy year. We talked earlier a bit of why capital is important, and that is because if we didn't start [*sic*] rates in the past to cover costs, that difference gets absorbed by capital.

2.1 Please elaborate on the explanation provided in the workshop given that a re-estimate of the PY 2017 loss cost provision (i.e. full tort system) was included in the PY 2019 rate change to cover costs (i.e. product reform under RAAP). Please discuss whether there has been a change in circumstances or other reasons for why rate setting for PY 2021 is "forward looking" only in contrast to PY 2019 rate setting which included examining the re-estimate of a previous Policy Year's "loss cost provision reflecting updated information and claims emergence since the setting of existing rates."

2.1.1 Please confirm and explain why it is within accepted actuarial practice to set rates for PY 2021 on a "forward looking" basis such that claims that occurred under RAAP product reform and under the full tort model prior to May 1, 2021 do not have an impact on the PY 2021 rate indication.

2.2 Please provide a summary table comparing the differences which will be absorbed by Basic capital in the most recent reserve analysis compared to the last two RRAs (i.e., PY 2019 and PY 2017 RRAs).

2.3 Please provide the calculation of the Forecast Basic Minimum Capital Test (MCT) ratio for the fiscal years applicable to PY 2021 including the total capital available in dollars. As part of the response, please provide a breakdown of the components increasing/decreasing the total capital available including, but not limited to, differences that will be absorbed by capital if "ICBC did not set rates in the past to cover costs."

On page 3-5 of the Application, ICBC provides a summary of the components of the required premium for PY 2021 in Figure 3.1.

2.4 In the same format as Figure 3.3 in the ICBC 2019 RRA Application, please provide the percentages and calculations showing the contribution of each component of the required premium for PY 2021 in Figure 3.1 to the rate change to cover costs of -26.5% percent and the rate indication of -15%.

3.0 Reference: ACTUARIAL RATE LEVEL INDICATION ANALYSIS
Exhibit B-1, Chapter 3, Section A.1, p. 3-3

COVID-19 Impact

On page 3-3 of the Application, ICBC states:

> …ICBC is assuming that for policies issued May 1, 2021 and subsequent, costs and premium revenues will have returned to pre-COVID-19 expected trends. Any historical data that may have been influenced by the pandemic has been removed from any trending analysis; therefore, COVID-19 has had no impact on the PY 2021 rate indication.

On page 49 of the Workshop Transcript, ICBC elaborated, stating

> …we're not saying that [COVID-19] will not have any influence on premiums or claims costs post May 1st, 2021, but rather we do not have a credible estimate available on what those impacts will be post May 1st, 2021. There is so much uncertainty on the impacts, ranging from how fast people will be vaccinated to the potential shift away from transit to driving. Therefore, for the purposes of this application, we have assumed that costs and premiums will return to pre-COVID 2019 [*sic*] terms.

On page 3-2 of the Application, ICBC states, "The rate change to cover costs is -26.5%...." Further on page 3-2, ICBC states, "The Capital Provision has a +11.5 percentage point impact on the PY 2021 rate indication…"

3.1 Please confirm whether the assumption that COVID-19 has no impact on the PY 2021 rate indication is within accepted actuarial practice.

3.1.1 Would it be within accepted actuarial practice to include estimates of COVID-19 impacts on the PY 2021 rate indication? Please explain why or why not?

3.2 Since the preparation and submission of the Application, new information on COVID-19 variants and the timing of vaccine distribution has become available. Please discuss whether this new information affects ICBC's current view of the impact of COVID-19 on traffic volumes/levels, and therefore, Loss and Allocated Loss Adjustment Expenses (ALAE) payments for PY 2021 and whether it continues to be reasonable to assume for policies issued May 1, 2021 and subsequent that costs and premium revenues will have returned to pre-COVID-19 expected trends.

3.2.1 If possible, please provide ICBC's current (updated) assessment of the impact of COVID-19 on PY 2021 claim frequency, claim severity and exposures. If it is not possible to provide a complete assessment, please comment on the level of uncertainty which is introduced and the possible directional impact (i.e. increase or decrease).

3.2.1.1 Please state how ICBC's updated assessment would impact the rate change to cover costs of -26.5% or the Capital Provision of +11.5%, if at all.

4.0 Reference: ACTUARIAL RATE LEVEL INDICATION ANALYSIS
Exhibit B-1, Chapter 1, p. 1-4; Chapter 3, Section A.1, p. 3-1
Introduction

On page 1-4 of the Application, ICBC explains that it is moving away from a tort-based insurance system to a care-based insurance system, hereafter called "Enhanced Care."

On page 3-1 of the Application, ICBC states:

> The broad analytical framework that ICBC's actuaries have employed to determine the

rate indication, including the components of the rate indication, largely tracks that employed in prior revenue requirements applications (RRAs). The key point of differentiation is in the data used to support the forecasted claims for the new Enhanced Care accident benefits coverage, given this is a fundamentally different product than what ICBC has today. As described in this section, ICBC and external consulting actuaries, Ernst & Young LLP (EY), have relied on available data, methods and assumptions to complete the actuarial analysis.

4.1 Given that the Enhanced Care delivery model is "fundamentally different" from what ICBC has today, please explain the consideration that ICBC has given to the following issues and their possible rate impacts, if any:

(a) Possible cost-shifting from an optional Collision coverage to Basic Vehicle Damage Coverage (BVDC) under Basic insurance;
(b) Possible additional costs related to claimant disagreements for ICBC settlement amounts; and
(c) The extent to which BC may be more or less litigious than Manitoba.

5.0 Reference: ACTUARIAL RATE LEVEL INDICATION ANALYSIS
Exbibit B-1, Chapter 3, Section B.1, p. 3-12
Enhanced Accident Benefits Severity

On page 3-12 of the Application, ICBC explains that Enhanced Care will provide greater medical, wage loss, and death benefits with higher limits to customers under the Enhanced Accident Benefits (EAB) coverages, regardless of fault. ICBC states:

> As a result, overall costs for EAB coverages are expected to be higher under Enhanced Care. However, in the absence of historical BC data to rely on to forecast these new costs, government has directed ICBC to perform the rate indication analysis using Manitoba Public Insurance (MPI) data where appropriate.

5.1 Please confirm whether ICBC undertook any analysis to compare the average accident benefits severity for Ontario to the average accident benefits severity for Enhanced Care benefits in BC.

5.1.1 Please provide a comparison between Ontario average accident benefits severity for private passenger vehicles to that for BC's private passenger vehicles for all EAB coverages (i.e. Medical Rehabilitation, Income Replacement and Indemnity, and Death Benefits including Permanent Impairment) and explain why the BC severity may be lower/higher.

5.1.2 Please comment on the reasonability of this comparison, given: (i) Ontario's quasi no-fault product; (ii) certain similarities between British Columbia and Ontario with respect to large metropolitan areas; and (iii) inclusion of Permanent Impairment in BC's severity, and not in Ontario's.

6.0 Reference: ACTUARIAL RATE LEVEL INDICATION ANALYSIS
Exhibit B-1, Chapter 3, Section B.2, pp. 3-18, 3-19
Material Damage Coverage

On page 3-18 of the Application, ICBC states:

> Under Enhanced Care, vehicle damage caused by another vehicle within BC will now be covered by the not at-fault vehicle owner's policy under the new first party coverage, Basic Vehicle Damage coverage (BVDC). However crashes involving a BC driver and occurring in other jurisdictions that operate under a tort system (e.g., Alberta,

Washington) as well as crashes that cause non-vehicle damage by a BC driver (e.g., crashing into a fence irrespective of whether it occurs in BC or not) will still be provided under the current PD coverage.

On page 3-19, ICBC presents Figure 3.9, showing the PY 2021 forecast claim severity for BVDC (crash event within BC) is $4,889 and Third Party Liability (TPL)-Vehicle Damage (crash event outside of BC) is $8,392.

6.1 Please explain the reason for the difference in forecast costs between in-province and out-of-province claim severities for the same coverage (i.e., vehicle damage).

6.1.1 Please include in the response any differences associated with the mix of business, such as more commercial vehicles for out-of-province claims than in-province claims.

6.2 Please provide the severity forecasts for Figure 3.9 but combining in-province and out-of-province forecasts and splitting between commercial and non-commercial (personal) vehicles.

6.2.1 Please provide a comparison of the BVDC severity for in province and out of province events to the comparable Direct Compensation Property Damage (DCPD) product in Ontario for private passenger and commercial vehicles. If necessary, please adjust BC's severity by ICBC's selected 6.3% severity trend rate to the most recent accident year currently available in Ontario (2019).

6.2.2 As appropriate, please elaborate on the percentage difference between ICBC's severity estimate versus Ontario's and why this difference is reasonable.

7.0 Reference: ACTUARIAL RATE LEVEL INDICATION ANALYSIS
Exhibit B-1, Chapter 3, Appendix C.4.0, pp. 16, 21, 30, 35, 44, 49
MPI Severity and Frequency

EY states, on page 3 of Appendix C.4.0:

> Reliances have also been made on results presented in Manitoba Public Insurance's (MPI) 2021 general rate application[2] and MPI's historical Weekly Indemnity claim counts and losses by claimant category. MPI's rate application is submitted in accordance with accepted actuarial practice as certified by their actuary, Luke Johnston, FCIA.
>
> [2] MPI's general rate application as of June 17, 2020. https://apps.mpi.mb.ca/Rate-Application/2021/GRA/2021_GRA.pdf - Actuarial Report on Manitoba Public Insurance Corporation Universal Compulsory Automobile Insurance as of March 31, 2020 (EAR Attachment B).

In three separate tables on pages 16, 30 and 44 of Appendix C.4.0 (tables titled "Table MR.2 – Comparison of ICBC and MPI Claimant Frequency", "Table IRI.2 – Comparison of ICBC and MPI Claimant Frequency, and "Table DB.2 – Comparison of ICBC and PI Claimant Frequency"), in column "D", EY presents the FLY 2011 to FLY 2020 historical MPI claimant frequency rate.

Further, in three separate tables on pages 21, 35 and 49 (tables titled "MR.6 – MPI Accident Benefits – Index Severity", "Table IRI.7 – MPI Weekly Indemnity Severity" and "Table DB.7 – MPI Accident Benefits Other – Non-Indexed Severity") in column "B", EY presents the historical MPI severity for each claimant for FLY 2011 to FLY 2020.

7.1 Please provide the page numbers (using the PDF counter) of the MPI Rate Application as of June 17, 2020 and where the stated <u>frequencies</u> in each of the three tables is presented.

7.1.1 If not directly available from the filing, please provide the source of the frequency rate, including calculation details as applicable.

7.2 Please provide the page numbers (using the PDF counter) of the MPI Rate Application as of June 17, 2020 and where the stated severities in each of the three tables is presented.

7.2.1 If not directly available from the filing, please provide the source of the severity amounts, including calculation details as applicable.

8.0 Reference: ACTUARIAL RATE LEVEL INDICATION ANALYSIS
Exhibit B-1, Chapter 2, Appendix 2D; Chapter 3, Section B.1, pp. 3-12, 3-13; Appendix C.4.0, p. 12; Exhibit B-4, Slide 14; Manitoba Public Insurance (MPI) 2021 Rate Application dated June 17, 2020, pp. 931, 967-976, 1,249, 3,158
MPI 2021 Rate Application

In Appendix 2D to the Application, ICBC provides a copy of Order in Council (OIC) 632 dated December 14, 2020 (OIC 632/20). On page 2, under the heading "Other Items," the directive states:

> ICBC is hereby directed to file a 23-month Basic insurance Revenue Requirements Application with the British Columbia Utilities Commission (BCUC) for the 2021 Policy Year, in which the proposed general rate change reflects the following:…
>
> > b) That the Enhanced Care model is based on Manitoba Public Insurance's accident benefit insurance model with the specified exceptions outlined in this government directive (Enclosure);
> >
> > c) The amended Tariff pages in Support of Enhanced Care forming part of the Letter of Direction – Tariff Amendment Application in Support of Enhanced Care and Enhanced Care Rebate dated November 30, 2020 that are pending BCUC approval;
> >
> > d) The capital provisions specified in this government directive; and,
> >
> > e) That the rate change, once approved by the BCUC on a final basis, shall remain in place for the rest of the 23-month 2021 Policy Year.

In the OIC 632/20 Enclosure titled "Manitoba Public Insurance (MPI) Data Adjustments in ICBC's Costing Model", Item 2 states:

> 2. Environmental Adjustments (adjustments to reflect difference in provincial income levels and MPI/ICBC data structures):
>
> > a. Actuarial costing models should reflect British Columbia's
> >
> > > i. Average gross employment incomes,
> > >
> > > ii. Tax rates, and
> > >
> > > iii. Industrial average wage.
> >
> > b. Actuarial costing models should reflect British Columbia's mix of claims
> >
> > > i. Population mix by type of IRB claimants (e.g. full time, part time, students, etc.).
> >
> > c. Actuarial costing models should consider ICBC specific differences in the claim data and trends where applicable. [*emphasis added*]

On pages 3-12 and 3-13 of the Application, ICBC states:

> Enhanced Care will provide greater medical, wage loss, and death benefits with higher limits to more customers under the EAB coverages, regardless of fault. As a result, overall costs for EAB coverages are expected to be higher under Enhanced Care. However, in the absence of historical BC data to rely on to forecast these new costs, government has directed ICBC to perform the rate indication analysis using Manitoba Public Insurance (MPI) data where appropriate. ICBC relies on analysis performed by actuaries from EY for these new coverages. Details of these estimates along with the assumptions, methods and data used to estimate the PY 2021 loss costs for each of the coverages are further discussed in Appendix C.4.0, the EAB Report. [*emphasis added*]

On page 12 of Appendix C.0.4, EY states:

> Considering the nature of the Enhanced Accident Benefits changes, where a new benefit is being provided or the categories of claimants eligible to claim the benefits are being expanded, these changes would be expected to impact ICBC's claim frequency. We reviewed ICBC and MPI historical frequency and then made adjustments to reflect expected changes in frequency under EAB. When extrapolating the results to Policy Period 2021, we relied on ICBC's trends as accident benefits frequency is typically linked to crash frequency which could vary between the provinces, thus using ICBC's trends was deemed more appropriate. Where benefits are being enhanced through higher limits, these changes would be expected to impact ICBC's claim severity. The MPI historical data closely reflects the EAB benefits, hence MPI severities were used as a starting point. When extrapolating the severity estimates from the latest historical period to Policy Period 2021, we again generally relied upon ICBC's selected trends. MPI's no fault accident benefits product has been in place since the 1990's and as a result, they have achieved greater stability in their processes and claim levels than ICBC would be expected to achieve in the immediate term after the introduction of EAB. We assumed ICBC's current trends will persist until more experience emerges under the new product. [*emphasis added*]

On slide 14 of ICBC's workshop presentation (Exhibit B-4), ICBC notes, as part of accepted actuarial practice, that it is appropriate to use and take responsibility for an appropriately qualified external actuary's work under certain circumstances.

8.1 Please discuss whether ICBC interprets OIC 632/20 (including the OIC 632/20 Enclosure) to mean that both frequency and severity may be adjusted to reflect the claims data of BC where appropriate. Please comment on whether this would include differences for the following mix of risks when considering the MPI data:

(a) By line of business (e.g., personal, motorcycle, commercial);

(b) By urban versus rural;

(c) By category of vehicle (e.g. long-haul trucks, light vehicles, farm vehicles);

(d) By driver experience and characteristics; and

(e) Other

8.1.1 If not, please explain why not.

8.2 Please provide a comprehensive summary of all Environmental Adjustments (including references) which were made to MPI data and included in ICBC's costing model.

8.3 Please explain why it is reasonable to combine a forecasted frequency for PY 2021 based on ICBC's historical frequency, which reflects the mix of business in BC, with a forecasted severity

for PY 2021, which reflects the mix of business in Manitoba.

8.4 Please explain if ICBC considers a rate indication model to be within accepted actuarial practice if there is no consideration of the mix of business differences between Manitoba and BC in the selected severity.

8.5 Please explain whether ICBC discussed the need for mix of business adjustments with EY.

8.5.1 If not, please explain why not.

8.6 Please clarify whether differences in the distribution of lines of business between MPI and ICBC were considered in the actuarial costing model.

8.6.1 Please discuss and provide support for whether the MPI severity amount differs for Medical Rehabilitation (MR) between Personal, Commercial, Trailers and Off- Road Vehicles or if the severity is the same across all lines of business.

8.6.2 Please discuss and provide support for whether the MPI severity amount differs for Income Replacement and Indemnity (IRI) between Personal, Commercial, Trailers and Off- Road Vehicles or if the severity is the same across all lines of business.

8.6.3 Please discuss and provide support for whether the MPI severity amount differs for Permanent Impairment and Death Benefit (PI and DB) between Personal, Commercial, Trailers and Off- Road Vehicles or if the severity is the same across all lines of business.

In Figure B.0.1 of the Application, ICBC shows the number of exposures for ICBC by line of business. In MPI's 2021 Rate Application dated June 17, 2020,[2] in Figure RM-12, MPI shows the distribution of "units" by line of business.

