

BRITISH COLUMBIA UTILITIES COMMISSION
IN THE MATTER OF THE UTILITIES COMMISSION ACT
R.S.B.C. 1996, CHAPTER 473

And

Re: Insurance Corporation of British Columbia
2013 Revenue Requirements Application

Vancouver, B.C.
February 13th, 2014

PROCEEDINGS

BEFORE:

Bernard Magnan,

Panel Chair/Commissioner

Liisa O'Hara

Commissioner

Richard Revel

Commissioner

VOLUME 6

APPEARANCES

P. MILLER	Commission Counsel
M. GHIKAS	Insurance Corporation of British Columbia
A. ROSS	Canadian Direct Insurance Inc.
L. MUNN	Insurance Bureau of Canada
B. FLEWELLING	Automobile Insurance Committee of the Canadian Bar Association.
S. KHAN	B.C. Pensioners' and Seniors' Organization <i>et al</i> (BCSPO)
F.J. WEISBERG	Toward Responsible, Educated and Attentive Driving (TREAD)
L. WORTH J. QUAIL	Cope Local 378
G. ADAIR	Self
R. LANDALE	Self

INDEX

PAGE

Volume 2, February 6, 2014

OPENING STATEMENT BY MR. GHIKAS	89
OPENING STATEMENT BY MS. FLEWELLING	112
OPENING STATEMENT BY MS. KHAN	113
OPENING STATEMENT BY MR. WEISBERG	116
OPENING STATEMENT BY MR. ADAIR	117

ICBC PANEL 1

WILLIAM WEILAND, Affirmed:
ANDREW LOACH, Affirmed:
CAMILLE MINOGUE, Affirmed:
NATALIE TAYLOR, Affirmed:
ROB WILSON, Affirmed:

Examination in Chief by Mr. Ghikas	118
Opening Statement by Ms. Minogue	128
Cross-examination by Ms. Flewelling	151
Cross-examination by Mr. Munn	260
Cross-examination by Ms. Khan	278

Volume 3, February 7, 2014

ICBC PANEL 1

WILLIAM WEILAND:
ANDREW LOACH:
CAMILLE MINOGUE:
NATALIE TAYLOR:
ROB WILSON:

Resumed	299
Cross-Examination by Ms. Khan (Cont'd)	299
Cross-Examination by Mr. Weisberg	331
Cross-Examination by Ms. Khan (Cont'd)	424
Cross-Examination by Mr. Adair	429
Cross-Examination by Mr. Ross	452

INDEX

PAGE

Volume 4, February 11, 2014

ICBC PANEL 1

WILLIAM WEILAND:
ANDREW LOACH:
CAMILLE MINOGUE:
NATALIE TAYLOR:
ROB WILSON:

Resumed	487
Cross-Examination by Mr. Landale	87
Cross-Examination by Mr. Miller	551

Volume 5, February 12, 2014

ICBC PANEL 1

WILLIAM WEILAND:
ANDREW LOACH:
CAMILLE MINOGUE:
NATALIE TAYLOR:
ROB WILSON:

Resumed	662
Cross-Examination by Mr. Miller (Cont'd)	671
Cross-Examination by Ms. Khan (Cont'd)	763
Re-Examination by Mr. Ghikas	781

ICBC - PANEL 2

BRENT HALE, Affirmed:
PHIL LEONG, Affirmed:
GERI PRIOR, Affirmed:
ALISON GOULD, Affirmed:
JOHN DICKINSON, Affirmed:
JAMES MCGINNIS, Affirmed:

Examination in Chief by Mr. Ghikas	803
Opening Statement by Ms. Prior	813
Cross-Examination by Mr. Landale	836

INDEX

PAGE

Volume 6, February 13, 2014

ICBC - PANEL 2

BRENT HALE:

PHIL LEONG:

GERI PRIOR:

ALISON GOULD:

JOHN DICKINSON:

JAMES MCGINNIS:

Resumed	850
Cross-examination by Ms. Khan	856
Cross-Examination by Mr. Quail	902
Cross-Examination by Mr. Munn	914

DECISION RE: CONFIDENTIALITY OF THE AIC REQUEST ... 952

Cross-Examination by Mr. Weisberg	984
---	-----

INDEX OF EXHIBITS

NO.	DESCRIPTION	PAGE
Volume 2, February 6, 2014		
B-14	DOCUMENT ENTITLED "PACKAGE OF RELEVANT LEGISLATION AND DECISIONS"	101
C6-4	DOCUMENT ENTITLED "PANEL 1 - ACTUARIAL AND CLAIMS, DOCUMENTS FOR CROSS-EXAMINATION BY IBC"	260
Volume 3, February 7, 2014		
C11-5	PACKAGE OF DOCUMENTS, FIRST ONE ENTITLED "AN OPEN LETTER TO CUSTOMERS FROM INTERIM CEO MARK BLUCHER"	330
C8-3	DOCUMENT FROM VANCOUVER SUN WITH PHOTO ENTITLED "DRIVER SERVICES CENTRE"	445
C2-4	PRINTOUT OF AN ARTICLE FROM THE ICBC WEBSITE TITLED "POLICE TARGETING DISTRACTED DRIVERS IN FEBRUARY"	465
C2-5	DOCUMENT ENTITLED "2008 TO 2012, MOTOR VEHICLE FATALITIES IN BRITISH COLUMBIA: STATISTICS"	465
Volume 4, February 11, 2014		
A2-12	WITNESS AID FOR EXHIBIT D.1.1	562
B-15	ANSWER TO BCPSO UNDERTAKING FROM VOLUME 3, PAGE 306, LINES 9 TO 21	575
B-16	ANSWER TO AIC UNDERTAKING FROM VOLUME 2, PAGE 198, LINE 7 TO PAGE 202, LINE 11 AND PAGE 252, LINE 5 TO PAGE 259, LINE 18 WITHOUT ATTACHMENT	576

INDEX OF EXHIBITS

NO.	DESCRIPTION	PAGE
B-17	ANSWER TO AIC UNDERTAKING FROM VOLUME 2, PAGE 198, LINE 7 TO PAGE 202, LINE 11 AND PAGE 252, LINE 5 TO PAGE 259, LINE 18 WITH ATTACHMENT MARKED "CONFIDENTIAL"	577
A2-13	ARTICLE ENTITLED "BOOMING VEHICLE SALES, ESPECIALLY TRUCKS, RESULT OF 'PERFECT STORM' IN B.C."	582
A2-14	CHART HEADED "ICBC 2012 REVENUE REQUIREMENTS, CHAPTER 3," , EXHIBIT C.1.3.2 ...	630
Volume 5, February 12, 2014		
B-18	CORRECTED IR RESPONSE TO BCUC 180.1	665
B-19	ANSWER TO BCPSO UNDERTAKING FROM VOLUME 3, PAGE 311, LINE 23 TO PAGE 313, LINE 6	753
C7-3	SUBMISSIONS BY CANADIAN BAR ASSOCIATION - B.C. BRANCH AUTOMOBILE INSURANCE COMMITTEE (AIC) RE: ICBC UNDERTAKING TO PROVIDE CLAIMS DATA	794
B-20	SUPREME COURT OF CANADA DECISION IN <i>SABLE OFFSHORE ENERGY INC. ET ALL V. AMERON INTERNATIONAL CORPORATION ET AL,</i>	799
B-21	DOCUMENT HEADED 2013.1 REVENUE REQUIREMENTS BCUC 115.2 REFERENCE: CLAIMS COST MANAGEMENT...CLAIMS TRANSFORMATION"	810
B-22	DOCUMENT HEADED "2013.1 RR RL.7.2 REFERENCE: BC GOVERNMENT "REVIEW OF ICBC AUGUST 2012" - 5.2 COMPENSATION PARAGRAPH 28"	810
B-23	DOCUMENT ENTITLED 2013.1 RR TREAD 22.1 REFERENCE: REVIEW OF INSURANCE CORPORATION OF BRITISH COLUMBIA (REVIEW) AUGUST 2012..."	811

INDEX OF EXHIBITS

NO.	DESCRIPTION	PAGE
B-24	ANSWER TO BCUC UNDERTAKING FROM VOLUME 4, PAGE 645, LINES 18 TO 24	835
Volume 6, February 13, 2014		
B-25	ORDER OF THE LIEUTENANT GOVERNOR IN COUNCIL NO. 287, DATED MAY 27, 2010	852
C6-6	PACKAGE OF DOCUMENTS "PANEL 2 - ROAD SAFETY", DOCUMENTS FOR CROSS-EXAMINATION BY IBC	914
C6-5	EXHIBIT C2-6 RE-MARKED EXHIBIT C6-5	937
C6-6	PACKAGE OF DOCUMENTS "PANEL 2 - ROAD SAFETY", DOCUMENTS FOR CROSS-EXAMINATION BY IBC	939
B-26	ANSWER TO BCPSO UNDERTAKING FROM VOLUME 5, PAGE 763, LINE 11 TO PAGE 764, LINE 7	951
B-27	EXTRACT FROM BCUC REASONS FOR DECISION DATED APRIL 6, 2010, FROM ICBC REVENUE REQUIREMENTS STREAMLINED REGULATORY PROCESS	952

INFORMATION REQUESTS

Volume 2, February 6, 2014

For Ms. Flewelling:
Pages: 201-202, 207-208

Volume 3, February 7, 2014

For Ms. Khan:
Pages: 306, 311-312, 328

For Mr. Weisberg:
Pages: 350

Volume 4, February 11, 2014

For Commission Panel:
Page: 572

For Mr. Miller:
Pages: 582, 618-619, 640, 645

Volume 5, February 12, 2014

For Mr. Miller:
Pages: 672, 679 x 2, 682,
700

For Ms. Khan:
Pages: 763-764

For Commission Panel:
Pages: 772-773, 777, 837-838

Volume 6, February 13, 2014

For Mr. Munn:
Pages: 923-924

For Mr. Weisberg:
Pages: 1037-1038, 1038

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26

CAARS

VANCOUVER, B.C.

February 13th, 2014

(PROCEEDINGS RESUMED AT 9:04 A.M.)

THE CHAIRPERSON: Please be seated.

ICBC - PANEL 2

BRENT HALE, Resumed:

PHIL LEONG, Resumed:

GERI PRIOR, Resumed:

ALISON GOULD, Resumed:

JOHN DICKINSON, Resumed:

JAMES MCGINNIS, Resumed:

THE CHAIRPERSON: Just so -- let me first start off by saying that we're still working on the decision with regard to the release of the information provided by -- in B-17, the confidential information, and whether it should remain confidential or not. We are looking to have this available later today. So, you'll hear about it more then.

Mr. Miller, is there anything -- or Mr. Ghikas?

MR. GHIKAS: Thank you, Mr. Chairman. Just finishing up photocopying with respect to this one issue that I'm going to speak to, but I can speak to it now in a generic sense, and once the photocopies are here I will pass them forward.

1 I'm just following up on the issue
2 yesterday when the panel was dealing with updated MCT
3 information, and the audited year-end financials, and
4 issues of that nature. The one thing that occurred to
5 me, and it didn't occur to me while that conversation
6 was ongoing, but I think it's worth bringing to the
7 Commission's attention, it's important to bring to
8 your attention, is that the current capital management
9 plan is -- that's in place is governed by two existing
10 government directives, one done in 2010, one done in
11 2011. It's the subject matter of my photocopying, to
12 bring that forward.

13 But the original directive in 2010 had in
14 it a requirement where the MCT determination that
15 would be used in the rate-setting process would be
16 effectively looking at the year that had just been
17 completed at the time the application was filed. So
18 you'd be using year-end data. So if you filed this
19 year in 2013 -- sorry. If you filed in 2013, you
20 would actually be looking at the year-end 2012 MCT.

21 And it was recognized very quickly that
22 that actually didn't work, and that what should be
23 done is to look at a prospective MCT forecast as at
24 the coming year-end. So, what the 2011 directive did,
25 and I think we have some copies now, but what that did
26 is, it actually made an express change in how the

1 Commission must apply the MCT for the rate-setting
2 purposes this year.

3 So if you look at -- the real crux of it is
4 in the 2011 directive, which -- and maybe we'll just
5 mark this now as Exhibit B-25.

6 THE HEARING OFFICER: Marked B-25.

7 **(ORDER OF THE LIEUTENANT GOVERNOR IN COUNCIL NO. 287,**
8 **DATED MAY 27, 2010, MARKED EXHIBIT B-25)**

9 MR. GHIKAS: So it's over on the third or fourth page, I
10 guess. And if you look at the last paragraph on the
11 first page, you'll see it says

12 "The May 2010 direction letter requires ICBC
13 and BCUC to use information on ICBC's basic
14 capital provision from the end of the
15 previous calendar year, which is aligned
16 with ICBC's normal reporting cycle. Using
17 more up-to-date information is important in
18 the present context of a lower interest rate
19 environment, where ICBC's capital position
20 may change significantly between the end of
21 the previous year and the time ICBC files a
22 revenue requirements application to set
23 basic rates."

24 And over on the next page, you can skip
25 over the next paragraph, but you'll see,

26 "Consequently ICBC is directed as follows:

1 First, for the purposes of applying the
2 terms of the May, 2010 direction letter..."

3 **Proceeding Time 9:09 a.m. T2**

4 Which continues to apply this year.

5 "...ICBC is hereafter to use the most recent
6 quarter basic insurance MCT level to
7 determine the basic insurance revenue
8 requirements rather than using the MCT at
9 the end of the previous calendar year."

10 So effectively what that is doing is it's
11 using updated information from the quarter before the
12 filing, and that is what's reflected in the
13 application.

14 And so to your question about getting the
15 updated information from the year end, well, ICBC can
16 provide that. The practical result of it is that the
17 Commission is effectively precluded from reintroducing
18 that number and making rates on that basis for 2013.

19 The other issue -- and that just
20 specifically applies to the MCT issue. You had issues
21 or interests potentially in other areas of information
22 that may come out of the final year-end audit
23 financial statements. And the issue with that is
24 because that information, even though the board has
25 approved it, I just wanted to make sure that everybody
26 understood the sort of steps that the information goes

1 through before it can become public. And so, once the
2 board has approved it, assuming it approves it at the
3 meeting on March 6th, it remains confidential. And it
4 remains confidential until it's tabled in the
5 legislature, and it's tabled in the legislature at the
6 end of May.

7 So that information, in effect what it
8 means is while ICBC can provide that information to
9 the Commission in confidence, as a practical matter
10 the Commission effectively can't use it in its
11 decision in a way that would make any of that
12 information public prior to it being tabled in the
13 legislature. So those are two constraints on the use
14 of that information that ICBC considered it was
15 important to make sure it was understood.

16 There is another issue that isn't legal,
17 strictly speaking, but it is one more of a practical
18 and policy issue, which is the desirability of chasing
19 new data throughout the year in a circumstance where
20 ICBC isn't actually like a public utility. The
21 reason, just to step back for a moment, in the public
22 utility context, the reason there is a lot of
23 interest, the primary reason there's a lot of interest
24 is when forecasts are wrong and they're too high for
25 example, the net result of that is that any amount --
26 if you beat your forecast, that goes directly to the

1 Ms. Khan, I believe you're up.

2 **CROSS-EXAMINATION BY MS. KHAN:**

3 MS. KHAN: Q: Yes. Good morning, panels. I'm just
4 going to start with a couple of -- a few questions on
5 your return on investments. So, the stock market rose
6 quite significantly during the last quarter of 2013.
7 Has this had a positive effect on ICBC's investment
8 income?

9 MS. GOULD: A: ICBC does hold significant equity
10 positions within its portfolio, and has benefited from
11 the increase in stock returns in the previous year,
12 2013.

13 MS. KHAN: Q: So I'm going to pre-empt what Mr. Miller
14 might do, and ask whether you could file as an
15 undertaking a summary of your investment income
16 showing the final results for 2013.

17 MS. PRIOR: A: So, maybe this is an opportune time for
18 me just to address the issue of future, or year-end
19 results. I think that while we can provide
20 confidentially year-end results, we said that we will
21 be able to do that, I think the concern that ICBC has
22 is, we have put a lot of effort into pulling this
23 filing together and answering a number of IRs and
24 explanations as to why the numbers are why they are,
25 and the assumptions that are going into this filing.
26 And we're currently right now gearing up for the next

1 filing. And at the same time, we feel that we're
2 being asked to provide many updated pieces of
3 information that's going to take some time and effort
4 to pull together.

5 And as Mr. Ghikas mentioned, I think the
6 interesting thing about the Insurance Corporation is,
7 we call it a closed loop system. And so we can chase
8 different assumptions all over the place, and we can
9 continue to update them. But at some point, we think
10 it's more appropriate that when you take the
11 assumptions, they need to be taken at a point in time
12 in totality and run the rates. And that's what we've
13 done. And if you actually refer to 2013.1, IR BCUC
14 90.2.1-2, it specifically talks about not being in
15 accordance with accepted actuarial practice to
16 selectively use sensitivity analysis and pull in
17 certain elements, and update certain elements. The
18 whole point of the standard practice for actuaries is
19 to look at it in totality.

20 MR. GHIKAS: Ms. Prior, could you just give us the
21 reference.

22 MS. PRIOR: A: Yes. It's 2013.1, BCUC 90.2.1-2.

23 So if I can direct you to the bottom of the
24 page, it's talking about the 4.9 was set in accordance
25 to accept actual practice, and on the next page the
26 individual assumptions that are altered for the

1 There is no money coming out of basic that goes to
2 government. There is no money that comes out of basic
3 that supports our optional business. It stays for the
4 benefit of the policy holders.

5 So in effect, all it will do is either have
6 the capital become a little bit more or a little bit
7 less depending on how things actually play out in the
8 long term.

9 And so for that reason, we think going
10 after individual assumptions and trying to use that to
11 determine, with all due respect, is maybe not the
12 appropriate way to look at the entire rate filing, but
13 to look at what we have put together versus if you do
14 the other, it's really getting us to kind of do two
15 filings for every round of filing that we're putting
16 in. And I think we just ask that to be considered.

17 THE CHAIRPERSON: Okay, thank you.

18 MS. KHAN: Q: So you are objecting to producing the
19 information then, the updated 2013 investment return?

20 MS. PRIOR: A: I think what I'm saying, Ms. Khan, is
21 that for what purpose are we producing all of the 2013
22 updated information? Because what we have filed, and
23 all the IRs and all the work that's gone in this
24 filing supports the work that we've done based on a
25 set of assumptions at a point in time. And you have
26 to lock down, when you're doing these types of things.

1 We spend enough time, I think, going through and
2 putting that all together and answering, you know,
3 over a thousand IRs on this, based on a point in time.
4 To then go and say, all right, we're going to just
5 kind of disregard that and pick up some new
6 assumptions, and I think my proposition is that in
7 this IR it wouldn't even be within accepted actuarial
8 practice to selectively pick out things, and we
9 haven't done the full analysis on the next round.
10 That will come within the next filing when we will
11 have year-end information.

12 COMMISSIONER REVEL: Ms. Prior, may I just clarify
13 things?

14 MS. PRIOR: A: Yes.

15 COMMISSIONER REVEL: If I understand you, the way I'm
16 hearing it is the filing you've made is prospective in
17 nature.

18 MS. PRIOR: A: Yes.

19 COMMISSIONER REVEL: And if you update it and provide new
20 information, that still remains prospective in nature.
21 Is that correct?

22 MS. PRIOR: A: That is correct.

23 COMMISSIONER REVEL: Thank you.

24 MS. KHAN: Q: So if you were to -- I just want to
25 explore this a little bit more. So if you were --
26 let's say you were to produce the information and it

1 shows a higher return on your equities, are you saying
2 then that that information should be excluded in any
3 event from the current revenue requirements and we'll
4 deal with it in the 2014 filing which you're going to
5 be filing in May?

6 MS. PRIOR: A: Yes, I think my -- that is basically
7 what I'm saying, Ms. Khan, is that if we were to look
8 at all of the assumptions and redo them all, I'm
9 pretty sure some would be up favourably and some would
10 be down. And I'm saying if every filing, because
11 we're on an annual basis now, and so it's not like
12 we're doing one -- we're not doing multi-year filings,
13 we're doing -- we're directed annually to file. And
14 I'm saying if we're going to do this, what it's going
15 to cause is basically two rounds of work and effort on
16 the filing and it's going to overlap with the timing,
17 in particular in this case what we're doing with the
18 next filing.

19 So I'm not -- I'm kind of questioning the
20 value and the benefit of doing it that way because I
21 think the only appropriate way to do it would be to
22 look at all assumptions and totality, and update
23 everything at a different point in time, which is
24 basically another filing.

25 MS. KHAN: Q: Well, what I'll do is I have your point,
26 I'll leave that for now and I think -- I'll leave that

1 for now.

2 MR. GHIKAS: Thank you, Ms. Khan, and to be clear, ICBC
3 isn't objecting to filing the information with the
4 Commission Panel. It's just simply a confidentiality
5 issue.

6 MS. KHAN: Q: Now, I'd like to take you to --

7 MR. MILLER: Sorry, Mr. Chair, I'm confused. Is the
8 undertaking still outstanding? Is she making the
9 request or is she withdrawing the request? I'm not
10 clear.

11 MS. KHAN: I'm withdrawing my request.

12 THE CHAIRPERSON: Thank you, Mr. Miller.

13 **Proceeding Time 9:23 a.m. T05**

14 MS. KHAN: Q: I'd like to take you to BCPSO 1.53.1-2.
15 According to that IR, ICBC pays -- has paid about \$20
16 million in bonuses every -- for the last few years.
17 And I understand from the application that your
18 compensation costs, employee and management and
19 confidential employee compensation costs are about
20 \$400 million per year.

21 So would it be fair to say that over the
22 last few years, bonuses have accounted for about five
23 percent of the total pay for ICBC personnel?

24 COMMISSIONER O'HARA: I'm sorry, Ms. Khan, can you repeat
25 that?

26 MS. KHAN: Q: Would you like the reference?

1 COMMISSIONER O'HARA: Repeat that reference, please.

2 MS. KHAN: Q: Yeah. The reference is BCPSO 1--

3 COMMISSIONER O'HARA: BCPSO. Okay, thank you.

4 MS. KHAN: Q: -- 1.53.1-2.

5 COMMISSIONER O'HARA: Thank you.

6 MR. LEONG: A: Yes, on a very high level estimate, the
7 incentive pay amount is approximately about 5 percent
8 of total compensation.

9 MS. KHAN: Q: Next I'd like to take you to -- well,
10 yeah, probably be worth turning to this IR. It's BCUC
11 1.123.2.

12 In that information response, there is a
13 chart showing the bonus payments received by
14 management and confidential employees, and also for
15 unionized employees. And it looks to me from that
16 chart that just like -- just about every employee at
17 ICBC for the last few years, whether they are
18 management or bargaining unit, received some form of
19 incentive pay between 2010 and 2012. Is that --
20 that's correct?

21 MR. HALE: A: It is correct, with the context that this
22 only includes those that are eligible for incentive
23 payments. And there is eligibility rules that apply
24 to the incentive program. And the second piece of
25 context that I'd like to add is that when you look at
26 general industry data, what we find is that with

1 incentive payment plans, in industry, we find that of
2 those eligible for incentive payments, about 97
3 percent of those that are eligible for incentive
4 payments in any given corporation receive payments.
5 And what we find at ICBC is that number is about 99
6 percent. So we're about 2 percent off the industry
7 average in that regard.

8 And that is, in my opinion, not material in
9 nature. And so this would not be abnormal result as
10 against industry.

11 MS. KHAN: Q: So out of around 5500 employees, as far
12 as I can tell from that table, only between 6 to 12
13 management and confidential staff didn't receive bonus
14 payments between 2010 and 2012.

15 MR. HALE: A: That's not accurate. The first piece is
16 that this is in head count. And the filing is in
17 full-time equivalents.

18 MS. KHAN: Q: Okay.

19 MR. HALE: A: So there is a distinction between FTEs
20 and head count. Head count is always higher than
21 FTEs. So, that number is quite a bit higher than 6.

22 The second is that that excludes all those
23 that are ineligible, and that includes staff such as
24 temporary staff, contractors, obviously, including
25 staff that have joined during a fiscal year, those
26 that have been on leave during a fiscal year, would be

1 excluded. And so the number is significantly higher
2 than that.

3 **Proceeding Time 9:28 a.m. T6**

4 MS. KHAN: Q: But still about 99 percent of employees
5 received some form of bonus payment?

6 MR. HALE: A: That would be correct. And again, as
7 against industry that figure would be 97 percent.

8 MS. KHAN: Q: And when you say an industry figure, is
9 that auto insurance, the auto insurance industry?

10 MR. HALE: A: No, it's general compensation data
11 collected by the Conference Board of Canada Data 2014
12 Compensation Outlook. Canadian data.

13 MS. KHAN: Q: Can you explain that a bit more? So
14 General Compensation Data Outlook. What employers are
15 surveyed for that?

16 MR. HALE: A: That would be general industry across
17 Canada, and the names of the employers are never
18 listed within a given survey. So it's just general
19 survey data collected by the Conference Board of
20 Canada, which is one of the, I guess, premier sources
21 of information within Canada for compensation data.

22 MS. KHAN: Q: And it's a select group of employers? I
23 assume its not all employers who are surveyed.

24 MR. HALE: A: Correct.

25 MS. KHAN: Q: It's some employers.

26 MR. HALE: A: That's correct. It's a sample size.

1 MS. KHAN: Q: It's a voluntary survey?

2 MR. HALE: A: I assume so. That would be an assumption
3 on my part.

4 MS. KHAN: Q: Okay, and do you know whether it covers
5 public employers and private employers?

6 MR. HALE: A: It's a general industry survey, so I
7 would assume it does. It's a broad survey in nature.
8 I think that if you were to take public sector, those
9 that have similar schemes, I think that you would find
10 very similar data to ICBC, and in fact in my
11 experience ICBC has quite a rigorous program of
12 incentive pay, certainly increasing in rigour in the
13 very recent past including changes that have been made
14 as of 2014.

15 MS. KHAN: Q: So I understand that when I was listening
16 to your panel's opening comments, I think I heard, and
17 please correct me if I'm wrong, that because ICBC
18 basic insurance isn't driven by profit as private
19 insurers are, ICBC basic is able to pay out more in
20 claims costs. Is that an accurate restatement?

21 MS. PRIOR: A: Ms. Khan, what I was referring to is I
22 was talking about for every premium dollar that comes
23 in, if you look at the standard industry ratios you'll
24 see that proportionally ICBC pays out more of each
25 dollar in claims and related type costs. So for
26 getting people well, we include in there road safety

1 program work that we do because it is to benefit and
2 handle and try and manage the claims costs down. So
3 yes, I'm referring to basically as a proportion out of
4 every dollar that comes in.

5 MS. KHAN: Q: So a larger proportion of the policy
6 dollar that comes in is used to pay out claims costs.

7 MS. PRIOR: A: Yes, that's correct, and the way that
8 industry segregates that is basically what's used to
9 pay out for claims and to get claimants well, fix
10 their vehicles and whatever. And the other proportion
11 of the premium dollars is considered around basically
12 operating type expenses and paying for commissions or
13 broker fees et cetera.

14 MS. KHAN: Q: But these added claims costs are
15 resulting in significant increased basic insurance
16 rates for policy holders, and the prognosis for the
17 foreseeable future at least is that rate increases are
18 going to continue.

19 So given the current and pending rate
20 increases, how is your current bonus structure tied to
21 rewarding management and unionized employees for
22 reducing ICBC's claims costs and operating expenses?

23 **Proceeding Time 9:32 a.m. T07**

24 MR. HALE: A: If you'd just allow me to find the
25 reference.

26 So, if we refer to BCUC Round 1, IR 123.1,

1 and attachment A of that -- yeah, that's the one. So
2 just to -- sorry, just to clarify your question,
3 you're asking how the incentive payments incent
4 performance toward --

5 MS. KHAN: Q: Reducing claims costs and operating
6 expenses.

7 MR. HALE: A: Got it. So, what you find at Attachment
8 A is the high-level corporate plan goals for the
9 incentive program. This applies both to management
10 group employees as well as bargaining unit employees
11 for the fiscal year 2013. And so what you find here
12 is a number of corporate objectives that are centered
13 around the high-level corporate plan for the year.
14 And if you look to combined ratio and net income, and
15 to a more limited extent some of the transformation
16 program goals, and what we find is combined ratio is
17 the overriding -- and I'm going to let finance jump in
18 here, but combined ratio is the overriding ratio
19 that's used in the insurance industry, and it measures
20 a number of different ratios within it, including a
21 ratio that is focused on claims costs. And a ratio
22 that is primarily focused on operating expenses. And
23 the combination of those two worked up into the
24 combined ratio ensures that the entire corporation is
25 focused in those two areas.

26 And then net income also has components of

1 that, combined with the investment portfolio and the
2 -- between all of those things, this ensures that our
3 management and bargaining unit staff are very focused
4 on reducing operating costs, reducing claims costs,
5 and increasing investment returns to offset.

6 MS. KHAN: Q: Thank you. They're very high-level
7 goals. Do you have any plans to create more detailed
8 goals that could be tied to incentive payments?

9 MR. HALE: A: Yes. So, a couple of things. On a
10 prospective basis, we are looking at a refinement of
11 these for 2014, as we all know, that bodily injury
12 costs and severity is now a focus. And so as we look
13 forward, we are looking to increase focus on that
14 particular aspect. That's the first point.

15 The second point is that this is the part
16 of the incentive plan that is the corporate portion.
17 Every individual at ICBC has an individual performance
18 plan, and within that performance plan they have
19 individual goals, and the intent of the plan is that
20 each of those goals to some extent feeds up into the
21 broader umbrella goals. And so what you would find in
22 a given portion of the organization, particularly for
23 those responsible for bodily injury costs, we would
24 find that the roles cascading downward from the vice-
25 president down to BI adjusters themselves would have
26 goals that help support the targets that are set at a

1 corporate level for the year. Those may be bodily
2 injury targets. They may be customer satisfaction
3 targets or other performance-type measures that are --
4 that the Commission would be familiar with.

5 And depending on the role, accountability,
6 and their influence of those, that's what their
7 incentive to achieve, and then that would feed into
8 the overall achievement of these higher-level umbrella
9 goals.

10 MS. KHAN: Q: Will you be filing those -- the planned
11 changes to the bonus payment structure? Will you be
12 filing those as part of the 2014 revenue requirements
13 application?

14 MR. HALE: A: To 2014? Yes.

15 MS. KHAN: Q: Because I assume they're not ready yet,
16 but --

17 MR. HALE: A: That's correct.

18 MS. KHAN: Q: Okay.

19 MR. HALE: A: They're not approved for 2014, but yes,
20 we will be filing them.

21 MS. KHAN: Q: So we'll be able to look at the changes
22 from the current structure.

23 MR. HALE: A: Yes.

24 **Proceeding Time 9:05 a.m. T2**

25 MS. KHAN: Q: Okay. I have some questions about
26 performance measures and it may be that I should have

1 put these questions to Panel 1, so I'll try them out
2 and see how it goes.

3 Now, I don't think you need to turn to this
4 IR but I'll set out the question first. Or I'll set
5 out the background. So as set out in your response to
6 BCPSO 2.10.1, ICBC's customer satisfaction survey that
7 provide information on an injury claimant's recent
8 claim -- or sorry, provide information on an injury
9 claimant's recent claims experience with ICBC, these
10 surveys don't include those opting for legal
11 representation. And the survey questions result in
12 the claims services satisfactions for on your
13 performance measures results.

14 And then as further background, in response
15 to Commission IR 154.1, I think that's IR 2, 154.1,
16 ICBC said that the legal representation rate shouldn't
17 be relied on on its own to measure service quality.

18 So now we appreciate that the legal
19 representation rate is the result of many factors.
20 However, as noted in your response to BCPSO's IR No.
21 2.10.2, a customer who has opted for legal
22 representation could be either satisfied or
23 dissatisfied.

24 Given that response, is it reasonable to
25 think that at least some proportion of represented
26 claimants includes dissatisfied customers?

1 MS. PRIOR: A: So, sorry, I would just like to clarify
2 the questions. So you're saying 00 are you asking
3 that some proportion of customers who would be
4 classified as -- you mean in the survey work?

5 MS. KHAN: Q: Yes, who'd be classified as legally
6 represented. So some customers who have opted for
7 legal representation could either be satisfied or
8 dissatisfied. That was your response to our IR 10.2.
9 So given that response, is it reasonable to think that
10 at least some proportion of people who have opted for
11 legal representation include dissatisfied customers of
12 ICBC? Or dissatisfied claimants.

