ICBC Revenue Requirements Application for Rates Effective May 1, 2021

INFORMATION REQUEST NO. 1

Submitted by Richard McCandless March 7, 2021

1.0 GENERAL QUESTIONS

1.1 COVID-19 Impact

1.1.1 Recently the president of Intact Financial said that he thought that there would be at least a year of less driving due to the pandemic https://www.canadianunderwriter.ca/insurance/intact-ceos-forecast-for-auto-rate-relief-in-2021-1004204242/ (see also https://www.canadianunderwriter.ca/insurance/the-future-of-auto-claims-if-everyone-keeps-working-from-home-1004204171/); does ICBC agree with this assessment?

1.1.2 During the workshop of 18 February 2021 Ms Aimers noted (slide 28) that the 26.5% forecast reduction for the 23-month period made no allowance for any claims cost savings resulting from fewer crashes resulting from the COVID-19 extending into the period beyond 30 April 2021.

The slide states that: "Any realized PY 2021 COVID-19 costs/savings will be reflected through Basic capital and any long term impacts will be reflected in the following policy year's rate Application." Is it correct that, all else being equal, if there are COVID-19 savings then the forecasted capital build will be larger?

1.1.2.1 Can ICBC differentiate savings in FY2021/22 between over estimating costs and lower costs that are specifically due to the COVID-19 restrictions?

1.1.3 ICBC stated that the Basic MCT would be 5% by 31 March 2021. Does this forecast include or exclude the COVID-19 rebate announced on 2 February 2021? If not please provide the year-end MCT forecast after the rebate.

1.2 Consequential Changes of the New Model NF/EC

1.2.1 Given that one of the objectives of the change to the No-Fault/Enhanced Care (NF/EC) is to reduce volatility, and thereby stabilize costs and rates, would ICBC agree that the Basic capital management plan should be amended and the management target of 145% MCT should be reduced to reflect the lower risk?

1.2.2 The change to the NF/EC model should radically change the allocation of corporate operating expenses between the Basic, Optional and Non-Insurance programs as discussed in Appendix 7I. Table 6.1 on page 6.6 (pdf 553/849) shows little change in the allocation of corporate costs to the Basic program from 2019/20 to the forecast for 2022/23. On page 6-9 (pdf 556/849) ICBC proposes to delay any review of the current allocation ratios until the filing for PY2024/25, or some three years into the future. Is this correct?

1.2.2.1 Given that the allocation of corporate costs is heavily affected by the current year claims costs, and a significant shift in current claims costs will occur beginning in FY2021/22, would ICBC agree that an earlier reappraisal of the allocation methodology would result in more just and reasonable rates?

1.3 Extraordinary Policy Year of 23 months

1.3.1 What is the reason for a 23-month policy year as opposed to an 11-month (May 2021 to March 2022) year with a general rate decrease of 15%, and a normal year (April 2022 to March 2023) with a zero change?

1.3.2 Is it correct that the maximum coverage for a private vehicle insurance remains at 12 months?

1.3.3 What are the advantages and disadvantages of a 23-month policy year with respect to improving ICBC's efficiency and ICBC's accountability to the regulator and the general public?

1.4 Special Direction IC 2

1.4 1 With the change to the NF/EC model, and all the recent amendments to SD IC2, can ICBC explain why the 1.5% annual limitation on the rate increase has not been repealed?

It would be useful to have a consolidated SDIC2, including the direction of OIC 74/21 which directed the BCUC to approve the COVID-19 rebate.

1.5 Supreme Court Decision of 2 March 2021

In reporting on the 2 March 2021 decision of Chief Justice Hinkson on the Civil Resolution Tribunal the media reported that Attorney General Eby said the decision could erase $390 million in savings projected for ICBC as a result of moving minor injury claims from the courts to the CRT (see https://vancouversun.com/news/court-rules-that-government-efforts-to-limit-trials-in-minor-injury-claims-unconstitutional and https://theorca.ca/resident-pod/speed-bump/). The foregone savings would appear overstated.