8.7 Please provide the percentage distribution of exposures (or units) between Personal, Commercial, Trailers and Off-Road Vehicles for ICBC and MPI.

8.7.1 If the percentage distributions are not the same for ICBC and MPI, please explain how ICBC considered the differences in selecting the severity estimates.

In MPI's 2021 Rate Application dated June 17, 2020, MPI provided the Personal Injury Protection Plan (PIPP) (i.e., accident benefits) historical severity for motorcycles and private passenger vehicles in responses to the Coalition of Manitoba Motorcycles Groups Q1-1, dated August 5, 2020.[3] As presented in the response by MPI, the severity for motorcycles is significantly higher than that of private passenger vehicles (e.g., for 2019, the severity is $39,456 for motorcycles and $5,720 for private passenger vehicles).

8.8 Please explain how the severity information by line of business provided in MPI's 2020 Rate Application was used by ICBC.

8.9 Please confirm whether the severity estimates (as presented by EY) in Tables MR.1, IRI.1 and DB.1 adjusted for the differences in line of business distribution of Personal, Commercial, Trailers and Off-Road Vehicles between ICBC and MPI.

8.9.1 If not, please explain why not.

8.9.2 If not, please provide an adjustment to the severity amounts for differences in the mix of lines of business if possible.

In MPI's 2021 Rate Application dated June 17, 2020, in the Vehicle Classification Systems and Rate

[2] Retrieved from: page 931 of 6,292 https://apps.mpi.mb.ca/Rate-Application/2021/GRA/2021_GRA.pdf
[3] Retrieved from: page 3,158 of 6,292 https://apps.mpi.mb.ca/Rate-Application/2021/GRA/2021_GRA.pdf

Groups (VCR) section, in part 2- Rating Territories[4], it states:

> Manitoba is divided into 4 geographical rating territories. An additional rating territory, commuter, is based on an individual living in Territory 2 (outside Winnipeg) and driving regularly into Territory 1 (Winnipeg) for work, school or some other business purpose. Each of these territories has distinctive rates which reflect differences in patterns of loss experience. This means motorists pay premiums which relate to the risk associated with insuring a vehicle in a particular geographic area of the Province.

The Manitoba territories are defined based upon grouping of cities and surrounding areas, and the loss experience by geography is reflected in different rates by territory.

8.10 Please confirm whether ICBC currently considers severity in setting its rates by territory.

8.11 Please confirm whether ICBC's severity varies within the province or if is it identical in every territory.

8.12 Does ICBC consider that differences in weather, geography, road conditions, traffic density, etc. may affect claims experience between cities, towns, and rural/urban communities?

8.12.1 If yes, please explain how.

8.12.2 If no, please explain why not.

8.13 Given the geography, weather, road conditions, number of cities/towns and the population of those cities/towns in BC and Manitoba are different, please discuss whether ICBC adjusted the MPI severity to a basis that would reflect BC's loss distribution that varies by geography, weather, road conditions, and/or population density, etc.

8.13.1 If yes, please explain how.

8.13.2 If no, please explain why not and provide an adjustment to the severity amounts for the differences.

In MPI's 2021 Rate Application dated June 17, 2020[5], on pages 967 to 976, the number of vehicles by Vehicle Type and Use for each of the MPI rating territories is presented, along with the "experience adjustment" for each vehicle type.

8.14 Within the major classes, please discuss whether ICBC considered differences between MPI and ICBC distributions and loss experience by vehicle types.

8.14.1 If yes, please explain how.

8.14.2 If not, please explain why not and provide an adjustment to the severity for differences in the mix of vehicles type distribution between MPI and ICBC if possible.

9.0 Reference: ACTUARIAL RATE LEVEL INDICATION ANALYSIS
Exhibit B-1, Chapter 3, pp. 3-13, 3-16
Enhanced Accident Benefits

On page 3-13 of the Application, ICBC states, "ICBC's [MR] frequency data is relied upon since changing to a new product with enhanced benefits should not impact the propensity to claim for an injury."

Further, on page 3-16 of the Application, ICBC states:

[4] Retrieved from: page 1,249 of 6,292 https://apps.mpi.mb.ca/Rate-Application/2021/GRA/2021_GRA.pdf
[5] Retrieved from: pages 967–976 of 6,292 https://apps.mpi.mb.ca/Rate-Application/2021/GRA/2021_GRA.pdf

Similar to MR, ICBC's [IRI] frequency data is relied upon, since changing to a new product with enhanced benefits should not impact the propensity to claim income replacement benefits. Under the new IRI coverage, more customers will be eligible to receive income replacement benefis compared to the current [Weekly Benefits] WB coverage; such as students, non-earners, and caregivers. Therefore, an adjustment is applied to the current WB frequency to account of the increase in eligible amounts.

9.1 Please provide any studies ICBC considered or undertook to reach the conclusion that expanded no-fault benefits would not influence the propensity to file an accident benefits claim.

9.2 As a sensitivity test, please provide the change to the -26.5% rate change to covers costs and -15% rate indication if the medical-rehabilitation claims frequency rate increased by (i) +5% and (ii) +10%.

10.0 Reference: ACTUARIAL RATE LEVEL INDICATION ANALYSIS
ICBC 2019 RRA, Exhibit B-1, Chapter 3, pp. 3-17, 3-25, 3-27; Exhibit B-1, Chapter 3, pp. 3-13, 3-24, Appendix A.1

On page 3-25 of the ICBC 2019 RRA Application, ICBC stated, "The total expected PY 2019 claims savings from product reform is estimated to be $1.2 billion." The impact by coverage was shown in Figure 3.15 as follows:

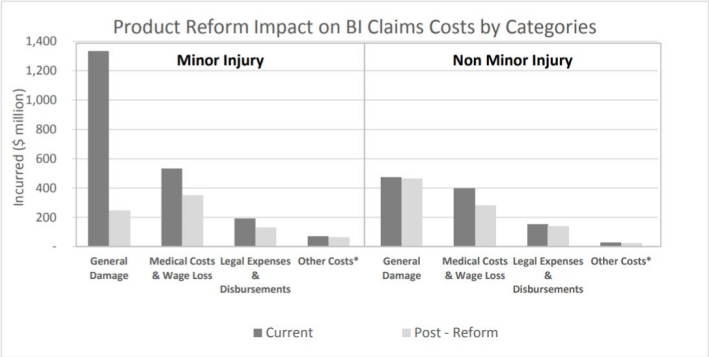
Figure 3.15 – Product Reform Impact on PY 2019 Basic Claims Costs Forecast and Rate Change to Cover Costs

Coverage	PY 2019 Claims Costs Forecast ($ 000's)			PY 2019 Loss Distribution (Post-Reform)	Impact on PY 2019 Rate
	Current (Pre-Reform)[1]	Post-Reform	Impacts		
Bodily Injury	3,392,011	1,810,231	-1,581,779	54%	-47.6 ppt
Property Damage	817,731	817,731	0	24%	0.0 ppt
Part 7	283,203	652,633	369,430	19%	+11.1 ppt
Manual Basic	118,215	87,791	-30,424	3%	-0.9 ppt
Total	4,611,160	3,368,386	-1,242,774	100%	-37.4 ppt

[1] Figures in this column include impacts from prospective adjustments, other than product reform.

Figure 3.17 in the ICBC 2019 RRA Application further illustrated the forecast Bodily Injury (BI) claims cost reductions from different payment categories as follows:

Figure 3.17 – Product Reform Impact on BI Claims Costs by Categories



* Other costs include police reports, investigator costs, and other miscellaneous expenses.

In Appendix A.1 to the Application, column (2) "Required for PY 2021-2", shows that forecast Loss and ALAE Payments for PY 2021-2 are approximately $2.6 billion. Without consideration for the loss trend from PY 2019, BCUC staff calculate that the approximately $2.6 billion represents a reduction of $2 billion from the Full Tort system of $4.6 billion ($4.6 billion less $2.6 billion) and $0.8 billion from the Modified Tort system of $3.4 billion ($3.4 billion less $2.6 billion).

On page 3-24 of the Application, ICBC states, "In other words, a larger portion of a customer's premium will be spent paying for care, recovery and wage loss benefits rather than a significant portion on legal and related costs."

10.1 Please provide an estimate of the Loss and ALAE Payments that would have been incurred under Modified Tort (if not for the transition to Enhanced Care) for PY 2022 (April 1, 2022 to March 31, 2023) in a similar format to that provided in Figure 3.15 in the ICBC 2019 RRA.

10.2 Please provide a breakdown of the approximately $0.8 billion reduction (or otherwise calculated amount in the IR above) between legal fees, pain and suffering compensation (within general damages), and any other category.

As presented in prior RRA Figure 3.17, the PY 2019 Loss and ALAE for general damages under Full Tort was approximately $1.8 billion; and reduced to approximately $0.7 billion under the Modified Tort system. Given the information presented in Figure 3.17, BCUC staff calculate this to be, roughly, $200 Loss and ALAE per exposure – based on 3.3 million exposures in 2019 – for general damages under Modified Tort.

In Figure 3.4 of the Application, ICBC shows that the forecasted loss cost for Permanent Impairment and Death Benefits for PY 2021 is $46 per exposure.

10.3 Please confirm, or otherwise correct, BCUC staff's calculation of $200 per exposure for general damages for PY 2019 under the Modified Tort system.

10.3.1 Please explain how much the above-calculated reduction, from approximately $200 to $46 per exposure, contributes to the overall estimated reduction calculated in IR 10.2 above.

In Figure 3.4 of the Application, ICBC shows that the PY 2021 forecasted frequency for Permanent Impairment and Death Benefits is 0.19%. Figure 3.8 in the ICBC 2019 RRA showed that the bodily injury frequency for PY 2019 is 1.6%.

10.4 Please provide an estimate of the number of claimants in the ICBC 2019 RRA for PY 2019 that would have received compensation for either (i) pain and suffering or (ii) general damages and compare it to the number of claimants ICBC expects to receive permanent impairment compensation for PY 2021. Please provide reasons for the change in number of claimants.

11.0 Reference: ACTUARIAL RATE LEVEL INDICATION ANALYSIS
Exhibit B-1, Chapter 3, Appendix C.4.0, Section 8, pp. 49–50
Severity Adjustment II – Wage Adjustment

EY states on page 49 of Appendix C.4.0 to Chapter 3, "Per Statistics Canada, British Columbia's 2018 average gross income ($45,500) was higher than Manitoba's ($44,700) by a factor of 1.018. This factor is used to adjust the MPI severities to the BC average income level in Table DB.8."

11.1 Please confirm whether the 1.018 wage adjustment factor in the preamble is applied to the Permanent Impairment portion of the severity in Table DB.8.

11.1.1 If yes, please explain why the Permanent Impairment is adjusted for wage severity.

12.0 Reference: ACTUARIAL RATE LEVEL INDICATION ANALYSIS
Exhibit B-1, Chapter 3, Appendix G.0, p. 2; Chapter 7, Appendix 7A, p. 7A.1-9

Capital Provisions

On page 2 of Appendix G.0 to Chapter 3, ICBC states:

> The amended *Special Direction IC2* also requires that the rate change include a capital build provision for PY 2021 that would result in a 11.5 percentage point (ppt) impact to the rate indication, after accounting for investment income and expenses that vary with the amount of premiums collected from the policyholder. The derivation of the capital build amounts complying with the requirement are shown in Appendix G.1 with the results in row (r).

Appendix G.1 shows the following calculation related to Capital Build:

	CAPITAL BUILD	PY 2021-1	PY 2021-2	PY 2021	
(h)	PY 2021 Capital Build Rate Impact Including Impact from Investment Income and Expenses that Vary with Premium			11.50%	from amended *Special Direction IC2*
(i)	PY 2021 Projected Premium			7,098,736	from Appendix A.1 row (aa)
(j)	PY 2021 Capital Build prior to Adjustments			816,355	(h) x (i)
	Adjustments				
(k)	Adjustment for Premium Tax			35,920	(j) x premium tax rate (u)
(l)	Adjustment for Variable Broker Fee			602	(j) x (w) x Manual Basic allocation from G.2, row (b)
(m)	Capital Build Net of Expenses that Vary with Premium			779,833	(j) - (k) - (l)
(n)	Written Exposures (Excluding Trailers and ORV)	3,223,117	3,634,977	6,858,095	from Appendix B.1.1, row (a) and B.3.1, row (a)
(o)	Policy Period Weighting	47%	53%		Proportion of exposure in each period: (n) / (n) total
(p)	Discount Adjustment Factor (From Midpoint of PY 2021 to the End of Each Policy Period)	0.9985	1.0352	1.0180	Calculated using New Money Rate (v); PY 2021 based on weighted average using (o)
(q)	Adjustment for Investment Income			14,014	((m) * ((p) - 1)
(r)	Capital Build Net of Investment Income and Expenses that Vary with Premium	373,087	420,761	793,848	((m) + (q)) * (o)

On page 7A.1-9 of the Application, ICBC explains that the Basic Minimum Capital Test (MCT) ratio is the capital available divided by the minimum capital required. ICBC states, "Capital available is primarily calculated from the Basic equity (sum of retained earnings (deficit) and other components of equity)."

12.1 Please confirm, or explain otherwise, that the calculation of the capital build provision is unrelated to capital available which is part of the Basic MCT ratio calculation.

13.0 Reference: ACTUARIAL RATE LEVEL INDICATION ANALYSIS
Exhibit B-1, Chapter 3, p. 3-22
Historical TPL-BI Severity

On page 3-22 of the Application, ICBC states:

> The out of province [Bodily Injury] BI severity in the last 10 years supports an annual increasing trend of +9.9%, which is expected to continue through PY 2021 for the TPL-BI coverage. Similar growth in the BI severity has also been observed in neighboring tort jurisdictions (such as Alberta, Washington, and Oregon), where many of ICBC's out of province TPL-BI claims occur.

13.1 Please explain if ICBC gave any consideration to recent reforms in neighboring tort jurisdictions (such as Alberta Bill 41), and the impact these changes would have on ICBC's projections for out of province TPL-BI claim severity. If not, please explain why not.

14.0 Reference: ACTUARIAL RATE LEVEL INDICATION ANALYSIS
Exhibit B-1, Chapter 3, Section B.4, p. 3-25
Sensitivity Analysis

In Figure 3.16 on page 3-25 of the Application, ICBC provides a sensitivity analysis which shows the impact on the indicated rate change from alternate assumptions for the new money rate, EAB loss costs, and non-EAB loss costs.

14.1 Please provide additional rows for Figure 3.16 reflecting the following alternate assumptions. For each scenario, please also add an additional column explaining whether ICBC would consider the alternate assumptions to be plausible:

(a) Decrease in EAB Loss Costs by 5%;
(b) Increase in EAB Loss Costs by 5%;
(c) Decrease in EAB Loss Costs by 10%;
(d) Increase in EAB Loss Costs by 10%;
(e) Decrease in non-EAB Loss Costs by 5%;
(f) Increase in non-EAB Loss Costs by 5%;
(g) Decrease in non-EAB Loss Costs by 10%;
(h) Increase in non-EAB Loss Costs by 10%;
(i) Increase all severity trend selections by 1%;
(j) Decrease all severity trend selections by 1%;
(k) Increase written exposures by 1%; and
(l) Decrease written exposures by 1%.

14.1.1 For scenarios (k) and (l) above, please also restate the dollar amount of the capital provision.

14.1.2 If more than one scenario in the expanded Figure 3.16 is plausible, please explain whether the impacts on the PY 2021 Indicated Rate Change are additive (i.e. the simple sum) or otherwise calculated.

C. BUSINESS OPERATIONS

15.0 Reference: BUSINESS OPERATIONS
Exhibit B-1, Chapter 4, Appendix 4A, Section B, pp. 4A-3, 4A-6
Costs of Litigation

On page 4A-6 of the Application, ICBC states:

> As reported in the 2019 RRA, the costs of litigation on closed BI exposures for FY 2018/19 was approximately $390 million, which is approximately 20% of total BI claims costs paid to claimants.

On page 4A-3 of the Application, ICBC states, "Through the RAAP product reform, ICBC has realized significant reductions in BI claims costs and a lower rate or legal representation, particularly for injury claims occurring on after [*sic*] April 1, 2019."

15.1 Please explain and provide the costs of litigation on closed BI exposures for FY 2019/20 Actual in dollars and as a percentage of total BI claims costs paid to claimants in two categories: 1) claims occurring on or after April 1, 2019; and 2) claims prior to April 1, 2019.

15.1.1 To the extent that there are differences in litigation costs as a percentage of total BI claims costs paid to claimants in the two categories, please discuss the possible contributing factors. Are the differences solely attributable to RAAP product reform or are there other possible factors, such as changes in ICBC claims cost management? Please explain.