13 MS. PRIOR: A: Yes. So I think, I mean in general I
14 think people that -- some people that have opted for
15 legal, it's fair to say they would be dissatisfied or
16 have been dissatisfied with the service. But just to
17 clarify, when we do our survey results, we can't
18 contact people that have legal representation. So
19 everything is done through the lawyers in those cases,
20 so we wouldn't survey them. So that wouldn't be in
21 our survey result.

22 MS. KHAN: Q: Right. No, I understand that they're not
23 surveyed and that you don't think that it would be
24 appropriate to survey them, because I think you dealt
25 with that. I'll come back to that in a moment.

26 MS. PRIOR: A: Ms. Khan, if I could just clarify, I

1 don't think it's inappropriateness of surveying. I
2 think they're actually -- and I'm not the expert on
3 this and I'm sure there are lawyers in the room that
4 could define this a lot better than I, but my
5 understanding is that once a customer is legally
6 represented, we do go through the lawyer for all
7 further contact. We are not to contact the customers.

8 MS. KHAN: Q: Right.

9 MS. PRIOR: A: So therefore it's not even an option for
10 us.

11 MS. KHAN: Q: Right. How about after the claim has
12 been closed? So after the case is resolved?

13 MS. PRIOR: A: I am not actually sure, certain of
14 whether we could or could not at that point.

15 **Proceeding Time 9:42 a.m. T09**

16 MS. KHAN: Q: Okay. I would like to take you to BCPSO
17 IR 2.10.5. So here we have a chart showing the actual
18 claim service satisfaction and accident benefits only
19 satisfaction, together with the legal representation
20 rates and, you know, with the exception of, I think,
21 2009, in claims services satisfaction, these three --
22 the three series of results are going up. So in fact
23 as the number of people who are opting for legal
24 representation increases, the number of -- sorry. The
25 score for ICBC's claims satisfaction goes up. Do you
26 agree with that?

1 MS. PRIOR: A: I would agree that the lines on the
2 graph indicate that all three lines are heading
3 upwards, yes.

4 MS. KHAN: Q: And would it be fair to say, then, that
5 one of the factors why the -- why ICBC's claim
6 satisfaction survey results are going up is because a
7 smaller proportion of claimants are being probed for
8 -- are being asked, or surveyed, about their claim
9 satisfaction.

10 MS. PRIOR: A: I think you have to -- and I'm not sure
11 which IR had it in there, but on the claims survey
12 that we do, we're surveying about 100,000 of our
13 claimants a year. So, the fact that a portion of them
14 are getting represented and maybe a slightly higher
15 proportion are getting represented, I still think we
16 have a fair sample of customers in the mix. I'm not
17 sure I would draw that conclusion, Ms. Khan.

18 COMMISSIONER REVEL: May I clarify? In terms of
19 responses, this is not a mandatory response.
20 Presumably they get a questionnaire and they choose
21 whether they wish to respond, is that correct?

22 MS. PRIOR: A: Actually, they are telephone surveys,
23 sir.

24 COMMISSIONER REVEL: Oh, okay. Thank you.

25 MS. KHAN: Q: I have a few questions about road safety.
26 Those were easy, weren't they? Okay. So, I'd like

1 you -- if you could turn to BCUC IR 1.12.1.

2 So, in that IR response, you state that a
3 number of projects or events were candidates for
4 prospective adjustment in policy year 2013, but were
5 rejected by ICBC. And those include the taxi
6 technology project, service provider agreement,
7 enhancement of current road safety programs, and the
8 commercial vehicle safety and hazard management
9 programs. I understand that from the response that
10 these were excluded because the pre-implementation
11 studies that would be used to estimate their impact on
12 claims costs haven't yet been completed.

13 When will those studies be completed?

14 MR. DICKINSON: A: My understanding with prospective
15 adjustments is, that is when something is occurring
16 that is going to be beyond the norm in terms of
17 expected impacts. And one example I would say is the
18 -- with the taxi technology pilot, it's only a sample
19 size in that actual pilot of 200 taxicabs that we're
20 using. So the impact of that would not be material to
21 costs in calculating any prospective adjustments.

22 The same would go, I think, for the
23 enhancement of the current road safety programs.
24 We're continuously trying to improve our road safety
25 programs. So there is nothing specifically that would
26 be new that we have identified that would dramatically

1 change the prospective look. And I think the same
2 would go for the other items there as well.

3 MS. KHAN: Q: Okay. So there is nothing new in the
4 works on those four road safety related projects. Or
5 programs.

6 MR. DICKINSON: A: Just to clarify, things are
7 proceeding, but in terms of whether or not there will
8 be a prospective impact is unlikely.

9 MS. KHAN: Q: Can you explain what you mean by
10 prospective impact? I'm not sure that I really
11 understand.

12 **Proceeding Time 9:48 a.m. T10**

13 MS. PRIOR: A: Maybe I'll explain what a prospective
14 adjustment is.

15 So generally when we have programs or
16 changes in the environment that come in, where the
17 information is known and it's flowing through the
18 data, it obviously gets picked up. Sometimes if we're
19 doing something, and I'll use an example like the
20 intersection safety camera, where we have the program
21 existing and then we expanded that program. So we
22 basically knew from other jurisdictions as well as our
23 own experience in B.C. what we could expect out of
24 those benefits.

25 Where we're able to measure something and
26 we have some certainty of the outcome of it, that's

1 when it gets picked up, and actuarially they will add
2 it as a prospective adjustment. In other words they
3 will take their existing trends and they'll make a
4 specific adjustment to account, for example,
5 additional benefits out of intersection safety cameras
6 that might overlap the policy year that we're looking
7 at.

8 So there are other programs that have less
9 certainty, and so there were a number of programs we
10 looked at, and frankly, we recalled across two
11 ministries et cetera to try and figure out and get
12 information about them. We didn't have enough
13 certainty or data as to what the impact would be on
14 the claims costs. And so for those we would not
15 include them in prospective adjustments. They have to
16 have some certainty in terms of timing, known
17 benefits, that sort of thing, before we'd include them
18 in. It's not just guesswork.

19 MS. KHAN: Q: In your response to BCUC 12.1.1, you say
20 "that no road safety or driver licensing control
21 projects were identified by ICBC as being expected to
22 have a significant incremental impact on claims costs
23 or savings during policy year 2013". Why weren't you
24 able to identify any such projects that might have an
25 impact? Like, I assume that this is something that
26 your road safety department is constantly looking at

1 and constantly trying to develop new programs to
2 reduce claims costs and improve road safety, so I'm
3 just wondering why weren't any new projects in those
4 areas identified?

5 MR. DICKINSON: A: Could you repeat that reference
6 please, because I think I have the wrong one here.

7 MS. KHAN: Q: Sure. 12.1.1 BCUC.

8 MS. PRIOR: A: 12.1.1?

9 MS. KHAN: Q: Yes.

10 MS. PRIOR: A: Just give us one minute please.

11 MS. KHAN: Q: Sure.

12 MS. PRIOR: A: Give me one second to read this.

13 Sorry, Ms. Khan, can you please repeat the
14 question?

15 MS. KHAN: Q: Sure. So there in the response it says
16 that "no road safety or driver licensing control
17 projects were identified by ICBC as being expected to
18 have a significant incremental impact on claims costs
19 or savings during policy year 2013. Why weren't you
20 able to identify any such projects? Because I assume
21 that this is something that your road safety
22 department is constantly looking at to figure out what
23 new projects can we bring in to reduce claims costs.

24 MS. PRIOR: A: So, as I think -- as I mentioned, and
25 may be Mr. Dickinson would like to add to this
26 comment, but when we have road safety programs that

1 we're doing, as soon as we introduce them, we would
2 not necessarily automatically say here's the savings
3 we are estimating based on what we think it's going to
4 be unless we have some evidence from either other
5 jurisdictions on their success or whether we have some
6 certainty because we had previous experience of the
7 program.

8 So that's kind of a general -- there are
9 other tests that go with it, but that's kind of a
10 general rule that we use. So it's not just purely
11 speculative in nature. So often when programs come
12 in, we do have measurement criteria around that, and
13 once we start to be able to measure it, even if it's
14 not showing up in the trends because it was maybe
15 introduced only a year ago, we might make a
16 prospective adjustment at that point in time.

17 So in the way the actuaries do their work,
18 they do look at a longer period of time than just the
19 past year or two years. So that's why we might make a
20 prospective adjustment on something where we are able
21 to measure the benefit. Where something is new coming
22 in within the year, often we don't have the
23 measurement or baseline and able to quantify what that
24 adjustment would be if there is going to be a positive
25 benefit. It takes some time for that to come in and
26 you can see it in the numbers.

1 the ideal situations. But in many cases, in many
2 cases we can't.

3 COMMISSIONER REVEL: So you don't have a baseline very
4 often from which to compare.

5 MR. DICKINSON: A: That's right. That's -- you want to
6 establish a baseline to be able to have a credible
7 assessment of how the program worked.

8 One thing I would like to add, because I
9 think, Ms. Khan, this is where you were going with
10 part of the aspect of the question is, what is road
11 safety doing in terms of the fact that we have what I
12 would say, a little bit of -- not a crisis, but this
13 is a significant rate indication that is at play here.
14 And so we're very concerned about our approach and how
15 the contribution road safety can make, particularly to
16 the BI frequency issue.

17 So a little bit of context, I think, just
18 briefly, is we're refocusing the road safety
19 department in terms of the BI frequency issue. So
20 we've conducted a review over the past year of all our
21 programs to say, "How can we better align the road
22 safety programs -- and this is everything -- to the BI
23 frequency issue?"

24 So working with the advanced analytics team
25 at ICBC we've been digging into our data to see what
26 are, say, some common crash configurations that might

1 be causing these accidents, or crashes, and what other
2 -- what common injuries are arising from this? And
3 then we can make adjustments to our programs, such as
4 even it could be as simple as in our advertising, if
5 we know that rear-enders at intersections are a common
6 cause of BI crashes, then we can put that crash
7 configuration or advertising to show, actually show a
8 rear-ender, and get that message across, and have it
9 influence our advertising.

10 There are also things we can do in terms of
11 reallocating money within tactics, within our road
12 safety portfolio, such as putting more emphasis on
13 head restraints, to prevent soft tissue injuries.

14 We're also looking at engineering solutions
15 in our road improvement program, to prevent rear-
16 enders, say at intersections such as dedicated right-
17 turn lanes, roundabouts, better signal visibility,
18 maybe even surface treatments. If rear-enders are at
19 intersections are a niche, as we believe we've
20 identified, maybe non-slip surfaces are a relatively
21 inexpensive way to help people stop. But this is
22 where also where the distractions and the smart phone
23 issue comes in as well, as why are people having rear-
24 enders at intersections? Is it because they're
25 checking their smart phones, or they're not paying
26 attention, or they're distracted?

1 And finally, one thing we're looking at is
2 putting a little more emphasis on pedestrians and
3 cyclists, and countermeasures, information,
4 communications, and even again engineering solutions
5 such as dedicated bike paint, and differentiating bike
6 lanes from roads.

7 So we're looking at refocusing really the
8 entire road safety portfolio.

9 Now, back to where we started with all
10 this. That doesn't necessarily mean a prospective
11 adjustment, because you're not dramatically changing
12 things. But you're bringing the -- infusing into the
13 road safety department continuous improvement. So
14 that as the data comes more clear -- and there are no
15 silver bullets, you know. We desperately would like
16 to find a silver bullet, and here is the one thing
17 that's causing this frequency issue, but I think as we
18 have heard, there are a number of different factors.
19 So we're working harder, and we're continuing to work
20 over the year with the advanced analytics team to see
21 what else is there, what other trends might be
22 emerging, what other things can we do to respond to BI
23 frequency? Because nobody at ICBC wants to raise
24 rates.

25 MR. GHIKAS: Mr. Chairman, if I can just add, prospective
26 adjustments, there is a section in the application

1 that deals specifically with prospective adjustments.
2 It's actually in the actuarial exhibits, and it's --
3 the exhibit set is -- so it's Chapter 3, exhibit sets
4 E-1 to E-6, and the rules around when you can and
5 cannot include prospective adjustments are actually
6 dictated by actuarial practice.

7 So, in a perfect world, these questions --
8 the degree to which they relate to how they get
9 recorded in the rate indication would actually have
10 been put to panel 1, when the actuaries are sitting on
11 there. But obviously the road safety people can speak
12 to the operational issues of what they're doing and
13 how they're assessing things. But I just wanted to
14 draw it to your attention that this is set out in
15 detail, the process and the specific issues that they
16 have with respect to these large projects and how you
17 evaluate a baseline and things like that. So that's
18 all addressed in the application.

19 THE CHAIRPERSON: Thank you, Mr. Ghikas.

20 MS. KHAN: Q: What is the investment rate of return for
21 intersection safety cameras?

22 MR. DICKINSON: A: We have seen, with the intersection
23 safety cameras, a 5 percent savings in claims costs,
24 according to the study we did a few years ago.

25 MS. KHAN: Q: So with that return, I understand that
26 there are about 140 intersection safety cameras

1 operating in B.C.?

2 MR. DICKINSON: A: That's correct.

3 MS. KHAN: Q: Do you have any plans to expand the
4 intersection safety camera program?

5 **Proceeding Time 10:00 a.m. T12**

6 MR. DICKINSON: A: We're in the midst of an evaluation
7 of the intersection safety program where we're going
8 to look at the results, we're going to recheck the
9 rate of return, and we expect the results of that
10 evaluation to be known around mid-year. And at that
11 time we will look at evaluating seeing if anything
12 different should be done.

13 MS. KHAN: Q: Okay. So currently you're not planning
14 any further upgrades but you're doing the study and
15 potentially some additional cameras might be installed
16 as a result.

17 MR. DICKINSON: A: I can't comment if there will be
18 additional cameras, but the evaluation study will give
19 us an update in terms of how the program is
20 progressing.

21 MS. KHAN: Q: And will that be ready for filing with
22 the 2014 revenue requirements application?

23 MR. DICKINSON: A: I can't guarantee that. The study
24 has been delayed. We have seen some other factors
25 crop up in the data that we'd like to explore. So I
26 can't guarantee that it'll be ready for the 2014

1 filing.

2 MS. KHAN: Q: Okay. That might be ready during the IR
3 process in that proceeding.

4 MR. DICKINSON: A: Possibly.

5 MS. KHAN: Q: Okay. Are you aware of whether there's
6 been an uptake on dashboard cameras in B.C.?

7 MR. DICKINSON: A: Dashboard cameras, I'm not aware of
8 or I haven't seen anything recently on dashboard
9 cameras.

10 MS. KHAN: Q: Okay. There was an article, I actually
11 didn't print it, but there was an article I think in
12 the *Sun* last week talking about increased use of
13 dashboard cameras in B.C. But you're not aware of
14 that.

15 So I would assume then you're not aware of
16 whether a greater percentage of drivers may be poised
17 to start installing dashboard cameras in their
18 vehicles.

19 MR. DICKINSON: A: I wouldn't know. I wouldn't be
20 surprised with the technology that we're seeing used
21 in vehicles, I would be surprised to see that.

22 MS. KHAN: Q: Do you think that dashboard cameras are a
23 useful tool in dealing with fraud related to claims?

24 MR. DICKINSON: A: Well, I think any additional
25 evidence that a dashboard camera might present would
26 be effective. I do know, having seen -- well, in

1 Russia, for example, the prevalence of dashboard
2 cameras, they are everywhere and they help record who
3 might be responsible or if there's something untoward
4 going on. YouTube is full of videos from Russia with
5 dashboard cameras and crashes.

6 MS. KHAN: Q: Okay, so then I'd like to take you to
7 Attachment A of BCUC IR 1.116.2. That's the Road
8 Safety Annual Report for 2012.

9 Actually before we turn there, sorry for
10 that, I'd like to first take you to Exhibit C2-4 which
11 was filed I believe by Mr. Adair, and this is an
12 article called "Police Targeting Distracted Drivers in
13 February" and it's dated January 31st, 2014. Okay. So
14 in that article it says that distracted -- one of the
15 paragraph states:

16 "Distracted driving remains the third
17 leading cause of fatal crashes in B.C.,
18 trailing behind speed and impaired driving.
19 On average, 91 people are killed each year
20 in B.C. due to driver distractions such as
21 using a handheld electronic device behind
22 the wheel."

23 How do ICBC and the police know that driver
24 distraction led to 91 people being killed on the roads
25 in B.C.?

26 MR. DICKINSON: A: Well, that is police data. So the

1 police investigate all fatalities in B.C., and police
2 in their best judgment determine whether or not
3 distractions was a causal factor in the crash.

4 MS. KHAN: Q: Okay, so it's a causal factor. It's not
5 necessarily related to a conviction for -- I think
6 under the *Motor Vehicle Act* for distracted driving.

7 MR. DICKINSON: A: No, that's right. It's a causal
8 factor of a fatality.

9 MS. KHAN: Q: Okay. So if using a personal electronic
10 device increases the chances of getting into an
11 accident by about 23 times -- I think Mr. Loach on
12 Panel 1 confirmed that, or that that is one of the
13 statistics out there -- are there any plans to link
14 the use of personal electronic devices to a potential
15 breach of insurance should an accident flow from the
16 use of that personal electronic device?

17 MR. DICKINSON: A: Okay. This may be a good
18 opportunity to provide some context. There have been
19 a lot of questions about smart phones and distracted
20 driving. So I think it would be helpful to provide a
21 bit of background. And I'll refer you all to the IR
22 BCUC 2000 and 200 -- 203.2. I'll repeat that. This
23 is the second round of IRs, 2013.2 BCUC 203.1. And
24 essentially in that IR we -- oh, thank you. Yeah,
25 203.2 BCUC, second round.

26

Proceeding Time 10:05 a.m. T13

1 MS. KHAN: Q: Thanks.

2 MR. DICKINSON: A: So just to level set a little bit,
3 we've done a fair amount of work under our corporate
4 bodily injury strategy around distracted driving as a
5 potential offsetting piece of the BI frequency curve
6 there. And so we've been doing a fair amount of work
7 and our thinking has progressed a fair amount since
8 the first round of intervenor requests. We had a lot
9 of questions about this and a lot of constructive
10 suggestions as well.

11 So what I'd just like to re-emphasize is
12 that we are in the early stages of reviewing
13 initiatives to reduce PEDs. That work will include
14 reviewing available research, examining the experience
15 in other jurisdictions, collaborating with interested
16 stakeholders and enhancing possibly education
17 awareness activities focussed on the use of PEDs.

18 So as an update to that, and I'll get to
19 your question just in a moment, Ms. Khan, we're
20 looking at -- we've done a fairly thorough -- or are
21 in the process of a thorough review of the literature
22 work that's out there about evaluations around this
23 issue. We're also doing work within our own data to
24 see if we can determine the scope and the size of what
25 the issue of smart phones and distracted driving
26 represent among all crashes. Fatal, we've talked a

1 fair amount here about fatal collisions, but those are
2 .1 percent of all collisions. We want to see what's
3 really driving frequency on the bodily injury side and
4 with respect to injury costs and frequency.

5 So we know that in best practices, global
6 best practices, the best way to reduce any type of
7 crash is a three-pillar approach, and you don't have
8 to turn to this, but this is from the World Health
9 Organization. We referenced in IBC 23.1 in the first
10 round. But the three pillars are essentially a
11 combination of legislation, the second one is
12 enforcement and the third one is social media or
13 education and awareness.

14 So in the legislation side, what we are
15 doing on all three of these pillars is we are
16 documenting the various options that we may have at
17 our disposal to take action with respect to this
18 issue. Now, with legislation -- we don't make
19 legislation, of course, but the various range of
20 options can go from the existing legislation which was
21 brought in in 2010 all the way through, and I think
22 coverage -- getting to your question -- is on the little
23 bit of the more extreme end. And in between we can
24 have a range of fines, points, sanctions. The police
25 in B.C. have made open calls for impoundment of either
26 the car or the vehicle. And then I think at the very

1 end an option is possibly coverage, which is a very
2 serious option, because the consequences of breach can
3 be very severe.

4 If the government or legislation decides to
5 make it a coverage issue, then that means, of course,
6 if you were in breach of your insurance because you
7 were using a PED while you were driving, that means
8 you could be responsible for all the costs of a crash,
9 you could lose your personal assets, your house, your
10 car. And so that's a little bit more on the extreme
11 side.

12 But we are documenting that as a possible
13 option to deal with this issue.

14 Now, on the enforcement side, we've heard,
15 or in the evidence there is a second campaign on and
16 it's picking up a fair amount of media attention, even
17 this morning. As part of the memorandum of
18 understanding, we're doing a distracted driver, or the
19 police are doing a distracted driver pilot where they
20 are taking a corridor in B.C. which I won't name, and
21 having another control corridor and they are going to
22 do enhanced enforcement of distracted driving to see
23 what kind of impact that might have. So we are going
24 to have some study material by the end of the year
25 which will be helpful.

26 Also on the enforcement front, the RCMP are

1 taking a more strategic view around enforcement and
2 they are working on mapping. So they will take ICBC's
3 crash data and they'll also take the violations and
4 the location of the violations, and they are going to
5 match the two to see whether or not violations are
6 occurring where the crashes are actually occurring.
7 And so the police will be able to do a more strategic
8 view of their enforcement, which is very encouraging.

9 The final or third pillar is around social
10 media and education awareness, and that's where TREAD
11 and Mr. Weisberg made some suggestions in terms of
12 working with telecommunications companies. There is
13 possible stakeholder strategy here that we are going
14 to be developing around how we work with the
15 telecommunications companies, how do we work with
16 others, because this isn't necessarily just an ICBC
17 issue, this is an industry issue and maybe even beyond
18 industry.

19 We've been seeing commercials from the
20 States from the telecommunications companies around
21 distracted driving down there.

22 And then finally the technology, work
23 around technology. Technology got us into this
24 situation with electronic devices, could technology
25 get us out of it with apps that can block calls, with
26 apps that can send a message back to the person trying

1 to communicate with you saying, "I'm driving right
2 now, I can't take your message." And essentially
3 ICBC, what is our role in this. Do we partner with
4 one of these app companies? Do we get into the app
5 business ourselves. We need to map this work out.

6 So that's what we are going to be doing
7 over the next few months, is laying out our options,
8 continue to explore evidence of what works, because
9 one of the big challenges with the smart phone and
10 distraction measures is what counter-measures actually
11 work.

12 **Proceeding Time 10:11 a.m. T14**

13 The evidence around there about a cell
14 phone ban, whether or not it works or not, there is
15 evidence that suggests it reduces usage, and people
16 using it. But the link to actually causing a crash is
17 unclear. So when we look at this range -- and, Ms.
18 Khan, when we consider coverage, we need to continue
19 to work to see -- to make that link, to say if we do
20 this, with distracted driving and smart phones, if we
21 do X, then Y will occur in terms of reducing claims
22 costs and reducing rates. And so over the next few
23 months we're going to laying out those options, and
24 we've committed an update to the Commission in the
25 second round. We've made that commitment in TREAD
26 19.1.

1 MS. KHAN: Q: Great. Sorry, go ahead.

2 MR. DICKINSON: A: No, that's -- end of speech.

3 MS. KHAN: Q: It was a good speech. It was very
4 informative.

5 MR. DICKINSON: A: I think I was ready to burst during
6 the first panel there when these questions came up, so
7 thank you for the question.

8 MS. KHAN: Q: Yes. And obviously the -- you know, ICBC
9 is attributing a larger portion of increased claims
10 costs to driver distraction, so hence the interest
11 from interveners on this issue.

12 Now, I see in your -- the 2012 road safety
13 report, which is at BCUC 1.116.2, attachment A. Page
14 37 of that report sets out the budget for road safety
15 programs.

16 MR. DICKINSON: A: Yes, I have it.

17 MS. KHAN: Q: Now, we were struck by the fact that ICBC
18 spent -- only spent about \$500,000 on driver
19 distraction programs in 2012, which is just a fraction
20 of the total amount of the \$47.8 million that were
21 spent on road safety programs generally. So, I assume
22 based on your previous answer that you're likely --
23 that the amount of resources devoted to driver
24 distraction or combating driver distraction is going
25 to increase. Is that fair to say?

26 MR. DICKINSON: A: Yes. For our planning for this

1 coming year, we're making adjustments as I mentioned
2 earlier within the road safety portfolio, so that we
3 can prioritize and focus a little more on what we
4 think are -- is causing the flattening of the curve,
5 the frequency curve.

6 MS. KHAN: Q: Okay. Not that we're encouraging a slush
7 fund for driver distraction, but certainly we think
8 that this is an area that's worthy of focus of
9 resources.

10 How much did ICBC spend in 2013 on driver
11 distraction programs?

12 MR. DICKINSON: A: We spent about 300,000 and as well,
13 as part of the MOU, we spent an additional -- well, we
14 didn't spend it, but our partners under the MOU, which
15 is the Ministry of Justice and police, spent an
16 additional 100,000.

17 MS. KHAN: Q: Okay.

18 MR. DICKINSON: A: One thing I'd just like to point out
19 is in considering the investment in distracted driving
20 is paid media and buying advertising is one thing, but
21 generating earned media, and generating stories, is
22 another thing. We've had a fair amount of success
23 with things like press conferences and news releases,
24 calling attention to this, and that generates radio
25 interviews and television interviews which -- you
26 know, there is -- I think you need to do both, but I

1 think there is a lot of value in the earned media
2 component, which doesn't necessarily have to cost a
3 lot of money.

4 MS. KHAN: Q: Okay, good. Well, that -- your reference
5 to the MOU with the Ministry of Justice leads into the
6 next few questions. So, at page 36 of that same road
7 safety report, it describes the enhanced road safety
8 enforcement program which is, I understand, the
9 program that you're referring to, between ICBC and the
10 provincial government to implement various road safety
11 initiatives related to traffic safety.

12 Now, it says -- I'm just trying to get a
13 sense of what those various road safety initiatives
14 are that are covered by the MOU. I just heard you say
15 that driver distraction is becoming one of those
16 issues. I assume impaired driving is another. Can
17 you describe what those various road safety
18 initiatives are, covered by the MOU?

19 MR. DICKINSON: A: Yeah. I think what would be better
20 is to frame this in terms of the components of the
21 MOU. And the vast majority of the MOU funding goes
22 towards police officers, the integrated road safety
23 units. I think that's about -- consists of about 18
24 or 19 million of the amount. And that works out to
25 about 180 police officers across the province. And
26 they are out there enforcing the top causal factors of

1 crashes as well. So it's not just distractions but
2 the top three causal factors are generally speeding,
3 impaired driving, and distracted driving.

4 Other components of the MOU are Impact,
5 which is the auto crime program. That's also resulted
6 in quite a decline in auto crime and theft of -- theft
7 from vehicles. But by far the majority is the traffic
8 component of it.

9 MS. KHAN: Q: And that's police -- funding for police
10 officers for their time spent on traffic enforcement
11 issues.

12 MR. DICKINSON: A: That's correct.

13 MS. KHAN: Q: So in the second paragraph on page 36,
14 it's -- the report states that

15 "The B.C. Ministry of Justice is responsible
16 for allocating funds to the various traffic
17 enforcement initiatives. According to the
18 description, a new three-year funding
19 agreement came into effect on April 1st of
20 2012. And the new agreement represents
21 annual budgets consistent with average
22 annual expenditures from previous years.
23 The new payment structure supports existing
24 levels of enhanced traffic enforcement and
25 improves planning, monitoring and
26 accountability."

Proceeding Time 9:05 a.m. T2

1
2 Now, I don't think that the MOU has been
3 disclosed in these proceedings, not -- I mean we
4 neglected to ask for it. Are you able to, as an
5 undertaking, disclose a copy of the MOU?

6 MR. DICKINSON: A: Actually it was filed and Ms. Prior
7 is just showing me the reference as Appendix 8E, Road
8 Safety MOU.

9 MS. KHAN: Q: Okay, thank you. Sorry for missing that.
10 Can you -- well, that probably deals with my remaining
11 questions but I'll ask in any event. So you spent
12 about \$24 million on the MOU in 2012. Does ICBC have
13 any say specifically in how the Ministry of Justice
14 allocates those funds? So for example -- well, if you
15 could answer that question first.

16 MR. DICKINSON: A: Yeah, as part of the oversight of
17 the MOU there is a governance council, and I'm a
18 member of that governance council. So I do have
19 oversight and ICBC has oversight in terms of how the
20 money is spent. What we don't have oversight for and
21 what we don't do is direct police resources, and
22 that's the reason why this MOU was set up in the very
23 beginning. It's because they didn't want -- the
24 government didn't want ICBC actually directing police
25 resources from -- as an insurance company.

26 MS. KHAN: Q: So when you say don't direct police

1 resources, so for example if the police set up a
2 roadblock, an impaired driving roadblock, for example,
3 and they decide to staff it with 12 officers when they
4 maybe only needed six officers, you wouldn't be able
5 to intervene in that decision.

6 MR. DICKINSON: A: Well, I think the best way to
7 consider this is before the MOU, ICBC would pay for
8 officers to go to certain locations at certain times,
9 or to set up counterattack road checks during
10 Christmas or what have you. So instead of ICBC
11 directing where the police officers and how many
12 should go, that is within the hands and the
13 jurisdiction of the police now.

14 MS. KHAN: Q: Okay. Now, the new MOU is supposed to
15 improve planning, monitoring and accountability
16 problems that existed prior to the current MOU coming
17 into force. What were the planning, monitoring and
18 accountability problems that the current MOU seeks to
19 address?

20 MR. DICKINSON: A: Well, one of the primary additions
21 to the current MOU is evaluations and evaluating the
22 effectiveness of the program. I think that may have
23 been missing in the past. So that's probably one of
24 the primary things. And in addition the governance
25 council that I spoke of that didn't exist before.

26 There, I think I'm good.

1 MS. KHAN: Q: Okay.

2 MR. DICKINSON: A: Does that answer your question?

3 MS. KHAN: Q: Yeah, I think that does. So in other
4 words you were having some problems with -- was it
5 just evaluating the programs or was it also problems
6 around accountability?

7 MR. DICKINSON: A: Yeah, I don't think it was
8 specifically problems around that, actual operational
9 problems, but rather how can we best show value for
10 the program.

11 MS. KHAN: Q: Okay. I'll give your throat a break and
12 ask a question of a different panel member.

13 I'd just like to turn to your undertaking
14 response number 1 to BCPSO, which is Exhibit No. B-15.
15 This is in relation to the organized fraud
16 investigations.

17 MS. PRIOR: A: Yes, we have that.

18 MS. KHAN: Q: Thank you. Now, it talks about having --
19 that you've completed about -- or closed about ten
20 organized fraud investigations. How much did each of
21 those investigations cost, just in rough terms?

22 MR. LEONG: A: You know, I don't have specific costs
23 for those particular ten cases, but what I can say is
24 that the total cost of an SIU unit in 2013 is about \$7
25 million cost. In addition, there are a number of
26 other areas of ICBC that support fraud that we can't

1 quantify in terms of the detection and the assistance
2 of fraud investigation. They're either claims
3 adjusters, internal audit, corporate law. And finally
4 I think in our claims costs in the allocated loss
5 adjustment expenses, there is about another six and a
6 half million that was spent in 2013.

7 **Proceeding Time 10:23 a.m. T16**

8 MS. KHAN: All right, I think those are our questions,
9 thank you very much.

10 MR. MILLER: Mr. Chair, I note the time. We are close to
11 the break. This might be convenient as we'll be
12 moving into a new cross-examiner.

13 THE CHAIRPERSON: Yes, why don't we do that. We will
14 adjourn right now and reconvene at twenty to eleven.

15 **(PROCEEDINGS ADJOURNED AT 10:23 A.M.)**

16 **(PROCEEDINGS RESUMED AT 10:44 A.M.) T17**

17 THE CHAIRPERSON: Be seated.

18 Mr. Ghikas, you're standing. That must
19 mean you have something that you want to pass on to
20 us.

21 MR. GHIKAS: Yes. Just one quick clarification of the
22 record. Before the break, there was a discussion
23 about the claim services satisfaction survey that was
24 done.

25 Ms. Prior, you indicated -- I believe you
26 referenced a sample size of 100,000. I understand

1 that the number is something different than that.

2 MS. PRIOR: A: The number is 10,000. My apologies for

3 the mistake.

4 MR. GHIKAS: Thank you. And if a reference to that is

5 required, just for the record, Chapter 9, page 9-5

6 deals with that specifically. That concludes my

7 business, Mr. Chairman.

8 THE CHAIRPERSON: Thank you.

9 MR. QUAIL: Good morning. I don't believe I've actually

10 personally introduced myself on the record in this

11 proceeding. I wasn't here when things commenced.

12 THE CHAIRPERSON: That's correct. So if you could do

13 that, please.

14 MR. QUAIL: My associate Ms. Worth -- I'm James Quail,

15 legal and regulatory director for COPE 378, which is

16 the union representing the bargaining unit employees

17 of this utility. I have just a few questions.

