09 March 2021

VIA E-FILING

BCPIAC
Public Interest Advocacy Centre

Reply to: Leigha Worth
ED@bcpiac.org
Ph: 604-687-3034
Our File: 7600.121

Patrick Wruck
Commission Secretary
BC Utilities Commission
6th Floor 900 Howe Street
Vancouver, BC V6Z 2N3

Dear Mr. Wruck,

Re: Insurance Corporation of British Columbia (ICBC) 2021 Revenue Requirements Application (2021 RRA) and Tariff Amendment Application in Support of Enhanced Care
BCOAPO Information Request No. 1

We represent the BC Old Age Pensioners' Organization, Active Support Against Poverty, Council of Senior Citizens' Organizations of BC, and the Tenant Resource and Advisory Centre, known collectively in this process as "BCOAPO et al.".

Enclosed please find the BCOAPO's Information Request No. 1 with respect to the above-noted matter.

If you have any questions, please do not hesitate to contact the undersigned.

Sincerely,
BC PUBLIC INTEREST ADVOCACY CENTRE

Original on file signed by:

Leigha Worth
Executive Director | General Counsel

Encl.

REQUESTOR NAME:	**BCOAPO ET AL.**
INFORMATION REQUEST ROUND NO:	**#1**
TO:	**Insurance Corporation of British Columbia (ICBC)**
DATE:	**March 9, 2021**
PROJECT NO:	
APPLICATION NAME:	**2021 Revenue Requirement Application**

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A. ACTUARIAL RATE LEVEL INDICATION ANALYSIS

1.0 Reference: Exhibit B-1, ICBC 2021 RRA Chapter 3

Section A.2 – Figure 3.1 – Summary of the Components of Required Premium, pages 3-4 to 3-5
Comparative Summary of Components of Required Premium

Preamble: In the referenced Chapter, ICBC states:

> 10. A summary of the components of the required premium for PY 2021 is provided in Figure 3.1 below. The figures in this table reflect a 23-month policy period and therefore should not be compared to those of prior years without annualizing the amounts. However, Figure 3.3 provided below summarizes these components on a per policy basis, and can be used for comparison purposes.

1.1. Please provide an updated Figure 3.1 that includes the dollar amounts for the following columns:

1) Required Premium PY 2019
2) Required Premium PY 2020
3) Required Premium PY 2021-1
4) Required Premium PY 2021-2
5) Total Required Premium PY 2021-1 and 2021-2

2.0 Reference: Exhibit B-1, ICBC 2021 RRA Chapter 4 – Appendix 4A

Section B – Overview and Context, page 4A-3
ICBC's Financial Position

Preamble: In the references Appendix, ICBC states:

> 10. Over the last several years, with the rising trend in the number of customers retaining legal counsel, increasing costs of litigation, and higher awards and settlements for minor injury claims, the full tort system had reached the point where it was no longer sustainable or providing affordable insurance coverage for British Columbians. This includes ICBC incurring a $1.3 billion net loss in the 2017/18 fiscal year and a $1.2 billion net loss in the 2018/19 fiscal year. RAAP and Enhanced Care are significant steps to addressing the rising cost of claims.

2.1 Please provide a copy of ICBC's audited financial statements for the 2017/18, 2018/19, and 2019/20 fiscal years.

2.2 Please provide ICBC's projected Statement of Financial Position, Statement of Operations, Statement of Comprehensive Income (Loss), Statement of Changes in Equity, and Statement of Cash Flows for the following fiscal years:

1) 2020/21 Outlook
2) 2021/22 Forecast
3) 2022//23 Forecast
4) 2023/24 Forecast

3.0 Reference: Exhibit B-1, ICBC 2021 RRA, Chapter 3

Section B.5 - Materiality Standard, page 3-25 to 3-26;
Section B.6 - Conclusion, page 3-26;
Appendix 1A, page 1A-2
Deferring Variances until the next RRA

Preamble: In the referenced Chapter, ICBC States:

> 55. The materiality standard is judged by the actuary from the point of view of the user. Based on the considerations discussed above, an annual amount of $30 million or $57.5 million for the 23-month policy period (equivalent to approximately 1% of the annualized required premium) was selected as the materiality standard for the analysis in this Application. This is updated from the $17 million (0.5 percentage point of rate) used in the 2019 RRA.3.1
>
> 56. This Chapter provides the analysis and details supporting the overall Basic rate change of -15% including the government directed capital build provision of 11.5 ppts of rate. The introduction of Enhanced Care significantly reduces PY 2021 claims costs where more of a customer's premium will be spent on care and recovery benefits for claimants and less on the legal costs and expenses that are covered under the current tort model. The new model should also bring stability into forecasting costs over the long term as the new product is expected to eliminate many of the costs that have driven unexpected rate changes in prior years. However, in the short term, there is uncertainty in the estimation of overall costs for the new product and how it will be utilized in BC; ICBC and EY have relied on available information and all analysis reflects their best estimates and is in accordance with accepted actuarial practice in Canada. ICBC will gain more information on the costs associated with the new model over the next few years as BC transitions to the new Enhanced Care model. This information will include, for example, changes in customer behaviour and cost pressures that are unique to BC. Since ICBC operates in a closed system, any forecast variance between this initial cost estimate and future emergence will flow into Basic capital and any changes to on-going trends will be accounted for in subsequent RRA's.