16.0 Reference: BUSINESS OPERATIONS
Exhibit B-1, Chapter 4, Appendix 4A, Section B, pp. 4A-4, 4A-7; Chapter 6, Section B, p. 6-4
COVID-19 Pandemic Impacts

On page 4A-7 of the Application, ICBC states that the COVID-19 pandemic has had a negative impact on

ICBC's ability to investigate claims, which could potentially impact claims costs. ICBC further states:

> In order to comply with the provincial health guidelines for COVID-19, it has been challenging in many cases to undertake witness interview, conduct medical examinations, and, for litigated claims, commence chambers applications. When applicable, ICBC's Special Investigation Unit (SIU) is taking and recording statements over the phone and is using video conferencing to interact with customers. Under these circumstances, it is difficult to obtain the necessary information to resolve a claim or to prepare for trail.

On page 4A-4 of the Application, ICBC explains that "BI pending is the number of BI exposures that are still to be resolved" and "It is an important consideration from a claims cost management perspective because claims costs tend to increase the longer claims are pending."

ICBC further states, "Several factors contributed to the increase in the BI pending level up to the end of FY 2019/20, including the need for increased handling time on claim files opened under product reform."

16.1 Please confirm, or explain otherwise, that the COVID-19 pandemic has no impact on BI pending for FY 2019/20.

16.2 Please clarify whether claims services, aside from the SIU, have been using phone and video conferencing to interact with customers since the COVID-19 pandemic. For example, they are used to undertake witness interviews, conduct medical examinations, or commence chambers applications. If not, please explain why not.

16.3 Please explain why it is more difficult to obtain the necessary information to resolve a claim or to prepare for a trial when using phone and video conferencing.

Further on page 4A-7 of the Application, ICBC states that it has implemented a number of steps to ensure customers get the care and access to the services they need and lists them.

On page 6-4 of the Application, ICBC states, "The 2020/21 outlook [for operating expenses] forms the basis for the 2021/22 and future year forecasts."

16.4 Please provide the cost of implementation for each step listed on page 4A-7 and explain where the incremental cost, if any, is accounted for in 2019/20 Actual and 2020/21 Outlook claims costs or operating expenses.

16.4.1 If the costs are in operating expenses, please discuss whether any adjustment has been made to the 2021/22 and future years forecasts from the 2020/21 Outlook for costs that will not be needed in the future and provide the adjustment methodology and amount. If there is no adjustment, please explain why it is not needed.

17.0 Reference: BUSINESS OPERATIONS
Exhibit B-1, Chapter 4, Appendix 4A, Section C, p. 4A-8
Transition to Enhanced Care and MD RAAP

On page 4A-8 of the Application, ICBC explains that Section C of Appendix 4A provides information on the claims programs and initiatives that are impacted by Enhanced Care and the steps ICBC is taking to transition to the new model. This section also includes information on the material damage (MD) RAAP program, which, while not impacted directly by Enhanced Care, is a key initiative to help manage its MD claims costs.

17.1 Please provide in a table a summary of all one-time and expected ongoing additional costs of moving to the Enhanced Care service delivery and the portion of the costs which will be borne by Basic insurance for each ICBC business area (e.g. claims services, administration and other, IT).

17.1.1 Please provide the same information as described above for the MD RAAP program.

18.0 Reference: BUSINESS OPERATIONS
Exhibit B-1, Chapter 4, Appendix 4A, Section C.1.2, p. 4A-10
Consultations with Key Stakeholders

On page 4A-10 of the Application, ICBC states, "ICBC met with other insurance companies including those in other jurisdictions with expertise in disability management to further inform its Enhanced Care model."

Further, ICBC states that it organized consultations with a diverse set of stakeholders to discuss a number of topics, including the following:

- Validation of the service delivery design and to obtain feedback on potential modifications on customer engagement, patient care, and overall effectiveness. Customer centric service design ensures an approach that effectively meets the individual needs of the customer.

18.1 Please confirm whether other insurance companies were involved in the stakeholder consultations concerning the validation of the service delivery design and potential modifications to customer engagement, patient care, and overall effectiveness.

18.1.1 If confirmed, please discuss the feedback received and the changes undertaken by ICBC in light of that feedback including system changes to Claims technology. If not confirmed, please explain why ICBC did not consult with other insurance companies.

19.0 Reference: BUSINESS OPERATIONS
Exhibit B-1, Chapter 4, Appendix 4A, Section C.1.2, pp. 4A-10, 4A-11, 4A-12
Consultation Framework

On pages 4A-10 to 4A-11 of the Application, ICBC states:

> As part of the 2019 RAAP product reform, ICBC established a consultation framework that provides a forum for stakeholders and ICBC to discuss and solve operational and emerging issues. The framework is comprised of three groups that were leveraged to conduct the consultations.

On page 4A-11 of the Application, ICBC states that it felt it was important to expand the existing consultation framework to ensure there was a specific group dedicated to the needs to the serious and catastrophically insured and formed the "Injury Recovery Design Panel."

Further, on page 4A-11 of the Application, ICBC states:

> ICBC's continued transition to a care-based model under Enhanced Care requires a renewed focus on the management of disability and on functional outcomes. To ensure staff are equipped to operate within this paradigm, ICBC has <u>designed a robust training curriculum.</u> It is also enlisting the assistance of organizations with expertise in disability management and return to work and function. One initiative is a pilot with the National Institute of Disability Management and Research (NIDMAR). Select staff are undergoing

NIDMAR training to inform the design and content of staff training material. [*emphasis added*]

19.1 Please explain who is responsible for the cost of the consultation framework, including the three groups formed as part of the 2019 RAAP product reform and the newly formed Injury Recovery Design Panel.

19.1.1 Please provide a description of the group members, whether the group is temporary or permanent, how often the group will meet, and the historical actual cost allocated to Basic insurance (if any) for 2019/20 Actual and 2020/21 Forecast for each.

19.2 Please provide further detail as it relates to the staff training curriculum to transition to Enhanced Care, including but not limited to, the total expected cost of the curriculum, where the cost is accounted and in what fiscal year(s), and the decision to undertake a pilot with NIDMAR.

On page 4A-12 of the Application, ICBC state that it has enlisted "an independent firm" to complete a series of customer insight workshops.

19.3 Please provide further detail with respect to the series of customer insight workshops noted in the preamble above, including but not limited to, who is the independent firm, the incremental cost of the program, the number of anticipated workshops, and how the participating customers are selected.

20.0 Reference: BUSINESS OPERATIONS
Exhibit B-1, Chapter 4, Appendix 4A, Section C.1.3, p. 4A-13
Cost Management Under Enhanced Care

On page 4A-13 of the Application, ICBC states:

> To improve medical support for customers, ICBC is designing an external Comprehensive Medical Assessment (CMA) service. The CMA is a resource in circumstances where a customer requires further diagnostic clarification and when recovery is not progressing as expected. The CMA provides an <u>independent multidisciplinary</u> perspective to develop treatment recommendations. These recommendations will support a customer's recovery and provide clarity of requirements for ICBC. [*emphasis added*]

20.1 Please provide further detail with respect to the external CMA service current being designed, including but not limited to, a description of the group members, the incremental cost of providing the service, whether the service is temporary or permanent, how recommendations of the CMA will be reported to ICBC, and who will be responsible for potential further action undertaken.

21.0 Reference: BUSINESS OPERATIONS
Exhibit B-1, Chapter 4, Appendix 4A, Section C.2.2, pp. 4A-15, 4A-16
Legal Services for Claims Management

On pages 4A-15 to 4A-16 of the Application, ICBC states:

> The majority of pending claims litigation arises from accidents that occurred prior to the introduction of product reform on April 1, 2019… There has been an increase in the cost to defend claims as plaintiff counsel is making higher settlement demands and claims are becoming increasingly more complex to litigate. There has been an average increase in settlement demands on litigated claims by plaintiff counsel of approximately 40 per

cent as of end of FY 2019/20 compared to FY 2016/17.

21.1 Please explain whether the increasing trend in settlement demands on litigated claims is taken into consideration in the PY 2021 rate change to cover costs of -26.5%. If yes, please explain how.

22.0 Reference: BUSINESS OPERATIONS
Exhibit B-1, Chapter 4, Appendix 4A, Section C.3, p. 4A-17; ICBC website
MD Program Changes

On page 4A-17 of the Application, ICBC states:

> ICBC also began taking steps to modernize its MD programs for collision and glass repair facilities at the beginning of 2020. The new Collision and Glass programs (MD RAAP) focus on safe and proper repairs, governance, cycle time, operational efficiencies, windshield repair ratio (glass only), and customer experience... Modernizing these programs is intended to reduce the pressure on rising MD costs and contribute to improved MD severity management. Most of these savings will be seen on the Optional insurance side of the business. [*emphasis added*]

On icbc.com[6], under the heading "What are the changes to vehicle damage coverage?", ICBC states:

> We are also changing the way vehicle repair costs are paid for when you're not responsible for a crash.
>
> Here's how it will work: if you're driving in B.C. and another driver crashes into your vehicle, your own Basic Vehicle Damage coverage will cover your repair costs. This will **not** impact your premiums, because you did not cause the crash.
>
> Under today's system, these costs would have been paid for by the insurance policy of the other driver, the one responsible for the crash. This change to Basic Vehicle Damage coverage means everyone's own coverage will take care of their vehicle. All policyholders will have a consistent level of vehicle damage protection when they're not responsible for a crash, and they won't need to rely on the at-fault driver's third-party liability coverage.
>
> The new Basic Vehicle Damage coverage will launch with Enhanced Care in May 2021 and will automatically be included in your basic insurance. [*emphasis added*]

22.1 Given that Basic Vehicle Damage coverage will launch with Enhanced Care, please explain why most MD RAAP savings are expected to be seen on the Optional insurance side of business.

22.1.1 Please clarify which MD program changes at the beginning of 2020 will result in savings to Basic insurance.

22.1.1.1 With respect to Basic insurance savings, please confirm that the expected savings are incorporated into the rate change to cover costs for PY 2021 and provide the amount.

23.0 Reference: BUSINESS OPERATIONS
Exhibit B-1, Chapter 4, Appendix 4A, Section C.4, pp. 4A-20, 4A-23

[6] Retrieved from: https://enhancedcare.icbc.com/care-and-coverages#vehicle-damage-coverage

Counter-Fraud Program

On page 4A-20 of the Application, ICBC states, "There are no counter-fraud savings associated with the PY 2021 rate indication, as ICBC is not yet able to quantify how the fraud program will impact claims post May 1, 2021."

On page 4A-23 of the Application, ICBC states:

> ICBC's counter-fraud program is designed for pre-Enhanced Care claims and it will evolve to address new challenges that will be inherent under the Enhanced Care model. For instance, under Enhanced Care there is less incentive to exaggerate a minor injury due to the elimination of payments for pain and suffering that is available under the tort-based system; however, the higher limits under EAB coverage may present an increased potential for other types of fraud, and these factor will need to be reflected in the future fraud program. [*emphasis added*]

23.1 Please explain what are the "other types of fraud" noted in the preamble which may be presented with the higher limits under EAB coverage.

23.2 Please discuss whether ICBC has undertaken consultations with insurance companies or industry in other jurisdictions with respect to the design of the future counter-fraud program under the Enhanced Care model. If yes, please provide a summary of the discussions. If not, please explain why not.

23.2.1 Recognizing that EAB coverage begins on May 1, 2021, please indicate when ICBC is expected to establish the future counter-fraud program and when the BCUC will be informed.

23.3 Please explain whether it would be within accepted actuarial practice to estimate the impacts of fraud (costs or savings) under the Enhanced Care model based on the experience of other jurisdictions transitioning from a full-tort model to a care-based model.

23.3.1 If it would be within accepted actual practice, please clarify whether ICBC has considered the impacts of changes in fraud in the PY 2021 rate indication.

24.0 Reference: BUSINESS OPERATIONS
Exhibit B-1, Chapter 4, Appendix 4B, pp. 4B-2, 4B-3
Broker Remuneration

On page 4B-2 of Appendix 4B of the Application, ICBC states:

> A key goal of ICBC's insurance sales and services modernization is to enhance customer convenience through provision of an online capability that enables customers to perform insurance renewals and other types of insurance transactions while providing support from brokers to ensure customers have the required coverages and vehicles are properly rated….For online renewal transactions, Autoplan brokers will still be relied on to ensure every customer is properly advised on their insurance needs, is correctly rated, understands the declarations they make, and that the appropriate discounts have been applied for and the correct premium charged.

On page 4B-3 of Appendix 4B of the Application, ICBC states:

> ICBC has committed to ensuring fair remuneration for brokers. The current 'Strategic Accord' (2019-2027) between ICBC and brokers represented by their professional associations, states "In the event of any material product or ease of business change, ICBC remains committed to fair remuneration." In recognition of the additional

workload undertaken by brokers due to rate design and implementation of the Enhanced Care model, ICBC is planning an increase to the Basic fees paid to brokers. [*emphasis added*]

On page 4B-3 of Appendix 4B of the Application, ICBC provides Figure 4B.1 showing the Broker Basic Fees for New and Renewal Transactions which includes the fees ICBC plans to pay starting in January 2021:

Figure 4B.1 Broker Basic Fees for New and Renewal Transactions

Year	New	Renew	Change
2011	$13.73	$12.63	$10.41
2012	$14.00	$12.95	$10.57
2013	$14.00	$12.95	$10.57
2014	$14.00	$12.95	$10.57
2015	$14.42	$13.34	$10.89
2016	$14.68	$13.58	$11.09
2017	$14.83	$13.72	$11.20
2018	$14.83	$13.72	$11.20
2019	$14.83	$13.72	$11.20
2020	$14.83	$13.72	$11.20
2021	$16.02	$14.82	$12.10

24.1 Please explain what parameters has ICBC established for "fair remuneration" for its brokers (i.e. what is considered "fair"?)

24.2 Please describe the nature of the additional workload undertaken by brokers due to rate design and implementation of the Enhanced Care model, including but not limited to whether the work is of a "one-time" nature or related to ongoing additional work.

24.2.1 Please explain how the additional workload translates to the new broker fees for 2021 provided in Figure 4B.1. To the extent possible, provide a breakdown corresponding to the additional workload explained in the IR response above.

24.3 Please explain how the current Strategic Accord (2019-2027) between ICBC and brokers was negotiated. Please include a description of the process, the parties involved, and ICBC's internal approvals process.

24.4 Please confirm whether the broker fees shown in Figure 4B.1 for 2021 will be maintained for the duration of the current Strategic Accord (i.e. through 2027). If not confirmed, please provide additional rows to Figure 4B.1 showing the applicable broker fees for PY 2021.

24.5 Please discuss the alternatives (if any) considered to provide additional renumeration for brokers other than to increase the broker fees for new and renewal transactions and explain why these alternatives were not selected.

24.6 Please provide a comparison of ICBC broker fees for new and renewal transactions to other Canadian jurisdictions with public auto insurance regimes.

In Appendix A.1 to the Application, ICBC provides the following summary of the Expenses component of the required premium:

Description	(1) Required Premium PY 2021-1	(2) Required Premium PY 2021-2	(3) Required Premium PY 2021	(4) Required Premium PY 2020	(5) Required Premium PY 2019	Appendix Reference / Formula for (1) and (2)

B.	Expenses						
	General Expense						
(e)	Administration and Other	65,799	76,178	141,977	66,728	64,061	H.1 Row (e) Col (8) and (9)
(f)	Insurance Services	60,463	67,152	127,614	73,549	68,514	H.1 Row (f) + Row (g) Col (8) and Col (9)
(g)	Non-Insurance Expense	115,483	129,961	245,443	111,220	106,612	H.1 Row (h) Col (8) and (9)
(h)	Total General Expense	241,744	273,290	515,034	251,496	239,187	(e) + (f) + (g)
(i)	Per Policy Broker Fee	98,211	109,020	207,231	100,841	98,730	A.2: Rows (f) and (l) Col (8a)
(j)	Variable Broker Fee	2,175	2,485	4,660	3,791	3,892	A.2: Rows (f) and (l) Col (8b)
(k)	Premium Tax	123,008	142,345	265,353	159,076	162,414	A.2: Rows (f) and (l) Col (9)
(l)	Total Expenses	465,138	527,140	992,278	515,204	504,223	sum (h) through (k)

On page 4B-3, ICBC states, "With the increase, Basic fees will account for approximately 3.0 % of the Basic premium ICBC collects."

24.7 Please indicate how much the broker fee increases contribute to the Basic premium ICBC collects for PY 2021-1 and PY 2021-2 in the yellow highlighted lines of Appendix A.1.