18 **CROSS-EXAMINATION BY MR. QUAIL:**

19 MR. QUAIL: Q: Can you please tell me approximately

20 what proportion in percentage terms of ICBC's total

21 revenue requirement is represented by the total

22 compensation cost of its employed work force, both

23 union and excluded? An approximate number is fine.

24 MS. PRIOR: A: Give me one second, Mr. Quail. Mr.

25 Quail, was that for total compensation for the --

26 MR. QUAIL: Q: Total compensation of the employed work

1 force. What proportion, roughly, of the total revenue
2 requirement are we talking about?

3 MR. LEONG: A: You're talking about just the bargaining
4 unit staff? Or the total --

5 MR. QUAIL: Q: Total -- that is both the bargaining
6 unit -- my follow-up question will be about the
7 bargaining unit, so you might as well bear that in
8 mind in your calculation.

9 MR. LEONG: A: That would be approximately 15 percent.

10 MR. QUAIL: Q: Fifteen percent. And what proportion --
11 same question -- specifically the bargaining unit
12 staff, total compensation as a proportion of the total
13 revenue requirement?

14 MR. LEONG: A: And that would be approximately about
15 ten and a half percent.

16 MR. QUAIL: Q: And I'm going to refer to a document,
17 but I don't think you need to turn to it, and that is
18 Exhibit B-13, which was the presentation we saw
19 yesterday, attached to the opening statement. And the
20 reference is panel 2, which is on slide 10 of the --
21 that is, the panel 2 presentation, slide 10. Which
22 indicates that 274 jobs were eliminated at ICBC as a
23 result -- or flowing from the government review. Is
24 that correct?

25 MS. PRIOR: A: Yes, we had a reduction of 274 positions
26 out of the organization.

1 MR. QUAIL: Q: Yes. And that includes both union and
2 excluded positions, I take it.

3 MS. PRIOR: A: Yes, that would include both.

4 MR. QUAIL: Q: And I gather that that reduction was a
5 major part of the operating cost reductions that are
6 also referenced in that presentation.

7 MS. PRIOR: A: It was part of the '11 and '12
8 reductions that came through, yes.

9 MR. QUAIL: Q: And again, I don't think -- you can turn
10 to it if you want, but slide 14 of the same
11 presentation indicates that the total impact of the
12 cost reductions -- operating cost reductions, is 0.6
13 percent of the revenue requirement. Is that correct?

14 MS. PRIOR: A: That is correct.

15 MR. QUAIL: Q: Which -- six-one-thousandths, basically,
16 of the revenue requirement was the total amount
17 achieved through all of the operating cost reductions.
18 Is that right?

19 MS. PRIOR: A: It's 0.6 percentage points.

20 MR. QUAIL: Q: Yes.

21 MS. PRIOR: A: So that's -- if you looked at that the
22 whole rate increase was 11 and a half, then this is
23 0.6, it brought it down quite a bit.

24 **Proceeding Time 10:49 a.m. T18**

25 MR. QUAIL: Q: Okay, and that represents the total
26 impact -- I'll leave it at that.

1 Now I have some questions arising from Ms.
2 Khan's questions about bonuses from earlier this
3 morning. And just for some clarification here,
4 focusing on the management and executive bonuses, is
5 it not the case that these individuals are subject to
6 individual scoring on a set of criteria that
7 determines their variable pay? Is that correct?

8 MR. HALE: A: That is responsible for a portion of the
9 pay. So I'm going to explain a bit about the
10 structure of the incentive framework. Depending on a
11 particular leader's role or level in an organization
12 will depend on how much the corporate component
13 accounts for their individual incentive. The more
14 senior executive have more influence over the
15 corporate portion. They have a broader portfolio that
16 they're responsible for. And so their incentive pay
17 is more heavily weighted toward the corporate portions
18 of the incentive pay.

19 Similarly, somebody in an administrative
20 role has less direct influence over the corporate
21 portion, and so they have a much greater weighting on
22 their individual component of the incentive pay.

23 So to the extent that a portion of the
24 incentive pay is related to the individual component,
25 there is a performance plan in place for each
26 individual and performance goals for that individual

1 which would be evaluated by that individual's manager
2 and would then go into the calculation of the
3 incentive payment for that individual.

4 MR. QUAIL: Q: Now, with respect to the bargaining
5 unit, this is a part what has been characterized as
6 bonus pay in the earlier questions, are a part of the
7 collective agreement, is that not correct?

8 MR. HALE: A: Yeah, I do want to take issue to the
9 continual referring to it as a bonus payment.

10 MR. QUAIL: Q: And one of the main reasons I want to do
11 is to clarify that.

12 MR. HALE: A: Okay.

13 MR. QUAIL: Q: So I'll give you an opportunity. If you
14 don't feel you've have an ample opportunity by the
15 time I'm done, feel free to pitch in. And this is in
16 letter number 10 to the collective agreement.

17 MR. HALE: A: Yes.

18 MR. QUAIL: Q: Which is part of the collective
19 agreement. Your answer is yes?

20 MR. HALE: A: Sorry. Sorry. What was the --

21 MR. QUAIL: Q: We were speaking over each other there
22 in terms of the transcript. The question is: This is
23 captured in letter number 10 which is appended to the
24 collective agreement.

25 MR. HALE: A: Yes, the gain sharing letter of
26 understanding, that's correct.

1 MR. QUAAIL: Q: Yes, and gain sharing is how this is
2 characterized in the collective agreement.

3 MR. HALE: A: Correct.

4 MR. QUAAIL: Q: And this forms a component of the
5 compensation package of the unionized work force, is
6 that correct?

7 MR. HALE: A: Yes, it does in this -- in the current
8 collective agreement, yes, it does.

9 MR. QUAAIL: Q: Okay. And the basic scheme of it is
10 that there is a variable amount ranging between zero
11 and 4 percent which is uniformly applied to the
12 bargaining unit, depending on corporate performance
13 standards.

14 MR. HALE: A: That is correct, and the objectives which
15 apply to the gain sharing program are the same
16 corporate objectives that apply at the corporate level
17 to the management framework.

18 MR. QUAAIL: Q: And this was freely negotiated between
19 ICBC and the union, was this not correct?

20 MR. HALE: A: Yes, it was.

21 MR. QUAAIL: Q: And those negotiations are subject to
22 the *Public Sector Employers Act of British Columbia*,
23 is that correct?

24 MR. HALE: A: Yes, they are.

25 MR. QUAAIL: Q: And settlements are governed on the
26 employer's side by the mandate that is defined by the

1 Public Sector Employers Council, is that correct?

2 MR. HALE: A: I'm sorry, just a point of clarification.
3 Settlements, in other words the management agenda of
4 that bargaining --

5 MR. QUAIL: Q: The Public Sector Employers Council
6 establishes a mandate which is essentially the target
7 for employers who are within the ambit of the Public
8 Sector Employers Council, is that right?

9 MR. HALE: A: Yes, that's correct.

10 MR. QUAIL: Q: And so we hear about what the pattern is
11 in the public sector from year to year. What we're
12 talking about there or what people are discussing is
13 the mandate defined by the Public Sector Employers
14 Council, is that right?

15 MR. HALE: A: That is correct.

16 MR. QUAIL: Q: And over the years there's a process of
17 give and take at the bargaining table between the
18 parties? Is that a fair characterization? I will not
19 let you get away with any kind of sort of cynical or
20 snide comments.

21 MR. HALE: A: No, the employee relations side of me
22 really wants to comment. But yes, that's a fair
23 characterization.

24 MR. QUAIL: Q: Mr. Hale, I'm being very restrained here
25 as well. We have other settings where, you know,
26 maybe, certainly civilized may be a little bit less --

1 less common.

2 MR. HALE: A: We meet again, Mr. Quail.

3 MR. QUAAIL: Q: Yeah. And in that process, employees
4 make gains and may agree to offsetting efficiencies
5 and savings that the employer is seeking, isn't that
6 correct?

7 MR. HALE: A: Yes, that's a fair comment.

8 MR. QUAAIL: Q: And the collective agreement, including
9 letter 10 on gain sharing, is the net result of all of
10 that process. Is that a fair characterization?

11 MR. HALE: A: Yes, it is.

12 MR. QUAAIL: Q: And if I haven't given you an
13 opportunity to make sure that any allusions are
14 dispelled that may have been left earlier this
15 morning, perhaps I'll give you an opportunity now.

16 MR. HALE: A: Yeah, I just think I would comment that
17 through media, other commentary, intervener reports,
18 there's a lot of misunderstanding around bonuses,
19 characterization of these payments. Incentive
20 payments drive individual accountability toward
21 specific goals. And if those goals aren't achieved,
22 then that component of that payment is withheld.
23 There is no component of payment when that isn't
24 achieved. And in fact in the gain sharing, there's
25 been years recently where about half of the payment
26 has been withheld because the achievement was not

1 reached. And so that's a real substantial difference
2 in a potential component of an individual's pay in a
3 given year, and so it's important to the Corporation
4 to ensure that we are meeting our financial
5 obligations, as well as other obligations in regard to
6 our corporate mandate and that is one part of how we
7 ensure achievement toward those financials, and the
8 gain sharing program is one component of that.

9 **Proceeding Time 10:56 a.m. T19**

10 MR. QUAIL: I have no other questions.

11 THE CHAIRPERSON: Thank you, Mr. Quail.

12 MR. LEONG: A: Mr. Quail -- Mr. Chair, if I may --

13 THE CHAIRPERSON: Hold on. Yes, Mr. Leong.

14 MR. LEONG: A: I do want to correct the percentage that
15 I gave you earlier --

16 MR. QUAIL: Q: Yeah?

17 MR. LEONG: A: -- on the total compensation. Those
18 were total compensation, not the basic portion. And
19 on a very high level, assuming a 67 percent split to
20 basic, the total compensation number that I gave you
21 of 15 percent should be about 10 percent. And on the
22 bargaining unit portion, which I had -- gave an
23 estimate of ten and a half percent, should now be
24 about 7 percent.

25 MR. QUAIL: Q: All right. And maybe just one little
26 question to make sure we're absolutely clear, that the

1 net impact of the 274 positions that were removed,
2 that were eliminated, formed a part of cost savings
3 which the sum total of which was the 0.6 percent
4 referenced in the materials.

5 MS. PRIOR: A: It was part of the 0.6 percentage
6 points.

7 MR. QUAIL: Q: Okay.

8 THE CHAIRPERSON: Just before you go, Mr. Quail, I would
9 like -- oh, you can go ahead.

10 COMMISSIONER REVEL: I will ask -- I would like to ask a
11 question based on both -- please proceed, if you wish
12 -- on Ms. Khan and Mr. Quail.

13 I am curious about this, the incentive pay
14 or whatever you call it now. I'm trying to get a
15 handle on the performance measures, Mr. Hale. Are
16 these soft performance measures or are they hard
17 performance measures that you can say exceed X dollars
18 and you get to keep 99 percent of it? Or whatever the
19 number happens to be. I'm not interested in the
20 number. But first and foremost, are they hard and
21 soft?

22 And when you initiated those for the first
23 time -- because I assume it's a reasonably recent move
24 towards performance pay, perhaps I'm wrong. Did you
25 set the salaries lower, and this is an earned part in
26 order to provide incentive, or was it above and beyond

1 what the salary was at the time it was instituted.
2 MR. HALE: A: Incentive pay has actually been in place
3 for a little over a decade.
4 COMMISSIONER REVEL: Okay.
5 MR. HALE: A: So it's been quite a long period of time.
6 In terms of the hard or soft distinction, there is a
7 mixture, and how we would characterize it is, those
8 that have an ability to be calculated, so numbers --
9 so for example if we refer back to attachment A of
10 BCUC 123.1, what we find here is a mixture. You've
11 got three of the corporate components that are
12 strictly numbers based. Strictly financial. You
13 either hit them or you don't, and there is an
14 iterative component to that. Very easy to measure,
15 and easy to set -- stretch into those targets, which
16 is set by the board of directors.
17 And then you see the last component being
18 one of more transformation program goals, which
19 include achieving the TP claims process and systems,
20 implementation by the end of a certain point in time,
21 with a high level of risk mitigation -- in other
22 words, low problems in the implementation occurring.
23 So that would be a bit more of a subjective measure,
24 as opposed to a numbered measure. But that would be
25 the mixture that you would find in any given part of a
26 plan.

1 COMMISSIONER REVEL: And to compute the reward, how do
2 you do that? In a sense. Can you elaborate on it a
3 little bit? Because it sounds like this is a mixture
4 of carrot and stick.

5 I mean, I think if I worked for you --

6 MR. HALE: A: Yes.

7 COMMISSIONER REVEL: -- could I sit down and negotiate a
8 very attractively low baseline from which I would
9 work, and get incentives?

10 MR. HALE: A: No. And so how it does work is a top-
11 down fashion. So, starting with the board of
12 directors ensuring appropriate governance and
13 oversight over the compensation program. I might add
14 that this is also in the context of the total
15 framework, from PSEC, Public Sector Employers'
16 Council, that sets compensation in the public sector.
17 So any structural program needs to be first approved
18 by them, and this has been in place for many, many
19 years, as I mentioned, including gain sharing in the
20 collective agreement, for about a decade if not longer
21 in the collective agreement. And so first there is
22 the structure.

23 Then within the structure there is the
24 incentive targets and goals, which are set at a high
25 level by the board of directors. And then it cascades
26 down. So individual leadership then sets their

1 employees' objectives. And in that fashion, we ensure
2 that there is rigour. Just recently in the process
3 that we've been undertaking for this year, for
4 example, there has been a number of different review
5 points to ensure that an individual's plan is rigorous
6 and in accordance with human resources requirements of
7 those plans.

8 COMMISSIONER REVEL: You've answered my question. I was
9 uncertain about how it worked, and I think you've
10 given me enough of an explanation to be clear on it.
11 Thank you.

12 MR. HALE: A: Thank you.

13 **Proceeding Time 11:01 a.m. T20**

14 THE CHAIRPERSON: Mr. Munn, I believe you are up next.

15 MR. MUNN: Yes, on behalf of the Insurance Bureau of
16 Canada.

17 MR. MUNN: I have another handout. I apologize, I
18 probably didn't probably didn't photocopy enough of
19 these but --.

20 I understand we will make a few more copies
21 of that for the other people that are in the room. I
22 note that this will be Exhibit C6-6.

23 THE HEARING OFFICER: C6-6.

24 (PACKAGE OF DOCUMENTS "PANEL 2 - ROAD SAFETY",
25 DOCUMENTS FOR CROSS-EXAMINATION BY IBC, MARKED EXHIBIT
26 C6-6)

1 **CROSS-EXAMINATION BY MR. MUNN:**

2 MR. MUNN: Q: The handout is primarily just to move
3 this along. I mean, the documents are primarily
4 already in IRs et cetera.

5 My first set of questions has to do with
6 operating costs, particularly how those are affected
7 by the allocation methodology. I'll then move on to
8 road safety. Those are not yet in front of you, and
9 particularly how those may be impacting operating
10 costs.

11 What I'd like you to start with is by going
12 to page 57 of that handout. And this was a response
13 to IBC second round of IRs, 43.1, and also page 58 of
14 that handout which was a response to IBC IR 38.1-2.
15 And what ICBC explained to us in those two IRs was the
16 difference between its divisional or organizational
17 view of its costs and its line of business view of its
18 costs. These are basically two different ways of
19 viewing and reporting income and expenses, is that
20 correct?

21 MR. LEONG: A: Yes, that's correct.

22 MR. MUNN: Q: And in Chapter 7 of the actual filing,
23 you provided us with both views, is that correct?

24 MR. LEONG: A: Yes, that's correct.

25 MR. MUNN: Q: And the line of business view is the
26 method that's used for reporting financials and

1 actuarial rate?

2 MR. LEONG: A: Yes, that's correct.

3 MR. MUNN: Q: And it's also the approach taken for
4 application methodology, is that correct?

5 MR. LEONG: A: Yes, that's correct, too.

6 MR. MUNN: Q: So the divisional organizational view of
7 the costs, et cetera, does not factor into the
8 allocation methodology.

9 MR. LEONG: A: No, it does not.

10 MR. MUNN: Q: What is the divisional organizational
11 view actually used for, other than to appear in
12 Chapter 7 of the filing?

13 MR. LEONG: A: Well, I believe the inclusion of
14 divisional information in the filing was the request
15 of the -- in a previous revenue requirement, a
16 Commission request.

17 MR. MUNN: Q: So it isn't actually a breakdown of
18 income expenses, revenue and liabilities that ICBC
19 uses on a regular basis?

20 MS. PRIOR: A: Maybe I can just jump in here. So in
21 terms of for operating cost purposes, what we do is
22 we've aligned the organization into various divisions,
23 and the division head would be accountable for the
24 costs within their divisions. So we would have --
25 they would have an operating budget that they are
26 accountable for delivering within in a year.

1 MR. MUNN: Q: But I can't lay the divisional
2 organization view directly over the line of business
3 view and have it match according to the various
4 divisions.

5 MS. PRIOR: A: Not easily, no.

6 MR. MUNN: Q: Because some of the cost centres will
7 cross over between the divisions, is that correct?

8 MR. LEONG: A: That's correct.

9 MS. PRIOR: A: Yes.

10 MR. MUNN: Q: And on page 57, down in the second-last
11 paragraph, you explain the methodology. You are
12 talking about the financial allocation methodology
13 that was approved by the Commission back in 2005 and
14 you say that the methodology is applied at the cost
15 centre level and then aggregated into the lines of
16 business.

17 Now, if I take you back to page 54, which
18 is simply one of the -- which is chart setting out an
19 allocation.

20 **Proceeding Time 11:07 a.m. T21**

21 The cost centres, would you agree with me,
22 are the items that appear under the column on page 54,
23 the column that appears on the far left? Those are
24 the cost centres?

25 MR. LEONG: A: Sorry, could you repeat that question
26 please?

1 MR. MUNN: Q: On page 54 I'm looking to identify what
2 you call the cost centres. Are those the items
3 appearing down the left-hand of that column?

4 MR. LEONG: A: No, the cost centres, the left-held
5 column are sort of a summary of like cost centres
6 doing like functions.

7 MS. PRIOR: A: I think maybe a better way to look at
8 that is more function than a cost centre.

9 MR. MUNN: Q: Is it fair to call it a grouping of cost
10 centres?

11 MS. PRIOR: A: It's not necessarily grouping of cost
12 centres. It may be a portion of a cost centre. So if
13 you think of it more it's a function. If you look at,
14 you know, insurance system support, those would be a
15 group of people and their related costs for supporting
16 our insurance system. Or for the broker field support
17 it would be the group of individuals and their related
18 cost for doing that function. So ICBC uses a cost
19 centre as something different than what this is here.

20 MR. MUNN: Q: You've lost me then because you told me
21 on page 57:

22 "The methodology is applied at the cost
23 centre level and then aggregated into lines
24 of business."

25 Where is the line of business on page 54? I thought
26 the line of business was the insurance services at the

1 top.

2 MS. PRIOR: A: So when we generally use the term "line
3 of business" we're talking insurance or non-insurance,
4 so it's kind of a high level line of business.

5 MR. MUNN: Q: But on the filing that begins at page 50,
6 which was the approved allocators, at least what
7 you've titled the approved allocators using 2012
8 actual cost detail, the pages that follow up to page
9 55, the lines of business that you're talking about in
10 this methodology are claims services, road safety,
11 administrative insurance, insurance services, and
12 administrative non-insurance. Is that correct?

13 MR. LEONG: A: Yes, that's correct.

14 MR. MUNN: Q: So when I'm referring to the allocation
15 methodology, the lines of business are those, I think
16 it's five groupings. And then the cost centres in the
17 allocation methodology are maybe done at a slightly
18 higher level than what actually occurs on some of your
19 books at ICBC, but the cost centres are those items
20 going down the left-hand column, is that correct?

21 MS. PRIOR: A: I apologize for the confusion. Yes, I
22 think that's the terminology that we're using,
23 correct, yes.

24 MR. MUNN: Q: Okay. And then an actual allocator, an
25 allocator is -- and it's titled that so I hope it's
26 true. The allocators are those items that are in the

1 second column from the left, is that correct?

2 MR. LEONG: A: That's correct.

3 MR. MUNN: Q: And back in 2005, can we agree that what
4 the Commission approved was an allocation methodology
5 which was the application of specific allocators to
6 specific lines of business? Sorry, to specific -- the
7 application of specific allocators to specific cost
8 centres.

9 MR. LEONG: A: I believe that's correct.

10 MR. MUNN: Q: Okay. Can I take you to page 1 of that
11 handout, and this was another Insurance Bureau IR
12 Round 2, 46.5. And what we asked was we asked how the
13 content of the cost categories had been changed as
14 well as the corresponding allocators over time, and
15 you advised us that ICBC didn't capture its data in
16 this manner, but you were good enough to provide me
17 with a whole set of allocations over the course of the
18 years. So I figured that -- I decided that I had to
19 figure it out myself and I have tried. So I have a
20 number of questions on rather specific details, so I
21 trust that the Commission will bear with me, but I'd
22 like to take you back to page 74 of my handout which
23 is the very last page.

24 **Proceeding Time 11:12 a.m. T22**

25 And before going to one of the specific
26 allocations, I'd like you to acknowledge that what the

1 Commission found back in 2005, and you'll see that
2 there is the cover page from the January 19th, 2005
3 decision at page 73, what the Commission found at page
4 74 was that the fairest allocation of operating costs
5 administration -- now this is only one of the lines of
6 business -- the fairest allocation of operating costs
7 administration and other is to allocate the costs
8 equally between basic insurance and optional insurance
9 after deducting the costs allocated to non-insurance.

10 And ICBC has been following that directive
11 as best it can since 2005?

12 MR. LEONG: A: Yes, I believe we have.

13 MR. MUNN: Q: And if I take you to page 26 of the
14 handout, and now I'm taking you to one of the approved
15 allocators, one of the lines of business using 2008
16 actual cost detail, and at the bottom you'll notice
17 two little stars, which refer us to two little stars
18 in the column on the left and we're talking about
19 claims administrative support. So, nine lines down,
20 and then the two stars at the bottom, and it explains
21 "Regional claims, road safety, and licensing
22 administration and claims administrative support moved
23 from administrative to claims services." Fair enough.
24 So it changed -- they changed lines of business there.

25 MS. PRIOR: A: Mm-hmm.

26 MR. MUNN: Q: To preserve the allocation used an

1 administrative expense, which we -- was 50/50, are we
2 correct on that point? It is allocated equally
3 between basic and optional, see page 42 of the
4 January, 2005 BCUC decision.

5 So, and when I follow across claims
6 administrative support, I see you breaking it out
7 50/50 between the two lines of business. And you
8 follow me so far.

9 MR. LEONG: A: Yes, I do.

10 MR. MUNN: Q: But if I take -- and if I take you back
11 to page 21, and now I'll take you where it was in line
12 -- the line of business where it was under
13 administrative line of business, and I go six lines
14 down, I see regional claims, road safety and licensing
15 administration, and I follow that across and I see it
16 broken out 50/50. Is that correct?

17 MR. LEONG: A: That's correct.

18 MR. MUNN: Q: And it's worth noting that most of the
19 items in there are split out 50/50, subject to the
20 costs that may be incurred in the non-insurance
21 categories.

22 MR. LEONG: A: That's correct.

23 MR. MUNN: Q: But if I look at page 39, and now I'm
24 post 2008, when you gave me that little note, and I go
25 down, I find claims administrative support, eight
26 lines down. And I follow that across, and I get

1 weighted average cost centres, which should be 50/50,
2 and I see a little 2 sneaking in there on non-
3 insurance, but I note that you have still split it
4 50/50. Is that correct?

5 MR. LEONG: A: Yes, that's correct.

6 MR. MUNN: Q: But if I take you to page 45, and I go 11
7 lines down, I find claims administrative support
8 again. And I find it broken out, weighted average
9 cost centres. And I see now that we seem to be
10 changing to a 51/48 split. What happened to the 50/50
11 split?

12 And to follow up on that question, I'll
13 leave that as a question right there, and I'll take
14 you to 51, page 51. And I go to claim services, and I
15 go 12 lines down. I find claims administrative
16 support, weighted average cost centres. I now see it
17 being split out 59.7 to 40.3, which seems to be a very
18 long way from the 50/50 split that the Commission
19 required back in 2005.

20 **Proceeding Time 11:17 a.m. T23**

21 MR. LEONG: A: We don't -- I don't have the details of
22 the changes at this point. We will have to take this
23 as an undertaking.

24 MR. MUNN: Q: Okay, I'd appreciate that. If you could
25 explain how we've migrated to a split that's
26 significantly different for what seemed to be the same

1 cost centres. If there's another footnote somewhere
2 in these pages you gave me to try to understand, take
3 me to it. But I could not find it.

4 **Information Request**

5 Can I take you now to page 67, and this had
6 to do with Chapter 7, Appendix 7D. I don't think you
7 need that in front of you, but what I was asking for
8 is actually there in those documents beginning at page
9 50. So we were asking about this allocation
10 methodology that you'd set out that starts at page 50.
11 But what we were asking was with regards to the
12 allocator derived by proportionally blending the
13 allocators of the merged areas. And the question was:
14 Is this an allocator that the Commission has approved?

15 And what I got was four paragraphs of text,
16 but I'd just like a "yes" or a "no".

17 MR. LEONG: A: So the yes or no answer to this would be
18 no, it's not approved. But when we do have changes
19 like this, what we have done is we've tried to
20 preserve the original allocation by proportionally
21 blending it until such time as we can do a detailed
22 work ethic study to really determine what the new
23 allocator should be.

24 MR. MUNN: Q: Should ICBC, given that we spent days in
25 2005 coming up with an allocation methodology and then
26 spent several days in workshops improving that

1 allocation methodology, should ICBC not be asking the
2 Commission for approval regarding changes to the
3 allocation methodology?

4 MS. PRIOR: A: I think what Mr. Leong is saying is that
5 we did use the original approved allocation
6 methodology and what we've done is we've preserved
7 that, but when something changed we used that and if
8 it was a blend, then that's what we blended.

9 So I think in effect we were preserving the
10 original decision.

11 MR. MUNN: Q: But if I understood your earlier
12 evidence, the allocation methodology was an
13 application of specific allocators, specific functions
14 to specific cost centres. So if we are -- I
15 appreciate that the allocators were approved, and I
16 like how you continue to use that word every year.
17 We've got approved allocators but we haven't got the
18 allocators being approved vis-à-vis use with this
19 particular line of business.

20 So if you changed the components of a -- if
21 you changed the components of a cost centre, such as
22 claims administrative support, should you not be going
23 back to the Commission to confirm what allocator you
24 are going to use and ask for the Commission's
25 permission to use a specific allocator vis-à-vis a
26 cost centre that has now changed?

1 MS. PRIOR: A: I'm having a little trouble
2 understanding, Mr. Munn. If we retained what the
3 actual calculations, as you say, for the allocator
4 are, and we've retained that in what we might have
5 created, a new allocator, then I think we've retained
6 the original decision. I'm sort of confused where you
7 are --

8 MR. MUNN: Q: Okay, well then let me ask a few more
9 questions around my confusion then. If I take you to
10 Figure 70.2 and that's at page 50, and keep your
11 finger on page 67 as well, because what you told me on
12 page 67 was the components of the allocator used in
13 allocating customer and injury services operations
14 have been subject to the overview of the Commission.

15 **Proceeding Time 11:22 a.m. T24**

16 So the components of the allocator, the
17 allocation. The predominant component of the
18 allocator is work effort. I appreciate that. Other
19 components of the allocator are net claims costs out
20 of province and net claims costs head office claims
21 and are discussed in response to information request
22 BCUC 2.219.2.

23 The work effort allocator used in
24 allocating a predominant portion of the costs of the
25 customer injury service has been the subject of a
26 number of filings over the last several years that

1 have been reviewed and approved by the Commission.
2 But what I see you telling me in the centre of that is
3 that customer and injury claims operations are
4 allocated using -- or what makes up customer injury
5 and services operations now is allocated on the basis
6 of a number of functions. But when I go back to page
7 51 and I look at customer and injury service
8 operations, all I see is an allocator for work effort.
9 I don't see those other allocators broken out, those
10 other allocators that were used to allocate the other
11 aspects that are now rolled into customer and injury
12 services operation.

13 MR. LEONG: A: Maybe I can just clarify a little
14 description of how this was done. So for example in
15 moving from a regional centric to a functional centric
16 model using regional claims as an example, regional
17 claims used to be comprised of sort of two big chunks
18 of costs, one being compensation and related operating
19 expenses, and the other being facility costs. And
20 previously compensation and facilities costs,
21 excluding the vehicle examination areas, were
22 allocated using work effort. The facilities costs for
23 the vehicle examination areas were allocated using
24 property damage, collision allocator.

25 In the move to the functional model, what's
26 happened is that all the facilities costs are moved

1 into a different cost centre, and the compensation and
2 related operating expenses have moved into what we
3 call customer and injury service operations. We've
4 preserved the work effort allocated for those
5 compensation costs, as well as when the facilities
6 costs that moved into I believe it was claims billing
7 operations, we've also preserved the same allocators
8 for those costs.

9 MR. MUNN: Q: But at no point did you come back to the
10 Commission and ask them to approve the allocators
11 being approved to your new cost centres. The
12 allocators being applied to your new cost centres.

13 MR. LEONG: A: I don't think they've changed.

14 MR. MUNN: Q: The allocators haven't changed, but the
15 allocation methodology has changed. Will you agree
16 with me?

17 MS. PRIOR: A: Maybe it is terminology, but I'm not
18 understanding. I think we've -- we have preserved
19 what the original decision was.

20 MR. MUNN: Q: I'm certainly having a difficult time
21 finding that in your explanations and the charts that
22 you gave to me. If I understand, what the Commission
23 approved in 2005 was an allocation methodology, which
24 was the application of specific allocators to specific
25 cost centres. Now, if you change a cost centre, and I
26 appreciate that ICBC needs to do that, if you change a

1 cost centre and you need to split that cost centre up
2 or allocate it using very different allocators, is
3 that not something -- is that not changing the
4 allocation methodology?

5 MS. PRIOR: A: I guess I'm not seeing that as changing
6 the methodology. I guess that's maybe where we're
7 differing, Mr. Munn.

8 MR. MUNN: Q: If I roll three different cost centres
9 into what's now called Customer Injury Services
10 Operations and allocate them by work effort, whereas I
11 used to use three different allocators for allocating
12 what's now in Customer and Injury Services Operations,
13 have I not changed my allocation?

14 MR. LEONG: A: I think as Ms. Prior says, it might be
15 just a different interpretation of terminology. What
16 we can say is that the costs that were allocated
17 before in the regional model are allocated exactly the
18 same way in the functional model. And there's no
19 change between the -- in terms of the difference in
20 dollars being allocated at all.

21 MR. MUNN: Q: But where is that shown to me on your
22 filing?

23 MR. LEONG-: A: I think on a very high level, if you
24 look at the application, we have a chart showing that,
25 you know, in the last three to four years the costs
26 being allocated to basic has been quite consistent at

1 which is the 2010 actual cost detail versus the 2009
2 actual cost detail, that when you've come up with that
3 63/37 split after merging the two cost centres, that
4 that's based on some sort of averaging of the hundred
5 versus the 34?

6 MR. LEONG: A: What I believe happened with this merger
7 was that because they were very similar in function
8 to, you know, other areas handling high severity
9 claims, that it was allocated based on an average
10 severity of net claims cost. The same basis of
11 allocation that was used for the head office claims.

12 MR. MUNN: Q: Okay, but that information wasn't put
13 before the interveners or the Commission when you
14 collapsed these two. All we got was this footnote in
15 the -- with the 2010 actual cost detail, is that
16 correct?

17 MR. LEONG: A: I believe it's correct. It was not
18 specifically put forward to the Commission for
19 approval.

20 MR. MUNN: Q: Now, if I take you forward to page 45,
21 and this back to the 2011 approved allocators, and in
22 note 1 -- and I think we've touched on this -- you
23 explained in a reorganization of regional claims
24 merged with head office claims ongoing claim service
25 and out-of-province BI and claims building support was
26 centralized. But if I go back to page 33, I thought

1 you were telling me there that -- sorry, if I go back
2 to page 39, I thought you were telling me there that
3 out-of-province BI was merged into ongoing claims
4 services?

5 MS. PRIOR: A: So Mr. Munn, maybe I could just kind of
6 take this to a little bit of a different level,
7 because I can't answer and I'm not sure Mr. Leong can
8 answer the very specifics of what happened with each
9 allocator. But throughout the year -- so we took
10 allocation to the Commission and received a decision
11 which we have tried very hard to uphold the decisions
12 that came out of that allocation, thorough review
13 process. And it was at that time that we had two
14 options to go to. One was a simplified method and one
15 was this detailed method. And ultimately we talked
16 about some of the pros and cons of each, and this
17 detailed method, I think what you're showing here, is
18 it's maybe hard to demonstrate everything that has
19 gone on and to put it forward and to maintain this.

