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 14th, 2014

PROCEEDINGS

BEFORE:

Bernard Magnan,

Panel Chair/Commissioner

Liisa O'Hara **Commissioner**

Richard Revel **Commissioner**

VOLUME 7

Allwest Reporting Ltd.
#1200 - 1125 Howe Street
Vancouver, B.C. V6Z 2K8

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 *et al* (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

Volume 7, February 14, 2014

ICBC - PANEL 2

BRENT HALE:
PHIL LEONG:
GERI PRIOR:
ALISON GOULD:
JOHN DICKINSON:
JAMES McGINNIS:

Resumed 1081
Cross-Examination by Mr. Weisberg (Cont'd) .. 1094
Cross-Examination by Mr. Miller 1110
Re-Examination by Mr. Ghikas 1176

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 *SABLE OFFSHORE ENERGY INC. ET ALL V. AMERON INTERNATIONAL CORPORATION ET AL,*	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
	Volume 7, February 14, 2014	
C11-6	PACKAGE OF DOCUMENTS, FIRST DOCUMENT ENTITLED "ICBC MAKES CHANGES TO BASIC AND OPTIONAL RATES	1094
A2-15	DOCUMENT ENTITLED "WITNESS AID - PREPARED BY COMMISSION STAFF CHAPTER 7, OPERATING EXPENSES AND ALLOCATION INFORMATION"	1129
B-28	EXCERPTS FROM *THE VANCOUVER SUN*	1194

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

Volume 7, February 14, 2014

For Mr. Weisberg:
Pages: 1096-1096, 1098-1099, 1099, 1109

For Mr. Miller:
Pages: 11110-1111 x 2, 1126, 1126-1127 x2, 1128,
1132, 1140, 1140-1141, 1141 x 2, 1153-1154

For Commission Panel:
Pages: 1165-1166, 1170-1171

1 **CAARS**
2 VANCOUVER, B.C.
3 February 14th, 2014
4 **(PROCEEDINGS RESUMED AT 8:30 A.M.)**
5 THE CHAIRPERSON: Please be seated.
6 **ICBC - PANEL 2**
7 **BRENT HALE, Resumed:**
8 **PHIL LEONG, Resumed:**
9 **GERI PRIOR, Resumed:**
10 **ALISON GOULD, Resumed:**
11 **JOHN DICKINSON, Resumed:**
12 **JAMES McGINNIS, Resumed:**
13 THE CHAIRPERSON: Good morning, everyone. Thank you for
14 coming early, and Mr. Ghikas, you're up.
15 MR. GHIKAS: This is getting embarrassing, Mr. Chairman,
16 but yes, I'm up again.
17 THE CHAIRPERSON: Well, we've got to stop meeting like
18 this, Mr. Ghikas.
19 MR. GHIKAS: Yes, we do.
20 Okay. The first thing this morning is to
21 deal with a couple of undertakings, and both arise
22 from questions from Mr. Munn. So, we'll start first
23 with the issue that we left off with Mr. Munn
24 yesterday that was directed to you, Mr. Dickinson.
25 And there was a discussion around whether or not a
26 particular road safety initiative had been directed by

1 government. And I understand that you followed up on
2 that now.
3 MR. DICKINSON: A: Yes, that's correct. This is with
4 respect to the school curriculum materials program
5 that we had discussed. At the break yesterday, one of
6 my staff sent me a note saying that they felt that the
7 program was mandated by government. Upon further
8 follow-up, we have been looking into it and we
9 understand there is no current directive on this
10 program. I think the program and the -- pre-dates,
11 and goes back quite some time. I'm hearing 15, 20
12 years. Certainly predates the Commission process.
13 But we're following up to see what was the
14 origins of that program, because I think that's really
15 what we're talking about is, how did this come into
16 being? Was it a conversation with government, or was
17 it -- was there actually a formal mandate? Nobody
18 off-hand over the course of the evening seems to be
19 aware of any written materials or written
20 instructions. So, we're following up on that to
21 clarify that. But as far as we know, there is no
22 current government directive around that program.
23 MR. GHIKAS: And just in terms of where your staff were
24 coming from yesterday when they sent you the e-mail,
25 what was -- can you just expand a little on why their
26 impression was what it was?