D. INVESTMENTS

25.0 Reference: INVESTMENTS
Exhibit B-1, Chapter 3, p. 3-11; Appendix A.1; Chapter 2, Appendix 2D, p. 2
Investment Income

In Appendix A.1 to the Application, ICBC shows the following figures regarding Miscellaneous Revenue and Investment Income:

Description		(1) Required Premium PY 2021-1	(2) Required Premium PY 2021-2	(3) Required Premium PY 2021	(4) Required Premium PY 2020	(5) Required Premium PY 2019	Appendix Reference / Formula for (1) and (2)
D.	Miscellaneous Revenue and Investment Income						
(r)	Net Payment Plan Finance Fees	49,241	52,663	101,904	67,813	62,418	H.3: Rows (e) and (j) Col (3)
(s)	Short Term Surcharge	17,004	19,125	36,129	19,281	18,877	H.3: Rows (e) and (j) Col (4)
(t)	Driver Penalty Point & Driver Risk Penalty Premiums	30,765	29,004	59,769	34,047	32,165	H.3: Rows (e) and (j) Col (5)
(u)	Unlisted Driver Accident Premium & Graduated License Plan Fee	6,740	7,355	14,095	6,635	7,392	H.3: Rows (e) and (j) Col (6) + Col (7)
(v)	Income Transfer from Optional	-	-	-	-	-	
(w)	Investment Income on Basic Equity	13,676	21,081	34,757	4,945	7,468	A.2: Rows (f) and (l) Col (3)
(x)	Investment Income on Policyholder Supplied Funds	459,865	544,481	1,004,346	393,614	449,202	A.2: Rows (f) and (l) Col (12) - Col (10)
(y)	Total Miscellaneous Revenue and Investment Income	577,291	673,709	1,251,000	526,335	577,522	sum (r) through (x)

On page 3-11 of the Application, ICBC explains that:

> The higher investment income is mainly driven by higher investment income on policy holder supplied funds (i.e., customer's premium). Payments under the Enhanced Care model for medical rehabilitation and income replacement will be spread out over a longer period of time compared to the current model, whereas most injury payments in the current model have been made on a lump sum basis. This means that ICBC will be able to hold and invest premiums over a longer period of time, generating additional investment income.

By Order in Council 632 dated December 14, 2020, it states in part on page 2:

> ICBC is hereby directed to file a 23-month Basic insurance Revenue Requirements Application with the British Columbia Utilities Commission (BCUC) for the 2021 Policy Year, in which the proposed general rate change reflects the following:…
>
> b) That the Enhanced Care model is based on Manitoba Public Insurance's accident benefit insurance model with the specified exceptions outlined in this government directive (Enclosure)…

25.1 Please explain the reasons why, in Appendix A.1, ICBC forecast Line (x) to increase from approximately $394 million in PY 2020 to approximately $460 million in PY 2021-1, and from approximately $460 million in PY 2021-1 to approximately $544 million in PY 2021-2.

25.2 Please discuss whether ICBC reviewed Manitoba Public Insurance's (MPI's) experience with

respect to length of time for payments under the Enhanced Care model for medical rehabilitation and income replacement.

25.2.1 If yes, please compare ICBC's assumptions under the Enhanced Care model against MPI's assumptions under the benefit insurance model regarding the length of time for payments.

25.2.1.1 Please explain whether, if so how and why, ICBC has made adjustments to MPI's assumptions when producing the forecast for ICBC.

25.2.2 If not, please explain why not.

26.0 Reference: INVESTMENTS
Exhibit B-1, Chapter 3, p. 3-11; Appendix G.1; ICBC 2019 RRA, Chapter 3, Appendix G.1
Basic Equity

ICBC presents the following in Appendix G.1 to the Application:

PY 2021 Investment Income on Basic Equity and Capital Provision
($ 000's)

ADJUSTED EQUITY	PY 2021-1	PY 2021-2
(a) Basic Equity at Fiscal Year End Prior to the Policy Period	87,308	319,094

In ICBC's 2019 Revenue Requirements Application, dated December 14, 2018, ICBC shows the following in Appendix G.1:

ADJUSTED EQUITY	
(e) Basic Equity at March 31, 2019	69,742

ICBC explains on page 3-11 of the Application that "Customers also receive premium offset from investment income on Basic Equity. As the Basic Equity level increases, this also generates additional investment income. The capital build provision for PY 2021 will contribute to higher Basic Equity levels."

26.1 Please explain the increase in Basic Equity between March 31, 2019 and PY 2021-1. Please address to what extent, if any, the capital build provision for PY 2021 contributes towards the increase.

26.2 Please explain in detail the reasons for the increase in Basic Equity between PY 2021-1 and PY 2021-2, including a breakdown of how and by how much each factor in the preamble on page 3-11 of the Application contributes towards the total increase. Please address to what extent, if any, the capital build provision for PY 2021 contributes towards the increase.

27.0 Reference: INVESTMENTS
Exhibit B-1, Chapter 5, Section A, p. 5-1; Appendix 5A, p. 5A.2; BCI website[7]
British Columbia Investment Management Corporation

On page 5-1 of the Application, ICBC states, "ICBC is transitioning the management of this investment portfolio to the British Columbia Investment Management Corporation (BCI), a provincial Crown agent with $171.3 billion of net assets under management as at March 31, 2020." ICBC further states, "BCI is a provincial Crown agent with $171.3 billion of net assets under management as at March 31, 2020, with ICBC's investment portfolio in excess of $19 billion as at June 30, 2020."

[7] Retrieved from: https://www.bci.ca/who-we-are/clients/

On the BCI's website[8], it shows as of March 31, 2020 the BCI's client portfolio is composed of 77.8% pension funds, 20.2% insurance funds (including ICBC), and 2% special purpose funds.

On page 5A.2 of Appendix 5A, ICBC states:

> Revisions to the [Statement of Investment Policy and Procedures (SIPP)] include revisions pertaining to conflicts of interest and voting rights that recognize that BCI carries out investment management responsibilities on behalf of a broader client base.

27.1 Please explain the rationale for outsourcing the management of ICBC's investment portfolio.

27.2 Please explain in detail how ICBC decided on selecting the BCI to manage ICBC's investment portfolio, including the request for proposal (RFP) process, RFP requirements, candidate selection process, proponent selection criteria (e.g. cost, expertise), the alternatives considered, and the internal approval process.

27.2.1 Please confirm, or otherwise explain, that the decision to transition the management of ICBC's investment portfolio to the BCI was approved by ICBC's Board of Directors.

27.3 Please clarify whether the BCI carries out investment management responsibilities on behalf of a broader client base in which ICBC's portfolio is part of that broader client base, or BCI has dedicated resources to manage ICBC's investment portfolio on a standalone basis.

27.4 Considering the majority of the BCI's client portfolio is comprised of pension funds, whereas ICBC is a property and casualty (P&C) entity, please explain how the BCI ensures it manages ICBC's investment portfolio in accordance with ICBC's risk profile, liquidity needs, and its SIPP.

27.4.1 Please also discuss how ICBC ensures the BCI manages ICBC's investment portfolio in accordance with ICBC's risk profile, liquidity needs, and its SIPP.

28.0 Reference: INVESTMENTS
Exhibit B-1, Chapter 5, Section A, p. 5-1; Appendix 5A, p. 5A.1; Attachment 5A.1, Section 8, p. 10
Transition to the BCI

ICBC states on page 5-1 of the Application:

> Most of ICBC's investment assets were transitioned to BCI for management in November 2019. ICBC's directly-owned investment properties were transitioned in January 2020, while it is anticipated that ICBC's portfolio of mortgage loans will be transitioned to BCI in early 2021.

ICBC further states on page 5A.1:

> For asset classes that are relatively illiquid and cannot be immediately divested (e.g. real estate, mortgages), the transition of investment management responsibilities for such investments initially involves BCI assuming oversight responsibilities and continuing to manage the investments, followed at a later date by some form of divestment.

In Appendix 5A, Section 8 of the October 2020 SIPP (Attachment 5A.1) defines the return objectives, as well as the asset class benchmarks, for ICBC's investment portfolio.

28.1 Please elaborate on the transition process to the BCI, including a discussion on the transition schedule, size and type of assets transferred or to be transferred at each time, and the steps to

[8] Retrieved from: https://www.bci.ca/who-we-are/clients/

transfer investment portfolio management responsibilities.

28.2 Please explain whether there are any changes to ICBC's in-house investment staff due to the transition (e.g. number of Full Time Equivalents (FTEs)) and why.

28.3 Please compare the costs associated with using the BCI for management of ICBC's investment portfolio versus the managing ICBC's investment in-house.

28.3.1 Please quantify and specify the source of any cost difference using historical actuals for the last three years and the BCI 2020/21 Outlook, 2021/22 Forecast, 2022/23 Forecast and 2023/24 Forecast.

28.4 Please explain how the BCI is compensated for managing ICBC's investment portfolio, including the fee structure and any performance-based compensation for investment managers.

28.4.1 If certain investment management expenses are netted into investment income, please provide a breakdown of the investment income showing the investment management expenses before and after the transition to the BCI, respectively.

28.4.2 If there is any performance-based compensation for the BCI or BCI's investment managers, please explain the rules for these compensations (i.e. separately for BCI as an entity and the BCI's investment managers, as applicable), as well as the benchmark used to determine the BCI or the BCI investment managers' performance.

28.4.2.1 If the benchmark used differs from those defined under section 8 of the October 2020 SIPP, please explain any differences.

28.5 Please discuss whether the transition to the BCI could impact expected yield on existing and new investments.

28.5.1 If the transition will take place in phases, please discuss how the proposed New Money Rate and Yield on Basic Equity formula reflects the expected return on ICBC's investment total portfolio in each phase of the transition, considering yield on assets that have and have not transitioned to the BCI.

28.5.1.1 Has ICBC considered a weighted approach to estimate the New Money Rate and Yield on Basic Equity in order to reflect the partial transition to the BCI on certain assets? If yes, please provide ICBC's findings. If not, please explain why not.

29.0 Reference: INVESTMENTS
Exhibit B-1, Chapter 5, Attachment 5A.1, pp. 6
Legacy assets

Page 6 of ICBC's October 2020 SIPP (Attachment 5A.1) states:

> ICBC utilizes external investment management services for certain portfolio strategies. For clarity, the external investment managers (other than BCI and through BCI, its affiliate, QuadReal Property Group Limited Partnership ("QuadReal")) that continue to manage ICBC assets upon the effective date of the transition of day-to-day investment management responsibilities to BCI are referred to as the "legacy external investment managers".

29.1 Please confirm, or otherwise explain, that there has been no change to ICBC's external management service provider compared to the 2019 SIPP.

30.0 Reference: INVESTMENTS
Exhibit B-1, Chapter 5, Attachment 5A.1, p. 22

QuadReal

On page 22 of ICBC's October 2020 SIPP, ICBC provides a table showing ICBC's participating BCI pooled funds. The table shows that mortgages and real estate are managed by QuadReal as an external manager.

30.1 Please explain whether QuadReal manages any other asset class besides mortgages and real estate.

30.2 Please explain QuadReal's scope of work in managing ICBC's investment portfolio.

30.3 Please discuss whether there is a separate or additional compensation for QuadReal to manage ICBC's assets. If yes, please elaborate on the compensation mechanism.

30.4 Please explain whether QuadReal produces expected investment return forecasts.

30.4.1 If yes, please explain why ICBC does not use QuadReal's expect return forecast in calculating the New Money Rate for asset classes managed by QuadReal.

31.0 Reference: INVESTMENTS
Exhibit B-1, Chapter 5, Attachment 5A.1, p. 5
BCI roles and responsibilities

On page 5 of the ICBC's October 2020 SIPP (Attachment 5A.1), it states that BCI has the following responsibilities, among others:

> b) collaborates with ICBC Management in the development of investment policies, procedures, and strategies for consideration by the Investment Committee;…
>
> i) receives direction from ICBC Management regarding (i) the movement of funds between ICBC and BCI in respect of the Corporations' operational requirements and (ii) changes to the ICBC payment plan receivable;

31.1 Please describe the measures in place that ensure ICBC's oversight over the BCI and its investment portfolio.

31.2 Please explain the BCI's role, if any, in developing future SIPPs.

32.0 Reference: INVESTMENTS
Exhibit B-1, Chapter 5, Attachment 5A.1, pp. 14–15
Oversight of external investment managers

On page 14 to 15 of the ICBC's October 2020 SIPP (Attachment 5A.1), it states:

> BCI will regularly review the legacy external investment managers and shall report on such managers pursuant to the terms set out in the ASA [Additional Services Agreement]. BCI shall provide ICBC Management with the information needed to conduct ICBC's review of all other external investment managers on a regular basis as agreed between BCI and ICBC.

32.1 Please clarify ICBC and the BCI's respective oversight over external managers.

32.1.1 Please confirm, or otherwise explain, that ICBC has the ultimate oversight and decision-making authority regarding the use of external managers.

33.0 Reference: INVESTMENTS
Exhibit B-1, Chapter 5, Sections B.1, B.3.3, pp. 5-3, 5-8; Attachment 5A.1, p. 3

New Money Rate Formula

On page 5-3 of the Application, ICBC states:

> The changes being made to Enhanced Care, as described in Chapter 2, Legislative and Regulatory Framework, are expected to result in a significantly longer time horizon between when Basic insurance premiums are collected and when benefits are paid out in the form of care, recovery and wage loss to customers injured in a crash, lengthening the corresponding investment horizon of Basic insurance premiums

On page 3 of the October 2020 SIPP including in Attachment 5A.1 of the Application, ICBC states:

> As of March 31, 2019, ICBC's liabilities were profiled as follows:

	Liabilities ($000)	Duration in Years
Basic	12,022,270	2.58
Optional	5,234,051	2.93
Total	17,256,321	2.68

33.1 Please provide an update to the table referenced above with the expected duration of ICBC's liabilities under the Enhanced Care model.

On page 5-8 of the Application, ICBC states:

> ICBC is proposing to utilize BCI's 15-year return forecast for each asset class for the purposes of calculating the New Money Rate, as it aligns with the longer-term investment horizon expected under the Enhanced Care model. ICBC believes the 15-year investment return horizon used in the proposed formula is more appropriate under Enhanced Care compared to the current formula, which utilizes short-term (i.e., 12-month) bank forecasts of risk-free rates and inflation and projects them over the full investment horizon.

33.2 Please explain how frequently the BCI produces its 15-year return forecast.

33.3 Please elaborate on why ICBC has chosen the BCI's return forecast for each asset class for the purposes of calculating the New Money Rate. In the response, please address: i) the time horizon of the BCI's long-term capital market return forecasts with reference to the expected duration of ICBC's liabilities under Enhanced Care; and ii) using the BCI as the source to forecast capital market return rather than referencing the forecast produced by several other entities.

33.4 Please explain whether ICBC considered any other alternative sources and time horizons for market return forecasts (for example, any range between 12-months under the current formula and 15-years under the proposed formula).

33.4.1 If yes, please provide a summary of the analysis conducted, and explain why the alternatives were not chosen.

33.4.2 If no, please explain why not.

33.5 Please explain whether, and if so how, ICBC has accounted for any uncertainties regarding cashflow needs for payouts under the Enhanced Care model in determining the appropriate investment horizon.

33.6 Please discuss whether the longer-term investment horizon expected under the Enhanced Care model changes ICBC's risk tolerance in its investments.

33.6.1 If yes, please discuss whether, and if so how, the change in ICBC's risk tolerance is reflected in the October 2020 SIPP.

34.0 Reference: INVESTMENTS
Exhibit B-1, Chapter 5, p. 5-8; Appendix 5B, Attachment 5B.1, p. 3
The BCI's long-term capital market expectations

On page 5-8 of the Application, ICBC states:

> BCI's forecasts are also benchmarked against expectations developed by investment consulting firms and other investment managers to ensure reasonableness. ICBC has discussed with BCI its assumption-setting methodology and is confident in BCI's process and the extent to which the assumption-setting process is reviewed."

In the report titled "Long-Term Capital Market Expectations: 2020 Edition" by the BCI, filed as Attachment 5B.1, the BCI elaborates that:

> BCI's long-term capital market expectations are assessed at several levels:
>
> 1. They are reviewed internally, including approval by BCI's senior management.
>
> 2. They are reviewed by our clients' internal and external actuaries and compared to their firm's expectations to ensure alignment between funding and investment policies.
>
> 3. They are benchmarked against the expectations developed by investment consulting firms and other investment managers to ensure reasonableness. Any significant variations need to be explained through program differences.
>
> 4. In December 2017, an expert assessment of BCI's asset-liability (AL) review process and capital market assumptions was conducted by the investment practice of a third-party global actuarial and investment consulting firm.

34.1 Please elaborate on the sources and inputs, providing references where available, that are used to benchmark the BCI's forecasts.

34.2 Please elaborate on which function within ICBC (e.g. ICBC Investment Committee, ICBC Board of Directors, etc.) partook in reviewing BCI's assumption-setting methodology and process as referenced in the preamble above.

34.3 Please discuss whether the BCI's "Long-Term Capital Market Expectations: 2020 Edition" dated August 2020 were evaluated by ICBC's internal and external actuaries.

34.3.1 If yes, please discuss ICBC's actuaries' evaluation on BCI's long-term capital market expectations.

34.3.2 If no, please explain why not.

34.4 Please discuss how ICBC will review the reasonableness of BCI's future long-term capital market expectations reports.

35.0 Reference: INVESTMENTS
Exhibit B-1, Chapter 5, Section B.3, pp. 5-6, 5-7; Attachment 5A.2, p. 18
New Money Rate – Fixed Income

Figure 5.2 on page 5-6 of the Application states that the forecast fixed income return is based on the weighted average of BCI 15-year total return forecast for fixed income assets.