20 We have staff that actually work on this
21 day to day to maintain these allocations as they were
22 originally set, and when we do reorganizations in the
23 organization, and we have through the years as any
24 organization does, we have tried to keep very true to
25 where those decisions were.

26 Things like the work effort study and the

1 claims area, which is the majority of our costs, have
2 gone through a number of subsequent reviews and come
3 forward to the Commission and they have been --
4 decisions have been made based on that. I think the
5 thing to note is overall, if you go year over year,
6 basically the allocations at the high level are
7 basically the same.

8 So if you look at kind of what's in, you
9 know, the main categories, if you look at what's in
10 insurance or what's in optional versus basic, which is
11 if you get back to the rate filing that's really what
12 we are talking about, what is the basic cost and what
13 is, you know, non-basic cost. Those allocations have
14 stayed pretty steady, which to me, means that we are
15 upholding basically the methodology, and like I said,
16 we try very very hard to do that.

17 **Proceeding Time 11:35 a.m. T26**

18 So, the level of detail you are getting
19 into here, I don't think we can answer specific
20 questions. Mr. Leong doesn't have the history of
21 that. We could go back on each of these and ask
22 people that have worked on these exactly how these
23 numbers have changed, but I think for the benefit of
24 the rate filing application, if we just take it to the
25 level of what is being charged and included in the
26 basic rates, I think we've provided evidence that we

1 are in line with what previous allocations have been.

2 I think it just raises the issue of -- this
3 is a very detailed, very difficult system for
4 everybody to understand. On every change that we do
5 within an organization, when people move, when we
6 restructure, there is a lot of work that goes into
7 maintaining this. And I would just suggest that that
8 -- what you're pointing out are some things that are
9 maybe not as clearly evident. And maybe we haven't
10 laid it all clearly out in this filing on every change
11 we've done, but I would suggest that would take a fair
12 bit of time and effort. But we do have people that do
13 that as their job.

14 MR. MUNN: Q: But back in 2005, what the allocation
15 methodology -- the number of cost centres, when we
16 originally talked about a detailed allocation, the
17 number of cost centres was drastically reduced from
18 what ICBC actually sees as cost centres, so that you
19 could present us with a more specified number of cost
20 centres that would form part of the allocation
21 methodology. Is that correct?

22 MS. PRIOR: A: Sorry, are you saying we had fewer?

23 MR. MUNN: Q: You had more cost centres. You've --
24 these cost centres represent -- the cost centres as
25 set out in the filing at 7D, for instance.

26 MS. PRIOR: A: Mm-hmm.

1 MR. MUNN: Q: Is a grouping of various cost centres
2 within ICBC. So these aren't each cost centre
3 represents something -- may represent more than one
4 cost centre coming forward within the ICBC financials.
5 MS. PRIOR: A: Some of them may, yes.
6 MR. MUNN: Q: And back in 2005, through those hearings,
7 we agreed that what claims served -- what would be set
8 out for the cost centre in claim services was a series
9 of cost centres subject to specific allocators.
10 MS. PRIOR: A: Yes, but I think on a practical basis,
11 when you apply an allocator, what we didn't want to do
12 is retain a whole duplicate set of books based on the
13 original. I mean, it makes sense that if you bring
14 something together, and --
15 MR. MUNN: Q: But I'm not -- sorry, finish.
16 MS. PRIOR: A: Yeah. So, the way that we're -- we have
17 to do this is, we have to look at how we record the
18 information, and how we're going to manage the
19 business. And we do that in a certain way. What
20 we've done is preserve the allocation that was done at
21 a different point in time so that when we now have our
22 costs allocated, in the way that makes sense for us to
23 run the business, while we preserve those different
24 allocators and percentages, they may be blended. I
25 think this is what's happening here is they may be
26 blended in a different way so we can apply it to the

1 way we have structured our costs, et cetera.

2 If we didn't do it that way, Mr. Munn, I'd
3 say that we would actually have to have a whole other
4 set of books that is constantly trying to balance
5 these two things out, which would be quite a bit of
6 additional cost and effort on the organization. So I
7 think we tried to be very practical in how we've
8 applied it, as I said, quite stringent in how we've
9 kept with the decision that the Commission has made.

10 MR. MUNN: Q: But you haven't come back for specific
11 approval on these changes to the allocation
12 methodology over the course of the last nine years.

13 MS. PRIOR: A: Well, you keep using the term "changing
14 the methodology". I don't think we're changing the
15 methodology. In my view, I think what we've done is
16 in a practical application. I mean, we -- it doesn't
17 make sense, and I'm not sure -- I mean, I guess the
18 Commission could answer this, whether every time we do
19 a change, and it could be just for efficiency, we're
20 going through things around looking for efficiencies
21 this year, and over the next, and we've done some of
22 those in the past. There is quite a bit of movement
23 within the organization that results from that, and
24 that would -- I mean, I don't think we need to be here
25 every week or every month going through all of those
26 changes when we have preserved the decisions that the

1 Commission has made.

2 MR. MUNN: Q: Is the 2005 decision and the methodology
3 set out there, is it outdated?

4 MS. PRIOR: A: In my mind, it's an onerous process.
5 The preference of the Insurance Corporation at the
6 time we filed, and I think still, would be there is
7 probably a simpler way to get to the result of
8 allocation without this level of work, which would be
9 very similar to what we get with this level of work.
10 But I think that's a topic for a different discussion.

11 **Proceeding Time 11:40 a.m. T27**

12 MR. MUNN: Q: I don't think I'm going to. I am -- and
13 where I need to be on that point, but so I'd like to
14 move on to road safety and I've got another handout
15 for you.

16 MR. MILLER: Mr. Chair, while Mr. Munn is reorganizing
17 matters, I should let everyone know that the exhibit
18 that I indicated to Mr. Munn as being marked Exhibit
19 C2-6 should actually be marked Exhibit C6-5. I
20 apologize for that, it was my error.

21 **(EXHIBIT C2-6 RE-MARKED EXHIBIT C6-5)**

22 COMMISSIONER REVEL: Mr. Munn, before you go on, perhaps
23 I could just ask a question. In any time from the
24 point at which it was a 50/50 split, as Mr. Munn has
25 raised, has there been a directive either from the
26 Commission or from the government shifting it to a

1 60/40? Because it's interesting that many of the
2 numbers you pointed out were drifting towards a 60/40
3 split.

4 MS. PRIOR: A: So I don't have the details of all of
5 the subsequent hearings that we've gone on and where
6 things would shift. But the government doesn't come
7 in and make any decisions around allocation. That is
8 the purview of the Commission. But if anything
9 changed it would have been through --

10 COMMISSIONER REVEL: The Commission.

11 MS. PRIOR: A: -- the Commission. The 60/40 that we
12 use is basically if we look at the premium base. And
13 that was where the simpler allocation could be. You
14 could use either kind of a premium base and a claims
15 base for that made sense, and it would certainly be
16 verifiable data to accurately give those percentage
17 allocations and as they shifted year to year could
18 easily be done.

19 COMMISSIONER REVEL: Thank you.

20 MR. MUNN: Q: Road safety and I'd like to take you to
21 page 6 of that document at the bottom, and this was a
22 -- as you'll see on page 3, this is from the 2012
23 decision, August 16, 2012, and so this is page 61 of
24 the August decision. And at the bottom the Commission
25 noted:

26 "The Panel notes the impact of the 2008

1 changes to the TAS, and the resulting
2 inability to use the data to track collision
3 changes as was previously the case. The
4 Panel shares the concerns that have been
5 expressed respecting the need to obtain and
6 use appropriate data for program
7 evaluations."

8 And you'll agree that that was the Commission's
9 decision back in 2012?

10 MR. DICKINSON: A: Yes.

11 MR. MUNN: Q: And just let me back up because we should
12 be marking this as Exhibit C6-6.

13 THE HEARING OFFICER: Marked Exhibit C6-6.

14 **(PACKAGE OF DOCUMENTS "PANEL 2 - ROAD SAFETY", DOCUMENTS**
15 **FOR CROSS-EXAMINATION BY IBC MARKED EXHIBIT C6-6)**

16 MR. MUNN: Q: And if I take you to page 5 of that
17 handout, which is the opposite page and what was page
18 58 of the Commission's decision, now this was the
19 Commission summarizing the evidence from the various
20 parties, and you'll see at the bottom of what is now
21 stamped "page 4" it talks about measurable incomes in
22 and IBC expressing certain concerns. And IBC was
23 saying:

24 "ICBC lists a number of other data sources
25 it reviews, including observational studies,
26 contraventions data, ICBC claims data, and

1 ICBC actuarial data. Use of this data
2 should be encouraged."

3 And then down at the bottom was ICBC's response, and
4 ICBC responded to that saying:

5 "Challenges associated with measuring the
6 traffic safety impacts of certain road
7 safety programs are common across
8 jurisdictions because of the difficulty of
9 attributing observed changes to specific
10 program or tactic when there are so many
11 factors that influence collision outcomes
12 over a given period of time."

13 Which is similar to the evidence we've heard this
14 morning. And then it said:

15 "ICBC is developing a new road safety
16 monitoring and evaluation framework which
17 will review evaluation criteria for programs
18 and tactics."

19 Now, you've provided that new road safety
20 monitoring framework, and during the course -- in
21 response to one of the IRs. But before I get there,
22 can you explain the limitations on what is referred to
23 as the TAS?

24 **Proceeding Time 11:46 a.m. T28**

25 MR. DICKINSON: A: Yes, 2008 a change was made and the
26 police no longer attend all crashes in B.C. So a

1 significant amount of data which would have existed
2 before with police attending all crashes is now no
3 longer available. And the police today attend less
4 than 15 percent of all crashes.

5 MR. MUNN: Q: So this TAS was built on the basis of a
6 form that a police officer would complete at every
7 accident they attended, is that correct?

8 MR. DICKINSON: A: My belief is the TAS is the system
9 that captures the information from that, yes.

10 MR. MUNN: Q: Okay, but that system was built on a
11 series of forms that police officers filled out at
12 each accident they attended.

13 MR. DICKINSON: A: I believe so.

14 MR. MUNN: Q: And it's got a picture of a little car
15 and it's all coded around the side. It's what -- it
16 used to be very common in any accident claim to
17 produce the police form, is that correct?

18 MR. DICKINSON: A: Yes.

19 MR. MUNN: Q: And when you talk about coding, the
20 police would code on the side of that whether there
21 was a seatbelt used, whether there was drunken driving
22 et cetera.

23 MR. DICKINSON: A: That's correct.

24 MR. MUNN: Q: And you've lost the ability to use that
25 because the police aren't filling those out except in
26 more serious crashes.

1 MR. DICKINSON: A: Yes, the police are only attending
2 crashes that they deem a priority.

3 MR. MUNN: Q: Okay. Now having lost that, is that -- a
4 lot of that data, is that data ICBC, when it gets its
5 new system fully up and running, is that data ICBC
6 confined to a large extent in its new system?

7 MR. DICKINSON: A: Can you clarify that? Do you mean
8 going forward or do you mean past data?

9 MR. MUNN: Q: I mean going forward.

10 MR. DICKINSON: A: Going forward, I would imagine that
11 we would be able to capture that data.

12 MR. MUNN: Q: So you could replace the loss of the TAS
13 with a different collection of data from the ICBC
14 system?

15 MR. DICKINSON: A: Well, no, I think that the data, in
16 whatever form it's captured, originates from the crash
17 and the police reporting of that crash. So I'm not
18 quite sure what you are getting at.

19 MR. MUNN: Q: You've lost the police attending, let's
20 say, every fender bender.

21 MR. DICKINSON: A: Right.

22 MR. MUNN: Q: And telling you whether there was
23 seatbelt involved.

24 MR. DICKINSON: A: That's right.

25 MR. MUNN: Q: On the basis of ICBC's own data, as it's
26 collected --

1 MR. DICKINSON: A: Okay.

2 MR. MUNN: Q: I appreciate not every fender bender will
3 get reported to ICBC, but you will be able to code and
4 ask questions as appropriate, if you choose to do so.

5 MR. DICKINSON: A: That's a little bit of a different
6 process. The police primarily, when they do their
7 investigation they are looking for causal factors of a
8 crash. When ICBC conducts its investigation, it's
9 looking for factors that impact the assessment of
10 liability. So there's two different concepts. We
11 would not be -- or our adjusters would not be in a
12 position to capture the causal factors such as a
13 seatbelt. They could collect that as its material to
14 a claim, but because they weren't attending the scene
15 and because we don't assess causal factors, we would
16 not have that data available and we wouldn't be able
17 to replace that data as we used to get it from the
18 police.

19 MR. MUNN: Q: Is it not possible that your adjusters
20 can still ask the questions?

21 MR. DICKINSON: A: Yes, our adjusters will ask
22 questions as its pertinent to the investigation of the
23 claim and to the assessment of responsibility.

24 MR. MUNN: Q: Where I'm going is, having lost the
25 ability to use the TAS in the same way that it used
26 to, what is ICBC's road safety department doing to

1 MR. DICKINSON: A: That's correct.

2 MR. MUNN: Q: So what you're doing is two different
3 evaluations of -- two different types of evaluations
4 of the road safety programs that you're running.

5 MR. DICKINSON: A: That's correct, and I'll -- this
6 might be a good opportunity to provide some additional
7 information around what we do, is -- overall when we
8 look at the road safety portfolio, we look at general
9 indicators, in terms of seeing what's happening in the
10 general sense on the crash scene. Things like the
11 crash rate and -- but attribution is always a
12 challenge. What exactly of declining crash rates, and
13 at one point for quite some time declining BI
14 frequency was attributable to ICBC's road safety
15 programs.

16 So there are some programs that we have are
17 more quantifiable than others, when it comes to
18 savings and the intersection safety camera program is
19 one. And I mentioned earlier the five percent cost
20 savings from that program. The road improvement
21 program is another example of something that's
22 quantifiable, it's by location, and we're clear claims
23 savings can be seen.

24 So, and then as well with the MOU, I talked
25 earlier about those programs having evaluations and
26 various components of them, such as the effectiveness

1 of impact and the upcoming distractions evaluation
2 that's coming up this year.

3 With respect to our other programs and
4 advertising and things like that, and primarily
5 education awareness, which is that third pillar of
6 effective crash reduction strategies, it's -- that's
7 where we have lost something in terms of police data
8 and the effect that our programs have had. So, what
9 we've done in this document is outline the various
10 ways that we can measure those -- the effectiveness of
11 those education and awareness initiatives, and the
12 other document goes into things like attitude surveys,
13 self-reported behaviour, post-implementation reviews,
14 and then the appendix of the measurement and
15 evaluation framework, there is a list of the amount of
16 various possible things we can do to measure the
17 effectiveness of those programs.

18 It's not perfect, and this is a continuous
19 improvement exercise that we're doing to maintain and
20 try to see how well our programs are doing, and this
21 is a challenge that's not unique to B.C. All
22 jurisdictions in Road Safety have the same challenge
23 around measuring attitude and awareness, and there are
24 very few actual business cases or strong support to
25 show the effectiveness of an education, or an
26 advertising campaign. It's very much a long-term

1 process to change behaviour.

2 And so we have to take a bit of a longer-
3 term view in terms of reinforcing what we think are
4 bad behaviours on the road, and enforce positive
5 behaviour in drivers. But it does take a long time.

6 MR. MUNN: Q: You seem to be anticipating some of my
7 questions, but that doesn't mean I'm not going to ask
8 them, because you seem to be giving me an argument.
9 So, let me go back to my questions.

10 MR. DICKINSON: A: All right.

11 MR. MUNN: Q: So I took you to page 14, and you
12 explained your two types of evaluations -- your
13 process evaluations and your full impact assessments.
14 Can I take you to page 32, which was the 2008
15 Commission decision.

16 MR. DICKINSON: A: Right.

17 MR. MUNN: Q: And over on the next page is an excerpt
18 from that decision. From page 53 of the 2008
19 decision. And you will agree with me, starting in
20 that large paragraph at the bottom, the second
21 sentence,

22 "The Commission looks forward to receiving
23 ICBC's comprehensive review of its
24 investment and education and awareness road
25 safety programs. The Commission expects
26 that the result of that review will set a

1 source for "clear funding tests, targeted
2 programs to produce measurable claims cost
3 reduction outcomes, and periodic or post-
4 project evaluation carried out in a manner
5 appropriate to the program", as expressed in
6 the 2005 decision."

7 Now, if I take you back to keeping that
8 rule in mind, or that decision in mind, if I take you
9 back to page 14 of the -- well, actually page 23 of my
10 handout. If I've only got a small subset that undergo
11 full impact assessments, where are the targeted
12 programs producing measurable claims cost reduction
13 outcomes?

14 **Proceeding Time 11:56 a.m. T30**

15 MR. DICKINSON: A: Well, I think again those would be
16 the programs that are clearly measurable such as the,
17 as I mentioned, the road improvement program and the
18 intersection safety camera program. And as I
19 mentioned, the measurement and evaluation framework
20 helps us with the other issues such as education
21 awareness.

22 MR. MUNN: Q: But on this subset, what's being done
23 there is simply a process evaluation, is that correct?

24 MR. DICKINSON: A: Correct.

25 MR. MUNN: Q: But a process evaluation is really
26 looking at the study itself, is that -- and whether it

1 achieved what you hoped the study itself would
2 achieve.

3 MR. DICKINSON: A: Could you repeat the question,
4 please?

5 MR. MUNN: Q: A process evaluation is only looking at
6 the study itself. In other words, what you are not
7 looking to figure out is whether you've got a
8 measureable claims cost reduction.

9 MR. DICKINSON: A: Oh, I see. And this is with respect
10 to education awareness again. Is because it's not
11 quantifiable from a cost perspective, our process
12 evaluation would look at whether or not our programs
13 are effective in terms of changing awareness or seeing
14 if people are self-reporting that their behaviour has
15 changed. Because we simply don't have the cost -- the
16 direct cost claims savings.

17 MR. MUNN: Q: But you'd agree with me that most
18 Canadians today know what a Timbit is?

19 MR. DICKINSON: A: Yes.

20 MR. MUNN: Q: And that doesn't necessarily mean that
21 most Canadians are eating Timbits, does it?

22 MR. DICKINSON: A: Right.

23 THE CHAIRPERSON: Mr. Munn, I'm just wondering where you
24 are in your questioning.

25 MR. MUNN: It's a good time to stop now that I've
26 mentioned food. So.

1 THE CHAIRPERSON: Especially the Timbits.

2 MR. MUNN: Yes, I know.

3 THE CHAIRPERSON: How much longer do you think you will
4 need?

5 MR. MUNN: About half an hour.

6 THE CHAIRPERSON: About half an hour. Okay, on that
7 basis then we will now adjourn until 1:30 this
8 afternoon.

9 **(PROCEEDINGS ADJOURNED AT 11:59 A.M.)**

10 **(PROCEEDINGS RESUMED AT 1:32 P.M.)** **T31**

11 THE CHAIRPERSON: Be seated.

12 I am informed, Mr. Ghikas, that you have
13 some more information for us.

14 MR. GHIKAS: I can always be relied on, Mr. Chairman.

15 THE CHAIRPERSON: Absolutely.

16 MR. GHIKAS: The next undertaking -- I believe you have
17 copies on your table there -- is a response to a
18 request by BCPSO, found at Volume 5, page 763, line 11
19 to page 764, line 7. And it was with respect to the
20 type of sanctions that are made against autobody shops
21 as a result of investigations into organized
22 automobile crime. The response notes that although
23 this is an area that falls squarely within the
24 optional business, we have provided an answer to that
25 question.

26 THE CHAIRPERSON: Okay. And that is Exhibit --

1 MR. GHIKAS: B-26, sir.

2 THE CHAIRPERSON: B-26.

3 THE HEARING OFFICER: Marked B-26.

4 (ANSWER TO BCPSO UNDERTAKING FROM VOLUME 5, PAGE 763,
5 LINE 11 TO PAGE 764, LINE 7 MARKED EXHIBIT B-26)

6 THE CHAIRPERSON: Thank you.

7 MR. GHIKAS: The final document you should have an
8 excerpt from Reasons for Decision from the 2010
9 streamlining application as it is known, and this --
10 the only reason I am providing this is because it's
11 actually a lot of the context around Mr. Munn's cross
12 thus far has been with respect to what the effect of
13 the decisions were on allocation. And so I just
14 wanted to make sure that the Commission had before it
15 at least the most recent decision, or the excerpt from
16 the most recent decision, and if you go onto the --
17 just under the heading, "Commission determination"
18 there, the paragraph immediately following, and then
19 the bolded paragraph, really do provide the most
20 recent comment, as it were, from the Commission with
21 respect to how the allocation should work. So I'm
22 just handing that up just to make sure that you have
23 the benefit of that.

24 THE CHAIRPERSON: Okay.

25 MR. GHIKAS: That's everything from me, Mr. Chairman.

26 THE CHAIRPERSON: And that would be --

1 MR. GHIKAS: Oh, Exhibit B-27, thank you for the
2 reminder.

3 THE CHAIRPERSON: Thank you.

4 THE HEARING OFFICER: Marked B-27.

5 **(EXTRACT FROM BCUC REASONS FOR DECISION DATED APRIL 6,**
6 **2010, FROM ICBC REVENUE REQUIREMENTS STREAMLINED**
7 **REGULATORY PROCESS MARKED EXHIBIT B-27)**

8 THE CHAIRPERSON: Okay. And, Mr. Munn, before you --
9 since we have this break, before you get up, I just
10 want to put our decision on the record with regard to
11 the confidentiality of the AIC request, concerning
12 release of data re pre-trial settlement offers and
13 final judgments.

14 So, on February 6th, AIC, 2013 -- or, 2014
15 -- AIC, through its representative Ms. Flewelling,
16 requested information regarding ICBC offers to settle
17 and final settlements. ICBC undertook to provide this
18 information to the Commission Panel on a confidential
19 basis, and did so on February 11th, 2014. ICBC
20 submitted in Exhibits B-16 and B-17 several arguments
21 as to why this information should remain confidential.

22 These arguments included protection of
23 privacy for individuals, the sanctity of without
24 prejudice communications, potential harm to ratepayers
25 by virtue of disclosure of its negotiating strategy,
26 commercial harm resulting from misuse of the

1 information out of context, and the small sample size
2 rendering any conclusions as being insignificant.

3 On February 12th, 2014, AIC made a
4 submission, C7-3, arguing as to why the confidential
5 information provided to the Panel should be made
6 public. In her argument, Ms. Flewelling addressed all
7 five of the arguments cited above.

8 Mr. Ghikas, in reply to AIC's submission,
9 made further arguments as to why the data provided to
10 the Commission Panel should remain confidential.
11 These submissions reinforced the settlement privilege
12 and the protection of it.

13 The panel considered all the submissions
14 and determined that the data provided in confidence to
15 the panel concerning ICBC pre-settlement offers and
16 final judgments will remain confidential. The reasons
17 for this determination are as follows:

18 (1) Releasing the information on the
19 individual cases, as well as the aggregated data,
20 could be seen as violating the privacy of those
21 involved in the final judgment;

22 (2) Protecting the sanctity of without-
23 prejudice communications as submitted by ICBC;

24 (3) The Panel considers the information
25 submitted by the Insurance Corporation to be
26 commercially sensitive. It views the potential harm

1 to the competitive position of the Insurance
2 Corporation to far outweigh the benefit resulting from
3 disclosure;

4 (4) The panel sees the information sought
5 as having limited probative value; and

6 (5) As this information represents only
7 those claims which actually ended up in court, it does
8 not necessarily follow that it provides a significant
9 indicator of the totality of ICBC's claim settlement
10 strategies.

11 And that is the decision.

12 **Proceeding Time 1:38 p.m. T32**

13 MR. GHIKAS: Thank you, Mr. Chairman.

14 THE CHAIRPERSON: And with that, Mr. Munn, you're up
15 again.

16 MR. MUNN: Q: I'd like to go back to C6-6, which is my
17 second hand-up from this morning, and I'd like to take
18 Mr. Dickinson to page 16 of that handout. And this is
19 part of the road safety monitoring and evaluation
20 framework that the Commission had requested in this
21 last determination. And on page 16 there you describe
22 what a process evaluation is, and could you briefly
23 summarize that for us?

24 MR. DICKINSON: A: Well, a process evaluation is when
25 we evaluate a certain tactic that we've undertaken.
26 We use post-implementation reviews and we review what

1 targets were set and whether or not those targets were
2 met.

3 MR. MUNN: Q: So what you're measuring is the process
4 itself. You're not measuring whether you actually had
5 an effect on claims costs or reduced claims costs or
6 reduced number of accidents in some particular area.

7 MR. DICKINSON: A: Well, we would measure outcomes in
8 terms of if an educational awareness initiative had an
9 impact on attitudes, we could measure the impact of
10 that through surveys to see if people -- if there's a
11 growing awareness of something or if they're changing
12 their behaviour because of what we've done. But I
13 would agree it doesn't measure a claims cost impact.

14 MR. MUNN: Q: And if I take you back to page 23, you're
15 talking there about all your road safety initiatives
16 undergo the process evaluation but only a small subset
17 undergo a full impact evaluation.

18 MR. DICKINSON: A: That's correct.

19 MR. MUNN: Q: And on page 24 under the section Road
20 Users Education Awareness Initiatives, I think you've
21 already explained this. Under the second paragraph,
22 last sentence you explain:

23 "But determining how knowledge and awareness
24 ultimately impacts crash claim occurrence,
25 independent of a host of other intervening
26 factors, is not currently an achievable

1 goal."

2 MR. DICKINSON: A: That's correct.

3 MR. MUNN: Q: And that's the challenge with your
4 education and awareness initiatives.

5 MR. DICKINSON: A: Yes, keeping in mind that best
6 practices are that education awareness is part of an
7 overall strategic approach to road safety.

8 MR. MUNN: Q: But my question in light of the
9 Commission's decision January 9th, 2008, that the
10 result of your review should set a course for clear
11 funding test targeted programs to produce measurable
12 claims cost reduction outcomes and periodic post-
13 project evaluation, should these education awareness
14 initiatives not be outside of road safety?

15 MR. DICKINSON: A: Well, I'm relatively new to the
16 world of road safety, but I know that since 2008 there
17 have been a number of issues that have come before the
18 Commission, and that they've been addressed in the
19 annual road safety filings in terms of taking into
20 account concerns raised by the intervener as well as
21 the Commission. And a fair amount of water has gone
22 under the bridge since then. We've talked about the
23 adoption of the safe systems process or strategy at
24 ICBC, and we cover that off at IBC 22.1-3 where we
25 talk about overall objectives and programs that
26 contribute towards reducing severity and frequency of

1 losses, crashes.

2 MR. MUNN: Q: Okay, well, I'm just trying to determine
3 if the water is coming back under the bridge. So bear
4 with me.

5 Can I take you to page 35 of the handout I
6 gave you, and you'll agree with me that what the
7 Commission required back in 2005, and if you go back
8 to the previous page 24 you'll see that this is from
9 the January 19th, 2005 decision. In the second last
10 paragraph the Commission states:

11 "The Commission Panel has determined that if
12 a program does not have measurable outcome
13 targets or is not being managed by ICBC to
14 ensure its effectiveness in terms of claims
15 cost savings outcomes, it should not be an
16 RSLM."

17 Which was Road Safety and Loss Management at the time.

18 **Proceeding Time 1:43 a.m. T33**

19 MR. DICKINSON: A: And that is true, that was the
20 decision in 2005. However, since then, as I
21 mentioned, there has been discussion around -- I don't
22 recall about the discussion about the definition of
23 road safety. But there have been further
24 determinations by the Commission around road safety,
25 and I do know that in the 2012 decision that the
26 Commission was satisfied with what we had put before

1 it, in terms of the way that we're addressing road
2 safety programs.

3 MR. MUNN: Q: Yes, but are you able to point to me a
4 place where the Commission has overruled its 2005
5 decision vis-à-vis measurable outcomes?

6 MR. DICKINSON: A: Well, I would have to review that,
7 but I think there is a greater understanding. I think
8 we've all been learning through this that in terms of
9 measurable outcomes on the education awareness piece,
10 it's very difficult to get to measurable claims costs
11 outcomes.

12 MR. MUNN: Q: And if I understand the more recent
13 filings on the educational piece, that you did come to
14 the conclusion that if it's got an enforcement aspect
15 to it, then it does make sense. It may make sense to
16 have it as an educational piece.

17 MR. DICKINSON: A: Yes. There is -- I do recall
18 language that there is -- if tied -- if a program is
19 tied to an enforcement mechanism, that's definitely a
20 road safety program, and a good thing.

21 MR. MUNN: Q: Well, let me bring this back to the
22 dollars being spent on driver distraction.

23 MR. DICKINSON: A: Okay.

24 MR. MUNN: Q: Because I understand you have spent a
25 fair bit of money on the education aspect around
26 driver distraction. Is that correct?

1 MR. DICKINSON: A: We had a discussion this morning,
2 and I think in the reference to the annual report, we
3 commented about 500,000 being spent in 2012 and I said
4 that 300,000 was spent in 2013.

5 MR. MUNN: Q: Okay, now, if we were to bring it in line
6 with the 2005 decision and the need for measurable
7 outcomes, how can we do that?

8 MR. DICKINSON: A: Well, with respect to distracted
9 driving, distracted driving is a top-three causal
10 factor. So we have to look at overall how that's
11 played out over the past few years, and also in the
12 context of the overall crash rate. And ultimately, of
13 course, BI frequency which has been plateauing over
14 the last few years, and I think that's where a part of
15 the assumption is that the adoption -- mass adoption
16 of smart phones has had some influence on impacting
17 that.

18 MR. MUNN: Q: But come back to your statement about,
19 it's one of the top three. That's not a measurement
20 that ICBC itself has.

21 MR. DICKINSON: A: Well, the top three is -- the top
22 three causal factor of crashes is something that we do
23 look at, in the management of the business.

24 MR. MUNN: Q: So you do have statistics showing that
25 driver distraction is causing the accidents.

26 MR. DICKINSON: A: Yes, the police data that we do

1 handout I gave you, and we touched on this this
2 morning on the top of -- on the top of page 62 we
3 dealt with the paragraph prior to that, but it states
4 that -- the Panel at that pointed stated:

5 "The Panel expects that ICBC's Road Safety
6 Monitoring and Evaluation Framework
7 presently under development will be a
8 fundamental component in understanding
9 ICBC's road safety programs, an important
10 tool for assessing the impact of the
11 programs. And the Panel directs ICBC to
12 file the Road Safety Monitoring and
13 Evaluation Program Framework with the
14 Commission when it is completed in September
15 2012."

16 Now, the framework itself starts at page 8,
17 correct, of my handout?

18 MR. GHIKAS: I believe it's actually September 2013. I
19 think my friend misspoke.

20 MR. MUNN: Q: Okay.

21 MR. DICKINSON: A: Mr. Munn, if I could -- you're
22 switching from -- with your page numbers on your
23 exhibit to the page numbers of the photocopies. I'm
24 having a little bit of trouble keeping track.

25 MR. MUNN: Q: We should try to stick with the page
26 numbers on my exhibit. So if I take you to page 8 of

1 my exhibit, and that is the Road Safety Monitoring
2 Framework that you've got.

3 MR. DICKINSON: A: That's correct.

4 MR. MUNN: Q: And you did your best in that to provide
5 a component that will be an important tool for
6 assessing the impact of the Road Safety Programs.

7 MR. DICKINSON: A: That's correct.

8 MR. MUNN: Q: Now, where in that filing have you
9 actually outlined how you are assessing the impacts?

10 MR. DICKINSON: A: Well, the filing is a framework. So
11 what it does is it allows us to use this framework to
12 assess programs, and possibly new programs or existing
13 programs as they come up, and determining new ways of
14 being able to measure them or what could be more
15 effective in terms of measurement, again in the
16 absence of the police data.

17 MR. MUNN: Q: So we don't actually have a tool for
18 assessing the impact of the programs then.

19 MR. DICKINSON: A: It's a framework for assessing the
20 impacts of the program, so that's a matter of
21 language, I guess. As I mentioned earlier, I think,
22 this is a struggle that road safety, the general
23 global road safety community has with this in terms of
24 measuring particularly education awareness. We did
25 model this framework, as I mentioned on the top of
26 your page 15, that the framework is based on similar

1 frameworks used by other agencies such as the CCMTA,
2 World Bank, World Health Organization, and the United
3 Nations Development Program.

4 So we're looking at global best practices
5 in terms of how we can get better at establishing
6 whether or not our education and awareness programs
7 are doing the job.