1.5.1 Please advise as to the estimated foregone cost saving from this decision, and its impact on ICBC's equity and MCT forecast for 2020/21.

2.0 FINANCIAL MANAGEMENT

In the 2019/20 annual report in the statement of comprehensive loss (page 43) there was an impairment loss of $317,012 for 2019/20 (compared to $23,676 for the prior year). This impairment loss classification appears to be a new item for this year as no impairment loss was noted in the 2018/19 annual report. Showing the impairment loss on the statement of revenue and expenditure appears to increase the volatility of the net income (loss).

2.1 Is estimating an impairment loss on the operating summary a new accounting requirement?

2.1.1 What is the determination of materiality for a loss to qualify as an impairment loss and be reported in the operating summary?

2.2 Using the same format as RRA 2019.1 RM 1.1-3 Attachment A (pdf 756/1357), please provide the fiscal year-end Basic actuals for 2019/20 and the forecasts for 2020/21, 2021/22 and 2022/23; include the number of policies earned excluding commercial trailers.

2.2.1 Does the 2020/21 forecast include the COVID-19 rebate announced on 2 February 2021? If not, please provide a second forecast for 2020/21 (including the MCT) which includes the rebate.

2.3 Please update the information in the table provided in response to RRA 2019.1 RM 1.4 with the fiscal year-end actuals for 2019/20, and the forecasts for 2020/21, 2021/22 and 2022/23.

2.4 Please update the information in the nine tables provided in response to RRA 2019.1 RM 1.5 (pdf 761/1357) with the fiscal year-end actuals for 2019/20, and the forecasts for 2020/21, 2021/22 and 2022/23.

2.5 Please update the information in the four tables provided in response to RRA 2019.1 RM 1.8 (pdf 767 to 768/1357) with the fiscal year-end actuals for 2019/20, and the forecasts for 2020/21, 2021/22 and 2022/23.

2.6 Please update the information in the table provided in response to RRA 2019.1 RM 1.9 (pdf 769/1357) with the fiscal year-end actuals for 2018/19 and 2019/20, and the forecasts for 2020/21, 2021/22 and 2022/23. (FOI for 19/20)

2.7 There seems to be a consolidation occurring in the number of insurance brokers. Please provide a list of the top 10 insurance brokers that have ICBC agency licences and the number of agency licences for each of the ten.

3.0 CAPITAL MANAGEMENT and the MCT

3.1 Figure 7A.1.5 on page 7A1-10 shows the FY2020/21 Total Capital Available as $87 million (5% MCT). Is this the year-end forecast as of Q2, or the Q2 amount?

3.1.1 What is the fiscal year-end MCT forecast for 2020/21, and for 2021/22 and 2022/23?

3.1.2 Does the forecast for FY2020/21 include any COVID-19 rebate payment?

Capital Rebuild

In response to RRA 2019.1 BCOAPO 7.2 ICBC stated:

Pursuant to the amendments to Special Direction IC2 approved by Order in Council 67/18 dated February 26, 2018, the requirement to maintain the Basic MCT ratio at least at the regulatory minimum of 100% has been suspended up until and including PY2021. This will give an opportunity for ICBC to assess the impact of product reform and other initiatives to develop a long-term plan to rebuild capital.

3.2 What is the plan to rebuild the Basic capital reserve; please provide both the MCT management level and the timing (number of fiscal years) to achieve this target?

3.3 ICBC has stated that any variance in actual net income to the plan (budget) will either increase or decrease the Basic capital reserve, hence the closed system concept.

However, a lower Basic management target (for example mirroring the MPI target of 100%) might affect the rate change decision for PY2023/24. Would ICBC agree that an early review of the capital management target would assist in the preparation of the next RRA?