ICBC further states on page 5-7 that "Fixed income assets currently include ICBC's Money Market, Bond, Mortgage and Mezzanine debt portfolios. The Bond portfolio currently includes short-term and mid-term bonds."

The Black-lined version of the October 2020 SIPP (Attachment 5A.2) states the following on page 18:

> Duration
>
> The duration of the Canadian bond portfolio will ~~not be permitted to deviate from~~ be managed within minus 40% and plus 15% of the benchmark index duration ~~of 4.0 years by more than +0.5 years or less than -1.5 years.~~ .

35.1 Please provide the duration of the benchmark index based on the latest information available to date, as well as the acceptable duration range for the Canadian bond portfolio in years as per the SIPP based on the duration of the benchmark index.

35.2 Please explain why the SIPP now refers to the duration range in percentage terms rather than in years relative to the benchmark index duration and explain if there is an impact.

35.3 Please explain how the weighted average of the BCI 15-year total return forecast for fixed income assets reflects the return of forecast for each component (Money Market, Bond, Mortgage and Mezzanine debt portfolios) within ICBC's fixed income portfolio, respectively.

36.0 Reference: INVESTMENTS
Exhibit B-1, Chapter 5, Section B.3.4, p. 5-9; Appendix 5B, p. 5B-2
New Money Rate – Diversification & Rebalancing Premium

On page 5-9 of the Application, ICBC states:

> ICBC is proposing to use the forward-looking estimate of the Diversification and Rebalancing Premium, estimated at 25 basis points using ICBC's current strategic asset mix weights. ICBC plans to test this estimate on an annual basis for reasonableness; however it is not anticipated to change year to year unless there are material changes to ICBC's strategic asset mix.

ICBC elaborates on page 5B-2:

> The Diversification and Rebalancing Premium represents the expected incremental return on ICBC's investment portfolio realized through regular rebalancing activities to maintain the asset weights of the strategic asset mix. The Premium estimate of 0.25% was determined by a forward-looking stochastic modelling process completed by BCI and is conservatively adjusted for ICBC's illiquid investment assets that are not regularly rebalanced. The impact is applied to the full portfolio and is added to the expected return of investment assets.

36.1 Please confirm, or otherwise explain, that ICBC regularly rebalances its investment portfolio prior to the introduction of the Diversification and Rebalancing Premium.

36.2 Please explain whether the Diversification and Rebalancing Premium reflects different or additional rebalancing activities that was not conducted by ICBC in the past.

36.3 Please explain how the actual yield on new investment compares against the forecasted yield as calculated by the New Money Rate in the past 5 years.

36.3.1 Please discuss the reasons for any forecast variance.

36.3.1.1 Please elaborate on whether the absence of the Diversification and

Rebalancing Premium explains any of the forecast variance in the past 5 years.

36.4 Please provide what the New Money Rate would be and the impact on the PY 2021 required premium and rate change if the Diversification and Rebalancing Premium is removed from the New Money Rate formula.

36.5 Please discuss whether a Diversification and Rebalancing Premium is included for other BCI's clients' investment portfolios.

36.5.1 If yes, please discuss the accuracy of the estimated Diversification and Rebalancing Premium for other BCI clients based on historical actual performance information in the past 5 years. If information in the past 5 years is not available, please provide the historical information to the extent available.

37.0 Reference: INVESTMENTS
Exhibit B-1, Chapter 5, Section D.1, p. 5-13
New Money Rate Comparison

In Figure 5.5 of the Application, ICBC presents the comparison of New Money Rate under Current and Proposed Formulae:

Figure 5.5 – Comparison of New Money Rate under Current and Proposed Formulae

Asset Group	Currently Approved Formula Weighted Yield (%)		Proposed Formula Weighted Yield (%)
	PY 2019	PY 2021	PY 2021
Fixed Income[1]	2.44	1.18	1.34
Equity	2.15	1.79	1.44
Real Estate & Infrastructure	0.58	0.61	0.66
Diversification & Rebalancing Premium	-	-	0.25
New Money Rate[2]	**5.16**	**3.59**	**3.68**

[1] The fixed income asset group under the currently approved formula includes risk-free assets and credit assets.
[2] Differences between the New Money Rate and the sum of the asset group weighted yields are due to rounding.

37.1 Please expand Figure 5.5 to show the weightings (%) by PY and the forecast yield for each asset group.

37.2 Please explain the source of the difference in forecast yield between the current and proposed New Money Rate for each asset group for PY 2021.

37.2.1 If the difference in weighted yield for each asset group is attributable to the difference in yield on investment managed by the BCI versus managed by ICBC and/or its external managers, please elaborate on why that is.

37.3 For comparative purposes, please re-state the PY 2019 weighted yield using the proposed formula for PY 2019.

38.0 Reference: INVESTMENTS
Exhibit B-1, Chapter 5, Section D.2, pp. 5-13, 5-14; Attachment 5A.1, p. 9
Asset allocation impacted by COVID-19

On page 5-13 of the Application, ICBC states, "A different value of the Yield on Basic Equity is used for the first 11-month period of PY 2021 compared to the second 12-month period. This is a result of an expected change in the weighting of the asset classes for the second 12-month…"

Figure 5.6 on page 5-14 shows the current weighting for mortgages and real estate are 8.2% and 5.1%, respectively, whereas the tactical minimum for these two assets as specified on page 9 of the ICBC's October 2020 SIPP (Attachment 5A.1) are 8.5% and 6.0%, respectively.

The October 2020 SIPP on page 9 notes:

> Allocations to illiquid asset classes (i.e., mortgages, mezzanine debt, real estate and infrastructure) are permitted to be below long-term tactical minimums during the investment periods of the associated funds. The transition schedule contained in Appendix A represents Management's estimate for the pace of implementation of the target strategic asset mix.

On page 5-14 of the Application, ICBC states:

> Due to the phased transition of ICBC's internally-managed mortgage and real estate investment assets to BCI, along with slowing funding opportunities in those asset classes associated with the COVID-19 pandemic, ICBC's current weighting to mortgages and real estate is below the strategic target weight.

38.1 Please confirm, or otherwise explain, that the note regarding allocations to illiquid asset classes as permitted to be below long-term tactical minimums was inserted in the October 2020 SIPP and was not present in ICBC's previous SIPP.

38.1.1 If confirmed, please discuss:

(a) Whether ICBC considers it appropriate to have a limit on how much below the long-term tactical minimum should be permitted.

(b) Whether the note only applies for a limited time (e.g. only during the COVID-19 pandemic when funding opportunities may be limited).

(c) Whether ICBC considered lowering the tactical minimums that cannot be breached rather than setting a tactical minimum that can be breached. If yes, please explain why ICBC has decided against the former approach.

38.2 Please explain how ICBC plans to increase the asset weightings to mortgages and real estate to its strategic target weight by the end of the first 11-month period.

38.3 Please discuss whether ICBC experienced any impact on funding opportunities due to the COVID-19 pandemic for any other asset classes besides mortgages and real estate.

38.3.1 If yes, please discuss:

(a) How the impact on funding opportunities due to the COVID-19 pandemic may impact the asset allocation to the aforementioned affected asset groups within the upcoming policy year; and

(b) How any difference between anticipated and actual asset allocation to each asset group may impact the New Money Rate and Yield on Basic Equity calculations, respectively.

38.3.2 If not, please explain why not.

39.0 Reference: INVESTMENTS
Exhibit B-1, Chapter 5, Section D.2, pp. 5-14, 5-15
Yield on Basic Equity Formula

Figures 5.6 and 5.7 in the Application show that the Yield on Basic Equity includes a reduction by 0.18% to account for the fees to manage the investment portfolio.

39.1 Please confirm, or otherwise explain, that the amount by which the Yield on Basic Equity is reduced by to account for the fees to manage the investment portfolio is the same before and after the transition to the BCI.

39.1.1 If confirmed, please explain why ICBC expects the fees to manage the investment portfolio to be the same before and after the transition to the BCI.

39.1.2 If not confirmed, please compare and explain the amount of reduction to the Yield on Basic Equity to account for the fees to manage the investment portfolio before and after the transition to the BCI.

39.2 Please discuss whether ICBC expects the amount by which the Yield on Basic Equity is reduced to account for the "fees to manage the investment portfolio" will differ when ICBC fully transitions its investment portfolio (including illiquid assets) to the BCI. If yes, please elaborate and explain by how much. If not, why not?

40.0 Reference: INVESTMENTS
Exhibit B-1, Chapter 7, Appendix 7G, p. 7G.5
Historical investment performance

In Appendix 7G to the Application, ICBC presents the investment performance for 2019/2020. On page 7G.5, ICBC presents the following table:

Figure 7G.5 – Annualized Returns

(%)	One-Year Returns for the Year Ended March 31		
	2020	2019	2018
TOTAL PLAN	1.40	5.28	1.68
Total Plan Benchmark[1]	1.98	5.30	1.07
MONEY MARKET PORTFOLIO	2.14	1.60	0.83
Money Market Policy Benchmark	1.91	1.47	0.76
CANADIAN BOND PORTFOLIO	4.00	4.45	(0.17)
Canadian Bond Policy Benchmark	3.89	4.23	(0.37)
MORTGAGE PORTFOLIO	2.84	4.76	2.44
Mortgage Policy Benchmark	4.23	4.49	0.63
MEZZANINE DEBT	(0.37)	N/A	N/A
Mezzanine Debt Policy Benchmark	4.77	N/A	N/A
CANADIAN EQUITY PORTFOLIO	(13.03)	6.73	1.74
Canadian Equity Policy Benchmark	(14.21)	8.11	1.71
GLOBAL EQUITY PORTFOLIO	(5.33)	7.92	9.13
Global Equity Policy Benchmark	(4.16)	7.81	10.12
REAL ESTATE	4.13	5.56	10.91
Real Estate Policy Benchmark	5.17	6.20	6.65
INFRASTRUCTURE	11.96	N/A	N/A
Infrastructure Policy Benchmark	5.17	N/A	N/A

[1] Benchmarks are listed in the SIPP for the relevant year.

40.1 Please confirm, or explain otherwise, that ICBC did not invest in Mezzanine Debt and Infrastructure, respectively, prior to fiscal year 2019/2020.

40.1.1 If not confirmed, please explain why the one-year return information is not available for fiscal year 2017/2018 and 2018/19 for these two asset classes.

40.2 Please explain the reasons for the overperformance and underperformance, as applicable, in the one-year return on Mezzanine Debt, Mortgage, and Infrastructure, against the respective benchmarks for the year ended March 31, 2020.

40.2.1 Please discuss whether the reasons for the overperformance and underperformance discussed above are expected to continue to have an impact in PY 2021.

40.2.1.1 If yes, please discuss whether, if so how, the expected yield to calculate the New Money Rate and Yield on Basic Equity on these asset classes accounts for the reasons discussed above.

40.3 Please confirm, or explain otherwise, that ICBC plans to continue to invest in Mezzanine Debt in 2021 according to the October 2020 SIPP.

40.3.1 If confirmed, please discuss how ICBC plans to improve performance experienced in 2019/20 against the benchmark in this area.

40.4 In light of the COVID-19 pandemic, please provide an update to the one-year portfolio return and benchmark return on the various asset classes listed in Figure 7G.5 from April 1, 2020 to date, if available.

40.4.1 If not available, to the extent possible, please indicate any directional (e.g. favourable or unfavourable) performance relative to the benchmark.

40.4.2 Please discuss whether the estimated yield used to calculate the New Money Rate and Yield to Equity Rate reflects the recent experience on the one-year return on the various assets in the past year.

40.5 With the transition to the BCI, please explain whether reporting on investment performance for future years will maintain the same format as presented in Appendix 7G.

40.5.1 If ICBC anticipates changes to the format on the investment performance reporting, please elaborate on i) which area(s) will have proposed changes, ii) how the reporting will change, and iii) the reasons for the proposed changes.

41.0 Reference: INVESTMENTS
Exhibit B-1, Chapter 5, Attachment 5A.2, p. 10
Changes to the 2020 SIPP - Asset Mix Ranges on Bonds

Page 10 of the black-lined version of the October 2020 SIPP (Attachment 5A.2) shows that the asset mix ranges for short-term bonds and mid-term bonds are removed.

41.1 Please explain why ICBC has removed the asset mix ranges specific to short-term bonds and mid-term bonds.

41.2 Please explain whether the removal of the asset mix ranges for short-term bonds and mid-term bonds allows ICBC and/or BCI discretion on the composition of the bonds portfolio.

41.3 With the removal of the asset mix ranges for short-term bonds and mid-term bonds, please explain how ICBC can ensure the duration of the bond portfolio is appropriate for ICBC's liability duration.

42.0 Reference: INVESTMENTS
Exhibit B-1, Chapter 5, Attachment 5A.2, p. 28
Changes to the 2020 SIPP – Unfunded allocation

Page 28 of the black-lined version of the October 2020 SIPP (Attachment 5A.2) states:

Benchmark weights shall be set in alignment with funded allocations in respect of the mortgages, mezzanine debt, real estate and infrastructure asset classes, up to the long-term strategic mix targets set out in section 6 of this Statement. Unfunded allocations to these asset classes – and the associated benchmark weights – will be invested in accordance with the following guidelines:

Asset Class	Money Market	Canadian Bonds	Canadian Equity	Global Equity
Mortgages / Mezzanine Debt	25%	60%		15%
Real Estate		40%	30%	30%
Infrastructure		40%		60%

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42.1 Please confirm, or otherwise explain, that the unfunded allocation guidelines above are newly added to the October 2020 SIPP and were not included in the June 2018 SIPP.

42.2 Please explain how the unfunded allocation guidelines for each asset class are developed, including a discussion on the liquidity and risk exposure.

42.3 Please discuss whether the investment guidelines on unfunded allocation for each asset class can adequately respond to investment opportunities that arise for each respective asset class.

43.0 Reference: INVESTMENTS
Exhibit B-1, Chapter 5, Attachment 5A.2, pp. 11, 12, 25
Other Changes to the 2020 SIPP

Pages 11 to 12 of the black-lined version of the October 2020 SIPP (Attachment 5A.2) shows that BMO Small Cap Index, MSCI World Ex Canada Small Cap, and MSCI Emerging Markets Index have been removed as benchmarks.

43.1 Please explain why the benchmarks referenced above have been removed from the October 2020 SIPP.

The black-lined October 2020 SIPP further states on page 25:

~~Leverage~~

~~Leverage may be employed by the fund manager at the fund or investment level to enhance investment returns. Since leverage increases the volatility of the infrastructure portfolio, leverage will be targeted at a loan-to-value ratio of 55% of the total infrastructure portfolio, with a suggested maximum of 65%.~~

Net asset value on foreign currency denominated investment vehicles may be hedged back to the domestic currency as contemplated in Section 11.9 below. Currency hedging decisions are most appropriately made at the global portfolio level rather than at the asset class level and consider net currency exposures.

For infrastructure investments that are managed by a legacy external investment manager, the services to be performed are provided in the ASA.

43.2 Please explain why the limitation on leverage in the infrastructure portfolio has been removed in the October 2020 SIPP.

43.3 Please provide a copy of the First Additional Services Agreement (ASA) dated November 1, 2019 between ICBC and the BCI. If a copy cannot be provided, please explain why not.

43.4 Please discuss whether the ASA provides similar limitations regarding the use of leverage as previously stated in the June 2018 SIPP. If yes, please provide references in the ASA, as applicable.

44.0 Reference: INVESTMENTS

Exhibit B-1, Chapter 5, Section E, p. 5-16
Investment Strategy Review

On page 5-16 of the Application, ICBC states:

> The investment strategy review process is ongoing. In December, ICBC's Board of Directors approved a long term strategic asset mix based on ICBC's expected claims liability profile under the Enhanced Care model. Due to the complexity caused by the multi-year transition in ICBC's liability profile as well as uncertainty about the pacing of new investments in BCI funds, ICBC is not yet able to accurately estimate the potential impact to ICBC's New Money Rate and Yield on Basic Equity.

44.1 Please provide the timeline of when the next SIPP will be available.

44.2 Please discuss whether the SIPP will continue to be reviewed and approved by ICBC's Board of Directors.

E. OPERATING EXPENSES AND ALLOCATION INFORMATION

45.0 Reference: OPERATING EXPENSES AND ALLOCATION INFORMATION
Exhibit B-1, Chapter 6, Section B, pp. 6-4; Workshop Transcript, Vol. 1, p. 49, line 2-8
COVID-19 Impacts

On page 6-4 of the Application, ICBC states, "The 2020/21 outlook forms the basis for the 2021/22 and future year forecasts. The operating expense forecasts are prepared based on the information available as of August 31, 2020."

On page 49 of the Workshop Transcript, ICBC states:

> So for the purposes of this rate change we have removed all impacts from COVID-19 from historical data, so ensuring that it doesn't influence our forecasts. And we have not applied any judgment to our forecasts in response to COVID and the potential short and long term impacts it may have.