8 MR. MUNN: Q: The World Health Organization, are they
9 measuring road safety? Is that what you were looking
10 at there, or was it just a way of setting up a
11 framework and a monitoring program?

12 MR. DICKINSON: A: Well, the World Health Organization
13 does have a couple of studies that are out there on
14 road safety. One is the one in 2013 that talked about
15 road safety legislation that I quoted in IBC 23.1.
16 They also have a report from nine or ten years ago
17 that I can't -- well, I could reference if it was
18 required, but they have issued a couple of studies
19 around road safety in particular.

20 MR. MUNN: Q: All right, is it those particular studies
21 that are underlying your framework here, or are you
22 borrowing on the basis of the framework generally used
23 by the World Health Organization?

24 MR. DICKINSON: A: We're looking at the framework that
25 that agency, I think as a whole, has used in terms of
26 how they manage their business.

1 MR. MUNN: Q: Their business as a whole, not just the
2 road safety program.

3 MR. DICKINSON: A: Right, yes, I believe so.

4 MR. MUNN: Q: So where -- on page 23 you talk about the
5 monitoring and evaluation plans and you explain how
6 they are implemented. But where are you telling us
7 how you're actually doing the assessment of these
8 plans?

9 MR. DICKINSON: A: Could you clarify that question for
10 me?

11 MR. MUNN: Q: So in the middle of 23 there you've
12 explained:

13 "All road safety initiatives undergo process
14 evaluations, and a smaller subset undergo
15 full impact evaluations."

16 MR. DICKINSON: A: Right.

17 MR. MUNN: Q: But where here are you actually doing an
18 assessment of the programs?

19 MR. DICKINSON: A: Oh, the actual evaluations
20 themselves.

21 MR. MUNN: Q: Where do you actually tell us, where do
22 you actually tell us how you're assessing the impact
23 of the programs?

24 **Proceeding Time 9:05 a.m. T2**

25 MR. DICKINSON: A: I don't think we say how we actually
26 do that. It's a function as performed by our program

1 managers back at the ranch.

2 And if I could also clarify, the more
3 robust evaluation studies, and I mentioned the ISC,
4 the intersection safety camera as well as the
5 improvement camera, we use external evaluators in that
6 process. In fact, in terms of how we measure our
7 programs we engage both from an internal standpoint
8 evaluations. We also use other service providers.
9 And I'm not a researcher but we do follow industry
10 best practices, is what I'm told.

11 MR. MUNN: Q: So under the auto crimes section on page
12 24 of my handout, you explain that you are evaluating
13 the auto crime programs and I appreciate that, but
14 you're not actually telling us how you assess the
15 impact of the auto programs.

16 MR. DICKINSON: A: I don't think we do that there.
17 That's where we look at directional measures such as
18 theft of vehicles or theft from auto.

19 MR. MUNN: Q: And auto is a little easier to measure,
20 the auto crime is a little easier to measure than when
21 we get into education because auto crime you can
22 actually count statistics.

23 MR. DICKINSON: A: Yeah. Auto crime would be easier to
24 measure now. The attribution of our programs to those
25 results, again we get into that, challenges around
26 that.

1 MR. MUNN: Q: But at the top of --

2 MS. PRIOR: A: Can you give us just one minute?

3 MR. DICKINSON: A: Sorry, Mr. Munn, go ahead.

4 MR. MUNN: Q: At the top of page 24 you talk about
5 safer vehicles programs and the work that you're doing
6 with technologies around the taxi fleet, correct?

7 MR. DICKINSON: A: That's correct.

8 MR. MUNN: Q: And I'm not questioning whether this is
9 good or bad. Any study that improves the safety is
10 good. But why is ICBC doing this when there would be
11 commercial companies out there promoting studies,
12 similar studies?

13 MR. DICKINSON: A: There are similar studies out there.
14 What we're talking about with the taxi pilot is
15 telematics. And there other companies and there may
16 be other jurisdictions that are doing this type of
17 research. It does tend to be proprietary. In other
18 words, companies, say in the United States, like
19 Progressive Insurance, are actively looking at
20 telematics and are actually active in that as a rating
21 factor.

22 We felt that doing our own study on
23 telematics and using taxis would be an ideal way to
24 see, to have our own evidence about the impact of road
25 safety, of crash avoidance, forward crash avoidance
26 technology as well as telematics, which is data

1 collection around how the vehicle is being driven. So
2 there are some significant road safety implications to
3 that study.

4 MR. MUNN: Q: So you're going -- this is a pilot to
5 develop a tool for assessing the impact of some of
6 your programs.

7 MR. DICKINSON: A: This is a pilot to evaluate the
8 technology that exists out there to determine how
9 effective it can be in preventing crashes.

10 MR. MUNN: Q: And what is ICBC going to do -- assuming
11 the pilot does show that it's effective, what's ICBC
12 going to do with that information?

13 MR. DICKINSON: A: We don't have any plans as yet in
14 terms of what we're going to do with the information.
15 It depends on the outcome of the program. I think if
16 we see a lot of positive results, we may look at
17 subsequent steps or phases or possibly expanding the
18 program.

19 MR. MUNN: Q: Would it not be cheaper to look at
20 somebody else's proprietary information and decide
21 whether or not you want to buy it?

22 MR. DICKINSON: A: If it would be available to us and
23 if that would be an option, then that would definitely
24 be something we would be open to.

25 MR. MUNN: Q: And that's been explored?

26 MR. DICKINSON: A: I don't know if it's been explored

1 or not. This was before -- the beginning of the pilot
2 was before my time in the position, so I don't know.

3 **Proceeding Time 1:59 a.m. T36**

4 MR. MUNN: Q: Can I go to page 37 and 38 of my handout,
5 and this was as you'll see at page 36 of my handout,
6 this was from ICBC's own filing in October 17th, 2008.
7 And so you were telling the Commissioner, and the
8 conveners, in paragraph -- your paragraph 27, on page
9 37 of my handout, that a key conclusion of the review
10 process was that ICBC should only support road safety
11 programs that have enforceable consequences, positive
12 or negative.

13 And is -- and ICBC has taken that approach
14 since 2080?

15 MR. DICKINSON: A: Well, since 2008 we have adopted a
16 safe systems approach, which I mentioned earlier under
17 IBC 22.1-3.

18 MR. MUNN: Q: And under 46, are you -- ICBC says ICBC
19 will only -- and I'm going over to page 38 of my
20 handout, paragraph 46 of the ICBC filing. ICBC will
21 only invest in road safety education and awareness
22 tactics in support of programs where a driver will
23 experience enforceable consequences for behaving
24 unsafely. And that's the approach you're taking now
25 with education and awareness programs?

26 MR. DICKINSON: A: Well, again, it's -- our approach is

1 the safe systems framework.

2 MR. MUNN: Q: But that doesn't answer my question.

3 MR. DICKINSON: A: We are looking at any initiatives
4 that reduce crashes or promote highway safety, and I
5 think we had an agreed-upon definition of road safety
6 a number of years ago, or something that we would look
7 at and we think would be a legitimate inclusion into
8 our programs.

9 MR. MUNN: Q: Let's try again, and then we'll go in a
10 different direction. The question is, is ICBC only
11 investing in road safety, education, and awareness
12 tactics in support of programs where a driver will
13 experience enforceable consequences for behaving
14 unsafely?

15 MR. DICKINSON: A: No.

16 MR. MUNN: Q: Thank you. So notwithstanding your
17 submission to the Commission in October 17th, 2008,
18 that is not actually what you're doing.

19 MR. DICKINSON: A: We have adopted a safe systems
20 approach, as I mentioned in 23.1, and so we are
21 looking at anything that can help reduce crashes.

22 MR. MUNN: Q: Well, let me take you to page 55 of my
23 handout. And to put this in context, if you look back
24 at page 39 of my handout, this is the 2012 road safety
25 annual report, and it was handed up in -- further to a
26 BCUC IR.

1 Now, what ICBC is listing here is various
2 road safety programs. And I'm not questioning the
3 value of some of these programs, I'm just questioning
4 the context.

5 If I look down at "Your Ad Here" contest on
6 my page 55 --

7 MR. DICKINSON: A: Mm-hmm.

8 MR. MUNN: Q: What's the enforceable consequence?

9 MR. DICKINSON: A: Well, the "Your Ad Here" contest
10 involved students doing artwork and preparing messages
11 that might have focused on impaired driving or
12 distractions or speed. And that, just as a matter of
13 background, those drawings, or those -- that artwork
14 would end up on the back or the front of an annual
15 that a student would then carry around with them. So
16 if you had an impaired driving message on there, the
17 enforceable consequence is that if you drive while
18 impaired, you're going to get caught by enforcement.

19 So there is, I would suggest, an
20 enforceable consequence there. And then just for the
21 record, this initiative, this tactic, has actually
22 been discontinued.

23 MR. MUNN: Q: What about the "180 Video" contest on the
24 next page? Has that been discontinued as well?

25 MR. DICKINSON: A: It has not been discontinued. We
26 are evaluating that, in terms of moving forward, and

1 the future of it. However, the same concept applies
2 in that we have films -- mostly film students, but it
3 could be anybody doing a short film about the dangers
4 of either impaired or distracted driving or speed.
5 And then what happens is those videos are awarded --
6 the top ones are given awards, and then profiled in
7 movie theatres, and some television stations actually
8 pick them up and show them for free. Well, not for
9 free, but they're sponsored by other road safety
10 organizations or other traffic safety committees such
11 as in Victoria.

12 MR. MUNN: Q: But the focus of that is more to provide
13 the -- and I'm not saying that's a bad thing. It's
14 more to provide the high school students an
15 opportunity to create a video.

16 MR. DICKINSON: A: Well, that's part of it. But it is
17 engaging that certain higher-risk groups that can
18 actually get the message out to an even broader
19 audience than just themselves. So, in essence, it's
20 not free advertising. The program has a cost. But
21 it's getting some very creative and interesting pieces
22 of work that are by students, or film students, for --
23 not only for their peers, but also for the general
24 public.

25 **Proceeding Time 2:05 p.m. T37**

26 MR. MUNN: Q: And how involved is ICBC in school

1 curriculum regarding, say, auto safety, road safety?

2 MR. DICKINSON: A: One of our programs is that we do
3 offer curriculum materials that can be used by
4 teachers as part of their program.

5 MR. MUNN: Q: And is that a government directive that
6 ICBC provide those curriculum materials?

7 MR. DICKINSON: A: I don't believe it is.

8 MR. MUNN: Q: And is there any reason why ICBC simply
9 doesn't suggest that the Canada Safety Association or
10 the Canada Safety Council and our friend Elmer, the
11 safety elephant, do that work?

12 MR. DICKINSON: A: I think having more information and
13 teaching our children around road safety, the better.
14 If it's ICBC or the elephant or Captain Click, I think
15 that's a good thing.

16 MR. MUNN: Q: But the educational -- the involvement in
17 the education programs is not something that ICBC has
18 been directed to do by government?

19 MR. DICKINSON: A: I'm not aware that we are but I
20 would stand corrected. This goes before my time in
21 road safety. We do it because it's the right thing
22 to do, would be my answer as the current director.

23 MR. MUNN: Q: Well, are some these not simply what was
24 described in 2005 as "white-hat expenditures", and I
25 don't have the 2005 decision in front of me, but it's
26 at page 64, the Commission concluded that "to the

1 extent expenditures cannot be shown to positively
2 affect their RSLM programs, they are white-hat
3 investments and should be allocated to basic and
4 optional on a reasonable basis."

5 Are some of these programs such as the 180
6 Video Contest and the materials provided for schools,
7 are those not white-hat investments in terms of
8 positively affecting the view of ICBC?

9 MR. DICKINSON: A: No, I don't believe so. I think
10 these initiatives fall within the definition of road
11 safety as confirmed by the Commission a number of
12 years ago, and the definition was that "initiatives
13 that are designed to promote or improve highway
14 safety". This includes initiatives to prevent traffic
15 crashes and initiatives to prevent injuries or to
16 reduce the severity of injuries from traffic crashes.
17 I would say these are very much road safety programs.

18 MR. MUNN: Q: They fall within road safety but they
19 don't necessarily fall within some of the guidance
20 given by the Commission around when those road safety
21 programs should occur. Is that correct?

22 MR. DICKINSON: A: Well, they fall within the
23 definition of road safety which was endorsed by the
24 Commission.

25 MR. MUNN: Q: Yes, but falling within the definition
26 doesn't necessarily mean that it's got, for instance,

1 a measurable outcome, does it?

2 MR. DICKINSON: A: Well, that brings us back into how
3 we are able to measure outcomes and measure the
4 effectiveness of education and awareness.

5 MR. MUNN: Q: I am concerned with your road safety,
6 because the definition -- I can fit quite a number of
7 things into that definition.

8 MR. DICKINSON: A: I know and I believe you've
9 expressed that.

10 MR. MUNN: Q: I am concerned that your road safety
11 programs are meeting two things that this Commission
12 has required in the past, that there be measurable
13 outcomes, and that there be a deterrent, that they be
14 tied to an enforceable mechanism.

15 MR. DICKINSON: A: One thing, I think the timing is
16 right to point to one of your -- submission page 6,
17 and we've been down this road a fair amount with our
18 interveners, and on page 6 and halfway down through
19 the page it says:

20 "The Panel has reviewed ICBC's evidence,
21 including the responses to information
22 requests, and finds that it is sufficiently
23 comprehensive to meet the Commission's
24 requirements for the purposes of this
25 application. The Panel suggests that if IBC
26 has ongoing issues with respecting road

1 safety, it should more clearly articulate
2 and quantify the nature and reasons and
3 significance of its concerns.”

4 MR. MUNN: Q: And that’s what I’m doing today. You’ll
5 appreciate that?

6 MR. DICKINSON: A: But I don’t think you are presenting
7 any evidence or suggesting --

8 MR. MUNN: Q: But you understand that that
9 determination that you’ve just read to me on page 6
10 was with regards to a particular program that IBC had
11 concerns with, which was the safer vehicles program.

12 MR. DICKINSON: A: Yeah, that’s right. And I --

13 MR. MUNN: Q: And the Commission made a determination
14 on that point.

15 MR. DICKINSON: A: They did.

16 MR. MUNN: Q: The same way as the Commission has made a
17 determination vis-à-vis tying road safety programs to
18 enforceable mechanisms and requiring measurable
19 outcomes.

20 MR. DICKINSON: A: Yes. And the Commission has also
21 confirmed and adopted our definition of road safety
22 and as well our approach around safe systems and the
23 approach that we are taking to road safety.

24 One of the things I’d also like to point
25 out is in terms of the overall road safety budget, the
26 budget is about 45 million, or in the evidence that we

1 -- in the annual report, BCUC 116.2. You had included
2 it, Mr. Munn, in your package. It goes back to page
3 78. There should be a page 79.

4 **Proceeding Time 2:10 p.m. T38**

5 MR. MUNN: Q: I see you had time to read this at lunch
6 hour?

7 MR. DICKINSON: A: I did. And so what we're talking
8 about here, just to set context for this discussion,
9 is that in our 2013 plan our total spend, our total
10 program spend under the programs that are not road
11 improvement or intersection safety cameras or police
12 is about 3 million. So I just wanted to point the
13 perspective that that's really what we're talking
14 about here with respect to the education on one of
15 these programs.

16 MR. MUNN: Q: Let's talk about that perspective,
17 because you've only got 3 million that you're spending
18 on road safety programs, correct?

19 MR. DICKINSON: A: On those particular education
20 awareness ones, yes.

21 MR. MUNN: Q: And you've heard concerns raised by
22 various interveners at this hearing that they would
23 like to see road safety programs, particularly around
24 things like personal electronic devices.

25 MR. DICKINSON: A: Mm-hmm.

26 MR. MUNN: Q: That's a yes?

1 MR. DICKINSON: A: That's right, and I've also
2 suggested that it doesn't necessarily need to cost
3 money to be effective. I think what we are doing is
4 looking at the mix and how we look at promoting our
5 various programs. For example, traditionally we do
6 follow a traditional marketing mix - television, radio
7 and social media. And so we're reexamining how we do
8 communicate with people because people are changing
9 their habits in terms of how they absorb information.

10 My teenage daughters at home refuse to
11 watch live TV because they'd rather save it and then
12 skip through all the commercials, whereas today
13 they're at home -- they may be at home watching the
14 Olympics and not being able to do that. So people are
15 changing the way that they are watching TV and taking
16 in information, and so I think we need to change the
17 way that we communicate with them.

18 So that means looking at an appropriate mix
19 of marketing. And as a specific example around
20 distractions, I think if you look at distractions, I
21 think when you're in the car actually driving and a
22 radio commercial comes on, you might be catching
23 someone in the act of actually being a distracted
24 driver, so that would be quite effective. For
25 impaired, we saw some success with our designated
26 driver program, and that's actually appropriate for TV

1 because it's before people make their plans to go out.

2 So the reduction in the money that we're
3 spending here, I think, is forcing us to be more
4 efficient. And as you know in this environment, it's
5 all a balance and trying to get that balance right.

6 MR. MUNN: Q: I'm looking for that balance, so coming
7 back from the Olympics and what your daughter is
8 watching at home, can we come back to the question?
9 And my question is, if we've only got 3 million,
10 should we not be spending that 3 million where we know
11 that we're going to have an impact on road safety?

12 MR. DICKINSON: A: And I believe we are, because we
13 have to look at a mix of various things. And I think
14 the road safety portfolio and the road safety program
15 represents a balance. We're primarily the education
16 and awareness, but we're also involved, as I
17 mentioned, with funding law enforcement. So I think
18 that -- we can't -- we do need to prioritize, like
19 with distracted driving and the frequency curve I do
20 think that that needs to be a focus. And we are
21 looking at shifting our resources within that bucket
22 of money to do some more around distracted driving.

23 MR. MUNN: Q: And you appreciate our concern about the
24 personal electronic devices is finding a way to
25 measure it so that we know that it's being effective?

26 MR. DICKINSON: A: Yes, I agree.

1 MR. MUNN: Q: Thank you.

2 This was a question that was left for Panel
3 2, and this comes out of my Exhibit C6-4, but it might
4 be easier if we simply took the panel to BCUC 4.1 and
5 I think we're actually -- Geri would answer this?

6 MS. PRIOR: A: Sorry, BCUC 4.1?

7 MR. MUNN: Q: 4.1. First round.

8 MS. PRIOR: A: Yes, I have this.

9 MR. MUNN: Q: And the BCUC was asking questions around
10 the process going forward vis-à-vis these filings, and
11 I'd just like some sense of what ICBC sees those
12 processes in terms of going forward.

13 So ICBC had been asked what type of
14 regulatory process would be appropriate with the
15 annual rate application requirement of May 31st for
16 rates to be effective August 1st, and ICBC has
17 suggested a process similar to the streamlined revenue
18 application. That's correct?

19 MS. PRIOR: A: That's correct.

20 MR. MUNN: Q: And are you suggesting that we adopt a
21 similar band to what was around the SRRRA applications
22 which was minus 1.0 to 2.5, in which case there would
23 be no actual hearing?

24 MS. PRIOR: A: No, I think -- well, okay, let me
25 clarify. When we were thinking about the streamlined
26 process, what we were saying is, because there is

1 actually a band defined in regulation of plus or minus
2 1.5 percentage points around whatever the Commission
3 decides at this hearing, that we would suggest a
4 streamlined process. And that streamlined process
5 would be similar to the past streamlined processes
6 that we used before in 2010, which is we would go
7 through a process, we would put our filing together.

8 **Proceeding Time 2:16 a.m. T39**

9 Some areas we would suggest could be a
10 little narrower in scope than what we actually submit,
11 but the full actuarial information would be there.
12 And it would have a round of IRs. It wouldn't be an
13 oral hearing process, if that's what you're getting
14 at, Mr. Munn, but it would be basically the documents
15 would be submitted. We would do one round of IRs.
16 This is similar to what we did in 2010.

17 MR. MUNN: Q: Now, what if -- just a couple of "what
18 ifs". What if we're looking at an actual increase of
19 6.4 in 2014, and then the further 1.5, so 7.9 in 2015.
20 Is there a point where the size of the rate increase
21 should require that we come back for a more fulsome
22 hearing with the Commission?

23 MS. PRIOR: A: Well, I think there you'd have to look
24 at a number of factors to determine, you know, how,
25 number 1, the actual rate amount. I think if we had
26 three subsequent years and you were up to the 7.9 or

1 into the 8s, I think that would be concerning for all
2 of us. And we would also be looking at where our
3 capital levels are. What this -- what the actual
4 framework allows is for ICBC to come back at any point
5 in time and do an additional annual filing. That may
6 be not a streamlined process, that may be a full oral
7 hearing or whatever other process the Commission
8 determines.

9 So I don't think we're saying this is the
10 method and suggestion, this is from here on in this is
11 all we would do. There was probably an appropriate
12 time when it would be open for a full oral hearing.
13 But I think you have to look at the circumstances, the
14 capital level, what's driving the changes, if it's
15 more a kind of just carrying on the rate smoothing
16 process, then that -- all the factors are -- have been
17 openly and quite thoroughly discussed in this hearing.
18 You know, we're saying, is it worth going through
19 another process like this?

20 And I think there's many considerations you
21 have to take into account. It's not totally
22 formulaic.

23 MR. MUNN: Q: And I'm not suggesting a preference one
24 way or the other on my behalf, or my client's behalf.
25 But do we need a hearing to develop a process? Do we
26 need a process to develop a process?

1 MS. PRIOR: A: Well, I think we should take it one step
2 at a time. I think too, number one, this rate
3 smoothing is new to all of us. And we need to see how
4 that evolves. I think in the -- we're looking only at
5 the next hearing, which is -- or the next process,
6 which is coming up very quickly. And what we're
7 suggesting is going with the streamlined application
8 for that process.

9 MR. MUNN: Q: Okay, thank you. Can I go back to a
10 question that Ms. Khan had this morning, and a concern
11 that Ms. Prior had raised about actually updating the
12 Commission during the course of these hearings? And I
13 appreciate your concern in terms of you file, and your
14 actuarial evidence is developed at a particular point
15 in time, and you're making a projection into the
16 future. Is that correct?

17 MS. PRIOR: A: That's correct.

18 MR. MUNN: Q: Is it not reasonable, though, for the
19 Commission to at least know whether you're staying on
20 course? Not suggesting you have a further filing, but
21 the Commission should know, because we're now six
22 months -- almost six months, after the August 31st
23 filing. Should the Commission not know whether you're
24 on course vis-à-vis your projections?

25 MS. PRIOR: A: I guess we weren't trying to preclude
26 the Commission from knowing what the status is

1 financially of how the organization is operating. I
2 think Mr. Ghikas was clear on that. We're not opposed
3 to doing that undertaking.

4 I think the point I was trying to make is
5 that, number one, I think at a point in time there are
6 a number of assumptions that fit together that make up
7 a rate filing. That it would be within actuarial
8 standards of practice that you do look at those things
9 at a point in time and not selectively pick out
10 elements of that and use updated information to try
11 and make a decision on the rate. So I think there is
12 a difference to what I was -- I wasn't opposed to
13 sharing the information with the Commission. What I
14 was trying to make is, if we're going to start looking
15 at updating each piece of information, and using
16 sensitivity analysis and then trying to determine a
17 rate from that, I think that would be inappropriate.

18 MR. MUNN: Q: Because we'd be doing what we did in
19 2006, where ICBC actually had the indicators and we
20 had to re-file.

21 MS. PRIOR: A: Well, we re-filed. We actually did it
22 all at a point in time again, though. It was -- you
23 know, I think that's the way to do a rate filing is,
24 you need to look at everything as an aggregate, not
25 piecemeal, to build up a rate.

26 MR. MUNN: Q: Yeah.

1 Those are my questions, thank you.

2 **Proceeding Time 2:21 p.m. T40**

3 THE CHAIRPERSON: Thank you, Mr. Munn.

4 Mr. Weisberg, I believe you are next.

5 MR. WEISBERG: Thank you, Mr. Chairman. Good afternoon,
6 Commissioners.

7 **CROSS-EXAMINATION BY MR. WEISBERG:**

8 MR. WEISBERG: Q: Good afternoon, panel. I am Fred
9 Weisberg, I am counsel for a new ratepayer group
10 called Towards Responsible Educated Attentive Driving,
11 although the acronym TREAD appears to be gaining
12 traction.

13 THE CHAIRPERSON: Is that in winter or summertime
14 driving, Mr. Weisberg?

15 MR. WEISBERG: Q: I'm seeking useful information from
16 you regarding serious issues, but at times I will
17 tread lightly. I am a humourless man.

18 MR. GHIKAS: Can we make PACA submissions now, Mr.
19 Chairman?

20 MR. WEISBERG: Q: But I may occasionally attempt,
21 especially in mid-afternoon, to make you chuckle
22 occasionally. That will be only a subterfuge to get
23 you to let your guard down and give me the answers I
24 want, because more conventional means have failed.

25 THE CHAIRPERSON: Is that three questions, Mr. Weisberg?

26 MR. WEISBERG: Q: That is three questions. That is my

1 intro. So let's begin.

2 Does ICBC have available to it a means that
3 it believes would reduce basic rates for two-thirds of
4 its customers beginning later this year?

5 MS. PRIOR: A: Can you -- Mr. Weisberg, can you
6 clarify? When you say "reduced rates for its
7 customers", are you talking basic rates?

8 MR. WEISBERG: Q: Yes, for two-thirds of the customers.
9 Do you have a means available to accomplish that later
10 this year?

11 MS. PRIOR: A: Well, I think -- I mean if we look at
12 the whole rate-smoothing model, I mean what it is
13 doing is it is actually putting off some of the
14 required rate. I mean, that is what this filing is
15 doing. The actual rate is 11.5. We are putting off
16 some of that rate for future years and allowing ICBC
17 time, and maybe other circumstances to change, or
18 hopefully some of that requirement can be mitigated.

19 MR. WEISBERG: Q: Okay, Ms. Prior, what you just said
20 is a way to achieve a reduction in the increase,
21 correct?

22 MS. PRIOR: A: It's a way to put off some of the
23 required increase and getting customers to pay that at
24 this point in time.

25 MR. WEISBERG: Q: So that doesn't reduce rates, that
26 makes them hopefully increase not quite as fast,

1 correct?

2 MS. PRIOR: A: As I said, I think the intent is to
3 allow time to see if something can be done to mitigate
4 the rate requirement.

5 MR. WEISBERG: Q: I'm not asking about the intent right
6 now. I'm asking you, is it true that what you just
7 said is that it slows down an increase in rates, it
8 does not reduce rates?

9 MS. PRIOR: A: Yes, it does -- I mean what we are doing
10 right now does not reduce the required rate. The
11 rate-smoothing model is not to reduce the required
12 rate. The intent of the rate-smoothing model is to
13 reduce some of the volatility that we've seen, and to
14 bring the rates in in a smoother fashion. That was
15 the intent of the rate smoothing model.

16 MR. WEISBERG: Q: Okay, I'm going to return to my
17 initial question later in the cross-examination.
18 Right now, let's look at Exhibit B-25 which was filed
19 this morning. It's a package that -- the front cover
20 is the order of the Lieutenant Governor in Council. I
21 want to look at the second page of that package with
22 you.

23 MS. PRIOR: A: Sorry, just one second. Thank you, I
24 have that now.

25 MR. WEISBERG: Q: Okay, so the second page is in fact,
26 I guess, a different document. It's a May 18th, 2010

1 letter from British Columbia government, Michael de
2 Jong, B.C. Government, want to look at the third
3 paragraph.

4 **Proceeding Time 2:26 p.m. T41**

5 MS. PRIOR: A: Sorry, third paragraph, mm-hmm.

6 MR. WEISBERG: Q: And within that it's discussing the
7 capital management plan. And the fifth line in,
8 partway through the line it says,

9 "...the plan's objective of promoting
10 relatively stable and predictable rates."

11 Do you see that, Ms. Prior?

12 MS. PRIOR: A: I'm sorry, I'm not -- so you're on the
13 third paragraph did you say?

14 MR. WEISBERG: Q: I'm on the third paragraph beginning
15 in the fifth sentence near the end of -- not sentence,
16 I'm sorry, fifth line.

17 MS. PRIOR: A: Yes, all right. I'm sorry, I'm tracking
18 with you.

19 MR. WEISBERG: Q: Okay. So again it says, "...the
20 Plan's," referring to the capital management plan,
21 "objective of promoting relatively stable and
22 predictable rates." Do you agree with that statement
23 of the objective of the capital management plan?

24 MS. PRIOR: A: Yes, although in the context of this
25 sentence it's -- in some circumstances the universal
26 compulsory automobile insurance capital level exceeds

1 the MCT, the management capital target. The release
2 of excess capital in accordance with the capital
3 management plan can give rise to significant rate
4 volatility, counter to the plan's objective. Yes.

5 MR. WEISBERG: Q: But you do agree with the objective,
6 though.

7 MS. PRIOR: A: Yes.

8 MR. WEISBERG: Q: Okay. And where it says, within the
9 objective, promoting predictable rates, who do you
10 think that means that they are predictable for, if the
11 objective was to be achieved?

12 MS. PRIOR: A: Well, this is for -- this would be for
13 all policy holders.

14 MR. WEISBERG: Q: Okay. Thank you. Let's set that
15 aside. I don't intend to return to it. And let's go
16 to BCUC 5.2 in the first series, 2013.1.

17 MS. PRIOR: A: If you'd just let me -- give me one
18 second to get that.

19 MR. WEISBERG: Q: The 2013.1 BCUC 5.2. And this was a
20 request from the Commission asking about a
21 communication plan to customers that would explain the
22 changes of cumulative effects of rate changes
23 effective November 1st, 2013, and August 1st, 2014. And
24 I was a bit stymied by the response because it offered
25 nothing. It doesn't indicate if there is a current
26 communication plan. It doesn't indicate if there was

1 a 2013 communication plan. It really tells the
2 Commission to go away on that point.

3 Can I find any useful information in that
4 response that I'm missing?

5 MS. PRIOR: A: No, I think what we're saying is we have
6 a regular process for developing a communication
7 around the rates. The Commission has been -- it does
8 get conferred as to when we'll be putting out a
9 communication on the rates before any time the rates
10 submission is made to the Commission. And we're
11 saying once we know what that application would be
12 about, and the impact on customers, we develop a plan.
13 It's not necessarily formulaic in how we do that, Mr.
14 Weisberg, we have a communications area that would
15 create that plan.

16 MR. WEISBERG: Q: So further, the rate changes that are
17 effective November 1st, 2013, which was already in the
18 rear view mirror, is there nothing that you could have
19 indicated to the Commission in terms of what the
20 communication plan was in respect of at least those
21 rate increases?

22 MS. PRIOR: A: I don't -- well, you know, in hindsight
23 if I look at this, perhaps we could have laid out the
24 couple of steps that we did, which was -- I can
25 certainly explain it now to the best of my knowledge
26 as what we actually did on that plan, was we prepared

1 something to go in. We generally do a news release
2 announcing that we will be putting in our submission
3 on the timing, and we give a copy of that to the
4 Commission ahead of time so they know what we're going
5 to be saying.

6 We open ourselves to any interviews that
7 the press media may have, and that was done in this
8 round as well. And the news stories basically carry
9 it. It's not overly complicated what we do, so --

10 MR. WEISBERG: Q: Okay, then if --

11 MS. PRIOR: A: I guess, I guess if we had put those
12 point in, maybe that would have been a more fulsome
13 answer, is your point?

14 **Proceeding Time 2:32 a.m. T42**

15 MR. WEISBERG: Q: Yeah, but it wasn't my request, it
16 was the Commission's. And I thought it was easily
17 worded. Even I understood it, and you've provided
18 nothing. And instead you saved what you did have to
19 say for now. Explain that. Why did you not provide a
20 meaningful response to a simple question as asked?

21 MS. PRIOR: A: I don't think it was intentionally to
22 not answer the question. I think we'd have -- we've
23 had over a thousand IRs. I think we've been quite
24 comprehensive in all of them. And you're pointing out
25 one that perhaps is a couple of sentences that could
26 be added. I will acknowledge that. But I think for

1 the most part we've answered them fully.

2 MR. WEISBERG: Q: Do you want me now to burden the
3 record with pointing out how many IR responses of the
4 thousand that you just mentioned include this as per
5 normal process, blah blah blah, about a communication
6 plan and we don't know what the rates will be?
7 Because I'm happy to do that. It would be a gross
8 waste of time.

9 MS. PRIOR: A: Mr. Weisberg, I think that's your
10 prerogative how you want to use the time with the
11 Commission and the panel.

12 MR. WEISBERG: Q: It is.

13 When I cross-examined panel 1, I filed and
14 marked a package of materials as Exhibit C11-5 -- if
15 you can turn that up, please.