4.0 CLAIMS MANAGEMENT

The Basic unpaid claim liability as of 31 March 2020 (annual report, page 88) was $11.318 billion, and the discount rate was 2.9%. On page 7A.1-7 (pdf 593/849) ICBC notes that "historically low interest rates are expected to negatively impact the bottom line into future years."

4.1 What is the UCL forecast dollar value and the discount rate for 2020/21, 2021/22 and 2022/23?

4.2 Please update the information provided in response to RRA 2019.1 RM 3.1 (pdf 780/1357) with the fiscal year-end actuals for 2019/20, and the forecasts for 2020/21, 2021/22 and 2022/23.

4.3 Please update the information provided in the table in response to RRA 2019.1 RM 3.2 (pdf 781/1357) with the fiscal year-end actuals for 2018/19 and 2019/20, and the forecasts for 2020/21, 2021/22 and 2022/23.

4.4 Please provide the actual discount rate on unpaid claims for fiscal years 2018/19 and 2019/20, and the forecast for the fiscal years 2020/21 to 2022/23.

4.5 Please update the three tables provided in Exhibit B-4 (4 April 2019) of the RRA 2019 IR with the actuals for fiscal years 2018/19 and 2019/20, and the forecasts for fiscal years 2020/21, 2021/22 and 2022/23. [Note: On 20 October 2020, I received some of this information in response to FOI request CFT 307386. Since ICBC does not have a public record of such responses I am requesting some of the information again for this public review].

4.6 Please update the information provided in response to RRA 2019.1 RM 3.9 (pdf 791/1357) with the fiscal year-end actuals for 2019/20, and the forecasts year-end 2020/21, 2021/22 and 2022/23.

4.7 Please update the information provided in response to RRA 2019.1 RM 3.10 (pdf 792/1357) with the fiscal year-end actuals for 2019/20, and the forecasts year-end 2020/21, 2021/22 and 2022/23.

4.8 Using the format in response to RRA 2019.1 RM 3.12 (pdf 794/1357), please provide the actual personal net written age exposure information for 2019/20.

4.9 Please update the information provided in the four tables provided in response to RRA 2019.1 RM 3.13 (pdf 795 to 796/1357) with the fiscal year-end actuals for 2018/19 and 2019/20. [Note: On 20 October 2020, I received some of this information in response to FOI request CFT 307386. Since ICBC does not have a public record of such responses I am requesting some of the information again for this public review].

4.10 Please update the information provided in response to RRA 2019.1 RM 3.14 (pdf 797/1357) with the fiscal year-end actuals for 2018/19 and 2019/20.

5.0 ROAD SAFETY

5.1 Please update the information provided in response to RRA 2019.1 RM 4.1 (pdf 798/1357) with the fiscal year-end actuals for 2018/19 and 2019/20.

5.2 Please update the information provided in response to RRA 2019.1 RM 4.2 (pdf 799/1357) with the actuals for calendar years 2019 and 2020.

6.0 STATISTICS and PERFORMANCE MEASURES

6.1 Please update the information provided in response to RRA 2019.1 RM 5.1 (pdf 801/1357) with the fiscal year-end actuals for 2018/19 and 2019/20.

6.2 Please update the information provided in response to RRA 2019.1 TLA 4.111-131 figures 1 and 2 (pdf 1001-1002/1357) for fiscal years 2019/20 and 2020/21. [Note: On 20 October 2020, I received some of this information in response to FOI request CFT 307386. Since ICBC does not have a public record of such responses I am requesting some of the information again for this public review].

Insurance Coverage

6.3 On page 7A.1-4 there is discussion about the client survey for 2019/20. In prior years ICBC reported on the number of Basic policyholders who also purchased additional coverage (see 2019 RRA, Figure 8 B.2, pdf 1090/1419). These results are important in determining whether policyholders are ensuring adequate coverage. Please update Figure 8 B.2 with the results from the 2019/20 survey .

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