In the referenced Appendix, ICBC states:

> 7. Interim rate approvals 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 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 RRA on December 15, 2022.

3.1 Please describe the implications of moving from a $17.0 million (0.5% of annualized premiums) materiality used in the 2019 RRA for a 12-month policy period to a $30 million (1% of annualized premiums) materiality used for the 2021 RRA for a 23-month policy period? Please explain if this change to materiality impacts the accuracy of the 2021 PY rate indication to any significant degree?

3.2 Given the transition to an Enhanced Care insurance model and the associated uncertainty with forecasting claims and costs for the PY 2021, please explain if ICBC views there being any potential benefits to rate stability associated with deferring the variances between forecast and actual amounts in the 2021 RRA and accounting for these variances in subsequent RRAs.

3.3 Please explain if ICBC has any concerns with respect to potential intergenerational equity issues associated with deferring the variances between forecast and actual amounts in the 2021 RRA and accounting for these variances in subsequent RRAs.

4.0 Reference: ICBC 2021 RRA, Chapter 3

Section A.1 – Introduction, page 3-3
COVID-19 Impacts to the 2021 RRA

Preamble: In the referenced Chapter, ICBC states:

> 4. While COVID-19 has had significant impacts on ICBC's claims costs and premium revenues since March 2020, 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. The details of this assumption are further discussed in Appendix E.0.

4.1 Please explain if ICBC has undertaken any research of whether other Canadian Auto Insurance companies have included COVID-19 impacts in their respective revenue requirement applications for 2021/22? If yes, please summarize ICBCs research findings. If not, please explain why not.

4.2 Please explain whether ICBC has provided any scenarios to its Executive and Board of Directors with respect to COVID-19 impacts on financial forecasts for the 2021/22 fiscal year? If yes, please provide 1) a summary of the COVID-19 financial scenarios 2) the indicated rate change for 2021 for each scenario and 3) why ICBC elected not to reflect these scenarios in its 2021 RRA. If not, please explain why not.

5.0 Reference: ICBC 2021 RRA, Chapter 3
Section B.1.1 Medical Rehabilitation (MR):
Figure 3.6 MR Severity, pages 3-14 to 3-15
Medical Rehabilitation Severity

Preamble: In Figure 3.6, ICBC presents a graph of the MR Severity history and projections for the 2021 PY.

5.1 Please explain why the MR severity projections used in the PY 2021-1 and 2021-2 rate indications appear to have a much steeper slope than the adjusted historic severity?

6.0 Reference: ICBC 2021 RRA, Chapter 3

Section B.1.2: Income Replacement and Indemnity (IRI)
Figure 3.7 – IRI Frequency, page 3-16;
Figure 3.8 – IRI Severity, page 3-17
IRI Frequency and Severity

Preamble: In the referenced Chapter, ICBC states:

> 36….The recent decline in frequency is related to a one-time impact from the change in the Employment Insurance (EI) waiting period effective January 1, 2017. The downward trend is not expected to continue into the forecast period; therefore, a one-year flat trend was selected.

6.1 Please explain the drivers of the increase in the IRI Frequency between 2019 and 2020 as depicted in Figure 3.7?

6.2 Please explain why the historic IRI Severity appears to be trending downward between 2017 and 2020 as depicted in Figure 3.8 but the ICBC IRI Severity projection is increasing for the 2021 RRA?

7.0 Reference: ICBC 2021 RRA, Chapter 3

Section B.2.1: Basic Vehicle Damage Coverage (BVDC)
Figure 3.10, BVDC Frequency, page 3-20;
Figure 3.11 BVDC Severity, page 3-21
BVDC Frequency and Severity

Preamble: In Figures 3.10 and 3.11, ICBC presents graphs of the BVDC Frequency and Severity history and projections for the 2021 PY.

7.1 Please explain ICBC's understanding with respect to the dominant factors that resulted in a sharply declining BVDC Frequency between 2017 and 2020 as depicted in Figure 3.10?

7.2 Please explain why the ICBC BVDC Frequency projection for the PY 2021 as depicted in Figure 3.10 is relatively flat compared to the sharp decline between 2017 and 2020?

In the referenced Chapter, ICBC states:

> 44…In order to control the rising MD claims costs, ICBC launched the MD modernization programs under the Rate Affordability Action Plan (MD RAAP)16 in early 2020. Reflecting both the upward trend in recent years and the anticipated impacts from MD RAAP programs, BVDC severity is expected to increase at a 6.3% annual rate throughout PY 2021.

7.3 Please explain why ICBC has continued to assume an annual growth rate of 6.3% in its BVDC Severity in light of its MD modernization program and why ICBC would not expect to experience some degree of reduction in this annual growth rate?

7.4 Please explain if ICBC has conducted any research into the MD programs of other Canadian auto insurers to inform its projection with respect to BVDC severity? If yes, please summarize the findings of this research and how it has informed ICBC's projections. If not, please explain why not.