16 MS. PRIOR: A: C11-5? Just one second. Okay.

17 MR. WEISBERG: Q: Yes.

18 MS. PRIOR: A: I have that, thank you.

19 MR. WEISBERG: Q: Okay. So within that, I'm not sure
20 where, because my particular package is disassembled
21 [sic], but there is within that a two-page document
22 entitled "An open letter to customers from interim CEO
23 Mark Blucher".

24 MS. PRIOR: A: Mm-hmm.

25 MR. WEISBERG: Q: I had a question exchange with Ms.
26 Minogue. Tell me, was she correct in assuming at

1 transcript 335 that Mr. Blucher failed to mention the
2 4.9 percent proposed increase in his letter to
3 customers, because the application had not yet been
4 filed that day?

5 MS. PRIOR: A: So, there were two pieces of
6 communication.

7 MR. WEISBERG: Q: Mm-hmm.

8 MS. PRIOR: A: There was an open letter to customers
9 that Mr. Blucher did. There was also a news press
10 release that went out to the media, which did disclose
11 the 4.9 percent.

12 MR. WEISBERG: Q: Now, what was the thinking behind
13 having two separate press releases on the same day?

14 MS. PRIOR: A: I think the intent on this one was a
15 letter to customers to let them know there would be a
16 filing. And the second one was more about the impact
17 to the customers and more details around the actual
18 implication of the rate changes that ICBC was putting
19 through, both on the proposal to the Commission, on
20 the basic rate, as well as the offset that we were
21 doing to about 80 percent of our personal customers
22 for the optional rates.

23 MR. WEISBERG: Q: Okay, I believe you just said that
24 the point you believe of the open letter to customers
25 was to let them know there would be a filing. Does
26 that accord with the second sentence of that, where

1 Mr. Blucher says we know your main concern is how much
2 you pay for your insurance?

3 MS. PRIOR: A: Yes, we -- I think Mr. Blucher, in the
4 letter to the customers, was trying to explain that we
5 are concerned about the costs of insurance. I think
6 he was trying to set the stage for the fact that
7 bodily injury costs are a driver of the rates. And
8 there are several references to the bodily injury
9 costs that are increasing. And some of the reasons
10 for the bodily injury costs. So I think when
11 communicating to our customers, what Mr. Blucher's
12 intention was, was to let them know what was driving
13 some of the changes to come.

14 MR. WEISBERG: Q: And the 4.9 percent, which was the
15 amount of the proposed increase, was believed by Mr.
16 Blucher and the Corporation to be of no interest to
17 the customers?

18 MS. PRIOR: A: There were, as I said, two
19 communications out. The second communication was very
20 clear on that. That went to the broader media on
21 that. And that was put out -- I believe it was also
22 August 30th, the same day.

23 MR. WEISBERG: Q: It was. And we're going to get to
24 that communication, so I want you to stick to this
25 communication for now, and we'll have a chance to
26 discuss the other one later. You said it was to a

1 broader audience of the media. The other --
2 MS. PRIOR: A: Well, I'm sorry. That was where the
3 distribution was. This one was -- my recollection is,
4 this one was a letter to be put into the *Vancouver*
5 *Sun*. And the other one went to all media. So there
6 were two communications, yes.

7 **Proceeding Time 2:37 p.m. T43**

8 MR. WEISBERG: Q: Okay, but only one of them has a bold
9 title that says "An Open Letter to Customers", do you
10 agree?

11 MS. PRIOR: A: That's what this one has, yes.

12 MR. WEISBERG: Q: Yes, and in the one, the open letter
13 to customers, it doesn't indicate the amount of the
14 proposed increase which was filed in an application
15 the very same day, right?

16 MS. PRIOR: A: No. I mentioned -- I think I already
17 confirmed that the second communication did that, and
18 it played widely across all media.

19 MR. WEISBERG: Q: And it was not directed specifically
20 and titled such, "To All Customers", was it?

21 MS. PRIOR: A: No, it was a -- I think I've confirmed,
22 it was a news release that went out to all media.

23 MR. WEISBERG: Q: Do you agree that Ms. Minogue was
24 correct when she said that the application itself
25 would be in essence the press release of the 4.9
26 percent?

1 MS. PRIOR: A: I don't recall Ms. Minogue saying that,
2 but I can tell you --

3 MR. WEISBERG: Q: Subject to check, do you agree with
4 that?

5 MS. PRIOR: A: No, the 4.9 percent was, as I said, in
6 the second news release, the second document, the news
7 release which went out and was played quite widely.
8 As a matter of fact, I think we had 197 pickups from
9 news media announcing it, within that day or two.

10 MR. WEISBERG: Q: That wasn't my question. I want to
11 know, and you can check the transcript later, I'm not
12 going to burden the record with that time element now,
13 but trust me when I say there's a quote from Ms.
14 Minogue that the application itself would be, in
15 essence the press release of the 4.9 percent. Do you
16 agree with her characterization or do you not?

17 MS. PRIOR: A: No, I think I said I didn't because the
18 4.9 was in the second news release documents. So that
19 was the actual announcement of the 4.9 percent.

20 MR. WEISBERG: Q: Okay, beyond the omission in Mr.
21 Blucher's letter to all customers of the 4.9 percent
22 rate increase, do you know why Mr. Blucher omitted any
23 mention of the proposed rate impact on 20 percent of
24 basic insurance customers?

25 MS. PRIOR: A: I wasn't in the room when Mr. Blucher
26 made the decision on the two different publications or

1 announcements. I was aware there were two going out.
2 I'm just going to go by my recollection, but to me
3 they were to be looked at in tandem, because they were
4 going out at the same time on August 30th. So we had
5 one going in a letter to the editor, and we had one
6 going out more broadly across all media, and that one
7 included the 4.9 percent.

8 MR. WEISBERG: Q: Ms. Prior, you strike me as not just
9 an intelligent woman, but an above-average intelligent
10 woman. Does it make sense to you, as you sit here
11 today, to look at these two press releases, one that
12 was intended for media, your own words, and the other
13 one that's titled "An Open Letter to Customers", and
14 expect that they are to be received by customers in
15 tandem, and that in the busy world we live in that
16 policy holders will look at -- if they find the press
17 releases, they will see an open letter to customers
18 and they may see another one that says, "ICBC makes
19 changes to optional and basic rates". Which one do
20 you expect they are more likely to read if they read
21 only one?

22 MS. PRIOR: A: Well, I think that you are assuming that
23 everybody is reading the op ed. I think the broader
24 messaging actually went out with what we put out to
25 all news releases. This one here was in one
26 publication in a letter to the editor. So I think the

1 more broadly read and the more broadly announced, the
2 197 hits that we had on this story related to the 4.9.
3 So I think that has been our experience in the past.

4 MR. WEISBERG: Q: Ms. Prior, the document that I've
5 tried to get you to focus on is a letter from Mr.
6 Blucher. The other document is not from Mr. Blucher,
7 correct?

8 MS. PRIOR: A: Well, the other document is from -- I
9 mean it is from Mr. Blucher, he's the CEO, president
10 and CEO of our company. So these communications are
11 from the corporation and Mr. Blucher.

12 MR. WEISBERG: Q: Is that why the name at the end of
13 the other document, the other press release is media
14 contact Adam Grossman? Is that to indicate that it's
15 from Mr. Blucher?

16 MS. PRIOR: A: No. Whenever we do a news release, Mr.
17 Weisberg, we also do put a media contact so that they
18 can contact the Corporation and then at that point
19 interviews. And our CEO was absolutely available for,
20 I don't know how many interviews or questions or phone
21 calls that would come from the media. So we do have a
22 media contact person that organizes and coordinates
23 those.

24 MR. WEISBERG: Q: Let's look at the letter from Mr.
25 Blucher and see if what you've just told me is
26 correct. Look at the second page of it. Does it show

1 a media contact, or does it show Mr. Blucher's name
2 and title.

3 MS. PRIOR: A: I think you are mixing up the two
4 documents. This one is a letter to the editor.
5 Generally in letters to the editor, if you look in
6 newspaper print or on-line, you won't necessarily see
7 a media contact. You do see that in a media news
8 release. And so there are two different ways of
9 communicating our message out, and it's pretty
10 standard protocol.

11 MR. WEISBERG: Q: Okay, is it standard protocol that if
12 I go on the ICBC website and I follow the link to
13 press releases and I find the August 2013 period, that
14 I will find both this document, the open letter to
15 customers and the other one that you've referred to.

16 **Proceeding Time 2:43 p.m. T44**

17 MS. PRIOR: A: I'm sorry but I actually am not positive
18 what is on our website at this time.

19 MR. WEISBERG: Q: I am.

20 MS. PRIOR: A: All right.

21 MR. WEISBERG: Q: And subject to check, do you agree
22 that both of those documents, the press releases that
23 you've identified, one within C11-5 and one C11-6, are
24 both found under Press Releases on the ICBC website?

25 MS. PRIOR: A: The C11-6 --

26 MR. WEISBERG: Q: I misspoke myself. I got ahead

1 because you keep dragging me to the other press
2 release. When we get to it I will propose to mark it
3 as C11-6, but let me identify it for you instead as
4 the press release titled "ICBC Makes Changes to Basic
5 and Optional Rates".

6 MS. PRIOR: A: Yes, so I'm sorry, the question, please?

7 MR. WEISBERG: Q: The question I really want to ask you
8 and I have already is why Mr. Blucher omitted any
9 mention of the proposed rate impact on 20 percent of
10 basic insurance customers in his letter, not in
11 another document?

12 MS. PRIOR: A: I think I've answered that, because both
13 were released concurrently. That this letter was more
14 explaining that we were going to do -- the document
15 you're referring to in 11-5 is basically setting the
16 stage, saying that there are some BI challenges. It
17 points that out in a number of the paragraphs on the
18 first page of that letter. It tries to explain what
19 some of those reasons are for why the claims costs are
20 going up. And that it was also trying to message to
21 our customers because I know I had discussions with
22 Mr. Blucher, thought it was very important to make
23 sure the customers also understood we were being
24 responsible in how we managed our business.

25 So we had done some work over the last few
26 years, as I mentioned in my opening presentation, on

1 trying to manage the costs that were within our
2 control, and we wanted to share that out with
3 customers as well.

4 Because concurrently we were releasing a
5 press release that talked more about the 4.9 and the
6 impact on customers, that was laid out in a very
7 different way and you've said you have the document,
8 so you can see that was laid out in a very different
9 way, to show the actual dollar impact for customers
10 both with the increase to the basic premium as well as
11 for 80 percent of our customers that had a decrease,
12 it laid that out and in a picture form.

13 MR. WEISBERG: Q: Ms. Prior, please answer yes or no.
14 Do you know why Mr. Blucher omitted any mention of the
15 propose rate impact on 20 percent of basic insurance
16 customers in his letter to customers? Yes or no.

17 MS. PRIOR: A: I am not inside Mr. Blucher's head.
18 What I've given you is an explanation, what I believe
19 was the thinking at the time of putting these two
20 pieces of information out.

21 MR. WEISBERG: Q: Ms. Minogue corrected me when I said
22 that ICBC has approximately 2 million customers. She
23 corrected me to say 3 million. I found in another
24 ICBC source the figure 3.3 million customers. Which
25 one is the most accurate in terms of describing the
26 number of customers?

1 MS. PRIOR: A: I'll just check. I think it's the 3.3
2 but I'm just going to do one check for you if you'll
3 just give me one second. 3.3 million.

4 MR. WEISBERG: Q: 3.3?

5 MS. PRIOR: A: That is correct.

6 COMMISSIONER REVEL: Mr. Weisberg, could I ask a point of
7 clarification?

8 MR. WEISBERG: Certainly.

9 COMMISSIONER REVEL: Is a customer a policy? In other
10 words is a customer an individual that might hold an
11 optional and a basic, or would a customer, an
12 individual holding two, would those be two customers?

13 MS. PRIOR: A: No, we count them -- so we count basic
14 policy holders as our customer count because everybody
15 has to have basic. A portion of them will have
16 optional. So the 3.3 refers to the basic.

17 COMMISSIONER REVEL: Those optional policy holders would
18 not be counted in --

19 MS. PRIOR: A: They're not double counted.

20 COMMISSIONER REVEL: Thank you very much. Sorry for
21 interrupting.

22 MR. WEISBERG: Not at all, Commissioner. It was a
23 helpful question and one I was going to get to, so
24 thank you for putting that on the record.

25 MR. WEISBERG: Q: So you agree with then, Ms. Prior,
26 that 20 percent of ICBC's 3.3 million customers

1 represents a group of about 660 customers -- 660,000
2 customers.

3 MS. PRIOR: A: I usually use a calculator but I think
4 that would be about right, yeah.

5 MR. WEISBERG: Q: Everyone's heart skipped a beat as
6 the CFO stopped on the math for that question.

7 MS. PRIOR: A: Wanted to make sure I had the zeroes
8 right, yeah.

9 **Proceeding Time 2:48 a.m. T45**

10 MR. WEISBERG: Q: All right, but I did misstate the
11 660,000, so shame on me.

12 Can you explain why ICBC believes that it
13 is appropriate to present the proposed basic coverage
14 rate increase in terms of a net impact after
15 offsetting the effect of optional rates for the
16 corporation's unregulated and nominally separate
17 business?

18 MS. PRIOR: A: Yes. Well, what ICBC -- so you're
19 referring now to the second document. Is that what
20 you're --

21 MR. WEISBERG: Q: I wasn't referring to a document.
22 It's just the concept is as explained in the question.

23 MS. PRIOR: A: Okay. So what we did is, we have
24 communicated to our 80 percent, the majority of our
25 customers -- these are personal customers, by the way,
26 they're not commercial customers. For our personal

1 customers, but 80 percent of them would have this
2 offset if they buy -- because they buy optional from
3 us. So we were communicating to the majority of our
4 customers and we were sharing out the rate impact to
5 them from the rates that we were putting through at
6 that time.

7 MR. WEISBERG: Q: Ms. Prior, what you've just testified
8 does not accord with what you've said already in your
9 testimony now or with what Ms. Minogue testified to,
10 in terms of this open letter being intended to go to
11 and read by all of or any of ICBC's customers.
12 Regardless of whether they also have an ICBC optional
13 insurance.

14 MS. PRIOR: A: I'm sorry, I'm not understanding what I
15 said that's in contradiction to that, Mr. Weisberg.

16 MR. WEISBERG: Q: I'll deal with that later. Thanks.

17 Mr. Blucher also in his letter made a point
18 of noting that it's ICBC's first application since
19 late 2011. On the other hand, he failed to mention
20 that a second application is required to be filed no
21 later than nine months following his letter. Why did
22 he mention the history but ignore the future in that
23 respect?

24 MS. PRIOR: A: Yeah, I haven't had a conversation with
25 Mr. Blucher about that exact question. But my belief
26 would be that when we were -- and as Ms. Minogue

1 pointed out, we have not actually had an annual filing
2 on the basic rates. And so when there is a longer
3 period of time and the claims costs have been rising,
4 that does generate more rate requirement than if we
5 were on an annual filing. And so I think what he was
6 trying to point out in that first, or the second
7 paragraph there, is that it's been a period of time
8 since we have changed rates.

9 MR. WEISBERG: Q: Why did he ignore the future? In
10 terms of --

11 MS. PRIOR: A: Oh, sorry.

12 MR. WEISBERG: Q: -- a second application, and I want
13 you to understand this, that it is required. There is
14 nothing optional about it at this point. Required to
15 be filed no later than nine months from the date of
16 his letter. Why ignore that fact that one might
17 presume would be of interest to ICBC's customers?

18 MS. PRIOR: A: Again, I'm not reading Mr. Blucher's
19 mind. But we generally will not -- we do not put out
20 information on future filings. Our focus was on the
21 current filing. When we're speaking to our customers,
22 when we're doing the rate announcements, our practice
23 has been to talk about the current filing. We weren't
24 doing a multi -- I think if we were doing a multi-year
25 filing, that would make sense. But in this instance,
26 this is the current filing.

1 MR. WEISBERG: Q: Ms. Prior, turn to the second page of
2 Mr. Blucher's letter.

3 MS. PRIOR: A: Mm-hmm.

4 MR. WEISBERG: Q: Go to the third full paragraph. It
5 says,

6 "Beyond the need for a rate change this
7 year, we are mindful of the longer-term
8 impacts on our customers as the trend of
9 rising injury claims costs continues."

10 Is that consistent with what you just told me?

11 MS. PRIOR: A: Yes, I think it is.

12 MR. WEISBERG: Q: All right, we'll leave it there. For
13 any other questions in this series, I will accept that
14 you are not a mind-reader and that you don't know
15 what's in Mr. Blucher's head. I'm asking you the
16 questions in your capacity as CFO, who I presume would
17 have reviewed a public communication, one of two press
18 releases, that went out to the general public in
19 respect of a major regulatory filing. That's the
20 context to keep in mind, not what's in Mr. Blucher's
21 head.

22 Why, then -- I'll phrase it differently.

23 MS. PRIOR: A: All right.

24 MR. WEISBERG: Q: Why did ICBC put out a letter from
25 Mr. Blucher that makes no mention whatsoever of the
26 rate increase -- sorry. Makes no mention of the fact

1 customers.

2 MR. WEISBERG: Q: Mr. Blucher's letter also states
3 that:

4 "Our focus has long been on offering our
5 customers the best insurance coverage for
6 the lowest possible cost."

7 Do you believe that's an accurate statement?

8 MS. PRIOR: A: It's certainly something that as long as
9 I've been in this organization, we have endeavoured to
10 do, yes.

11 MR. WEISBERG: Q: And you, Ms. Prior, acted as CEO for
12 a period, right?

13 MS. PRIOR: A: I did, for part of 2008, yes.

14 MR. WEISBERG: Q: Okay. Isn't the statement I've
15 referred to in Mr. Blucher's letter contrary to the
16 August 2012 Ministry of Finance review of ICBC finding
17 that:

18 "There are areas where ICBC is not aligned
19 with government's priority of cost
20 containment including growth in management,
21 compensation, and operating costs, despite
22 the economic downturn in 2008. The Board
23 should set clear direction to institute a
24 culture of cost consciousness and financial
25 discipline across the organization."

26 You don't find those two passages to be a

1 contradiction?

2 MS. PRIOR: A: No, I do not. During the time that I've
3 been CFO and I've pointed out on the base operating
4 cost, we've managed them quite tightly over time.
5 Where some of the cost increases had come was more
6 around as we started to do our transformational work.
7 So we, as an organization -- and I was willing to
8 accept some of those costs would go up and eventually
9 come back down. The government review didn't take
10 that, if I can say, into account in the way that they
11 looked at the over-total accounts of our employees as
12 well as our cost base and suggested that we needed to
13 bring that down now.

14 So were we totally in line with
15 government's expectations? According to government,
16 we were not. So there were certain policy things that
17 we did tighten up. I think that -- I mean if you look
18 at it, you can tighten up an organization -- I can
19 probably go into any organization and find room to
20 tighten up an organization. And it's a matter to what
21 balance you think you need to have to be able to
22 deliver the services, to be able to manage the
23 workloads that are there and deliver the strategic
24 outcomes that are there.

25 In various points in our time in history,
26 as I tried to explain in the opening presentation,

1 we've had different focuses. Cost containment has
2 always been there, but as we started to work on the
3 customer focus, we did add some resources and did some
4 survey work and added some cost to get some better
5 handle of what our customers' expectations were.

6 So we had reasons why we might have spent
7 some money in certain years, and certainly the intent,
8 as a responsible organization was always to come back
9 down. What the government review did push us to do is
10 to do that more quickly, and as I mentioned, it has
11 made it quite tight for the organization right now.
12 It's manageable but we have had to cut out some things
13 that we had been doing. We had to shift our
14 organizational structure. Not necessarily bad things,
15 just different.

16 So I would still say that, yes, overall our
17 focus has been in offering the lowest possible cost.
18 We worked very hard at that and if you talk to any of
19 the staff within the organization, I think they would
20 say we are cost focussed.

21 MR. WEISBERG: Q: Was the Ministry wrong then in their
22 conclusion?

23 MS. PRIOR: A: I don't think the Ministry was wrong or
24 right. I think what they did is they had an
25 observation of expectations that the organization
26 would not increase for things like transformational

1 program or where government had laid on initiatives.
2 They expected it basically flat.

3 To be honest, that was not communicated
4 with us directly other than the time that the
5 government review came in. So we did align with it.
6 It's the same with the compensation changes that Mr.
7 Hale talked about. Government may have had certain
8 expectations around what that compensation package
9 needed to look like, but they didn't actually put
10 those directives out till a little later. So all of
11 our compensation changes have been approved by PSAC up
12 to that point.

13 So it's probably why one of the first
14 findings in the government review report was more
15 around make sure you get that alignment with
16 government, you stay in sync with what their thinking
17 is. And I think that was a good point to bring up. I
18 think perhaps we hadn't been totally in sync with
19 their thinking all the way along.

20 MR. WEISBERG: Mr. Chairman, is it an appropriate time
21 for a break?

22 THE CHAIRPERSON: I think it is, Mr. Weisberg. So 17
23 minutes after 3, we will reconvene then.

24 MR. WEISBERG: Thank you.

25 (PROCEEDINGS ADJOURNED AT 3:01 P.M.)

26 **(PROCEEDINGS RESUMED AT 3:21 P.M.)**

T47

1 THE CHAIRPERSON: Please be seated.

2 Mr. Ghikas, I see you standing there once
3 more.

4 MR. GHIKAS: It's Groundhog Day.

5 THE CHAIRPERSON: I always assume now that you have
6 something that you wish to bring to our attention
7 before Mr. Weisberg continues.

8 MR. GHIKAS: It's Groundhog Day, Mr. Chairman.

9 THE CHAIRPERSON: Yes. How much more time before summer?
10 Or spring?

11 MR. QUAIL: It's also nearly Valentine's Day.

12 MR. GHIKAS: Yeah. No, there was just a correction to
13 the record in response to questions from Mr. Munn.
14 One of the questions put to Mr. Dickinson was in
15 respect of the school programs that were being
16 discussed, the road safety school programs, and Mr.
17 Munn had asked Mr. Dickinson whether they were
18 government mandated. Mr. Dickinson's response was
19 that -- I'm paraphrasing, but that he didn't think so
20 but it was before his time, and I understand Mr.
21 Dickinson has obtained some further information on
22 that.

23 So if we'd just ask Mr. Dickinson to do
24 that.

25 MR. DICKINSON: A: Yeah, I am told it was government
26 mandated when it began. So I don't have additional

1 details at this time.

2 MR. GHIKAS: So Mr. Chairman, in speaking to my friend
3 Mr. Munn, this -- I gather that Mr. Munn would like to
4 follow up. This changes things for him in that he
5 would like to have follow-up questions. The
6 difficulty is, apart from just having that
7 clarification right now, Mr. Dickinson doesn't have
8 the information. So what I'm proposing is Mr.
9 Dickinson tonight is going to inform himself about the
10 circumstances surrounding that, and my proposal would
11 be that should Mr. Munn determine that he wishes to
12 follow up on that, and my current understanding is he
13 does, that he would do so in the morning once Mr.
14 Dickinson was more informed.

15 THE CHAIRPERSON: Okay. Mr. Munn, did you want to say
16 anything?

17 MR. MUNN: Yes, because I don't want to be here all
18 morning trying to chase down some more questions.

19 MR. MUNN: Who told you today that it was government
20 mandated?

21 MR. DICKINSON: A: My staff.

22 MR. MUNN: And are you able to locate -- because we've
23 had extensive filings on road safety, most of which I
24 went through trying to get those questions together
25 for you. Have we never been told, has the Commission
26 never been told that before?

1 MR. DICKINSON: A: I don't know.

2 MR. MUNN: And you appreciate that the Commission made a
3 very clear distinction between what was required of
4 ICBC under the MOU, which is government mandated.

5 MR. DICKINSON: A: Right.

6 MR. MUNN: Which is an agreement with government.

7 MR. DICKINSON: A: Right.

8 MR. MUNN: And road safety as it would be overseen by the
9 Commission.

10 MR. DICKINSON: A: Mm-hmm.

11 MR. MUNN: And so where, without you having the
12 opportunity to see the direction, where does this fit
13 in the road safety and the Commission's oversight if
14 it's actually government mandated that ICBC should
15 spend particular money on schools?

16 MR. DICKINSON: A: I think it would qualify as
17 education and preparing students around their role as
18 pedestrians or cyclists on the road.

19 MR. MUNN: But does that not affect the orders that the
20 Commission has been giving over the course of the last
21 ten years in terms of road safety? Now, that's why --
22 I'll leave that question with you. I'm not asking you
23 to answer it right now, but it is critical as to
24 whether that has been brought to the Commission's
25 attention before now.

26 MR. DICKINSON: A: I'll endeavour to research that.

1 MR. MUNN: Thank you.

2 THE CHAIRPERSON: Thank you, Mr. Munn. Mr. Weisberg,
3 please proceed.

4 MR. WEISBERG: Thank you, Mr. Chairman.

5 MR. WEISBERG: Q: Ms. Prior, before the break we were
6 looking together at the open letter to customers from
7 Mr. Blucher, part of C11-5. Did you review that
8 letter prior to its release to the public?

9 MS. PRIOR: A: I'm not sure I would have seen the
10 actual file version, but I would have seen some
11 version of this prior to the release, basically
12 validating the numbers et cetera, yes.

13 MR. WEISBERG: Q: And was there a formal indication of
14 approval by you, or simply the fact that you didn't
15 require any changes?

16 MS. PRIOR: A: We don't do formal approvals, but if
17 you're thinking of a sign-off or something in the
18 organization for something like this, no.

19 MR. WEISBERG: Q: To the extent that the letter may be
20 inadequate in any respect, does Mr. Blucher as author
21 bear sole responsibility for that?

22 MS. PRIOR: A: This is a letter that would have been
23 drafted with Mr. Blucher and our communications area,
24 and I think Mr. Blucher would take accountability for
25 this, but certainly as an executive I can support this
26 letter.

Proceeding Time 3:26 a.m. T48

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26

MR. WEISBERG: Q: And between the time when panel 1 deferred certain questions on the content of this letter to your panel, and now, you -- did you have opportunity to discuss with Mr. Blucher the contents of the letter?

MS. PRIOR: A: I did not.

MR. WEISBERG: Q: Did you seek that opportunity?

MS. PRIOR: A: I did not.

MR. WEISBERG: Q: Can you tell me why the letter omits any mention of the expected percentage rate increases beyond the period covered by the current application even though ICBC is well aware of them and believes at least the 2014 increase to be highly likely?

MS. PRIOR: A: What we included in this letter, if you go to the second page --

MR. WEISBERG: Q: Mm-hmm.

MS. PRIOR: A: -- is we, at the -- near the end of it, it says

"Explains that we'll be making an adjustment to our capital management program to keep rates as low as possible this year, and will make adjustments as necessary on an ongoing basis. This new approach will benefit customers by helping to prevent year-to-year volatility in insurance rates. It will

1 limit any basic rate changes to within plus
2 or minus 1.5 percentage points of the prior
3 year's rate change."

4 So there was an indication of what will be
5 coming, but we didn't actually put a rate number out
6 here because it is dependent on the decision that's
7 made through this hearing process.

8 MR. WEISBERG: Q: And did you think that customers
9 couldn't follow that, that they would be completely
10 flummoxed by the idea that there was a proposed rate,
11 and it wasn't yet approved by the Commission?

12 MS. PRIOR: A: Which rate are you talking to, Mr.
13 Weisberg? The 2013 filing? Are you back at the 4.9?

14 MR. WEISBERG: Q: Well, you've just suggested that by
15 saying that it will limit any basic rate changes to
16 within plus or minus 1.5 percentage points of the
17 prior year's rate change, that that provides some
18 indication to customers about what their rates will be
19 in the future. And again, Mr. Blucher states that the
20 main concern we know, for customers, is how much you
21 pay for your insurance. Would you agree with me that
22 without stating the 4.9 percent proposed increase, any
23 reference to a plus-or-minus 1.5 percentage point band
24 has no meaning whatsoever?

25 MS. PRIOR: A: Well, I think what we were trying to --
26 the message there was really that we were trying to

1 prevent year-to-year volatility. So that was a
2 framework change that was in there. But as I had
3 mentioned in the concurrent news release that went
4 out, it did include the 4.9 percent, and we also, if I
5 recall -- yes, it does also reference the 1.5
6 percentage point band. So in that communication, the
7 customer could put the two points together.

8 MR. WEISBERG: Q: And you believe that most customers
9 with the explanation provided would be able to put
10 that together and calculate for themselves a range of
11 likely rate increases in the future?

12 MS. PRIOR: A: I think if a customer knew that we had
13 put a proposal forward of 4.9 percent, and we say that
14 in future it will be plus or minus 1.5 -- I think the
15 challenge with the framework, frankly, is it overall
16 there are many components to it, and it is complex. I
17 mean, if you think about what Mr. Ghikas took you
18 through in kind of the whole scheme of how this works.
19 It is dependent on what the decision is out of this
20 panel in this round to determine what the 2014 is.
21 But I can also say in practice we wouldn't put out the
22 2014 rate because there are numerous things that can
23 happen. While we think it is likely, to put
24 information out there that in a very short period of
25 time may or may not be the right number, it can also
26 be confusing to our customers.

1 fail to specify that 11.2 percent rate increase in
2 2012, the proposed increase 4.9 in 2013, or subsequent
3 increases that have a high likelihood of occurring in
4 2014 and beyond?

5 MS. PRIOR: A: Sorry, which document are you referring
6 to?

7 MR. WEISBERG: Q: Mr. Blucher's letter.

8 MS. PRIOR: A: And your question was -- sorry, can you
9 just repeat the question?

10 MR. WEISBERG: Q: Mm-hmm. If the goal of Mr. Blucher's
11 letter was to help customers understand how rate
12 increases will affect how much they pay for insurance,
13 then why fail to specify the 11.2 percent rate
14 increase in 2012, the proposed 4.9 percent in 2013,
15 the highly likely 6.4 in 2014, and possible increases
16 beyond that?

17 MS. PRIOR: A: Well, I can only reiterate what I've
18 said, what I believe the intent of this letter was.
19 And I think it needs to be taken in context with the
20 broader news release that we put out. That this
21 letter that Mr. Blucher put out was talking to our
22 customers about an upcoming filing and that there were
23 pressures on the rates. So it was studying the stage,
24 explaining to our customers about the bodily injury
25 challenges that we've been facing as an organization
26 that's putting pressure on the rates. It also in

1 there talks about how we were managing costs, because
2 I think it's a question our customers would have is
3 what are we doing about this? What is ICBC doing
4 about this? So we laid out some of the achievements
5 we had on page 2 of that letter. And then lastly,
6 what it did is it laid the stage again for the new
7 framework that was coming in.

8 We have not, as I mentioned before,
9 typically projected out what future rate increases
10 would be one year or two years down the road. I think
11 that actually could be misleading to customers to try
12 and go two years out in particular when so much can
13 change. We've seen the volatility in this product
14 alone, and there are things that can happen that -- I
15 mean if things were very successful on the claims
16 front, maybe there would be some abatement of what we
17 have.

18 So we generally do the rate increases, the
19 current information at the time, try not to overload
20 and put supposition into our news releases.

21 MR. WEISBERG: Q: That's generally what you do, but I
22 think in your testimony and as evident from the entire
23 record, we're not in a usual circumstance. Would you
24 agree? Did the Special Direction IC-2 not change many
25 things in fundamental ways about how rates will be set
26 in the foreseeable future?

1 MS. PRIOR: A: I think the rate smoothing framework
2 that you're referring to, yes, it did change how rates
3 will take place in the near future. But to try and
4 explain that in a news release or in a letter to the
5 editor, I mean, you have to remember a letter to the
6 editor has a restricted number of words that they will
7 publish, and generally we like to fit within that
8 versus having the editor cut out what they don't want
9 to have and make the words fit.

10 But Mr. Ghikas went through the changes
11 that make up the IC-2, the direction letter, special
12 direction letter, and I think everybody in this room,
13 we had many comments after Mr. Ghikas did that
14 discussion about how helpful it was to walk through
15 that. It's a fairly complex piece of regulation for
16 the general customer to understand how all of that
17 works. So what we tried to do in this communication
18 and in the other document that we're not referring to
19 yet, is we tried to lay out the elements that were
20 pertinent to the customer at this point in time,
21 versus trying to explain the whole framework.

22 So we tried to tell the impacts of it that,
23 you know, lessening or preventing the year-to-year
24 volatility, and we did give out the 1.5 percentage
25 point band to try and explain what that amount of
26 change would be.

1 MR. WEISBERG: Q: So was ICBC incapable of crafting a
2 public communication that presents contingent rate
3 increases, or is it that ICBC believes its customers
4 lack the sophistication to understand something as
5 complicated as a contingent rate increase?