1 MR. DICKINSON: A: Yeah, it's -- my folks have been in
2 their positions for quite some time. I think this one
3 particular person for ten years, and I think she has
4 always been under the impression, and many people
5 have, that this did come -- originate from government.
6 But it was from a prior era in road safety, and so
7 it's unclear in terms of what is actually the case, in
8 terms of, was this a formal mandate or was this just
9 something that was mentioned -- perhaps it went back,
10 as far back as the -- 1996 with the six-point plan.
11 We're just not sure.
12 MR. GHIKAS: Okay. So, maybe I should leave it to -- we
13 can undertake to update whether we can determine the
14 origins or not, Mr. Chairman. I don't know whether,
15 given that it certainly doesn't originate from any
16 particular piece of legislation in the near term, Mr.
17 Munn may or may not want to follow up on that. But
18 we're certainly able to, if Mr. Munn is -- if that is
19 what his desire is, or if that's what your desire is,
20 Mr. Chairman, to have Mr. Dickinson follow up. We can
21 certainly file something just confirming and
22 finalizing if we can determine anything from the
23 distant past.
24 THE CHAIRPERSON: I'm going to let Mr. Munn make that
25 decision.
26 MR. MUNN: I am only concerned if it forms part of your

current road safety budget, because me reading through the materials last night, all indications were that any directive from government vis-à-vis school programs did not exist, and was certainly not part of any of the filings going back to -- now, I didn't go through the entire 2005 filing, but I haven't seen any directive vis-à-vis government other than the MOU.

So, if there is something else out there and it affects your current budget, I would like to know about that.

MR. DICKINSON: A: Okay, yes. The people that are advising me have been in the road safety department for 10 or 12 years, and there has been no -- nothing in recent history. The program does continue to operate in the department. It's the -- the budget or the spend last year was about $30,000. So, and it does continue to be a part of it. So, I think what we need to do is, we need to clarify where this came from. Is there a formal mandate from 20 years ago that says that you shall do this forever? Or was there -- or wasn't there? But I think this pre-dates my folks in the department.

MR. MUNN: Okay, so, unless something changes in terms of what you find, I think we've got what we need on the record at this point.

THE CHAIRPERSON: Okay, thank you very much, Mr. Munn.

1 **Proceeding Time 8:35 a.m. T2**
2 MR. GHIKAS: Thank you, Mr. Chairman. The other
3 undertaking this morning which we'll deal with orally,
4 just given the timing is one that was left by Mr. Munn
5 at Volume 6, page 923, line 12 to page 924, line 4.
6 You won't particularly need to go there at this point.
7 It's just really the question, there was a lot of
8 discussion there, but the question effectively was
9 that Mr. Munn was asking ICBC to explain how the
10 claims admin support allocation percentages had
11 migrated to a different split from 50/50 to 59.7/40.3.
12 And I understand Ms. Prior has a response to this
13 undertaking.
14 Maybe, Ms. Prior, you can take it from
15 here.
16 MS. PRIOR: A: All right, sure. So I'm going to be --
17 it might be helpful to have Exhibit C6-5 handy, just
18 so I can show you what's happened through the years.
19 So if you turn to --
20 MR. GHIKAS: So this is Mr. Munn's package.
21 MS. PRIOR: A: Yes. So, all right, we won't start with
22 the document but if we have it handy that would be
23 great.
24 So what we found out, we had some people
25 working last night, is we looked into what Mr. Munn
26 pointed out as a claims administrative support, and it

1 happens to be one of the groupings of costs that we
2 have. And it has been allocated, it has as far as we
3 know always had this allocator called weighted average
4 cost centre. So that's the basis upon which we are to
5 do the allocation. And this originated because in the
6 claims administrative support grouping, at one point
7 in time it had been under a category called
8 administration. So we have client services, we have
9 administration, we have insurance, we have different
10 kind of groupings of all of these costs.
11 When it was under these administrative
12 grouping, even though the allocators had weighted
13 average cost centre -- I'm going to explain what that
14 is in a minute -- there was a decision that directed
15 us how to apply that while it sat under this
16 administrative bucket.
17 So let me first explain what the weighted
18 average cost centre allocator, how it works. And it's
19 four areas that, for example if I am leading an area
20 and I have a number of staff that work on different
21 things, the basis upon which those staff work on basic
22 non-insurance or optional work is basically how my
23 time is allocated. So I'm an individual and I may
24 have an assistant or whatever, but basically that
25 office for me is allocated on that basis versus me
26 trying to figure out how I spend my day. They just

1 look at how the group -- if I have 100 reporting to
2 me, how that group unit spends their time. If it
3 happens to be 60 percent basic and 40 percent
4 optional, then my time would just be split that way.
5 That's what the weighted average cost centre means.
6 The ruling, if you go to the back of this
7 package, on the very last page of Mr. Munn's, I think
8 it's page 74 in his package, you can see that the
9 decision says at the very bottom there, "The
10 Commission Panel concludes that the fairest allocation
11 of operating cost, admin and other", which this group
12 of costs sat under at a point in time, "is to allocate
13 the costs equally towards basic and optional, after
14 deducting the costs allocated to non-insurance."
15 So we took the non-insurance costs out and
16 then just split it 50/50. And that was a ruling that
17 came out I think basically for simplicity's sake. So
18 that allocation and why Mr. Munn was able to see the
19 50/50 in previous years, this picks up how it was
20 allocated.
21 Now, we do move groupings of costs around
22 occasionally more to line up with how we internally
23 set up our departments in our organization. So what I
24 need you to appreciate is this is basically a big
25 binder of spreadsheets, manually done, of how we track
26 all these things. So the individual department,