B. BUSINESS OPERATIONS

8.0 Reference: ICBC 2021 RRA, Chapter 4 – Appendix 4A

Section C.3 - MD Program Changes Improve Governance, Efficiency, and Effectiveness; pages 4A-17 to 4A-20
Section C.4 – Counter Fraud Program; pages 4A-20 to 4A-23
MD Modernization Programs and Counter Fraud Program

Preamble: In the referenced Appendix, ICBC states:

> 66. As part of the initiatives under the Rate Affordability Action Plan announced by Government in 2018, ICBC also undertook an evaluation of its current MD policies and programs to identify areas where efficiencies could be achieved in order to obtain the best value for customers. This included initial measures relating to glass claims which were

implemented in June 2018. 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. These programs reflect industry standards, evolving vehicle technologies, and ensure that customers receive safe and proper quality repairs and that ICBC is getting good value for the amount paid to suppliers. These redesigned programs introduce efficiencies and incentives that benefit customers and the collision and glass repair industry.

67. The Collision Repair Program includes audit functionality modeled on industry best practices and is intended to increase repair facility governance while delivering operational efficiencies. The Glass Repair Program, which is primarily Optional insurance business, includes audit functionality and a benefit sharing program designed with a repair first rather than replace philosophy. 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.

8.1 Please elaborate on ICBC's understanding of leading practices of other Canadian jurisdictions with respect to MD modernization.

8.2 Please summarize the key elements of the MD modernization programs that ICBC is pursuing, and indicate where these new programs position ICBC in relation to the practices of other leading Canadian jurisdictions?

8.3 Given the infancy of ICBC's MD RAAP, please explain ICBCs plans to bring this new program in line with the leading practices of other Canadian jurisdictions?

In the referenced Appendix, ICBC states:

72. The modernizing of ICBC's MD programs included technology enhancements, such as a quality assessment application with dashboards that can be accessed by both ICBC staff and repair facilities, an online repair facility profile, repair network facility locators, performance scorecards, and new internal reporting capabilities. Through these enhancements, both repair facilities and ICBC staff are able to review key performance indicators (KPIs). Examples of KPIs for the Collision program include estimatics, cycle time, QA, and customer satisfaction; and for the Glass program include cost control, QA and customer satisfaction. These KPIs enable repair facilities to view their overall performance monthly and see how their facility aligns with others in their tier. These KPIs also support ICBC in its material damage decision-making, service delivery, and severity management.

8.4 ICBC's discussion in paragraphs 68 through 72 of Appendix 4A, pages 4A-17 to 4A-19, appears to focus on KPI's with respect to repair facilities. Please explain the KPIs that ICBC has developed (or in the process of developing) to ensure the success of its MD RAAP on an aggregate basis for the Province of BC.

In the referenced Appendix, ICBC states:

> 76. ICBC is currently in the process of completing a post implementation business review (PIBR) of the new MD programs to identify the sustainability of ICBC's collision and glass repair industry supplier network. Subsequent reviews will be done periodically to identify changes in cost drivers and enable ICBC and industry to have a compensation review process using indexes to identify when compensation changes may be warranted. It will also be used to identify the effectiveness of the new programs in driving efficiencies for both ICBC and industry. The PIBR is near completion and once final the results will be shared with the industry representatives, after which, ICBC will be in a position to consider potential compensation changes which it expects to be able to come to a decision on by the end of the fiscal year.

8.5 Please elaborate on the objectives of the PIBR with respect to the new MD program and provide a summary the preliminary outcomes given that the PIBR is near completion. Please explain if any of the preliminary outcomes have impacted the PY 2021 rate indication?

In the referenced Appendix, ICBC states:

> 77. This Section provides an overview of ICBC's ongoing efforts to reduce instances of fraudulent claims and to mitigate the impact of fraud on claims costs. ICBC's overall counter–fraud program remains essentially the same as it has in prior years, although, as discussed below, Enhanced Care will have an impact on the types and severity of fraud that ICBC expects to encounter, and ICBC is making the consequential adjustments to its operations. 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. Nevertheless, ICBC believes that its counter-fraud program will continue to reduce claims costs and continue to positively impact future Basic insurance rates.

8.6 Please confirm that ICBC has included no counter-fraud savings as part of its PY 2021 RRA? If confirmed, please explain ICBC's rationale for this assumption and why ICBC did not include at least the level of past savings related to counter-fraud activity.

8.7 Please confirm that ICBC has included all costs associated with its counter-fraud program in the PY 2021 RRA. If confirmed, please provide the total costs included in the PY 2021 RRA. If not, please explain.

9.0 Reference: ICBC 2021 RRA, Chapter 4 – Appendix 4A

Section C.1.2 – Consultations with Key Stakeholders,
pages 4A-9 to 4A-12
ICBC's Consultation with Key Stakeholders

Preamble: In the references Appendix, ICBC states:

> 34. Extensive consultations were conducted and are continuing with diverse stakeholder communities, to ensure Enhanced Care reflects the priorities and needs of all British 2021

RRA Appendix 4A – Claims Cost Management Insurance Corporation of British Columbia 4A-10 December 15, 2020 Columbians. These consultations include members of the health care and disability advocacy communities. The objective of the consultations has been to gather input from stakeholders on ICBC's new Enhanced Care model to inform the development of regulations, initiate discussions on service design, and to better understand stakeholder perspectives on a wide range of issues as they pertain to Enhanced Care coverage. Ultimately, ICBC's goal is to continue to build effective, sustainable partnerships with these stakeholder communities and to work together with them in supporting customers in their return to function and achieving desirable recovery outcomes.