6 MS. PRIOR: A: You're putting words that I'm not going
7 to choose to use, because I don't think we're talking
8 about customers' capability to understand. The
9 capability to understand I think is around the whole
10 regulation and how it all fits together. What we
11 endeavoured to do here was to communicate to the
12 customers what we believed was the pertinent
13 information for the upcoming rate application that we
14 were making to this Commission. And we did that in a
15 combination of two documents that went out.

16 MR. WEISBERG: Q: The second page of Mr. Blucher's
17 letter, the third paragraph from the end, the one
18 beginning, "We will be making adjustments," the last
19 sentence says:

20 "It will limit any basic rate changes to
21 within plus or minus 1.5 percentage points
22 of the prior year's rate change."

23 So would I be correct that in ICBC's next
24 revenue requirements application to be filed May 31st
25 of this year, the proposed rate can only go down or up
26 a maximum of 1.5 percentage points from the rates

1 approved by the Commission in this proceeding?

2 **Proceeding Time 3:38 p.m. T50**

3 MS. PRIOR: A: Yes, and our next annual filing, our
4 expectation, is that we will have the rates within
5 that. However, the rate application that we would do
6 to the Commission would be the full required rate as
7 Ms. Camille explained. That we would put the whole
8 required rate, and we would have a proposal around how
9 much of the loss cost forecast variance would be
10 deducted off that. However, that would also be capped
11 within that plus or minus 1.5.

12 MR. WEISBERG: Q: I believe that you just referred to
13 Ms. Camille. I believe you meant Ms. Minogue.

14 MS. PRIOR: A: Oh, sorry, Ms. Minogue.

15 MR. WEISBERG: Q: I'll let the transcript speak for
16 this, but would you accept that I was not correct in
17 what I postulated to you because in fact the rates can
18 go up a maximum or -- of 1.5 percentage points, not
19 from the rates approved by the Commission in this
20 proceeding, but from the rate change approved in this
21 proceeding? Isn't that right? So --

22 MS. PRIOR: A: Well, I guess I'm not quite
23 differentiating. I mean, what we're talking about is
24 that 4.9 percent or whatever determination the
25 Commission makes on that number, I'm talking about
26 that plus or minus 1.5 percent.

1 MR. WEISBERG: Q: Yes. And what I'm talking about, Ms.
2 Prior, is what a customer would fairly assume when
3 they read a letter that was expressly addressed to
4 them, and what would happen if they didn't understand
5 the great significance of one word, the word "change".
6 So it's not -- it will limit any basic rate changes to
7 within plus or minus 1.5 percentage points of the
8 prior year's rate. It is of the rate change. And
9 that rate change, for purposes of discussion, it helps
10 if we say that the rate change is proposed to be 4.9
11 percent. And without that 4.9 percent, no customer
12 can look at this letter addressed to them and go
13 through the steps of applying a plus or minus 1.5
14 percentage point band, and come up with any indication
15 of what that is going to mean for what they pay for
16 their insurance in the future. Do you agree?

17 MS. PRIOR: A: What I would agree with is if you had
18 this only, and if this was the only thing we put out,
19 and the only thing the customer read was this letter
20 to the editor, and did not hear any of the 197 other
21 newscasts that day, through multiple media, then they
22 wouldn't know about the 4.9 and therefore they
23 couldn't do that calculation. I would agree with
24 that.

25 MR. WEISBERG: Q: Would you also agree with me that the
26 customers that took the time to read this letter, and

1 we can assume it was their only source of knowledge
2 about the rate increase, if you wish, but do you
3 expect that they might conclude incorrectly that rates
4 could go down? That's the question. The take-away
5 from there is, when they read what's in this letter to
6 them, can they fairly expect that the following year
7 rates may go down?

8 MS. PRIOR: A: Well, I think the context that we tried
9 to set in here is the rising pressures around claims
10 costs. There is probably three or four references to
11 it in Mr. Blucher's letter. I think if you go -- one,
12 two, three, four, five down there, we talk about our
13 focus. We are forced to apply our first basic rate
14 increase in five years, and talk about a sharp
15 increase. Things have changed in the global economic
16 downturn, and a sharp increase in our injury claims
17 costs. As a result, we are forced to apply for our
18 first rate increase in five years. It's talking about
19 late 2011. Since then, our BI costs, which cover for
20 -- it talks about that. A worryingly sharp upward
21 trend, in the next paragraph, totally and we give some
22 1.9 billion in 2012 alone, up by 165 million from the
23 previous year, more than 400 million from just five
24 years ago. The rising number and cost of injury
25 claims was commonly the biggest single factor driving
26 up rates of all auto insurers across North America and

1 beyond.

2 And there are various factors contributing
3 to the increasing number of injury claims. More
4 crashes, result of driving distracted, goes on for
5 those reasons. There is also various -- and it goes
6 into the increase in lawyer represented claims and
7 resulting higher legal and medical costs.

8 So, there is a good portion of this letter
9 that talks about the rising costs of bodily injury
10 that I think if a customer did read it would lead to
11 the conclusion that there is pressure on the basic
12 rate, which is what the intent was, to lay out, what
13 are the factors that are driving the rates. So, even
14 though reading the last paragraph, or the second-to-
15 last paragraph, I'm not sure that a customer would
16 conclude that rates would be going down.

17 **Proceeding Time 3:44 p.m. T51**

18 MR. WEISBERG: Q: Wasn't my question. Would they
19 conclude that they could go down?

20 MS. PRIOR: A: I can't speculate what a customer would
21 conclude from what we've written here, that they could
22 go down.

23 MR. WEISBERG: Q: You can speculate. This is a public
24 communication. ICBC before they release a public
25 communication, you can call it speculation, you can
26 call it guessing, you could call it an informed

1 expectation, you can call it what you wish. But you
2 make some judgment about what conclusions people will
3 come to from what you put out. Correct?

4 MS. PRIOR: A: All right, my speculation would be that
5 the majority of customers who read this would
6 understand those increasing cost pressures with this
7 product that we have in B.C., and that rates would be
8 going up. That would be my speculation.

9 MR. WEISBERG: Q: Let's go to TREAD IR 1.1 in the first
10 series. Mr. Dickinson, I think this may be your area,
11 I'm not sure. So if you look, just quickly review the
12 last paragraph in the response which talks about
13 interjurisdictional agreements made by government and
14 being outside the scope of the application, what I'd
15 like you to clarify if you can is what exactly it is
16 that ICBC believes is out of scope. Is it the concern
17 about a Commission direction regarding an
18 interjurisdictional agreement made by government, or
19 is it simply the discussion of such an agreement?

20 MS. PRIOR: A: I'm sorry, could you repeat the question
21 please, Mr. Weisberg?

22 MR. WEISBERG: Q: Certainly. I'm wondering, Ms. Prior
23 there, if the concern regarding something being out of
24 scope relates to a possible Commission direction an
25 interjurisdictional agreement made by government, or
26 whether it's simply the discussion of such an

1 agreement in this forum that's the problem.

2 MR. GHIKAS: Let me rise, Mr. Chairman, because the
3 context of the question is occurring in the context of
4 fines and demerit points in other jurisdictions, and
5 the thrust of those questions were, in my submission,
6 going towards effectively a rate design issue about
7 whether the points should be changed in any way. So
8 to the extent that that is Ms. Weisberg's intent, I
9 would suggest that that is outside the scope. If
10 Weisberg's question is relating to some revenue
11 impact, then I'm prepared to sit down and I will do so
12 but I just -- that would be the position with respect
13 to the relevance.

14 So I'll sit down and wait for the question
15 and we'll see where it goes.

16 THE CHAIRPERSON: Thank you, Mr. Ghikas. Mr. Weisberg.

17 MR. WEISBERG: As nearly always, I agree with Mr. Ghikas.
18 I agree that he's delineated things properly. My
19 question in fact does go to a revenue impact. The
20 problem is that I can't explore or determine that
21 unless there's some latitude in the questions, but I
22 will give you a specific example.

23 In the references that I filed earlier
24 regarding a reciprocal agreement between New York and
25 Ontario and Quebec, one of the features of those
26 agreements as I understand it is that it provides, at

1 THE CHAIRPERSON: And in that context --

2 MR. WEISBERG: -- rate design. But there is a narrow
3 element of it where it allows for and contemplates
4 incremental revenue.

5 THE CHAIRPERSON: Ask your question, Mr. Weisberg, and
6 I'm sure if it's out of line, Mr. Ghikas will either
7 make commentary or I will.

8 MR. WEISBERG: At this point, I don't have any further
9 questions. I wanted to understand whether it was out
10 of scope. The bus has sort of sailed on this, because
11 had I received more information in the first
12 information response that might have led me to
13 questions. I only wanted to explore primarily through
14 the Information Requests with ICBC to get more detail
15 about that possibility on the record. So I don't
16 propose to cross-examine any further on it at this
17 point. Other than to establish the point.

18 MR. GHIKAS: And, Mr. Chairman, the question was asking
19 for a comparison of fines, charges, premiums, and
20 penalty points, and there is a link in the answer that
21 takes you to that information. And so, my submission
22 would be that the question was answered, but I am
23 pleased that Mr. Weisberg is leaving it for the time
24 being.

25 MR. WEISBERG: Okay. I think --

26 THE CHAIRPERSON: Please continue.

1 MR. WEISBERG: Q: Thank you. Let's go to same series,
2 first series, TREAD 1.4. Mr. Dickinson, I'll start
3 with you and you can redirect the question if you
4 want. But in C11-5, which I have filed, it contained
5 excerpts regarding the reciprocal agreement between
6 the jurisdictions I have already mentioned.

7 Will ICBC commit to looking into a similar
8 arrangement with Alberta and Washington, and address
9 the issue in the next revenue requirements
10 application?

11 MR. DICKINSON: A: So, what I can confirm is that
12 through the CCMTA, the Canadian driver's licence
13 agreement, that there is -- and there is a proposal to
14 introduce reciprocity within Canada. That proposal is
15 before the CCMTA board now. And apparently it is
16 delayed because some jurisdictions are looking for
17 exemptions or changes to that. So it's in -- it's
18 with the CCMTA at this time.

19 MR. WEISBERG: Q: Does the fact that it is with the
20 CCMTA at this time preclude ICBC from initiating some
21 communications with folks in Alberta and Washington to
22 explore that possibility outside of the CCMTA?

23 MR. DICKINSON: A: I don't think it would make any
24 sense to do so, given that the matter has already been
25 discussed on a national basis. My understanding is
26 that discussions have occurred in the past, and I

1 can't give you an update in terms of Washington state,
2 exactly. But I do understand that discussions have
3 occurred in the past with both jurisdictions, and as I
4 mentioned it appears to be a national agreement, a
5 Canadian agreement, that is before the CCMTA.

6 MR. WEISBERG: Q: Okay, so that might deal with
7 Alberta. But it doesn't begin to deal with
8 Washington, and it's my understanding that the
9 contemplated agreement, which would be the end product
10 of CCMTA's activities would have nothing to do with
11 Washington, would it?

12 MR. DICKINSON: A: No, that would be different.

13 MR. WEISBERG: Q: Okay. So, would you, or ICBC, commit
14 then to look into a reciprocal arrangement between
15 B.C. and Washington? And report on that in the next
16 RRA?

17 **Proceeding Time 3:55 p.m. T53**

18 MR. DICKINSON: A: So I think when I discussed this
19 morning the Corporation's response, and the theme of
20 this is the distracted driving is the spirit of the IR
21 and the line of questioning, is we're committing to
22 looking into a number of legislative-type options of
23 which we would consider this. That work is going to
24 continue and that work would include investigating
25 work with Washington, but I can't commit to whether or
26 not or how far we might get. It is something that we

1 would definitely consider.

2 And when it comes to distracted driving, I
3 think we are in favour of anything, really, that can
4 help reduce the problem of distracted driving. What's
5 unclear is what measure will actually be effective and
6 that's where the research seems to be very light, is
7 what actually works.

8 MR. WEISBERG: Q: Thanks, Mr. Dickinson. To be clear,
9 I don't know if it will change your answer, but what
10 I'm inquiring about is out-of-jurisdiction violations
11 which is a broader category than just distracted
12 driving problems. So the out-of-jurisdiction
13 violations would include things like high -- extreme
14 speeding or whatever the phrasing that's used in the
15 jurisdiction is, or driving under the influence, or
16 drugs or alcohol in a much broader category. That's
17 what I'm asking you if you would explore.

18 MR. DICKINSON: A: And that's a good point to clarify
19 because I think that would have an impact not just on
20 the distracted driving issue, but also on other top
21 causal factors that drive BI frequency and cause
22 crashes. So I think that would be a broader issue.

23 MR. WEISBERG: Q: Okay. So because the name of my
24 group is "Toward" Responsible Educated and Attentive
25 Driving and we're not there yet, and I realize that
26 there are steps that you would have to take in any

1 initiative like this. I'm not trying to tie you down
2 to a commitment on the results that you can achieve.
3 I think in this context that would be unfair.

4 In what we've refined now in the last few
5 exchanges, will you commit at least to explore that in
6 the near term and let us know what's happened in that
7 regard in the next RRA?

8 MR. DICKINSON: A: Yes.

9 MR. WEISBERG: Q: Thank you. Let me ask the question
10 and we'll see, maybe we can save some page flipping.
11 Why does ICBC expect that changes in legislation that
12 are intended to provide further incentives for high-
13 risk drivers to improve their driving behaviour would
14 not have an impact on basic rates for premium year
15 2013 or premium year 2014?

16 MR. DICKINSON: A: I think any legislative changes that
17 would come into effect would, in all likelihood be too
18 late to impact rates during that period of time.

19 MR. WEISBERG: Q: Okay. So I am taking that -- that
20 was from the second IR, 2013.2 TREAD 1.2, and --

21 MS. PRIOR: A: Round two?

22 MR. WEISBERG: Q: Yes. So Mr. Dickinson, if I may--

23 COMMISSIONER REVEL: Sorry, Mr. Weisberg, what was the IR
24 number?

25 MR. WEISBERG: It's 2013.2 TREAD 1.2.

26 Q: So, Mr. Dickinson, I think what you've just said,

1 if the concern is regarding the timing for legislative
2 change, then I understand why ICBC would expect that
3 such change could not have an impact on basic
4 insurance rates for PY2013 or 2014 simply because you
5 don't believe that the legislation could be changed
6 that quickly. Do I take that right?

7 MR. DICKINSON: A: That's part of it. I think the
8 other part of it is that as we are doing a deeper dive
9 and exploring the possibilities around this, we are
10 not entirely clear at this time what initiatives might
11 work and what we might recommend. I think that work
12 is going to continue over the next few months so that
13 we can establish not only the scope and the size of
14 the problem, as much as we can, or do a better job of
15 doing that, but also be able to establish what
16 counter-measures might actually be effective to
17 recommend.

18 **Proceeding Time 4:01 p.m. T54**

19 MR. WEISBERG: Q: And what's the time frame for making
20 that determination?

21 MR. DICKINSON: A: In the next few months. However,
22 that may not be a determination specifically about
23 specific legislation. It could end up being a
24 recognition that because there's a lack of evidence,
25 we may need to do more, to find more evidence or to
26 create our own evidence through studies or watch what

1 is happening in other jurisdictions in case something
2 does come to light that allows us to make a
3 recommendation.

4 MR. WEISBERG: Q: Okay. And I take it it is not your
5 view that existing fines, charges, premiums, penalty
6 points, and administrative sanctions for high risk
7 drivers are ineffective and unnecessary.

8 MR. DICKINSON: A: Could you repeat the question?

9 MR. WEISBERG: Q: Sure. If I may I'll phrase it in
10 another way.

11 MR. DICKINSON: A: Yeah.

12 MR. WEISBERG: Q: Do you believe that existing fines,
13 charges, premiums, penalty points, and administrative
14 sanctions for high risk drivers are effective and
15 necessary?

16 MR. DICKINSON: A: Yes, I think fines and sanctions are
17 effective and are necessary. I think the question is
18 the degree to which they are. I think in a situation
19 such as smart phones and distracted driving, as we've
20 seen in the evidence, habits are changing so quickly
21 that it can become a challenge to determine whether or
22 not a law continues to be effective or could be
23 strengthened as we move forward.

24 MR. WEISBERG: Q: Thanks. A moment ago we talked, you
25 took us into the topic of the CCMTA, and that's a
26 Canadian National group that's looking at the

1 potential for a reciprocal agreement, correct?

2 MR. DICKINSON: A: That's correct.

3 MR. WEISBERG: Q: And the information as far as I know
4 on the record on that point is found in 2013.2 BCUC
5 222.1.

6 MR. DICKINSON: A: I've got it. Yeah.

7 MR. WEISBERG: Q: And Mr. Dickinson, the cost that I
8 believe is indicated in that IR and response is 3.8
9 million and that breaks down, I believe, to a 3.2
10 million one-time cost and an estimated .6 million
11 annual continuing cost. Is that correct?

12 MR. DICKINSON: A: That's correct.

13 MR. WEISBERG: Q: Okay. And the 3.2 million, is that a
14 cost that ICBC has already paid or incurred?

15 MR. DICKINSON: A: No, that cost refers to system
16 changes that would have to be made to accommodate say
17 a reciprocal agreement among provinces.

18 MR. WEISBERG: Q: I see, thank you. So as we sit now,
19 that 3.2 and whatever the annual ongoing costs is
20 still out there. In the event an agreement is
21 finalized and implemented, then those costs would
22 land?

23 MR. DICKINSON: A: That's my understanding, yes.

24 MR. WEISBERG: Q: Okay. And that's ICBC's share of
25 those costs, not the total cost of the initiative, is
26 that right?

1 MR. DICKINSON: A: I would believe so, yes.

2 MR. WEISBERG: Q: If you're not sure could you check?

3 MR. DICKINSON: A: Yes, I'll check.

4 MR. WEISBERG: Q: Because I really would like -- I will
5 accept your answer but subject to check please.

6 MR. DICKINSON: A: Yeah, I'll check.

7 **Information Request**

8 MR. WEISBERG: Q: Thank you. The cost you've explained
9 is in the future. Is there an irrevocable commitment
10 by ICBC to pay that cost at this point because you
11 have engaged in that initiative?

12 MR. DICKINSON: A: I'm not entirely sure how to answer
13 that. I think it's the initiative, the CDLA and as
14 well the CCMTA is -- government is also involved in
15 those arrangements. So I don't know if -- it's not
16 solely within ICBC's purview so I'm not sure whether
17 or not we would have the sole discretion to be
18 committed.

19 MR. WEISBERG: Q: Could you check that for me as well
20 as its --

21 MR. DICKINSON: A: Yes.

22 **Information Request**

23 **Proceeding Time 4:06 p.m. T55**

24

25 MR. WEISBERG: Q: Thank you. ICBC's responses also
26 indicate -- excuse me. My fault. ICBC's responses

1 also indicate that there has not yet been an analysis
2 of the amount of incremental revenue that might result
3 from a reciprocal agreement.

4 MR. DICKINSON: A: That's correct.

5 MR. WEISBERG: Q: Is that something that ICBC believes
6 it should do before committing to a 3.2 million plus
7 expenditure?

8 MR. DICKINSON: A: I think we've committed in principal
9 to proceeding with the reciprocity agreement. I think
10 once word comes down that it is going to proceed, I
11 think that would be an ideal time to do the
12 calculations around revenue.

13 MR. WEISBERG: Q: You are saying at the point in time
14 when you know if the negotiations will continue, or at
15 the end point when we already have an agreement and
16 we've committed to spending \$3.2 million plus. Which
17 one?

18 MR. DICKINSON: A: I think right now the status is
19 unclear. As I mentioned, it's before the CCMTA. But
20 once the status becomes clarified, then that would be
21 an idea opportunity to review the costs and to look at
22 the expense.

23 MR. WEISBERG: Q: Are you satisfied with the current
24 status of the CCMTA initiative?

25 MR. DICKINSON: A: I don't really have an opinion on
26 it. Like I say, my focus, and again, this is in the

1 context of, I guess as you mentioned, not only
2 distracted driving but other causes or crashes. The
3 actual impact that something like this would have on
4 reducing those crashes has really not been established
5 so I don't really have an opinion on it.

6 MR. WEISBERG: Q: Thank you. Let's go to, still in the
7 second series, TREAD 6.2. Now, if some of these
8 questions sound familiar to the Commission, this
9 series is ones that I asked partially of panel 1 and
10 it was deferred. So within 2013.2 TREAD 6.2, I'd like
11 to look at page 5 of 5, and in particular the text
12 portion of that page where it says:

13 "Note, that under the favourable scenario in
14 PY2015 ICBC has assumed that, given the
15 circumstances of this scenario, ICBC would
16 propose to remove the rate change floor, and
17 the indicated rate change was set equal to
18 1.9 percent."

19 So my question is, to whom in those circumstances
20 would ICBC propose to remove the rate change floor?
21 I'm assuming it would be to government.

22 MS. PRIOR: A: Sorry, I was just handed the IR. Can I
23 just -- give me a few minutes just to look at this.

24 MR. WEISBERG: Q: Certainly.

25 MS. PRIOR: A: So you were on page?

26 MR. WEISBERG: Q: Five of five.

1 MS. PRIOR: A: Five of five, yes.

2 MR. WEISBERG: Q: And within the text portion, the
3 latter third of the page, and particularly the part of
4 the sentence beginning on the second line:

5 "ICBC would propose to remove the rate
6 change floor."

7 MS. PRIOR: A: Right. So the question, sorry?

8 MR. WEISBERG: Q: Yes. So I'm wondering to whom ICBC
9 would propose to remove the rate change floor, and I
10 said I assumed it would be to government.

11 MS. PRIOR: A: So I think what these -- some of these
12 IRs, I think this was the series where we were talking
13 about, in this framework we always had the ability to
14 also go outside of the framework. And so it says
15 there is an annual filing, but there might be a
16 circumstance where -- I think Ms. Minogue referred to
17 this as well, where you might have, you know, having
18 more rate than you actually need and you actually
19 could come below that, or having to actually
20 accumulate more rate because your costs are rising too
21 high.

22 So in those circumstances, yes, we would
23 probably let government know, but we would also
24 obviously come to the Commission with the proposal
25 different outside of those ranges. So we have an
26 annual filing we need to do, but we might, in an

1 interim basis come with a different proposal if we saw
2 things tracking very differently, either escalating
3 too much or not enough.

4 MR. WEISBERG: Q: And do you expect that those two
5 different actions going to government and going to the
6 Commission would be concurrent or in sequence? Would
7 you go to the government first and find out what the
8 possibility was from their point of view and then
9 bring a plan back to the Commission?

10 **Proceeding Time 4:11 p.m. T56**

11 MS. PRIOR: A: Yeah. I think, Mr. Weisberg, I think it
12 depends a little bit on the circumstances. I mean,
13 certainly the direction is very clear that if we
14 perceive that MCT is going to go below 100 percent, we
15 have been directed to go to Treasury Board immediately
16 and discuss that, and talk about options. And so that
17 would be our first step. And then to come up with a
18 plan, and then come to the Commission. So I think
19 that's been laid out quite clearly. I don't think
20 it's as clear in other circumstances.

21 So I think basically government is our
22 owner. We would definitely inform them of that, if we
23 were going to do something. If it was around bringing
24 rates down, I don't imagine there would be any
25 concerns around that from anybody. I think that would
26 be good news. And so we might inform them before we

1 were going to come to the Commission.

2 I think if it were going the other way, and
3 rates maybe needed to be outside of the framework for
4 additional rate, because things were growing so
5 rapidly on claims costs with some other external
6 factor, then I think in that circumstance we would
7 want to go to government first, because there are some
8 options that are open to them. And we actually got
9 that laid out in some of our IRs, if we look at --
10 give me one second here. Well, we've talked about
11 sort of some unusual circumstances here.

12 If you look at, for example, on TREAD 4
13 point -- this was round 2. 4.5-8, we lay out what
14 some of those changes might be, where we could come
15 outside that framework, do do what we call sort of
16 extraordinary circumstances, or things out of the
17 ordinary.

18 So, there are options that government may
19 choose to take. Government has options around
20 changing legislation, directing perhaps capital to
21 support things for a while longer as they have in the
22 past. There are different things that they may want
23 to look at, as well as probably interested in our take
24 on, if it was sustainable, was it something that we
25 saw as a permanent change, or there are options around
26 rate riders. There is many options that could be

1 looked at. So I think government would want us to
2 discuss that.

3 MR. WEISBERG: Q: Okay. Removing the rate change floor
4 would presumably require a change in legislation?

5 MS. PRIOR: A: Hmm. That's a really good question. I
6 actually don't have an answer to that. I know the
7 direction letter says it must be within that, and
8 that's related to the annual filing. Can I get back
9 to you on that?

10 MR. WEISBERG: Q: Of course.

11
12 MR. GHIKAS: I was conferring with my colleague here, and
13 so I didn't actually hear the question, if it was a
14 legal question. I would be happy to speak to it if it
15 could be repeated to me.

16 MR. WEISBERG: Certainly. Mr. Ghikas, I was wondering if
17 removing the rate change floor would require a change
18 in legislation.

19 MR. GHIKAS: Yes, Mr. Chairman.

20 MR. WEISBERG: I suspected as much. Thank you.

21 Q: What -- Ms. Prior, do you have any expectation of
22 what the earliest date that ICBC would propose to
23 remove the rate change floor, and I take it that this
24 is in -- the response was in the context of a scenario
25 that has who knows what the probability of that is.
26 The reason I'm asking, though, about the earliest date

1 is the government has identified what seems to me to
2 be an objective in itself. In terms of rate
3 smoothing. That seems the way I see things to be
4 something that government wants, they think it's a
5 good thing.

6 This response contemplated dropping that
7 floor and dropping it rather dramatically, so that we
8 would see from 2014 the rate increase, not the rates,
9 but the rate increase going from 6.4 percent to a 1.9
10 percent increase. The soonest, 2015. And it -- do
11 you have a comment on whether that is consistent with
12 the overall objective of rate smoothing?

13 MS. PRIOR: A: This -- whether which is -- this, you
14 mean the 6.4 to the 1.9?

15 MR. WEISBERG: Q: Yeah, so whether the action
16 contemplated in the response which is in certain
17 circumstances ICBC would go to government.

18 MS. PRIOR: A: Mm-hmm.

19 **Proceeding Time 4:17 p.m. T57**

20 MR. WEISBERG: Q: Go to government and seek a removal
21 of rate change floor that would result in the
22 hypothetical scenario in a reduction of the rate
23 increase from 6.4 percent to a 1.9 percent increase.

24 MS. PRIOR: A: Right, mm-hmm.

25 MR. WEISBERG: Q: I'm just wondering if that is
26 consistent with the overall objective of rate

1 smoothing, where we enter the rate smoothing
2 framework, and within two years we're contemplating a
3 big drop and taking the floor off.

4 MS. PRIOR: A: So I guess I'm not familiar enough with
5 -- this was the actuarial work done on what they're
6 calling I guess some scenarios. So perhaps the actual
7 empirical numbers, et cetera, would have been better
8 answered by the actuaries.

9 I can talk generally and I think Ms.
10 Minogue referred to this. We have an inflationary or
11 more than inflationary product. So in all likelihood,
12 unless something significant happened, I wouldn't
13 expect that within a couple of years we would be
14 talking to anybody about removing that floor. We
15 right now have a loss cost forecast variance, as
16 everybody is aware, of 6.6 percentage points. While
17 we're doing everything that we can think of to try and
18 mitigate this through the work that Mr. Dickinson has
19 spoken about, the work that Ms. Taylor and Mr. Wilson
20 spoke about and some other things in the organization,
21 it doesn't seem to be very quickly abating some of the
22 cost pressures that we're facing today.

23 Now, time will tell, and as I said, I think
24 we would be -- everybody would be very happy if we
25 were actually approaching to say we need to release
26 the rate floor because we have such a dramatic

1 downshift in the costs of this product.

2 Given the legislation and the regulations
3 around what this product is, and that we do operate in
4 a tort environment, I think the likelihood of that
5 wouldn't be high. And so when government put in the
6 rate smoothing model, while they might be amenable to
7 such a change if that were to happen, I think at this
8 point in time our best expectations is this is
9 probably not the likely scenario, Mr. Weisberg.

10 MR. WEISBERG: Q: I agree and I wasn't suggesting
11 otherwise. I'm trying to get at the focus of the
12 question I'm asking of you on this response, is more
13 to do with the relationship with Treasury Board and
14 around timing and around how long legislative change
15 might take. So with that in mind, how long does ICBC
16 expect that it would take from the date of its
17 proposal --

18 MS. PRIOR: A: Oh, I'm sorry. Oh, I didn't understand
19 that was the question. So you're saying if we went to
20 government, how quickly would they respond?

21 MR. WEISBERG: Q: Mm-hmm, and let me just add one
22 qualification because you've said it's unlikely that
23 it would be the floor that was removed. I guess the
24 other possibility when we're talking about the rate
25 change band is that the ceiling would be removed.

26 So for either possibility, I just want to

1 get some sense of from the time ICBC determined that
2 that would be appropriate, and proposed it to
3 government, how soon after that would ICBC expect that
4 legislation might be available to implement that
5 change?

6 MS. PRIOR: A: Well, we've had such a varied experience
7 with government on how quickly things can get done.
8 So if it were -- if we were coming up to a rate filing
9 in -- let's say we knew this information a couple of
10 months ahead of when we would actually be filing, we
11 would be approaching government. And if they saw that
12 they wanted to have that within the realm of the
13 filing, I think within a couple of months something
14 might be done. But we would -- the process generally
15 is they ask us to write up something on this, so
16 there's a bit of time that it takes to explain. There
17 is time to educate and explain, the people that need
18 to understand what the proposal is and why this is
19 happening, there'll be a lot of questions. So these
20 things don't generally get done like within a week or
21 two. It generally is a little bit of lead time.

22 However, I don't want to speak to
23 government as to how quickly they actually can move if
24 they deemed it a priority to do so.

25 MR. WEISBERG: Q: Okay, that was still a helpful
26 indication. Thanks.

1 Mr. Dickinson, let's chat some more.

2 MR. DICKINSON: A: Okay.

3 **Proceeding Time 4:21 p.m. T58**

4 MR. WEISBERG: Q: 10.1 please, the TREAD second series.

5 This was an exchange I had with Mr. Wilson at
6 transcript 422 where he said in part in our discussion
7 about personal electronic device records, he said:

8 "The more we can find out from carriers, the
9 more we can leverage the technology, the
10 better."

11 And of course, representing who I do, I was delighted
12 to hear that.

13 I think you may have touched on this with
14 Ms. Khan this morning, and I unfortunately stepped out
15 of the room for part of your testimony. What I'm
16 asking is will ICBC commit to consulting with the
17 network carriers to improve ICBC's understanding of
18 the types of data and its potential implications or
19 applications which may be obtained by consent or legal
20 procedures in appropriate circumstances?

21 MR. DICKINSON: A: Yes, so what I mentioned this
22 morning is discussion around stakeholder strategy when
23 it comes to distracted driving and expanding the scope
24 of stakeholders beyond just the insurance industry but
25 rather other parts of business that can be of
26 assistance. And we are seeing in States how

1 telecommunication carriers are stepping up with
2 awareness advertising about distracted driving.

3 So part of the development of our
4 stakeholder strategy would include communications and
5 telecommunications companies. So to use your earlier
6 language, Mr. Weisberg, that is something we will
7 explore. Now, whether or not the companies themselves
8 will be receptive or maybe they already have other
9 plans in terms of implementing things is one thing,
10 but I think it is definitely worthy of the exploration
11 in our approach to learn more about what possibilities
12 that do exist with respect to the technology and how
13 it could potentially be leveraged or managed by us to
14 help reduce crashes.

15 The challenge on the claim side, and I
16 think we heard testimony during panel 1, is that it is
17 not really relevant on the claims side because it's
18 not excluded from coverage. But it could be used in a
19 liability investigation, and I think our perspective
20 in terms of a deterrent, and reviewing the issue of
21 coverage, would be that would bring things like
22 records and that kind of thing into play. But that, I
23 mentioned this morning, dealing with a change in
24 coverage is on the more extreme end of the scale in
25 terms of a deterrent.

26 MR. WEISBERG: Q: Okay. Would you agree with me,

1 though, that in part to inform decisions about how
2 ICBC used data or information if it got it, a step
3 that you must necessarily take first is to determine
4 what data we can get --

5 MR. DICKINSON: A: Exactly.

6 MR. WEISBERG: Q: -- in what circumstances we can get
7 it and how we might be able to fit it into our
8 systems.

9 MR. DICKINSON: A: Yes, that's a fair statement.

10 MR. WEISBERG: Q: Okay. And can you give me a
11 commitment that ICBC then would explore that with
12 network carriers and report back in the next RRA just
13 on the status as far as you get.