45.1 Please explain whether the statement made by ICBC in the Workshop applies to the operating expense forecasts detailed in Chapter 6.

45.1.1 If so, please explain and provide the adjustments made to the 2020/21 outlook in Figures 6.1 and 6.3 considering that information to August 31, 2020 would include the impacts of COVID-19.

46.0 Reference: OPERATING EXPENSES AND ALLOCATION INFORMATION
Exhibit B-1, Chapter 1, p. 1-7; Chapter 6, p. 6-9; ICBC 2019 RRA, Exhibit B-1, Chapter 7, p. 7-9; ICBC 2019 RRA, Exhibit B-2, BCUC IR 65.1
Allocation Methodology Review

On page 7-9 of the ICBC 2019 RRA, ICBC stated:

> RAAP, specifically product reform and resulting organizational changes, may impact allocation methodologies in the future. ICBC plans to bring forward a financial allocation methodology application to the BCUC once the RAAP initiatives have been implemented and sufficient data is available for analysis.

In response to BCUC IR 65.1 in the ICBC 2019 RRA, ICBC stated:

> A full year of steady-state operations under the new operating model is required to

assess financial allocation.

On page 1-7 of the Application, ICBC states:

> ICBC seeks approval to defer the review of the financial allocation methodology due December 2022 until December 2023, in light of the need to first reach steady state under Enhanced Care.

On page 6-9 of the Application, ICBC states:

> Up until the implementation of Enhanced Care on May 1, 2021, ICBC does not anticipate any significant organizational changes that impact allocation methodologies; therefore, ICBC is not proposing alterations to allocation methodologies for total corporate operating expenses in this Application… The changeover from a tort-based system to the Enhanced Care model and resulting organizational changes, may impact allocation methodologies in the future. ICBC anticipates that it will take at least two to three years of operation under Enhanced Care in order for the data under the new model to develop and to inform an updated financial allocation methodology**…** There are certain efficiencies created for ICBC to undertake a full financial allocation methodology review rather than doing so separately for corporate operating expenses and then subsequently for claims and premium data. [*emphasis added*]

46.1 Please confirm whether RAAP resulted in any organizational changes to ICBC as originally contemplated in the ICBC 2019 RRA.

46.1.1 If confirmed, please provide an overview of the changes and explain why ICBC proposes to postpone bringing forward a financial allocation methodology review given that there have been organization changes.

46.2 Please explain why ICBC anticipates it will need at least two to three years of operation under Enhanced Care to develop and inform an updated financial allocation methodology given that one year of steady-state operations was sufficient to assess the impacts under RAAP.

46.2.1 Please explain which allocators are expected to be affected (i.e. directionally increased or decreased allocation to Basic insurance) on a preliminary basis.

46.3 Please explain the efficiencies created for ICBC to undertake a full financial allocation methodology review rather than doing so separately for corporate operating expenses and then subsequently for claims and premium data.

46.4 Please specify when in December 2023 ICBC proposes to file a review of the financial allocation methodology. Would it be filed as part of a general rate change application or other filing?

47.0 Reference: OPERATING EXPENSES AND ALLOCATION INFORMATION
Exhibit B-1, Chapter 6, p. 6-6; ICBC 2019 RRA, Exhibit B-1, Chapter 7, p. 7-5
2019/2020 Forecast and Actual

On page 6-6 of the Application, ICBC provides the following table:

Figure 6.1 – Total Corporate Operating Expenses by Line of Business and Allocation to Basic Insurance

($ Millions)	2019/20 Actual			2020/21 Outlook			2021/22 Forecast			2022/23 Forecast			2023/24 Forecast		
Operating Expense Components[1]	**Corporate (A)**	**Basic (B)**	**Basic % (C=B/A)**	**Corporate (D)**	**Basic (E)**	**Basic % (F=E/D)**	**Corporate (G)**	**Basic (H)**	**Basic % (I=H/G)**	**Corporate (J)**	**Basic (K)**	**Basic % (L=K/J)**	**Corporate (M)**	**Basic (N)**	**Basic % (O=N/M)**
Claims Services	$399	$265	67%	$388	$258	67%	$449	$312	69%	$442	$302	68%	$439	$296	67%
Road Safety and Loss Management (RSLM)	56	48	87%	52	44	85%	58	49	86%	59	51	86%	61	53	86%
Administration and Other	132	65	49%	123	58	47%	146	70	48%	153	74	48%	159	79	49%
Insurance Services	122	67	55%	123	70	56%	114	66	58%	117	67	57%	120	69	57%
Non-insurance Operations	110	110	100%	107	107	100%	124	124	100%	128	128	100%	132	132	100%
Total Corporate Operating Expenses[2]	**$818**	**$555**	**68%**	**$792**	**$537**	**68%**	**$891**	**$620**	**70%**	**$899**	**$621**	**69%**	**$912**	**$628**	**69%**

[1] Rounding may affect totals and percentages.
[2] Total Corporate Operating Expenses under columns A, D, G, J and M correspond to Figure 6.3, Total Corporate Operating Expenses for 2019/20 Actual, 2020/21 Outlook, 2021/22 Forecast, 2022/23 Forecast, and 2023/24 Forecast.

On page 7-5 of the ICBC 2019 RRA, ICBC provides the following table:

Figure 7.1 – Total Corporate Operating Expenses by Line of Business and Allocation to Basic Insurance

($ Millions)	2017/18 Actual			2018/19 Outlook			2019/20 Forecast			2020/21 Forecast		
Operating Expense Components[1]	**Corporate (A)**	**Basic (B)**	**Basic % (C=B/A)**	**Corporate (D)**	**Basic (E)**	**Basic % (F=E/D)**	**Corporate (G)**	**Basic (H)**	**Basic % (I=H/G)**	**Corporate (J)**	**Basic (K)**	**Basic % (L=K/J)**
Claims Services (ULAE)	$351	$229	65%	$374	$239	64%	$402	$260	65%	$404	$261	65%
Road Safety and Loss Management (RSLM)	51	44	87%	56	47	85%	57	48	85%	58	49	85%
General Expenses – Administration and Other	120	59	49%	120	59	49%	130	64	49%	132	64	49%
General Expenses – Insurance Services	110	63	57%	114	65	57%	118	67	57%	126	72	57%
General Expenses – Non-insurance	102	102	100%	102	102	100%	106	106	100%	108	108	100%
Total Corporate Operating Expenses[2]	**$734**	**$498**	**68%**	**$764**	**$511**	**67%**	**$812**	**$545**	**67%**	**$827**	**$554**	**67%**

[1] Rounding may affect totals and percentages.
[2] Total Corporate Operating Expenses under columns A and D correspond to Figure 7.3, Total Corporate Operating Expenses for 2017/18 Actual and 2018/19 Outlook.

47.1 Please provide an explanation for significant variances between 2019/2020 Forecast in Figure 7.1 to the 2019/2020 Actuals provided in Figure 6.1.

48.0 Reference: OPERATING EXPENSES AND ALLOCATION INFORMATION
Exhibit B-1, Chapter 6, p. 6-10
Inflation

On page 6-10 of the Application, ICBC states:

> ICBC's total corporate operating expenses are expected to increase on average 2.8% year over year between 2019/20 and 2023/24. The increase is primarily driven by general salary increases for unionized employees (per the collective agreement) and other inflationary increases.

48.1 Please explain and provide a breakdown of the other inflationary increases contributing to ICBC's expected total corporate operating expense increases between 2019/20 and 2023/24.

49.0 Reference: OPERATING EXPENSES AND ALLOCATION INFORMATION
Exhibit B-1, Chapter 6, p. 6-19; ICBC 2017 Revenue Requirement Application (2017 RRA, Exhibit B-2, BCUC IR 40.2; ICBC 2019 RRA, Exhibit B-2, BCUC IR 72.3.1

Merchant Fees

On page 6-19 of the Application, ICBC states:

> Merchant fee increases/decreases are primarily a function of premium revenue as well as anticipated consumers' use of various payment methods.
>
> Merchant fees are expected to decrease by $13 million, from $45 million in 2020/21 to $32 million in 2021/22, primarily due to a decrease in insurance premiums, resulting from the implementation of Enhanced Care. Thereafter, merchant fees are expected to grow by approximately $1 million - $2 million each year in 2022/23 and 2023/24 in line with anticipated growth in premium revenue.

In response to BCUC IR 72.3.1 in the ICBC 2019 RRA, ICBC stated:

> ICBC pays 100% of merchant fees for all categories of transactions. For violation ticket fine payments, ICBC deducts the merchant fees costs from the remittance to Government. There is no sharing of merchant fees costs with other parties.

In response to BCUC IR 40.2 in the ICBC 2017 RRA, ICBC stated:

> Merchant fees are impacted by the following main factors:
> - Number of customers using credit cards to pay for their transactions;
> - Change in insurance premiums, which, in turn is impacted by vehicle growth (increase in number of policies) and increases in insurance rates;
> - Merchant fee rates charged by the credit card issuers and service providers.
>
> When developing an outlook for merchant fees, ICBC assumes that merchant fees will increase proportionately to insurance premiums growth…<u>ICBC does not factor in the change in number of customers paying for their transactions using credit cards, as changes in customer behaviour cannot be reliably predicted</u>. Changes in merchant fee rates are not incorporated unless known or can otherwise be reasonably expected. [*Emphasis Added*]

49.1 Please provide a breakdown of the $45 million in 2020/21 Outlook merchant fees by transaction volume and type of credit or debit card product.

49.1.1 Please confirm, or explain otherwise, that merchant fees are for credit and debit card transactions only and not for any bank changes from payment plans.

49.1.1.1 If not confirmed, please provide the dollar amount of any merchant fees attributable to payment plans.

49.2 Please confirm, or explain otherwise, that ICBC continues to pay 100% of merchant fees for all categories of transactions and does not share merchant fee costs with other parties as stated in response to BCUC IR 72.3.1 in the ICBC 2019 RRA.

49.3 Please confirm, or explain otherwise, whether factors that impact merchant fees remain the same as stated in response to BCUC IR 40.2 in the ICBC 2017 RRA.

49.4 Since the beginning of the COVID-19 pandemic and possible decreased use of cash, please discuss whether ICBC continues not to factor in the change in number of customers paying for their transactions using credit cards into its forecast for Merchant fees. If it is a factor, please provide the forecast impact and the basis of the forecast.

50.0 Reference: OPERATING EXPENSES AND ALLOCATION INFORMATION

Exhibit B-1, Chapter 6, p. 6-15; ICBC 2019 RRA, Exhibit B-1, Chapter 7, p. 7-17
Building Operating Expenses

On page 6-15 of the Application, ICBC states, "In 2021/22, staffing is expected to increase by 401 [full-time equivalents] FTEs to 5,750 FTEs, over 2020/21 outlook of 5,349 FTEs."

On page 7-17 of the ICBC 2019 RRA, ICBC states:

> In 2018/19, ICBC is expected to have 218 more FTEs compared to 2017/18 actual FTEs due to claims-related staffing increases, and additional space is needed to accommodate these employees… in 2018/19, building operating expenses are forecast to increase by $2 million over the 2017/18 actual. This increase is attributed to full year operating costs compared to partial year operating costs in 2017/18 for the Surrey facility, which was secured in 2016/17 to accommodate additional claims-related staff and consolidate space at ICBC's head office in North Vancouver.

50.1 Please indicate whether additional office space is needed to accommodate the increase of 401 FTEs in the 2022/21 Forecast. If so, please provide a status update for the additional office space needed, including expected increase in building operating expenses.

50.1.1 If not, please explain whether ICBC is supporting a work from home business model for FTEs. Please provide the expected cost of this model, such as equipment reimbursement in the Corporate Operating Expenses 2021/21, 2022/23 and 2023/24 Forecast.

50.2 Please provide building operating expenses for 2018/19 and 2019/20 Actual, 2020/21 Outlook, and 2021/22, 2022/23 and 2023/24 Forecast.

51.0 Reference: OPERATING EXPENSES AND ALLOCATION INFORMATION
Exhibit B-1, Chapter 6, pp. 6-11, 6-17, 6-18; ICBC 2019 RRA, Exhibit B-1, Chapter 10B, p. 10B-12
Professional, Administrative and Other Expenses

On pages 6-11 of the Application, ICBC provides the following table:

Figure 6.3 – Corporate Operating Expenses by Expense Category

($ Millions)[1]	2019/20 Actual	2020/21 Outlook	2021/22 Forecast	2022/23 Forecast	2023/24 Forecast
Net Compensation	$451	$454	$493	$492	$497
Professional, Administrative, and Other Expenses	144	134	146	152	158
Project and Depreciation Expenses	50	58	59	60	59
Merchant Fees	43	45	32	33	35
Road Improvements and Traffic Safety	32	32	33	35	36
Controllable Operating Expenses	**$719**	**$723**	**$763**	**$771**	**$784**
Pension and Post-Retirement Benefit Expense	92	68	126	126	126
ACE, RAAP, Expense Pre-OIC[2]	7	1	1	1	1
Total Corporate Operating Expenses	**$818**	**$792**	**$891**	**$899**	**$912**

[1] Rounding may affect totals.
[2] In 2019/20, this line item represents project expenses and depreciation on capital spent prior to Order in Councils (OICs) 084/18 and 046/20 issued by the Government Directive to fund RAAP and ACE and expenses from Optional Insurance. In 2020/21 and forecast years, it represents depreciation expense on capital spent prior to OIC.

On page 6-17 of the Application, ICBC states:

> Professional, administrative and other expenses are expected to decrease by $10 million to $134 million in 2020/21 outlook, due to the following factors:
>
> - 2019/20 included a one-time write-off of $7 million for Master Data Management (MDM) software and related components. A significant portion of the asset was written off as the MDM software and related components were obsolete primarily due to changes in technology <u>and future plans to move to a different platform.</u> Technology assets have a limited useful life due to advancing technology and changes in business requirements therefore obsolescence can be expected… [*emphasis added*]

On pages 6-17 and 6-18, ICBC further states:

> Professional, administrative and other expenses are expected to increase by $12 million from $134 million in 2020/21 to $146 million in 2021/22, due to the following factors:
>
> - Inflationary increases and other contractual commitments such as
> a. Higher hardware and software support and maintenance.
> b. Building operating expenses due to an expected increase in operating expenses for existing facilities. These include property tax, security, utilities, and other building operating expenses.
> c. Costs for legal, actuarial, audit, and other miscellaneous services
> - Administrative expense pattern is expected to return to normal in 2021/22, compared to 2020/21, which was lower due to the COVID-19 pandemic state of emergency.
> - 2020/21 includes expense recovery for fiscal year 2019/20 from Government to retain the costs of Red-Light Intersection Safety Cameras from Traffic Fine Revenue remitted to the Province (as discussed in paragraph 52). [*emphasis added*]

On page 6-18 of the Application, ICBC states, "These expenses are expected to increase from $146 million in 2021/22 to $152 million in 2022/23 and further to $158 million in 2023/24 due to inflationary increases, project sustainment expenses, and other contractual commitments."

On page 10B-12 of the ICBC 2019 RRA, ICBC stated:

> Master Data Management (MDM), was required to establish an enhanced capability for the management of master data, such as customer data, using a highly configurable COTS [Commercial Off the Shelf] solution. Core features of the solution include a flexible data model, built-in data quality processes, and rule-based governance features (e.g., for security and privacy). The original MDM project focused on implementing the core MDM foundation with the first application to incorporate the technology with PolicyCenter (which was delivered under the ISAS [insurance sales and administration system] project). An IT capital report for MDM was filed on May 10, 2013 and the project was completed in November 2016. The EAC [estimate at completion] was $8.7 million higher than the original capital budget due to the increased complexity of MDM integration and because of costs shifting from the ISAS project for work required to integrate with MDM that was not foundational to the delivery of ISAS.

51.1 Please provide the total capital cost, amortization period and amortization rate of the MDM software and related components.

51.2 Please explain what portion of the $7 million dollar write off was allocated to Basic insurance. Please include the percentage and dollar amount.

51.2.1 Please explain whether the portion allocated to Basic insurance is reflected in a reduction to Basic capital or through rates and in what policy year.

51.3 Please elaborate on the reasons for writing off the MDM software and related components. Please discuss the technology changes that rendered the software obsolete and ICBC's future plans to move to a different platform, including how this decision was made, the approval process, and when was the BCUC informed.

51.3.1 Please explain how ICBC is currently managing its master data.

51.3.2 Please explain how managing master data in the new platform will suit ICBC's software requirements better than continuing to use the MDM software and related components.

51.3.3 Please provide the expected cost and timing of switching to the new platform.

51.4 Please provide a cost breakdown of the factors that make up the $12 million increase in Professional, Administrative and Other expenses from 2020/21 Outlook to 2021/22 Forecast.

51.5 Please explain and provide a breakdown of the inflationary increases, project sustainment expenses, and other contractual commitments that are contributing to the $6 million increase in Professional, Administrative and Other Expenses from 2021/22 Forecast to 2022/23Forecast.