36. 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 2021 RRA Appendix 4A – Claims Cost Management Insurance Corporation of British Columbia 4A-11 December 15, 2020 emerging issues. The framework is comprised of three groups that were leveraged to conduct the consultations. They include:

- The Healthcare Practitioners Advisory Group
- The Disability Advocacy Advisory Group
- Doctors of BC Liaison Committee

40. ICBC is focused on the customer experience by designing its processes to meet injured customer needs, and ensure their experience leaves them feeling supported throughout their recovery. Work is underway to review the Enhanced Care design with customers with prior claims experience. ICBC has enlisted an independent firm to complete a series of customer insight workshops. These workshops, which are still ongoing, will provide key learnings on how ICBC can refine processes and identify service gaps to build a robust customer service perspective. The insight workshops will be inclusive of customers with varying levels of injury severity. The workshop will also enlist the assistance of some disability advocacy organizations to ensure an inclusive design and to help recruit potential participants.

9.1 Please provide a copy of the consultation framework as described in paragraph 36 (page 4A-10).

9.2 Please provide a list of the stakeholders that participated in the consultation process.

9.3 Please summarize the key themes of the feedback that ICBC received during the consultation process and describe how this feedback was reflected in the ICBC Enhanced Care program.

9.4 Please provide a list of BC disability advocacies organizations that participated in the series of customer insight workshops.

10.0 Reference: ICBC 2021 RRA, Chapter 4 – Appendix 4A

Section C.1.3 Cost Management under Enhanced Care, page 4A-13
Section C.2.1 Claims Injury: Preparing to Operate under Three Insurance Models, pages 4A-14 to 4A-15
Claims Management under Enhanced Care

Preamble: In the referenced Appendix, ICBC states:

> 47. 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 independent multidisciplinary perspective to develop treatment recommendations. These recommendations will support a customer's recovery and provide clarity of requirements for ICBC.
>
> 57. Claims injury staffing is expected to remain relatively flat for 2020/21 and then increase in 2021/22 primarily to support the implementation of Enhanced Care. The staffing requirement 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.

10.1 Please elaborate on the roles and responsibilities of the CMA service including, for example, whether this service is intended to operate as an ombudsman, the number of staff providing the CMA service, who specifically is providing the CMA service and their required credentials, who the CMA service reports to at ICBC, how the service is funded.

10.2 In the event there is disagreement between ICBC claims staff and medical staff in terms of a customer's care, please elaborate on the process to be followed by ICBC and the options available to the customer?

10.3 Please explain if ICBC has a detailed plan to gradually reduce claims staffing once experience is gained under Enhanced Care? If yes, please explain the details of ICBC's strategy and plan to gradually reduce claims staffing once experience is gained under Enhanced Care? If not, please explain why not.

11.0 Reference: ICBC 2021 RRA, Chapter 4 – Appendix 4A

Section C.2.2 – Legal Services for Claims Management Continue to be Required, pages 4A-15 to 4A-17
Legal Services for Claims Management

Preamble: In the referenced Appendix, ICBC states:

> 65. Given the current demand for claims-related legal work, ICBC continues to monitor legal services resourcing to meet demand. While the existing litigated files will take a number of years to resolve, ICBC expects that the number of positions in claims legal services to decrease over the next several years due to an expected reduction in claims litigation volume as a result of Enhanced Care.

11.1 Please explain if ICBC has a detailed plan to gradually reduce claims legal staffing once experience is gained under Enhanced Care? If yes, please explain the details of ICBC's strategy and plan to gradually reduce legal staff once experience is gained under Enhanced Care? If not, please explain why not.

11.2 Please explain whether the expected reduction in legal claims staff have been included in the operating cost budgets for the 2021/22 to 2023/24 fiscal years?

12.0 Reference: ICBC 2021 RRA, Chapter 4 – Appendix 4B

Insurance Distribution:
Sections B, C and D, pages 4B-1 to 4B-4
Independent Broker Role in Enhanced Care

Preamble: In the referenced Appendix, ICBC states:

> 7. In recognition of the significant changes to ICBC's insurance product and required system changes with the introduction of Enhanced Care, ICBC is undertaking a comprehensive change management process with brokers. The process includes assessment of brokers change management needs, in depth training to increase broker knowledge, and measurement of the level of broker readiness over several points in the months leading up to implementation of Enhanced Care.
>
> 9. ICBC is currently in the process of modernizing the way in which, through its broker partners, it provides insurance products and services to customers by delivering supported online capabilities in 2022. 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. The types of online transactions that ICBC is currently planning to implement includes insurance renewals, Temporary Operation Permits, and some policy changes.
>
> 12. 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.

12.1 Please explain if ICBC has any significant concerns with respect to independent broker readiness to implement Enhanced Care May 1, 2021?

12.2 Please explain if ICBC has any other significant concerns that may jeopardize the implementation of the Enhanced Care model on May 1, 2021?

12.3 Please describe the types of transactions ICBC does not intend to implement online?

12.4 Please explain how the independent broker role changes given that ICBC is moving from renewals at the independent broker premises to online renewals?