14 MR. DICKINSON: A: Yes. That's fair to say.

15 MR. WEISBERG: Q: Thank you. In TREAD 13.1 the
16 response says in part that ICBC is in early stages of
17 developing a comprehensive response to the issue of
18 driver distraction. Mr. Dickinson, do you have
19 primary responsibility within basic insurance for
20 developing that comprehensive response?

21 MR. DICKINSON: A: Yes.

22 MR. WEISBERG: Q: With the intent of being helpful
23 rather than cross-examining you on the minutia of the
24 detail, are you aware of a document put out by the
25 U.S. Department of Transportation, National Highway
26 Traffic Safety Administration's blueprint for ending

1 expect that there might be other useful information
2 there.

3 MR. DICKINSON: A: Yeah. The issue and the challenge
4 with distracted driving is not really a lack of
5 information and available data and we've discovered
6 that as we've looked. There is a lot of data out
7 there and we're looking at as much as we can get our
8 hands on. And where the next stage of our work as I
9 mentioned earlier is great, but what will work to
10 solve this problem? What counter measures have been
11 proven to get the message to people to stop doing
12 this?

13 MR. WEISBERG: Q: Okay. And in formulating that
14 comprehensive response you will keep in mind, I take
15 it, that there's no need to reinvent wheels that have
16 been invented already and then take the best of what's
17 available and craft something appropriate for ICBC.

18 MR. DICKINSON: A: Yes.

19 MR. WEISBERG: Thank you. Mr. Chairman, that brings us
20 to 4:30.

21 THE CHAIRPERSON: How much longer do you have, Mr.
22 Weisberg?

23 MR. WEISBERG: I expect that I am a solid hour and
24 perhaps plus. I have no confidence that I can
25 assuredly finish within an hour.

26 MR. MILLER: So, Mr. Chair, this is a good time to

1 discuss scheduling concerns. I'm going to strongly
2 suggest that we at least sit a bit later tonight. Mr.
3 Munn indicated that if the information that he was
4 seeking does come through, he may have another 15
5 minutes or so of cross-examination. I also have a
6 couple of hours of cross-examination, and we have
7 Panel questions and the re-examination and then we
8 have to get submissions on the timing of the argument.

9 I guess one possibility is we could deal
10 with timing of the argument in written submissions,
11 but I'm not sure that saves us much time given the
12 time constraints that we've got already with respect
13 to when the reasons for the -- or when the Panel's
14 decision has to come out. And we may also wish to
15 consider starting a bit earlier tomorrow and maybe
16 even having short breaks, if we want to get done by
17 lunch tomorrow. I understand there is a panel member
18 on this panel that won't be here in the afternoon. I
19 personally don't have any questions on his area of
20 evidence, so that's not a concern to me, but I thought
21 I'd raise the issue and let the other parties say what
22 they might about their time constraints.

23 THE CHAIRPERSON: Okay, so let's deal with this in a
24 couple of tranches then. Would there be any objection
25 to starting at 8:30 tomorrow morning? Is everyone
26 available? Okay. Let's do that. I would also

1 suggest that we do some more this evening and see how
2 far you can get, Mr. Weisberg. Let's see where we're
3 at by 5:00.

4 MR. WEISBERG: Sure.

5 THE CHAIRPERSON: Around there, and we can canvass again.
6 So carry on.

7 **Proceeding Time 4:31 p.m. T60**

8 MR. WEISBERG: Q: Mr. Dickinson, very close to where we
9 left off, 13.2 in the TREAD second series. I left --
10 I put a question to Mr. Wilson regarding a commitment
11 to review information regarding other jurisdictions,
12 or other insurers, disclosure and discovery policies.
13 And he referred that to this panel.

14 My question, then, will ICBC commit to
15 reviewing information regarding other jurisdictions
16 and/or insurers' disclosure, or discovery policies,
17 and the extent of any measurable deterrent effects
18 arising from such policies, and address the issue in
19 the next RRA. And to put more context around it than
20 the question alone indicates, we're talking primarily
21 about the context of use of a personal electronic
22 device.

23 MR. DICKINSON: A: Mm-hmm. So, since panel 1, I had
24 the opportunity to follow up with my team, and they
25 said that they have not found any disclosure policies
26 that would fit this description.

1 MR. WEISBERG: Q: Okay. Thank you. Let's go to TREAD
2 15.1, in the second series. And within the
3 Information Request itself, it quotes ICBC stating
4 elsewhere about reducing operating budgets. And the
5 quote ends with "and a further 9 million in 2013".

6 Ms. Prior, do you see where I am?

7 MS. PRIOR: A: Yes. Yes, I do.

8 MR. WEISBERG: Q: Okay. So my question there, just
9 clarification, and the further 9 million in 2013, is
10 that in the fiscal year, *i.e.*, the calendar year, or
11 the policy year, 2013?

12 MR. LEONG: A: Yes, that is.

13 MR. WEISBERG: Q: I'm sorry?

14 MR. LEONG: A: It's in the fiscal year.

15 MR. WEISBERG: Q: Thank you.

16 MR. LEONG: A: I do want to clarify that the numbers
17 that are quoted, that total up to \$50 million, was an
18 anticipated path of how we would get from our 2011
19 plan to a 2013 forecast, reducing it by \$50 million.
20 It was an anticipated path of how we would get there.
21 The actual results were slightly different.

22 MR. WEISBERG: Q: Okay. Looking in the -- I guess the
23 table at the bottom of 15.1, there is expense
24 categories identified. One is net compensation. The
25 amount there is in excess of \$10 million. Was that
26 purported \$10 million plus reduction in net

1 compensation the largest category of the cost savings?
2 Because there was a lot of room to cut.

3 MR. LEONG: A: I think it's also a function that
4 operating costs -- the bulk of operating costs, 73
5 percent of it, is compensation.

6 MR. WEISBERG: Q: So it's both. It's that there was a
7 lot of room to cut, but it also represents a good
8 portion of those costs?

9 MR. LEONG: A: That would be correct.

10 MR. WEISBERG: Q: Thank you.

11 MS. PRIOR: A: I think there is -- if I could just add
12 -- there was various targets that were laid out within
13 the government review. And so in combination with the
14 dollars, there was also bringing down our FTE counts,
15 as I explained. And so in combination, that's why
16 that area was targeted.

17 MR. WEISBERG: Q: Okay. And the last expense category
18 in that table was other operating expenses. Are the
19 details of that approximate \$8 million amount already
20 on the record in this proceeding?

21 **Proceeding Time 4:35 p.m. T61**

22 MR. LEONG: A: Are you specifically asking about the \$8
23 million?

24 MR. WEISBERG: Q: Mm-hmm.

25 MR. LEONG: A: The details for the 8 million is not in
26 the records, in the evidence.

1 MR. WEISBERG: Q: Would you be able to provide those
2 details?

3 MR. LEONG: A: So once again I would mention that this
4 was an anticipated savings plan. What we actually did
5 in actuals were different, much different.

6 So for example, in 2011 the actual savings
7 to the 2011 plan was \$46 million, 20 million more than
8 this \$26 million.

9 MR. WEISBERG: Q: So does that mean, sir, that you
10 would be able to provide those details? You wouldn't
11 be able to or you wish not?

12 MR. LEONG: A: Sorry, what was the question again?

13 MR. WEISBERG: Q: So I just wasn't clear if you are
14 saying that you don't want to produce that or you
15 can't produce that, the details of the \$8 million
16 other operating expenses category?

17 MR. LEONG: A: I think to produce with detail would be
18 difficult.

19 MS. PRIOR: A: Maybe I can just lay out what we did on
20 this.

21 MR. WEISBERG: Q: Mm-hmm.

22 MS. PRIOR: A: So when we were looking at making the
23 response to the government review, we had some very
24 broad numbers that we thought we could reduce X amount
25 by year. And so roughly these were kind of the
26 categories we expected we would be able to do those

1 reductions. What I think Mr. Leong is saying is, in
2 actuality if you look at what we actually achieved, it
3 was greater than this in 2011. We actually had more
4 savings in 2011 against the plan.

5 And in the evidence that's been filed
6 through this filing and probably even the last filing,
7 the actuals to plan numbers are laid out in a number
8 of the -- I'm not sure, Mr. Leong can point exactly
9 where. But they are laid out. I think that would
10 maybe be more relevant, what did we actually achieve?

11 This was just kind of a high-level plan of
12 where we thought. I think that's what he's getting
13 at. So we didn't take this and add up a whole bunch
14 of costs and just come to kind of that number.
15 Basically we said we think compensation be about this
16 and then kind of everything else would be about 8
17 million. So it wasn't that we did the detailed
18 breakdown in any really sophisticated way. We were
19 much more focussed on we need to get from the 2011
20 number, at a plan level, we had to bring it down by 40
21 million.

22 MR. WEISBERG: Q: Okay.

23 MR. LEONG: A: So perhaps I can refer to a BCUC IR in
24 round two and that's 204.1.

25 MR. WEISBERG: Q: Yes, okay.

26 MR. LEONG: A: So as you can see, what we've done in

1 MR. WEISBERG: Q: And is that the total savings for
2 basic insurance alone, excluding all cost savings for
3 the optional business?

4 MR. LEONG: A: No. All of these costs that we've just
5 talked about, they're all total corporate costs.

6 MR. WEISBERG: Q: The TREAD response doesn't indicate
7 what you've just told me, does it? Does it say
8 somewhere there that it's both basic and optional
9 costs?

10 MR. LEONG: A: No, I don't believe it does say it's
11 either/or. The filing of operating expenses is always
12 done on a total corporate cost basis.

13 MS. PRIOR: A: And the BCUC -- sorry, BC. The
14 government review was done on the total Corporation
15 basis. So the quote above that you're quoting in your
16 IR is done on a corporate level basis. The 50 million
17 was a corporate level commitment, Mr. Weisberg. So we
18 followed that and did the corporate. We do run an
19 integrated business, and so for us when we're looking
20 at our costs or cost control, we look at the whole
21 company.

22 MR. LEONG: A: Okay, but this application that we're
23 all here to look at is a revenue requirement
24 application exclusively for the basic insurance
25 business, isn't it?

26 MS. PRIOR: A: Yes, is it. But I think, and so our

1 whole history, though, with the Commission has been
2 because we run an integrated company, which means
3 basic and optional, the allocation that's been
4 referred to and Mr. Munn discussed is sort of a
5 secondary step we do. When we look at our costs and
6 how we run the business, we don't actually take things
7 like computer costs and think of them in two buckets.
8 We do that for the purposes of this process, but as we
9 run the company our computer systems support the
10 company. So we don't actually run our business as two
11 businesses in that way.

12 MR. WEISBERG: Q: Can you understand that a ratepayer
13 coming into this proceeding, if they chose to
14 participate for the first time, as I have for example,
15 might look at this total cost savings number of 26
16 million and because it doesn't say that it applies
17 both to optional and basic, assume reasonably that it
18 applied only to basic?

19 MS. PRIOR: A: And I guess, as I said, because the
20 quote above was the total Corporation, what we were
21 talking about flowed from that total Corporation. But
22 I could understand that somebody newer to the process
23 might not, in I guess many of the IRs, appreciate when
24 we're talking operating costs. I think in the chapter
25 we do refer to it, but there is an awful lot of
26 information.

1 MR. WEISBERG: Q: So still looking at 15.1, if we focus
2 in just on the basic insurance cost savings that
3 should be relevant to the determination the Commission
4 has to make here, what is the number that excludes the
5 optional insurance cost savings? It'll be lower than
6 26 million.

7 MR. LEONG: A: That would be correct.

8 MR. WEISBERG: Q: And what will that number be?

9 MR. LEONG: A: I think on a high level basis the
10 allocation to basic costs is about 67 percent, without
11 going to a detailed allocation calculation.

12 MR. WEISBERG: Q: Well, I'd like on the record the
13 number, not -- I don't want to have to argue about a
14 calculation. So you've said that total cost savings
15 are 26 million, 30,000 for corporate.

16 MR. LEONG: A: I believe --

17 MR. WEISBERG: Q: What is that number --

18 MR. LEONG: A: So I believe there's another IR that
19 talks about the 50 million savings, and that's subject
20 to check. I believe the allocation to basic on the 50
21 million was 28 million.

22 **Proceeding Time 4:45 p.m. T63**

23 MR. WEISBERG: Q: Yeah, Mr. Leong, with respect, what
24 you've just said confused rather than helped. Because
25 this is not -- this is in the context of the 50
26 million. But it's only, as I read it, to do with

1 during -- isn't it during 2011?

2 MR. LEONG: A: Yes, this is 2011.

3 MS. PRIOR: A: But I think, Mr. Weisberg, what we're
4 talking about is for the purposes of the rate filing.
5 It's the cost base in 2013 that is more relevant than
6 the 2011, because that's the basis upon which the
7 actuaries would have projected the costs going out.
8 And so, the savings in totality would be reflected in
9 our 2013 numbers, which I believe Mr. Leong is
10 referring to.

11 So this is -- as I said, this was a rough
12 estimate at a point in time. It isn't what actually
13 has been built into the rate filing years.

14 MR. WEISBERG: Q: But that \$26,030,000, I thought you
15 told me that that applies to the corporate savings,
16 not just the basic portion.

17 MR. LEONG: A: That's correct. That is correct.

18 MS. PRIOR: A: That's correct. And what I did say is,
19 I said the \$26 million and the breakdown of it was
20 kind of a high-level estimate of what we estimated it
21 would be at that point in time. That's how we --
22 that's how the 26 number came up. But what I'm saying
23 in actuality, and what goes into the rate filing, is
24 where did we actually land? Where did we expect we're
25 actually going to land? So the 2013 numbers, or 2012
26 numbers, which is a complete year, will actually have

1 the actual savings to it. You're looking at a 2011
2 estimate.

3 MR. LEONG: A: And I just want to clarify, maybe
4 there's a misunderstanding between the 28 and the 26.
5 The 26 million number in this TREAD 15.1 is part of
6 the 50 million in total. And in terms of trying to
7 give you a sense of the basic portion of this 26
8 million, I do know that I think that's another IR that
9 tries to provide that answer for the 50 million. And
10 that -- of that 50 million, 28 million would be
11 allocated to the basic side of the business.

12 MR. WEISBERG: Q: But to compare -- so that we're
13 comparing things evenly, if we take all the
14 assumptions on this page, on 15.1 TREAD -- yeah. If
15 we take all the assumptions on 15.1, and we accept
16 that the 26 million total cost savings is corporate, I
17 want to know what that number is, just for basic, and
18 I think what you're telling me is that if I apply a 60
19 percent allocation to basic, I can do 60 percent of
20 26,030,000, and my rough Saskatchewan farmer math is
21 15.6 million. Am I in the ballpark?

22 MR. LEONG: A: That would be -- you would be in the
23 ballpark, yes.

24 MR. WEISBERG: Q: Thanks. For purposes of this revenue
25 requirements proceeding, would it not be more helpful
26 to show cost savings as achieved reductions in cost

1 categories between the 2011 revenue requirement, the
2 approved revenue requirement, and the 2012 revenue
3 requirement? Rather than between ICBC's corporate
4 original plan and revised plan?

5 **Proceeding Time 4:49 p.m. T64**

6 MS. PRIOR: A: I think if you are talking about what
7 numbers go into the revenue requirement, I think you
8 actually have to go to the actuarial section of the
9 filing, because they do things on a policy year basis,
10 not a calendar year basis. So what we tried to give a
11 sense in our IRs or in the areas around operating
12 costs, it's done on the basis that we operate the
13 company, which is within a calendar year these are our
14 budgets. We don't budget on a policy year basis, we
15 don't account for things on a policy year basis.
16 That's simply a calculation that goes into the rate
17 filing on an actuarial basis when they calculate that
18 out.

19 So if you are trying to align it to the
20 filing, I think you actually have to go into the
21 actuarial chapter, and I'm not familiar enough with
22 it, but there would be exhibits in there that would
23 lay out how the operating costs are brought into the
24 actual rate filing, Mr. Weisberg.

25 MR. WEISBERG: Q: Thank you. Let's go to the IR that
26 Mr. Leong took me to, which is 2013.2 BCUC 204.1. I'm

1 interested in the second page and in particular the
2 first sentence there. It says:

3 "Actual operating costs in 2012 (591
4 million) were 7 million higher than 2011
5 actual (584 million) but 14 million lower
6 than 2012 forecast."

7 The 2012 and 2011 there, as you've explained in
8 previous answers, refers to the fiscal or calendar
9 year, not the policy year, right?

10 MR. LEONG: A: That is correct, the fiscal year.

11 MR. WEISBERG: Q: So we are looking at the calendar
12 year, year over year, the actual operating costs, no
13 forecasts, no budget, nothing, just the actual to
14 actual. And those costs went up from 2011 to 2012,
15 right?

16 MR. LEONG: A: That's correct, but I do -- I did say
17 that -- in the next sentence, I'll just explain it,
18 that the 2012 included the provision of \$25 million
19 for the restructuring that we did do. It's a one-time
20 unique item.

21 MR. WEISBERG: Q: I wasn't going to forget about that,
22 and that's proper of you to mention that we are going
23 to talk about that. But excluding -- when you include
24 those \$25 million in cost --

25 MR. LEONG: A: The \$591 million in 2012 includes the 25
26 million.

1 MR. WEISBERG: Q: Okay. And approached that way, you
2 end up with actual operating costs rising 7 million
3 from 2011 to 2012.

4 MR. LEONG: A: That is correct.

5 MR. WEISBERG: Q: Yeah. The \$25 million in non-
6 recurring restructuring costs related to staff
7 reductions, relates to things like severance,
8 vacation, pensions, those kind of things. Can you
9 confirm -- break down, I guess, what is in those
10 restructuring costs by category.

11 MR. LEONG: A: They would be a mixture of severance
12 cost, termination payments. There would be salary
13 continuance. With salary continuance there would be a
14 portion that is still benefits. There would be
15 obviously associated incentive payments along with the
16 salary continuance. And I believe that's primarily
17 the bulk of the costs.

18 **Proceeding Time 4:54 p.m. T65**

19 MR. WEISBERG: Q: Those three things, basically. Okay.
20 And how, I guess, forcefully are you suggesting that
21 the 25 million in restructuring costs should be
22 excluded for purposes of determining year over year
23 cost savings? Is it -- is there sort of a footnote to
24 that? "Hey, there was this other thing, one-time
25 charge" -- do you really think that the proper way to
26 look at whether operating costs went up or down from

1 2011 to 2012 is to exclude that 25 million in costs?
2 MR. LEONG: A: I guess it depends on what purpose are
3 you trying to achieve with -- for financial reporting
4 purposes, it is part of costs. In terms of explaining
5 a trend, you do have to acknowledge that it's a one-
6 time cost that doesn't recur every year.
7 MR. WEISBERG: Q: Would you agree that the \$25 million
8 in non-recurring restructuring costs was the direct
9 result of allowing staff levels to rise too high in
10 the first place?
11 MR. LEONG: A: I think the restructuring that did take
12 place was as a result of the government review that we
13 received, and I think Ms. Prior walked through the
14 situation of how we were misaligned. We were focused
15 with different strategies, and increased the head
16 count for our TP program. Same time I guess
17 government was on a sort of a cost-cutting process,
18 and as a result of this mis-alignment, we tightened
19 up, and we realigned, and we've agreed to reduce our
20 head count.
21 MR. WEISBERG: Q: And do you believe that the \$25
22 million in non-recurring restructuring costs provided
23 any value to ICBC's ratepayers?
24 MR. LEONG: A: I think as a result of reducing the
25 number of employees that we did do, there is value on
26 a go-forward basis, because it does start us off at a

1 lower operating cost basis.
2 MS. PRIOR: A: I think, Mr. Weisberg, the other point
3 to note is -- I'm just listening to the way you framed
4 the question. It's almost as if we had the option, or
5 not, to pay the severance costs. And I don't believe
6 legally from labour law, we had -- there was an
7 option. I think we followed the law, and paid out
8 what the employees were entitled to.

9 MR. WEISBERG: Q: I wasn't suggesting that at all, Ms.
10 Prior. What I was trying to get at was when the folks
11 who pay ICBC's premiums, and create that revenue pool
12 for the basic insurance, look at much of what ICBC has
13 said or filed in this proceeding, one of the numbers
14 that keeps popping up, like an arcade whack-a-mole, is
15 the \$50 million in cost savings. And I'm trying to
16 whittle that down first of all to what actually
17 applies to the basic side of the business, and
18 secondly not budgeted, or forecast, but actuals.

19 And then taking into account such things as
20 one-time costs, like the \$25 million in restructuring
21 costs, to determine in the end as a ratepayer when I'm
22 looking at this, am I persuaded that ICBC is actually
23 reducing its costs? Do the numbers show me that? Is
24 that -- if Joe on the street with a car who gets an
25 ICBC policy reads this page, what should be their
26 takeaway. Did you not lower actual operating costs

1 from 2011 to 2012? When you look at -- it was \$7
2 million higher. Or should they take away, no, they
3 actually brought them down by \$18 million. Because of
4 the operation of these \$25 million in one-time costs.

5 So comment on that.

6 **Proceeding Time 4:58 p.m. T66**

7 MR. LEONG: A: Getting back to the 50 million, and on
8 the first page of this particular IR, the 204.1, the
9 commitment was to reduce by 50 million from the 2011
10 plan of 630 million, and that is the forecast, that
11 579 million in the 2013 column. So as I've said
12 earlier, without getting into a lot of details,
13 numbers are still subject to final audit and approval.
14 We believe right now our operating cost is going to
15 achieve that number.

16 MR. WEISBERG: Q: Okay, and again when we look in this
17 paragraph of the response, does it say somewhere
18 either in the request itself or in the response that
19 the costs being talked about are corporate, not just
20 basic, which is the subject of this application?

21 MR. LEONG: A: I believe you could go to our filing,
22 Chapter 7, Section B. It's entitled ICBC's Corporate
23 Operating Expenses and it sets the framework of how
24 operating expenses are framed in this filing.

25 MR. WEISBERG: Q: That wasn't my question. In this IR
26 does it indicate that, either in the question or in

1 the response?

2 MS. PRIOR: A: Sorry, I think we've acknowledged, Mr.
3 Weisberg, that not on every IR did we specifically say
4 it was corporate, because where quotes or questions
5 were referring to parts of the chapter where we talked
6 about corporate costs, we assume that following on the
7 response was going to be on a corporate basis. And as
8 I said, that is how we manage our business. So we
9 have acknowledged that we were perhaps not explicit on
10 every IR response that it was corporate costs.

11 MR. WEISBERG: Q: So when the Commission is in a
12 position of having to determine what's going to come
13 out of this bulk of evidence and testimony, should
14 they be put in a position where they necessarily have
15 to continually check back and see, oh, is this a
16 corporate number or is this a basic number? Would it
17 not be helpful to ratepayers, and I'm assuming to the
18 Commission, to invariably identify when a cost or a
19 revenue, a cost, is corporate and includes the
20 optional side, and what is just basic insurance?
21 Because this is an application for basic insurance.
22 And --

23 MS. PRIOR: A: So Ms. Weisberg, I can only comment that
24 we've been through a number of filings with the
25 Commission and interveners and I think this is the
26 first time this issue has been identified. I

1 understand that as a new intervener, perhaps some of
2 this is maybe confusing, but I think we were quite
3 clear throughout our filing when we were talking about
4 corporate costs what corporate costs are. I think the
5 previous Commission Panels have also accepted that the
6 way we manage our business, as I said, is an
7 integrated business. And that means that the way we
8 set our budgets and the way we manage our costs is on
9 a total company basis. We don't have two sets of
10 books per se, and take every person's time on a daily
11 basis and split them between who's doing phone calls
12 on optional business and who's doing phone calls on
13 the basic business. That's why we have an allocation
14 methodology in place for things like the filing where
15 we apply them.

16 So the Commission has never requested of
17 ICBC to keep a duplicate set of books and to report
18 the --

19 MR. WEISBERG: Q: Ms. Prior, I'm going to interrupt
20 because that is not what my question asked and I'm
21 trying to move this along. I'll of course allow you
22 to continue with your testimony, but I just want to
23 tell you that you're getting into territory which has
24 nothing to do with what I asked you. I did not ask
25 about a separate set of books. I did not suggest you
26 need to keep them.

1 I suggested that in an application for
2 approval of rates on basic insurance, it would be
3 helpful if the numbers provided applied to basic
4 insurance, and it wasn't necessary to go through math
5 calculations on many IRs to determine what number
6 actually applies for the purposes that we are in this
7 proceeding for.

8 **Proceeding Time 5:04 p.m. T67**

9 MS. PRIOR: A: So again what I would say, Mr. Weisberg,
10 is the only place you're going to find that, and it's
11 now how we run our business, is if you look at the
12 policy year information that the actuaries have filed.
13 And they have taken the basic component, and I believe
14 they will have exhibits in there that lay out how
15 they've done that to account for the policy year. So
16 policy year, again, is different than the calendar
17 year or the way that we run our business. So I'm not
18 trying to frustrate you, I'm just saying that if you
19 actually want to know the basic costs that relate to
20 the filing, it's not something of how we capture our
21 numbers on a regular basis.

22 So I mean it's -- you know, the assumption
23 is that this is corporate costs. I think we've been
24 explicit about that in the chapter, and we've answered
25 the responses accordingly because we don't have a cut
26 of the mono basic business. I think you are expecting

1 that we will provide those numbers on a basic basis,
2 and to go through each question on numbers and do that
3 calculation would be a fair bit of work. It's not how
4 we run the business.

5 THE CHAIRPERSON: Mr. Weisberg, at risk of interrupting
6 this wonderful dissertation between you and the panel,
7 I note that it's almost ten after five. Where do we
8 find ourselves, or where do you find yourself in your
9 line of questioning and how much more do you think --

10 MR. WEISBERG: There is still meat left on the bone, Mr.
11 Chairman.

12 THE CHAIRPERSON: I hope it's very lean meat, Mr.
13 Weisberg.

14 MR. WEISBERG: It is. It's leaner.

15 MR. GHIKAS: Mr. Chairman, perhaps if I can speak up, I
16 think the fair question here is whether it's the same
17 meat over and over and over again or whether it's new
18 meat. I think that's the relevant question, if I
19 might say.

20 MR. WEISBERG: Are we talking about the schedule, Mr.
21 Chairman, or are we talking about the questions?

22 THE CHAIRPERSON: Well, I'm talking about the schedule.
23 I'm just wondering how much time you need to finish it
24 off, and if you can finish it off quickly, I'd like to
25 get it done tonight. If you cannot, then we'll
26 adjourn until tomorrow morning.

1 MR. WEISBERG: Based on the length of responses I've been
2 getting to my questions, I cannot finish it off
3 quickly. I can only control how much air time I'm
4 taking.

5 THE CHAIRPERSON: Okay, I'm going to say we'll go until
6 quarter after and then we'll cut it off right there.
7 So.

8 MR. WEISBERG: I will stop --

9 THE CHAIRPERSON: I will trust for you to do it
10 expeditiously, Mr. Weisberg.

11 MR. WEISBERG: I am trying.

12 MR. WEISBERG: Q: Within page 2 of the BCUC 204.1, in
13 the second series. After noting the 25 million in
14 non-recurring restructuring costs, and suggesting that
15 if it was excluded, then 2012 actual operating
16 expenses would have been \$18 million lower than the
17 2011 actual, is that correct?

18 MR. LEONG: A: That's correct.

19 MR. WEISBERG: Q: Okay. And if I followed what you're
20 saying, the 18 million stated there is not what
21 applies to the basic insurance business, is that
22 correct?

23 MR. LEONG: A: That is correct.

24 MR. WEISBERG: Q: And for that I need again to do a
25 little multiplication exercise and do the allocation
26 calculation myself and multiply that by 60 percent.

1 Is that right?

2 MR. LEONG: A: That's correct.

3 MR. WEISBERG: Q: So then if I want to look at how much
4 did ICBC save in basic insurance share of operating
5 costs year over year, that number, instead of being 18
6 million really should be 10.8 million. Do you agree?

7 MR. LEONG: A: Based on a high-level 60 percent
8 allocation, yes.

9 MR. WEISBERG: Q: And Ms. Prior, to be clear, when you
10 told us about not wanting to keep a set of second
11 books, I was not going there. I was going to this
12 point, to the \$10.8 million, so that I, or anyone else
13 that wants to follow this and understand what's
14 happening with ICBC's cost can say, "I'm just looking
15 at the basic insurance side."

16 **Proceeding Time 5:08 p.m. T68**

17 That's what the Commission is going to make
18 a decision about. I just want to know that side.
19 Where do I get that number? If I look in here and I
20 think, "Well, it's in an application for a basic
21 insurance revenue requirement," it must be right. But
22 I have to go through this exercise, to go through all
23 this rigamarole and cross-examination and then
24 mathematically I still have to calculate the number
25 myself. That's where I was going.

26 MR. GHIKAS: Mr. Chairman, I think it was abundantly

1 clear long before now what the point was, and where
2 Mr. Weisberg was going.

3 THE CHAIRPERSON: Thank you, Mr. Ghikas.

4 MR. GHIKAS: It gets down to argument, and Mr. Weisberg
5 is free to make that argument at the end of the day.

6 MR. WEISBERG: Q: Would you agree that in future
7 revenue requirement applications, it would be more
8 useful to offer a comparison of actual operating costs
9 year over year, rather than comparing budgeted costs
10 as you did to come up with the \$51 million figure?

11 MS. PRIOR: A: We include both. We include actuals, as
12 well as budget, in all of our filings.

13 MR. GHIKAS: Figure 7.3 would be of assistance, Mr.
14 Chairman, in that regard, just for the record.

15 THE CHAIRPERSON: Thank you, Mr. Ghikas.

16 MR. WEISBERG: Q: Ms. Prior, in your judgment as CFO of
17 ICBC, do you expect that the proposed rate increase
18 for 2014 will be 6.4 percent?

19 MS. PRIOR: A: I would agree with Ms. Minogue's
20 statement that there is a high likelihood of that. I
21 would also be remiss if I didn't say I was certainly
22 hopeful we could be able to demonstrate something
23 differently and bring that number down, but given the
24 short time frame between now and the next rate
25 application, the indications are that it will be 6.4
26 percent, yes.

1 MR. WEISBERG: Q: Thanks. As observed by the Chairman
2 earlier in the proceeding, the response to 2013.2,
3 BCUC 161.1 establishes that the average basic premium
4 will rise \$38 from \$768 to \$806.

5 MS. PRIOR: A: Sorry, if I could just get that
6 reference again, please?

7 MR. WEISBERG: Q: Sure. It's 2013.2, BCUC --

8 MS. PRIOR: A: Yes.

9 MR. WEISBERG: Q: -- 161.1. And in panel 1, we had a
10 discussion around that.

11 MS. PRIOR: A: All right. I'm sorry, you're looking at
12 which page?

13 MR. WEISBERG: Q: At attachment A.

14 MS. PRIOR: A: Oh, attachment A. Just one second.

15 MR. WEISBERG: Q: So looking at the average basic
16 premium rising from \$768 to \$806.

17 MS. PRIOR: A: Ah, yes.

18 MR. WEISBERG: Q: Okay. And the Chair was good enough
19 to calculate that number for those of us in the room
20 as \$38, and that was accepted by panel 1, and I just
21 want you to acknowledge that you're aware of that
22 figure.

23 MS. PRIOR: A: I am, yes.

24 MR. WEISBERG: Q: Okay.

25 MS. PRIOR: A: Yes.

26 MR. WEISBERG: Q: So, do you agree that if a 6.4

1 percent increase is approved for PY-2014, as you've
2 said, is highly -- not approved. That it's highly
3 likely that it will be proposed. But assuming it's
4 approved, would the average basic premium be expected
5 then to rise about \$52 from 806 to 858?

6 MS. PRIOR: A: Sorry, 858, did you say?

7 MR. WEISBERG: Q: Mm-hmm.

8 MS. PRIOR: A: That's approximately -- there might be
9 some mixed differences, but that is in the range.

10 MR. WEISBERG: Mr. Chairman, we're at 5:15.

11 THE CHAIRPERSON: Okay. I hope that enabled you to run
12 through a few more questions. We will reconvene at
13 8:30 tomorrow morning, please. Thank you.

14 Oh, wait a minute, hold on.

15 MR. MILLER: May I make one comment, please? Just a
16 reminder for the participants that the elevators are
17 locked off until 8:30. But Mr. Bemister will have
18 someone downstairs at 8:00 until 8:30 to let people
19 up.

20 THE CHAIRPERSON: Thank you for that information.

21 **(PROCEEDINGS ADJOURNED AT 5:14 P.M.)**

22

23

24

25

26