51.6 Please explain and provide a breakdown of the inflationary increases, project sustainment expenses, and other contractual commitments that are contributing to the $6 million increase in Professional, Administrative and Other Expenses from 2022/23 Forecast to 2023/24 Forecast.

52.0 Reference: OPERATING EXPENSES AND ALLOCATION INFORMATION
Exhibit B-1, Chapter 6, pp. 6-11, 6-19
Project and Depreciation Expenses

On page 6-11 of the Application, ICBC provides the following table:

Figure 6.3 – Corporate Operating Expenses by Expense Category

($ Millions)[1]	2019/20 Actual	2020/21 Outlook	2021/22 Forecast	2022/23 Forecast	2023/24 Forecast
Net Compensation	$451	$454	$493	$492	$497
Professional, Administrative, and Other Expenses	144	134	146	152	158
Project and Depreciation Expenses	50	58	59	60	59
Merchant Fees	43	45	32	33	35
Road Improvements and Traffic Safety	32	32	33	35	36
Controllable Operating Expenses	**$719**	**$723**	**$763**	**$771**	**$784**
Pension and Post-Retirement Benefit Expense	92	68	126	126	126
ACE, RAAP, Expense Pre-OIC[2]	7	1	1	1	1
Total Corporate Operating Expenses	**$818**	**$792**	**$891**	**$899**	**$912**

[1] Rounding may affect totals.
[2] In 2019/20, this line item represents project expenses and depreciation on capital spent prior to Order in Councils (OICs) 084/18 and 046/20 issued by the Government Directive to fund RAAP and ACE and expenses from Optional Insurance. In 2020/21 and forecast years, it represents depreciation expense on capital spent prior to OIC.

On page 6-19 of the Application, ICBC explains that project expenses reflect project costs, which are primarily information technology and facilities related projects, and depreciation expenses are associated with capital expenditures from current and prior years. ICBC states, "In 2021/22, 2022/23 and 2023/24, project and depreciation expenses are expected to be consistent with 2020/21 outlook."

52.1 Please separate the 2021/22, 2022/23 and 2023/24 Forecast project and depreciation expenses into project expenses and depreciation expenses.

52.1.1 Please explain the discuss the forecast trend for each separately.

53.0 Reference: OPERATING EXPENSES AND ALLOCATION INFORMATION
Exhibit B-1, Chapter 6, pp. 6-12, 6-13, 6-14, 6-16; Appendix 7H, p. 7H-2
Net Compensation

On page 6-12 of the Application, ICBC states:

> In general, changes in ICBC's compensation costs are attributable to a combination of factors including the number of FTEs, negotiated wage increases for unionized employees (as explained in paragraph 37), the mix of employees (i.e., Management, Bargaining Unit, professional, administrative, etc.), and changes in employee benefits costs or compensation levels in a particular year.

On page 6-13 of the Application, ICBC provides the following table:

Figure 6.4 – Compensation Details

($ Millions)[1]	2019/20 Actual	2020/21 Outlook	2021/22 Forecast	2022/23 Forecast	2023/24 Forecast
Bargaining Unit	$ 276	$ 275			
Management and Confidential	128	130			
Total Salaries	**404**	**405**			
Employee Benefits[2]	54	50			
Charged to Projects[3]	(11)	(1)			
Gainsharing[4]	4	-	-	-	-
Net Compensation (excluding Pension and Post-Retirement Benefit Expense)	**451**	**454**	**493**	**492**	**497**
Pension and Post-Retirement Benefit Expense	92	68	126	126	126
Total Compensation	**$ 543**	**$ 523**	**$ 619**	**$ 618**	**$ 623**

[1] Rounding may affect totals.
[2] Employee benefits include employer contributions for extended health and dental benefits, basic life insurance, Long Term Disability for Management and Confidential employees, MSP (eliminated effective January 1, 2020), EHT (introduced effective January 1, 2019), WorkSafeBC, CPP, and EI.
[3] Charges to projects reflect employee compensation and contractor costs that are either capitalized, or charged to the projects expense category.
[4] Eliminated in 2020/21 and future periods.

On page 6-14 of the Application, ICBC states:

> Total salaries for both Bargaining Unit employees and Management and Confidential employees in 2020/21 outlook are consistent with 2019/20 actuals. The decrease in Bargaining Unit salary costs due to lower FTEs is expected to be offset with negotiated wage increases per the Collective Agreement (2019 – 2022). The increase in Management & Confidential salary costs reflects higher FTEs, individual job progression, promotion, and other factors.

On page 6-16 of the Application, ICBC states:

In 2013, the Public Sector Employers' Council Secretariat (PSEC) provided direction to BC Public Sector Employers to seek to eliminate variable pay below the Executive level, to create consistency across the BC Public Sector. In response to this mandate, and as part of the new Collective Agreement (2019 – 2022), MoveUP and ICBC have agreed to eliminate the Gainsharing plan effective April 1, 2020. Under the terms of the agreement, ICBC will roll-in a portion of the Gainsharing target into base salary in two separate increases. This means that, for the affected employees, there will be a 0.78% salary increase effective September 1, 2020 and a further 1.0% salary increase effective March 1, 2021.

53.1 Please provide a breakdown of the cost items that are expected to contribute to the $39 million increase in Net Compensation from 2020/21 Outlook of $454 million to 2021/22 Forecast of $493 million.

53.2 Please explain whether forecast Net Compensation can be broken-down between Bargaining Unit, Management and Confidential, Employee Benefits and amounts Charged to Projects for 2021/22, 2022/23, and 2023/24 Forecast.

53.2.1 If yes, please provide a breakdown of changes in these cost categories in Net Compensation for 2021/22, 2022/23, and 2023/24 Forecast.

53.2.2 If no, please explain why not.

53.3 Please provide the negotiated wage increases per the Collective Agreement for 2021/22, 2022/23 and 2023/24 Forecast.

53.4 Please confirm, or explain otherwise, that the 0.78% salary increase effective September 1, 2020 and a further 1.0% salary increase effective March 1, 2021 related to "rolling in" previous Gainsharing targets are on top of the negotiated wage increases per the Collective Agreement.

53.5 Given that Gainsharing has been eliminated, please confirm, or explain otherwise, whether any performance-based pay remains applicable to any employee group.

53.5.1 If confirmed, please provide the details of the performance-based pay including the payout targets and explain which groups and the costs associated with it for 2021/22, 2022/23, and 2023/24 Forecast.

53.5.2 If not confirmed, please explain whether ICBC has plans to introduce any new performance-based pay or bonus in the future and how will these be measured.

54.0 Reference: COMPLIANCE REPORTING
Exhibit B-1, Chapter 7, Appendix 7H, p. 7H-2
Total Corporate Operating Expenses

On page 7H-2 of Appendix 7H, ICBC states:

During fiscal years 2017/18 and 2018/19, ICBC increased its claims-related staffing to manage claims volume and complexity such as increased legal representation, increased litigation, and lengthening claim settlement times whilst addressing staffing needs during product reform transition.

54.1 Please explain how ICBC has accounted for the transition period to Enhanced Care on May 1, 2021 other than increased FTE. Please include any training initiatives and support services for staff along with their associated costs and where these costs have been accounted for.

55.0 Reference: OPERATING EXPENSES AND ALLOCATION INFORMATION
Exhibit B-1, Chapter 6, pp. 6-11, 6-15

FTEs

On page 6-15 of the Application, ICBC provides the following table and states:

Figure 6.5 – Average FTEs by Employee Group

Average[1] FTEs by Employee Group[2]	2019/20 Actual	2020/21 Outlook	2021/22 Forecast	2022/23 Forecast	2023/24 Forecast
Bargaining Unit	4,287	4,168			
Management and Confidential	1,174	1,180			
Total ICBC FTEs	**5,461**	**5,349**	**5,750**	**5,668**	**5,590**
Contractors	22	9	18	39	39
Total FTEs	**5,482**	**5,358**	**5,768**	**5,707**	**5,629**

[1] Average FTEs represents the sum of the number of FTEs measured at each month of the year, divided by the number of months in the fiscal year. It represents an average over a period of time, rather than at a point in time.
[2] Rounding may affect totals.

In 2021/22, staffing is expected to increase by 401 FTEs to 5,750 FTEs, over 2020/21 outlook of 5,349 FTEs. This increase is primarily due to claims-related hiring to support the transition to Enhanced Care and the resumption of recruitment to support the increase in claims as traffic volume returns to pre-pandemic levels, while continuing to manage and progressively wind down full tort (pre – April 1, 2019 claims) and modified tort (April 1, 2019 – April 30, 2021) claims. The FTE increase reflected in Figure 6.5 also includes positions in Information Services due to resources returning from the ACE project. These resources are expected to manage and maintain systems solutions and address other priorities that were postponed while ICBC was focused on Enhanced Care and delivering on key business strategies.

The additional staffing requirements attributed to the transition to Enhanced Care is expected to gradually reduce as injury claims that occurred prior to the implementation of Enhanced Care continue to settle and as experience is gained under Enhanced Care.

Overall, FTEs are forecast to reduce to 5,668 in 2022/23 and 5,590 in 2023/24.

55.1 Please provide a breakdown of expected FTE changes between FTE returning from the ACE project and new FTE for the 2021/22 Forecast.

55.2 Please provide the expected breakdown of FTEs between Bargaining Unit and Management and Confidential for 2021/22, 2022/23 and 2023/24 Forecast, showing which employee groups and divisions are expected to increase or decrease FTEs during this period.

55.3 Given that FTEs are expected to decrease in 2022/23 and 2023/24 Forecast from 2021/22 Forecast, please explain whether forecast compensation costs include severance pay.

55.4 Considering the controllable operating expenses shown in Figure 6.3 on page 6-11 of the Application, please identify which expenses are expected to vary with the number of FTEs.

55.4.1 For the expenses identified above, please provide a calculation of the operating expenses per FTE for 2019/20 Actual, 2020/21 Outlook, and 2021/22, 2022/23, and 2023/24 forecast.

56.0 Reference: COMPLIANCE REPORTING
Exhibit B-1, Chapter 7, Appendix 7H, p. 7H-11
RAAP FTE

On Page 7H-11 of Appendix 7H, ICBC provides the following table:

Figure 7H.7 – Total ICBC FTEs (Corporate View)

Employee Group[1]	2017/18 Actual	2018/19 Actual	2019/20 Actual	2020/21 Outlook
TOTAL ICBC FTEs (Fig. 7.5)				
Bargaining Unit	4,095	4,206	4,287	4,168
Management and Confidential	1,045	1,115	1,174	1,180
TOTAL ICBC FTEs	**5,139**	**5,322**	**5,461**	**5,349**
ACE FTEs				
Bargaining Unit	-	-	8	91
Management and Confidential	-	-	4	55
Total ACE FTEs	-	-	13	146
RAAP FTEs[2]				
Bargaining Unit	3	60	42	5
Management and Confidential	1	8	10	2
Total RAAP FTEs	4	68	52	7
Other FTEs				
Bargaining Unit	55	72	72	72
Management and Confidential	32	31	25	16
Total Other FTEs	87	104	96	89
Corporate ICBC FTEs				
Bargaining Unit	4,153	4,338	4,408	4,336
Management and Confidential	1,077	1,155	1,213	1,254
Corporate ICBC FTEs	**5,230**	**5,493**	**5,622**	**5,591**

[1] Rounding may affect totals.
[2] RAAP is expected to end in 2020/21; therefore, there are no FTEs in subsequent periods.

56.1 Please confirm whether RAAP FTEs have been reassigned to other areas at ICBC.

56.1.1 If confirmed, please explain where they have been reassigned.

57.0 Reference: OPERATING EXPENSES AND ALLOCATION INFORMATION
Exhibit B-1, Chapter 6, pp. 6-12, 6-15, 6-19, 6-20; Appendix 7H, p. 7H-8
Pension and Post Retirement Benefits Expense

On page 6-12 of the Application, ICBC states, "The pension and post-retirement benefit expense is estimated to increase by $58 million in 2021/22 mainly driven by a decrease in the discount rate from 2020/21 to 2021/22."

On page 6-19 of the Application, ICBC states:

> Pensions are based on length of service and average earnings…
>
> ICBC provides separate post-retirement benefits for Bargaining Unit retirees and for Management and Confidential retirees. The Bargaining Unit plan provides for premium payments for MSP (eliminated effective January 1, 2020), and for extended health benefits in accordance with the Collective Agreement. Eligible Bargaining Unit employees can also elect to purchase additional coverage through a voluntary plan at no cost to ICBC. The Management and Confidential post-retirement benefit plan applies only to employees hired before September 1, 2013 and provides for premium payments for MSP (eliminated effective January 1, 2020), extended health benefits, and dental coverage. There are no specific assets set aside to fund these benefits.

On page 7H-8 of Appendix 7H, ICBC provides the following table:

Figure 7H.5 – Average Salaries and Performance-Based Pay ($ millions)

Employee Group[1]	2017/18 Actual	2018/19 Actual	2019/20 Actual	2020/21 Outlook
Bargaining Unit	$ 256	$ 263	$ 280	$ 275
Management and Confidential	111	118	128	130
Total Salaries & Performance-Based Incentive Pay	$ 367	$ 381	$ 408	$ 405
Total ICBC FTEs (Figure 6.5)	5,139	5,322	5,461	5,349
Average Salaries & Performance-Based Incentive Pay per ICBC FTE	**$ 71,409**	**$ 71,663**	**$ 74,691**	**$ 75,659**

[1] Rounding may affect totals and percentages.

On page 6-15 of the Application, ICBC states, "In 2021/22, staffing is expected to increase by 401 FTEs to 5,750 FTEs, over 2020/21 outlook of 5,349 FTEs."

On page 6-20 of the Application, ICBC states:

> The change in the outlook for [pension and post-retirement benefit expense for] 2020/21 as compared to the 2019/20 actual is due to the following main factors:
>
> - A decrease of $19 million due to a 60-basis-point increase in discount rate, from 3.3% in 2019/20 to 3.9% in 2020/21…
>
> The pension and post-retirement benefit expense is estimated to further increase by $58 million in the 2021/22 forecast due to the following factors:
>
> - An increase of $44 million due to a 120-basis-point decrease in discount rate, 3.9% in 2020/21 to 2.7% in 2021/22.
> - An increase of $14 million due to a deterioration in the net deficit position from $156 million to $732 million.

On page 6-20 of the Application, ICBC states:

> The forecast pension and post-retirement benefit expense is determined by ICBC's external pension actuary, Aon, at the beginning of each fiscal year based on the assumptions and financial position at the prior year's end. Pension and post-retirement benefit expense is subject to volatility resulting from changes in market-based discount rate for pension liabilities…
>
> As the pension and post-retirement benefit expense is based on a number of long-term assumptions at a point in time, this expense is held constant for the 2022/23 and 2023/24 forecasts.

57.1 Please provide the breakdown between pension expense and post retirement benefit expense for 2019/20 Actual, 2020/21 Outlook, and 2021/22, 2022/23 and 2023/24 Forecast.

57.2 Please confirm, or explain otherwise, whether expected salary increases would affect pension expense.

57.2.1 If confirmed, please confirm, or explain otherwise, that the pension expense has been updated to include an assumption for expected salary increases.

57.2.1.1 If not confirmed, please explain why not and how these expected salary increases will be accounted for in the pension expense.

57.3 Please confirm, or explain otherwise, that the estimated $58 million increase in pension and post-retirement benefits expenses includes the addition of 401 FTEs from 2020/21 Outlook to

2021/22 Forecast.

57.3.1 If not confirmed, please explain why not

57.4 Please explain the factors that are contributing to the forecast 120-basis point decrease in the discount rate and how they differ from the factors that contributed to the 60-basis point increase in the prior year.

57.5 Please explain the factors that contributed to the forecast net deficit position of the pension deteriorating from $156 million to $732 million. Please provide a breakdown of this deterioration including any contributions, experience gains and losses, and changes in actuarial assumptions or methods.

57.6 Please clarify whether solvency payments will be required at a net deficit position of $732 million.

57.6.1 If so, please provide the payment amount and whether the amount is accounted for in the pension expense in this Application and in which year(s).

57.7 Please provide the date the last pension actuarial report was conducted by Aon and the date of the next actuarial report to be conducted.

57.7.1 Please explain whether the timing of the next actuarial report could affect the 2022/23 - 2023/24 pension expense forecast.

57.8 Please explain how Aon forecasts post-retirement benefit expense for Bargaining Unit and Eligible Management and Confidential employees.