12.5 Please explain if ICBC has conducted any research and benchmarking of the independent broker's role and remuneration in other Canadian jurisdictions? If yes, please provide a summary of ICBC's findings. If not, please explain why not.

C. INVESTMENTS

13.0 Reference: ICBC 2021 RRA, Chapter 5 Investments:
Section E – Investment Strategy Review, page 5-16
Attachment 5A.1 – Statement of Investment Policy and Procedures October 29, 2020, page 9
ICBC Investment Strategy and ALM Analysis
Manitoba Public Utilities Board Order 1/21 dated January 5, 2021 with respect to the Manitoba Public Insurance (MPI) 2021/22 General Rate Application and its Asset Liability Management (ALM) study, Section 8.0 – Investments[1]
MPI 2021/22 General Rate Application, MPI Exhibit 30, the MPI Investment Presentation, slide 13[2]

Preamble: In the referenced Chapter, ICBC states:

> 54. In accordance with governance practices, ICBC's investment strategy is formally reviewed at least every four years, with the last review conducted in 2017/18. Due to the legislative changes made to ICBC's Basic insurance system to the Enhanced Care model, ICBC is currently undertaking a review of ICBC's investment strategy. The review is being conducted in partnership with BCI and is utilizing standard industry methods for

[1] Online: http://www.pubmanitoba.ca/v1/proceedings-decisions/orders/pubs/21-orders/1-21.pdf
[2] Online: http://www.pubmanitoba.ca/v1/proceedings-decisions/appl-current/pubs/2021-mpi-gra/mpi/mpi-30-inv-presentation.pdf

determining the composition of the "optimal" ICBC investment portfolio – the combination of asset classes that meets the investment objectives at an acceptable level of risk.

The optimal strategic asset mix is determined based on expected rate of return for each asset class for the forecasting period and their associated range of returns expressed in standard deviations. Liquidity, risk constraints, and cash flow considerations are also incorporated in the determination of the strategic asset mix.

The following are excerpts from the Manitoba Public Utilities Board Order 1/21 dated January 5, 2021 with respect to the Manitoba Public Insurance (MPI) 2021/22 General Rate Application and its Asset Liability Management (ALM) study, Section 8.0 – Investments:

As set out above, the Corporation's funds available for Investment are primarily the assets supporting the unearned premium reserves and unpaid claims reserves. MPI previously had a single, commingled investment portfolio that backed all liabilities and surplus. As a result of the ALM Study implementation completed in January 2018, these funds are now segregated into five investment portfolios. The funds within the investment portfolios support Basic claims, the Basic RSR, and Employee Future Benefits, primarily the Corporation's pension obligations. As well, the Corporation now has separate investment portfolios to support its extension lines of business. **(page 83)**

MPI's adoption of recommendations flowing from the ALM Study resulted in the separation of the single commingled investment portfolio into the five unique portfolios as set out above. Each of these portfolios has had unique asset allocations since the beginning of the fiscal year 2019/20, which has allowed MPI to set appropriate investment goals for each portfolio. **(page 84)**

Changes based on the implementation of the ALM Study resulted in the portfolio backing Basic Claims consisting of 100% fixed income assets, the portfolios backing Extension, SRE, and Basic RSR being balanced with 50% growth assets and 50% fixed income assets, and the portfolio backing Pension having a slightly higher allocation to growth assets at 60%. Because the portfolios no longer share assets, each portfolio's asset allocations can be changed or adjusted in the future as necessary. **(page 84)**

The new segregated portfolio structure has enabled MPI to develop investment portfolios that better reflect the associated liabilities (where there are liabilities) and each portfolio's investment goals. The benefit of this approach includes de-risking the Basic claims portfolio by matching only fixed-income assets to the liabilities and eliminating exposure to growth assets. The interest rate risk associated with the Basic line of business is expected to be significantly reduced. **(page 86)**

MPI previously noted that the ALM Strategy, including the de-risking of the Basic Claims portfolio, reduced the Corporation's capital requirements by almost $100 million. **(page 87)**

The following is an excerpt from the MPI Investment Presentation as part of its 2021/22 GRA, MPI Exhibit 30, slide 13:

Investment Objectives of MPI's Board and Government

- Reduced premium/rate volatility.
- Directly match investments to liabilities.
- Ensure that capital is available to pay claims when necessary.
- Appropriate levels of risk for each portfolio driven by the purpose of each portfolio (as set out in the IPS and determined by the Board).

13.1 Please explain if ICBC uses Asset Liability Management (ALM) analysis or studies in developing its targeted asset mix as part of its investment policy? If yes, please summarize the findings of the most recent ALM analysis. If not, please explain why not.

13.2 Please explain if ICBC has considered a separation of its single commingled investment portfolio into unique portfolios with unique asset allocations as was recently undertaken by MPI? If not, please explain why ICBC has chosen to maintain a single comingled investment portfolio?

14.0 Reference: ICBC 2021 RRA, Chapter 5 Investments
Section B.3.3 – Forecasts, pages 5-7 to 5-8
Benchmarking of BCI Forecasts

Preamble: In the referenced Chapter, ICBC states:

> 27. BCI develops a Long-Term Capital Market Expectations report on an annual basis to help clients select strategic asset mixes and support actuarial valuations. The expectations are developed by BCI's Investment Strategy & Risk department, in collaboration with BCI personnel with expertise in each asset class. As part of the process, the capital market expectations are presented to and reviewed by BCI's Management Investment Committee, comprised of BCI's Chief Executive Officer/Chief Investment Officer and Executive Vice Presidents from each asset class included in the report. BCI's forecasts are also benchmarked against expectations developed by investment consulting firms and other investment managers to ensure reasonableness.
>
> 28. 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 2017, an external consultant of one of BCI's largest clients was contracted to review BCI's assumption-setting process and it was found that BCI utilizes a robust process producing defensible and sensible recommendations.

14.1 Please summarize the findings from the most recent benchmarking of the performance of BCI's forecasts in the 2020 Edition of its Long-Term Capital Market Expectation Report.

14.2 Please summarize the findings of ICBC's discussions with BCI about its assumption setting methodology as well as the 2017 external consultant review of BCI's assumption setting process.

15.0 Reference: ICBC 2021 RRA, Chapter 5 Investments
Appendix 5B – BCI Long-Term Capital Market Expectations, page 5B-1
Timing of BCI Forecasts for Rate Setting Purposes

Preamble: In the referenced Appendix, ICBC states:

> 1. On an annual basis, BCI publishes its Long-Term Capital Market Expectations report (BCI Report) highlighting return forecasts for various asset classes over a 10-year and 15-year time horizon. The August 2020 edition, included as Attachment 5B.1 to this Appendix, contains an addendum to the original BCI report released on March 2020. The addendum reflects updates made to the expected return on short-term and mid-term bonds to take into account the recent drop in interest rates; all other return forecasts remain unchanged. A summary of return expectations by asset class can be found in the BCI Report, page 2, Figure 1.

15.1 Please explain from a rate-setting perspective, if ICBC is concerned that BCI's forecasts may be outdated by the filing date of the RRA?

15.2 Given the recent volatility and uncertainty in the financial markets, please explain whether ICBC is concerned that the use of the BCI forecasts (produced in March and June of 2020) are outdated for rate-setting purposes with respect to the 2021 RRA?

D. OPERATING EXPENSES AND ALLOCATION INFORMATION

16.0 Reference: ICBC 2021 RRA, Chapter 6
Section B – Operating Expenses for Actuarial Rate Indication, pages 6-4 to 6-5
Operating Expense Guidelines and Productivity Assumptions

Preamble: In the referenced Chapter, ICBC states:

> 15. The operating expense forecasts are prepared based on the information available as of August 31, 2020. The forecast years are developed using expected changes in business impacting cost drivers (transaction volume, initiatives in progress, key priorities, etc.).

16…..Senior management reviews these estimates to ensure it reflects anticipated business needs.

16.1 Please explain if ICBC's senior management issued any guidelines or overall budget targets with respect to operating expenses for the three-year period 2021/22 to 2023/24? If yes, please provide the guidelines and targets. If not, please explain why not.

16.2 ICBC has dedicated a significant portion of Chapter 6 to explaining cost drivers which for the most part are increasing forecast operating expenses with minimal emphasis on explaining initiatives that improve productivity and reduce operating costs.

i) Please provide a description of the various initiatives that ICBC has underway to improve productivity and reduce operating cost forecasts?

ii) Please explain if ICBC senior management has included any productivity targets to offset operating cost forecast increases as part of its operating cost budgeting process? If yes, please provide the productivity targets and the associated reductions in operating expenses. If not, please explain why not.

16.3 Please explain how senior management has reviewed the estimates of operating costs to ensure they contribute to affordable rates for ICBC's policyholders?

16.4 Please explain if ICBC senior management and board of directors has developed internal performance metrics to measure the effectiveness and efficiency of its controllable operating expenses? If yes, please describe these metrics. If not, please explain why not.

17.0 Reference: ICBC 2021 RRA, Chapter 6

Section B.1 – Financial Report View of Operating Expenses, Figure 6.1, page 6-6
Operating Expenses included in the 2021 PY Rate Indication

17.1 Please reconcile the total corporate operating expenses in accordance with the financial reporting view in Figure 6.1 to the amounts provided in Figure 3.1 of the Rate Indication including a breakdown of these amounts for the PY 2021-1 and PY 2021-2 periods, respectively.

18.0 Reference: ICBC 2021 RRA, Chapter 6

Section C.2 – ICBC Proposed to Defer Allocation Methodology Review, page 6-9
Allocation Methodology Review

18.1 Please explain if ICBC prepares a total corporate comprehensive annual allocation report that assesses and provides the rationale for changes in allocated costs between basic and other lines of ICBC's business? If yes, please provide the report. If not, please explain how ICBC assesses the reasonability of internal cost allocation results?

18.2 Please provide the timing of ICBC's last review of its internal cost allocation methodology as well as the timing of when ICBC last undertook an independent external comprehensive review of its allocation methodology. If ICBC has not undertaken an independent external review of its allocation methodology, please explain why not?

18.3 Please explain whether ICBC intends to incorporate an independent external review of its next allocation methodology review? If not, please explain whether the fundamental change in ICBC's business model to Enhanced Care is significant enough to warrant such a review?