F. APPENDIX 7A – PERFORMANCE MEASURES

58.0 Reference: COMPLIANCE REPORTING
Exhibit B-1, Chapter 7, Appendix 7A, pp. 7A-5, 7A-6
Enhanced Care Model

On page 7A-5 of Appendix 7A of the Application, ICBC provides Figure 7A.1 of the existing and proposed BCUC performance measures:

Figure 7A.1 – Existing and Proposed BCUC Performance Measures

Existing BCUC Performance Measure	Maintain / Replace	Rationale
Minimum Capital Test (MCT) Ratio	Maintain	No change
Basic Loss Ratio	Maintain	No change
Investment Return	Maintain	No change
Basic Insurance Expense Ratio	Maintain	No change
Basic Non-Insurance Expense Ratio	Maintain	No change
Customer Satisfaction for Insurance Services	Maintain	No change
Customer Satisfaction for Drivers Licensing Services	Maintain	No change
Customer Satisfaction for Claims Services (including Closed Claims and First Notice of Loss)	Maintain	No change
Insurance Expense Ratio (Corporate)	Maintain and combine with Non –Insurance Expense Ratio and report as **Expense Ratio (Corporate)**	• No change to level of information that is provided as the Insurance Expense Ratio will be shown separately in the calculation. • Change is consistent with the goal of aligning with corporate performance measures across ICBC's other public reporting.
Loss Adjustment Ratio (LAR)	Discontinue and replace with **Loss Adjustment Expense Ratio (LAER)**	• The LAER is more responsive in reflecting changes in claims handling costs compared to the LAR and the denominator (vehicle premiums) provides a more stable base. • Change is consistent with the goal of aligning with corporate performance measures across ICBC's other public reporting.

On page 7A-6 of Appendix 7A to the Application, ICBC states:

> The performance measures discussed under the corporate strategic goal of "To Make Insurance Affordable" are under development and will provide more meaningful insights after the Enhanced Care model has been in place for at least a full year. ICBC anticipates that it will then bring forward further proposed changes to the suite of BCUC performance measures that includes affordability metrics.

58.1 Please explain how the introduction of the Enhanced Care Model is expected to impact the existing BCUC performance measures. Would any of the existing BCUC performance measures need to be removed or modified and new performance measures added? Please discuss.

58.2 Please discuss the expected timing for when ICBC will finalize its corporate performance measures related to the corporate strategic goal of "To Make Insurance Affordable."

58.2.1 Please clarify why these measures are proposed to be included in the BCUC suite of performance measures as part of the BCUC's regulatory oversight of ICBC.

59.0 Reference: COMPLIANCE REPORTING
Exhibit B-1, Chapter 7, Appendix 7A, p. 7A-5
Comparison of LAER and LAR

On page 7A-5 of Appendix 7A of the Application, ICBC states:

> In alignment with the Service Plan, ICBC proposes to discontinue reporting on the Loss Adjustment Ratio (LAR) and instead use the Loss Adjustment Expense Ratio (LAER). The LAER ties the claims handling expenses to the premiums in the same period and reflects how efficient ICBC is in controlling the amount of the premium dollar that is required to manage claims.

59.1 Please explain why LAER is replacing LAR instead of being added as an additional measure and explain whether ICBC would be amenable to this approach.

60.0 Reference: COMPLIANCE REPORTING
Exhibit B-1, Chapter 7, Appendix 7A, p. 7A.1-10; ICBC 2019 RRA, Exhibit B-2-1, BCUC IR 1.2.1
Basic MCT Ratio

On page 7A.1-10 of Appendix 7A, ICBC provides Figure 7A.1.5 of the components of the Basic MCT ratio:

Figure 7A.1.5 – Calculation of Basic MCT Ratio

Line	Components of MCT Ratio ($ Millions)	2019/20 Outlook	2019/20 Actual	2020/21 Outlook
A	**Total Capital Available**	**27**	**(353)**	**87**
B	Insurance Risk	1,239	1,232	1,224
C	Market Risk	1,280	1,356	1,443
D	Credit Risk	314	323	269
E	Operational Risk	334	337	336
F	Diversification Credit	373	380	382
G	Total Capital Required at 150% MCT (B+C+D+E-F)	2,794	2,868	2,890
H	**Total Minimum Capital Required (G/1.5)**	**1,863**	**1,912**	**1,927**
I	**MCT Ratio (A/H)**	**1%**	**(18%)**	**5%**

ICBC provided the following information in response to BCUC IR 2.2.1 in the ICBC 2019 RRA:

> …the 2012 RRA rule of thumb that every 1.0 percentage point change in the Basic insurance rate represents a 2.0 percentage point change in the MCT ratio remains valid for this Application.

60.1 Please explain and provide a breakdown which shows the components contributing to a forecast increase in the Total Capital Available in the 2020/21 Outlook of $87 million from the 2019/20 Actual of ($353 million). If there are offsetting factors, please show these factors as separate line items.

60.2 Please discuss whether the "rule of thumb" that a "1 percentage point change in Basic insurance rate represents a 2.0 percentage point change of MCT ratio" provided in response to BCUC IR 2.2.21 in the 2019 RRA remains valid for this Application.

60.2.1 If yes, please explain whether the "rule of thumb" also applies to rate decreases. How should the "rule of thumb" be interpreted for the proposed 15% decrease in Basic insurance rates?

60.2.2 If not, please explain why not and provide the "rule of thumb" applicable to PY 2021.

G. APPENDIX 7B – ROAD SAFETY

61.0 Reference: COMPLIANCE REPORTING
Exhibit B-1, Chapter 7, Appendix 7B, pp. 7B-2, 7B-3, 7B-4
RAAP Initiatives

On pages 7B-2 and 7B-3 of Appendix 7B to the Application, ICBC states:

> In January 2020, ICBC launched a telematics pilot targeting drivers with four or fewer years of driving experience, beginning with the Novice phase, but not including time with a Learner licence… The data collection phase began in January 2020, and will run through mid-October 2021.

On pages 7B-3 and 7B-4 of Appendix 7B to the Application, ICBC states:

> The phased implementation of automated speed enforcement was completed on schedule on March 31, 2020 with 35 of 140 red light cameras equipped with upgraded technology that will also ticket the fastest vehicles passing through these high risk locations…
>
> The first ISC-SAs began enforcement at the end of July 2019. By the end of September 2020, the program had issued 70,000 speeding tickets… An evaluation of the crash reduction impact of the automated speed enforcement project will be conducted in 2021/22, after one full year of data is collected.

61.1 Please indicate when a decision will be made regarding whether or not to proceed with the Inexperienced Drivers Technology Pilot and explain what the next steps are after the data collection phase is completed.

61.2 Please indicate if additional red-light cameras equipped with upgraded technology are planned to be installed.

61.2.1 If yes, please provide additional details (e.g. timeline, number of cameras expected to be installed) associated with the implementation of these cameras.

61.2.2 If yes, please indicate whether these additional upgrades are reflected in the Road Safety cost items.

61.3 Please clarify when ICBC will have one full year of data collected of the crash reduction impact of the automated speed enforcement project and the program will be evaluated.

61.3.1 Please confirm whether ICBC will provide reporting to the BCUC.

62.0 Reference: COMPLIANCE REPORTING
Exhibit B-1, Chapter 7, Appendix 7B, p. 7B-7; ICBC 2015 RRA Decision, Section 5.2, p. 32
Road Improvement Program

On page 7B-7 of Appendix 7B to the Application, ICBC states:

> The goal of the Road Improvement Program is to partner with provincial and municipal road authorities to implement road improvements that will help to reduce the frequency and/or severity of crashes. A total of 363 Road Improvement Program projects were completed during the 2019/20 fiscal period, with approximately 90 municipal and provincial road authorities participating in the Road Improvement Program.

On page 32 of the ICBC 2015 RRA Decision, the BCUC states:

> The Panel continues to support ICBC's Road Safety programs, including the initiatives taken towards distracted driving and road improvements among others. In particular, the Road Improvement Program evaluation indicated that there is a $4.70 in crash cost savings for every $1 spent. Although the Panel recognizes that ICBC is committed to hold controllable expenses flat to the 2014 budget, in light of the 4.7:1 payoff ratio of existing

programs, it would appear to be in the best interests of both ICBC and the ratepayer for ICBC to spend more funds in this area. The Panel encourages ICBC to continue to find ways to effectively use Road Safety initiatives for the benefit of Basic policyholders. [*emphasis added*]

62.1 Please discuss whether the payoff ratio continues to be 4.7:1 for Road Improvement Projects as stated in the ICBC 2015 RRA Decision. If not, please provide the current payoff ratio and explain how it is derived at a high level.

Please provide the number of Road Improvement Program Projects planned for the 2020/21, 2022/23 and 2023/24 fiscal periods.

H. APPENDIX 7C – IT STRATEGIC PLAN

63.0 Reference: COMPLIANCE REPORTING
Exhibit B-1, Chapter 7, Appendix 7C, pp. 7C-1, 7C-4, 7C-6
Industry Trends

On page 7C-1 of Appendix 7C to the Application, ICBC states:

> … ICBC will file an update to the IT Strategic Plan in the revenue requirements application (RRA) once every three years, or in the RRA following any material change to the corporate and/or IT strategy, whichever is earlier. This update is being filed due to a material change to the corporate strategy,.."
>
> … "The IT Strategic Plan has been updated to ensure it supports the successful execution of the corporate strategy, in order to meet ICBC's corporate strategic goals."

On page 7C-4 of Appendix 7C to the Application, ICBC states:

> A number of aging, legacy systems remain, which will need to be replaced. These legacy systems tend to be inflexible or costly to upgrade or maintain. ICBC decommissions legacy systems based on prioritized business needs and anticipated technological obsolescence.

On page 7C-6 of Appendix 7C to the Application, ICBC states:

> ICBC's IT Strategic Plan is also informed by an assessment of trends in the insurance industry relating to the effective use of IT.

63.1 Please provide a summary of changes since the last filed IT Strategic Plan, which was included in the 2019 RRA.

63.1.1 Please indicate when ICBC expects to file its next update to the IT Strategic Plan.

63.2 Please explain what systems and business areas are impacted by the legacy systems.

63.2.1 Please indicate how ICBC evaluates which systems will be replaced and when that will occur.

63.2.2 Please provide the expected timing for replacing the legacy systems and preliminary estimate, if possible, of the decommissioning costs.

I. APPENDIX 7D – 2020/21 IT CAPITAL EXPENDITURE PLAN

64.0 Reference: COMPLIANCE REPORTING

Exhibit B-1 Chapter 7, Appendix 7D, pp. 7D-8, 7D-12
IT Capital Expenditures over $2 Million

On page 7D-8 of Appendix 7D to the Application, ICBC provides Figure 7.D.1 showing total IT Capital Expenditures:

Figure 7D.1 – Total IT Capital Expenditures

Total IT Capital Expenditures ($ millions)	**2018/19 Actuals**	**2019/20 Actuals**	**2020/21 Outlook**	**2021/22 Forecast**
IT Capital for renewal >$2M	6.2	5.7	12.2	15.6
IT Capital for renewal <$2M	1.1	1.6	0.9	1.7
IT Capital for business change >$2M	6.9	10.6	3.9	10.0
IT Capital for business change <$2M	4.3	1.2	5.1	3.4
Total IT Capital Expenditures($)[1]	**18.5**	**19.0**	**22.1**	**30.7**

On page 7D-12 of Appendix 7D to the Application, ICBC provides Figure 7.D.3 showing the Depreciation and Amortization of IT Capital Expenditures:

Figure 7D.3 – Depreciation and Amortization of IT Capital Expenditures

Description	**FY 2018/19 Actuals**	**FY 2019/20 Actuals**	**FY 2020/21 Outlook**	**FY 2021/22 Forecast**
Depreciation and Amortization of IT Capital[1] **($millions)**	19.8	16.9	22.6	25.8
% of ICBC's operating expenses	2.6%	2.1%	2.9%	2.9%

64.1 Please explain the difference between: 1) the forecast increase of approximately 39 percent in IT Capital Expenditures from $22.1 million in the 2020/21 Outlook to $30.7 million in the 2021/22 Forecast; and 2) the forecast increase of approximately 14 percent in depreciation and amortization of IT capital from $22.6 million in the 2020/21 Outlook to $25.8 million in the 2021/22 Forecast. Please explain why the percentage increase in each is not the same.

64.2 If possible, please expand Figures 7D.1 and 7D.4 to include FY 2022/23 and 2023/24 Forecast IT capital expenditures and depreciation and amortization of IT capital expenditures, respectively.

65.0 Reference: COMPLIANCE REPORTING
Exhibit B-1, Chapter 7, Appendix 7D, p. 7D-9
IT Capital Expenditures over $2 Million

On page 7D-9 of Appendix 7D of the Application, ICBC states:

> Line item one, Data Network Evergreening, is… Data Network Evergreening will be completed in two phases. The Capital Budget of $[redacted] million reflected in Figure 7D.2 includes approved funding for the first phase, whereas the Estimate at Completion cost of $[redacted] million reflects forecasted costs for both phases.

65.1 Please provide the Estimate at Completion and Capital Budget for each phase of the Data Network Evergreening project separately and provide a variance explanation for the phase.

66.0 Reference: COMPLIANCE REPORTING
Exhibit B-1, Chapter 7, Appendix 7D.1, p. 7D.1-4

Data Analytics Platform Project Update

On page 7D.1-4 of Appendix 7D.1 of the Application, ICBC provides Figure 7D.1.1 showing the summary of changes to the Data and Analytics Platform (DAP) project forecast and end date:

Figure 7D.1.1 – Summary of Changes to Project Forecast and End Date

Document	Filing Date	Capital Budget ($ millions)	Estimated Project End Date
IT Capital Report - Data and Analytics Platform	June 04, 2018	[redacted]	Q3 – FY 2019/20
Attachment 10 B.1 MapR Hadoop Pilot Project Update in The 2019 RRA	December 14, 2018	[redacted]	Q3 – FY 2019/20
ICBC's Update on the Data and Analytics Platform Project	October 02, 2019	[redacted]	December 2019
Attachment 7D.1 Data Analytics Platform Project Update in The 2021 RRA	December 15, 2020	[redacted]	January 2021

ICBC explained on page 7D.1-4 that "these two changes" described in Appendix 7D.1 increased the IT capital expenditure and delayed the completion of the project from December 2019 to January 2021.

66.1 Please provide a breakdown of the total DAP project Capital Budget as of December 15, 2020 including remaining contingencies and reserves.

66.2 Please provide a breakdown of the IT capital expenditure increase which delayed the project completion from December 2019 to January 2021 into its components, showing the cost of the additional work and Oracle licences.

Please confirm whether the Data Analytics Platform project is now completed. If not, please provide an updated estimated projected end date. If yes, please provide the final actual capital cost and provide an explanation for any variances from the December 15, 2020 Capital Budget. Please also explain what project contingencies or reserves were used and why.

J. APPENDIX 7F – FRAUD INVESTIGATION METRIC

67.0 Reference: COMPLIANCE REPORTING METRICS
Exhibit B-1, Chapter 7, Appendix 7F, p. 7F-2
Allocation Methodology Review

On page 7F-2 of the Application, ICBC states:

> As shown in Figure 7F.1, the number of new investigations opened in fiscal year (FY) 2019/20 reduced by 13% over the previous fiscal year. This decrease may be due to the launch of product reform on April 1, 2019, due to the introduction of the minor injury cap and the decrease in financial incentive to commit fraud. The BAE NetReveal tool experienced downtime where it did not create alerts thereby affecting the total number of investigations created by the system in FY 2019/20.

Figure 7F. 2 shows the number of claim fraud investigations opened by type and fiscal year as follows:

Figure 7F.1 – Number of Claim Fraud Investigations Opened[1]

Fiscal Year	Material Damage Investigations	Injury Investigations	Cyber Investigations	Total Opened Investigations	Monthly Average	Y/Y % Change
2016/17[2]	1,483	777	2,345	4,605	307	-3%
2017/18	1,330	718	2,860	4,908	409	33%
2018/19	1,613	786	3,040	5,439	453	11%
2019/20	1,865	656	2,205	4,726	394	-13%
YTD 2020/21 (Apr-Oct 2020)	1,304	291	1,452	3,047	435	11%

[1] After the BAE NetReveal tool implementation in November 2017, SIU changed the way it counts its investigations to be consistent with its future state fraud analytics model.
[2] The number of investigations for 2016/17 is based on the 15-month transitional period.

Figure 7F.2 shows the number of claim fraud investigations closed by type and fiscal year as follows:

Figure 7F.2 – Number of Claim Fraud Investigations Closed[1]

Fiscal Year	Material Damage Investigations	Injury Investigations	Cyber Investigations	Total Completed Investigations	Monthly Average	Y/Y % Change
2016/17[2]	1,472	761	2,877	5,110	341	1%
2017/18	1,276	664	2,590	4,530	378	11%
2018/19	1,629	840	2,604	5,073	423	12%
2019/20	1,821	713	2,842	5,376	448	6%
YTD 2020/21 (Apr-Oct 2020)	1,265	290	879	2,434	348	

[1] After NetReveal implementation in November 2017, SIU changed the way it counts its investigations to be consistent with its future state fraud analytics model.
[2] The number of investigations for 2016/17 is based on the 15-month transitional period.

67.1 Please explain what is meant by the statement the "BAE NetReveal tool experienced downtime" in FY 2019/20 in the preamble above. Please describe the nature of the downtime, including but not limited to the cause of the downtime, how long the BAE NetReveal tool was down and how future downtime may be mitigated.

67.2 Please explain why the number of cyber fraud investigations closed is less than the number of cyber fraud investigations opened for YTD 2020/21.