18.4 Please explain whether ICBC will file Terms of Reference with the BCUC and stakeholders, prior to undertaking its allocation methodology review? If not, please explain why not.

18.5 Please explain ICBC's views of the regulatory effectiveness and efficiency to be gained by collaborating with stakeholders once its comprehensive allocation review is complete outside a revenue requirement application in order that stakeholders are provided sufficient information and understanding of ICBC's cost allocation methodology?

19.0 Reference: ICBC 2021 RRA, Chapter 6
Section D.1 Corporate Operating Expenses by Expense Category, pages 6-10 to 6-19
Figure 6.3, page 6-11
Operating Expenses by Expense Category

19.1 Figure 6.3 provides a breakdown of corporate operating expenses by category for the five-year period between 2019/20 (actual) and 2023/24 (forecast).

Please provide a revised Figure 6.3 that adds columns to specify the year over year change (dollars and percentage) for each of the operating expense categories as well as a column that provides the cumulative average growth rate for each category over the five-year period.

In the referenced Chapter, ICBC states:

> 37…General wage increases as negotiated under the Collective Agreement and reported and approved by the Public Sector Employers' Council (PSEC) Secretariat, and individual length of service increases are expected to increase costs by approximately $10 million.

19.2 Please provide the negotiated wage increases per the Collective Agreement for 2019/20 (actual) and 2020/21 (outlook).

19.3 Please provide the overall level (dollars and percentage) of merit (individual length of service) increases for each year between 2019/20 (actual) to 2023/24 (forecast).

19.4 On page 6-17, ICBC indicates that Professional Administration and Other Expenses of $144 million for 2019/20 included a one-time write-off of $7 million for Master Data Management Software and Related Components. On page 6-18, ICBC indicates that Professional Administration and Other Expenses are forecast to increase to $158 million by 2023/24. Please confirm that a normalized level of Professional Administration and Other Expenses for 2019/20 would be $137 million (i.e. $144 – $7). Please provide the cumulative annual growth rate (percentage) for professional admin and other expenses using a normalized 2019/20 amount of $137 million and a forecast amount of $158 million for 2023/24.

20.0 Reference: ICBC 2021 RRA, Chapter 6

Section D.1 – Corporate Operating Expenses by Expense Category, Figure 6.3, pages 6-11 to 6-12
Pension and Post-Retirement Benefit Expense Volatility

Preamble: Pension and post-retirement benefit expense is subject to volatility resulting from changes in the market-based discount rate for pension liabilities.

20.1 In Figure 6.3 ICBC indicates that Pension and Post Retirement expense was $92 million in 2019/20 and that this expense will decrease to $68 million in 2020/21 and then increase to $126 million in 2021/22. Please explain if ICBC has considered any options or methods to minimize the volatility of Pension and Post Retirement expenses for rate-setting purposes?

20.2 Did ICBC consider any other approach to the PY 2021 rate indication other than selecting the highest amount for Pension and Post Retirement expenses of $126 million over the period between 2019/20 and 2023/24? If yes, please provide details. If not, please explain why not.

E. COMPLIANCE REPORTING

21.0 Reference: ICBC 2021 RRA, Chapter 7 and Appendix 7A

Chapter 7 Section A - Introduction, page 7-1
Appendix 7A – Section A - Introduction, page 7A-1
Compliance Reporting and Performance Measurement

Preamble: In the referenced Chapter, ICBC states:

> 2. This remains true for the compliance reporting in this Application. The compliance reporting covers the period to the end of the 2020/21 fiscal year ending March 31, 2021. It does not include projections for policy year (PY) 2021 that starts on May 1, 2021 (contemporaneously with the new Enhanced Care model coming into effect). There is, accordingly, a disconnect between the subject of compliance reporting and information supporting the rate indication for policies that come into effect from May 1, 2021, as set out in the first six chapters of the Application.

In the referenced Appendix, ICBC states:

> 3. The current BCUC performance measures, while meaningful to ICBC's performance, do not fully align with the new Service Plan measures. ICBC is proposing to make two changes to the current BCUC performance measures to better align with the Service Plan. In Section C of this Appendix, ICBC outlines each of the proposed changes for consideration.

21.1 Please reconcile the sentiment in paragraph 2 (page 7-1) that there is a "disconnect" between compliance reporting and the rate indication with the sentiment in paragraph 3 (page 7A-1) that the BCUC performance measures are meaningful but "do not fully align" with ICBC's new service measure?

21.2 Please explain ICBC's views on the role of compliance reporting and performance measurement in the regulation of insurance premiums? In particular, does ICBC agree that compliance reporting and performance measurement can improve the effectiveness and efficiency of the rate-setting process?

21.3 Please explain if ICBC has conducted any external research into the performance metrics of other Canadian basic auto insurance providers in developing the metrics included in its new Service Plan? If yes, please summarize the findings of this review. If not, please explain why not.

21.4 Please prepare a table that compares and contrasts the existing and proposed BCUC performance measures with the revised performance measures contained in ICBC's new Service Plan. Please also indicate those areas where ICBC's new performance measures are currently under development.

21.5 Please explain if the fact that ICBC reports its performance measures on a consolidated basis is an issue in terms of alignment between the Company's performance measures and the BCUC's performance measures?

In the referenced Appendix, ICBC states:

> 10. The corporate strategy and corporate performance measures are jointly reviewed each quarter by ICBC's Board of Directors and Executive. The Board of Directors and Executive compare expected to actual performance, reviewing the outlook for the upcoming period, and adjusting corporate performance measure metrics, as required.

21.6 Please explain if ICBC's approach is to adjust future performance targets based on actual performance or if its approach is to adjust its future operating plans and forecasts to meet future performance targets?

In the referenced Appendix, ICBC states:

> 13. In this Section, ICBC will discuss its plan for future reporting to the BCUC. ICBC intends to align its current BCUC performance measures with those Service Plan measures that support the new corporate strategy and are expected to be in place over the long-term. ICBC will continue to report on most of the existing suite of BCUC performance measures and is proposing only limited changes. ICBC believes that these proposals will continue to provide information to BCUC that will assist in its regulation of the Basic insurance part of ICBC's business.

21.7 Please explain if its ICBC's intent to propose an alignment of BCUC's performance measures with ICBC's Service Plan measures as part of ICBC's next RRA filing currently planned for December 2022?

22.0 Reference: ICBC 2021 RRA, Chapter 7 - Attachment 7A.1

Section B, page 7A.1-2
Performance Measure Targets for 2020/21 to 2022/23

Preamble: ICBC includes the BCUC performance measures results for 2017/18 to 2020/21 on Figure 7A.1.1.

22.1 Please update Figure 7A.1.1 to include the targets for each of the performance measures for the 2021/22 and 2022/23 fiscal years. If ICBC has not set performance measure targets for these years, please explain.

22.2 A stretch target is a target intentionally designed to be one that is difficult to achieve to encourage exceptional performance in an area of importance to an organization. Please indicate whether ICBC has set any stretch targets for any of the performance measures for years 2020/21 to 2022/23? If not, please explain why it would not be an appropriate time to set stretch targets in an environment where ICBC is moving to an Enhanced Care model to provide significant improvements to its customers?

23.0 Reference: ICBC 2021 RRA, Chapter 7 - Attachment 7A.1
Section C.1 Service Measures, page 7A.1-2 to 7A.1-6
Satisfaction Service Measures

Preamble: In the referenced Attachment, Footnote 5 (page 7A.1-5), ICBC states:

> The claims services satisfaction result is based on the response to a single survey question (e.g., for the Closed Claims survey, the question is"…would you say that you were very satisfied, somewhat satisfied, somewhat dissatisfied or very dissatisfied with the service you received?")

23.1 Please explain how satisfaction is measured for each of 1) drivers licensing satisfaction 2) insurance service satisfaction and 3) claims services satisfaction? For instance, is satisfaction measured by adding survey participants that are both somewhat satisfied and very satisfied?

23.2 For the three measures of satisfaction, please provide the breakdown between survey respondents that are somewhat satisfied and very satisfied for the 2019/20 fiscal year.

24.0 Reference: ICBC 2021 RRA, Chapter 7 – Attachment 7A.1
Section C.2 Financial Measures, page 7A.1-7 to 7A.1-10
Figure 7A.1.5 – Calculation of Basic MCT Ratio, page 7A.1-10
Figure 7A.1.6 – Calculation of Basic Loss Ratio, page 7A.1-11
Financial Performance Measures

Preamble: In the referenced Attachment, ICBC states:

> 20. Overall deterioration in the Basic MCT Ratio has been primarily due to higher claims costs outpacing revenue and investment income, resulting in net losses and the erosion of

> Basic equity. In the past, this deterioration was partially offset by income and capital transfers from the Optional insurance business. Transfers of income and capital from the Optional business are not forecast in the 2020/21 Outlook period.

24.1 Please explain ICBC's policy with respect to transferring income and capital from the optional business to basic insurance. In particular, please explain under what circumstances this transfer would occur.

24.2 ICBC indicates in Figure 7A.1.5 that the total capital available for 2019/20 Actual was a deficit of $353 million and that the outlook for 2020/21 is $87 million, which is an improvement of $440 million. Please provide the breakdown of the projected $440 million improvement from 2019/20 to 2020/21 between net income and other comprehensive income.

24.3 ICBC indicates in Figure 7A.1.6 that the prior year's claim adjustment was $757 million for 2019/20 Actual and is projected to be negative $223 million for the 2020/21 Outlook, or a change of $980 million between the two years. Please explain what the prior year's claim adjustment component is related to and why it is projected to change in the order of $980 million between 2019/20 and 2020/21.

25.0 Reference: ICBC 2021 RRA, Chapter 7 – Attachment 7A.2
page 7A.2-4
Change from LAR to LAER

Preamble: In the referenced Attachment, ICBC states:

> 8. The LAER ties the claims management 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. The LAER is considered to be a better measure of claims operation efficiency than LAR because it is on an incurred basis, making it more responsive to changes in the cost of managing claims. The LAER is also measured against a more stable base, has a stronger alignment to other measures such as the Loss Ratio, and aligns better with ICBC's corporate performance measure reporting.

25.1 Please explain which of LAER or LAR is the more generally accepted performance measure in the Canadian auto insurance industry? In the event that LAR is the more accepted industry performance measure, please explain why ICBC is proposing to change to LAER?