1 basically one person that does this almost full time
2 who does this, tries to keep this as much in line with
3 how our department costs are so it's easy to kind of
4 figure out where the cost movements are. So if
5 something's going up they could track the reasons why.
6 So this is all done on a manual basis.
7 So when this grouping of costs had moved to
8 a claims bucket because it was now basically claims
9 administrative folks only in this bucket, it still sat
10 at the 50/50 till that decision carried forward, even
11 though we moved it, which was absolutely appropriate
12 because we didn't come back for any other decision.
13 But when the reorg happened -- and if you recall Ms.
14 Taylor and Mr. Wilson described, they did a
15 significant reorganization starting in the fall of
16 2012. When that happened, some of those positions
17 within this bucket, they actually took on new roles.
18 They took on different responsibilities.
19 **Proceeding Time 8:40 a.m. T03**
20 And so this individual, in trying to be
21 actually more accurate, thought, "I can do this, and
22 actually use the weighted average cost centre
23 methodology, because it's -- instead of -- it's
24 sitting now in the claims services. I can use this
25 and make it more accurate, because I know who these
26 people report to this person, and I can actually split

1 each of their individual costs."
2 And so he applied that, and what happened
3 is, because it was in the fall of 2011 -- so instead
4 of 50/50, if you go to page 45, and I'm going to take
5 you partway, about halfway down there is something
6 called "Claims administrative support". And it's got
7 the weighted average cost centres, they allocate -- if
8 you go across, it's 51.3 and 48.7. You see that?
9 So that's where it's the first time it
10 shifted. But that only accounts for three months.
11 And so Mr. Munn said, "Well, it kept going up." Well,
12 it did, because if you go to page 51, about almost
13 two-thirds -- not quite two-thirds of the way down, a
14 little past half down, you'll see it again. And the
15 percentage of 59.7 and 40.3. And that's because on
16 that page in 2012, it accounts for the full year's
17 worth now of him doing this allocation differently.
18 So, this is one where Mr. Munn has pointed
19 out, we did something that was not in line with the
20 actual original, allocation that was dictated. So,
21 what we did is, a group of us stayed till past ten
22 last night, including this employee on the phone, and
23 we went through the last three years of all of these
24 allocators going through the changes, and were there
25 any others where he had used -- trying to be more
26 accurate.

1 And he didn't recall any, but we went
2 through and kind of methodically went through and did
3 a comparison. And what we found is, there were
4 changes in two categories. And I'll explain those two
5 categories. But what I want to say is, the change in
6 those two categories totally aligned with the
7 Commission decisions.
8 So where we found some differences, and Mr.
9 Munn, you said there was a little confusion on maybe
10 some of our explanations at the bottom, he did try and
11 document them -- we're in -- so, the first bucket was
12 this. As I said, where we did alignment was because
13 he was trying to match it with our organizational
14 structure. So if we had one big bucket of costs, and
15 that allocator was whatever it was, sometimes he split
16 it into two buckets, because that was easier for him
17 to track how the cost centres went.
18 However, that allocator we found stayed
19 exactly the same, when he split it, whether he split
20 it two or three ways, it stayed exactly the same. So
21 that was in line with the original decision and the
22 original allocator associated with that bucket of
23 costs. That was one of the things we found.
24 The other thing we found is, sometimes he
25 amalgamated things. Because to him, it made more
26 sense and again alignment with how we'd structured.

And let's say, for example, there was two areas, and they had different allocators. When he blended them together, he kept those dollars with those allocators and these dollars with these allocators. He just blended them into one. And the predominant allocator was what's listed in here, but when you go back underneath the details, he's got them separately calculated, and he has maintained that throughout.

So the only anomaly we could find here, after going through the three years' worth, was the one that Mr. Munn did point out. So, we did talk to the individual, explained very much the importance of keeping to the allocation. He fully understands that. We won't be having this issue on a go-forward basis. But as I said, everything else was done in accordance with how we have handled the allocation in the past number of years since it originally got approved.

So the impact of all of this ended up being $228,000. So that is equal to 0.009 percentage points. So if you look at that kind of from the 4.9, it would be 4.9 minus 0.009, or, I guess, 4.891 is what it would come out to be.

Proceeding Time 8:45 a.m. T4

So not significant but definitely something that we in hindsight should have retained that 50/50 allocation.

1 THE CHAIRPERSON: Mr. Munn, did you want to have any
2 response to that?
3 MR. MUNN: I just have one question with the --
4 THE CHAIRPERSON: I'm sorry, was that it for that
5 particular area, Mr. Ghikas?
6 MR. GHIKAS: I actually, I went through my list here
7 making sure that Ms. Prior had captured everything she
8 wanted to go to, so -- but she has, so I'm fine to sit
9 down.
10 THE CHAIRPERSON: Okay, fine. Go ahead, Mr. Munn.
11 MR. MUNN: You've pointed out that it should be weighted
12 average, but isn't it common with weighted average to
13 break them out basic, non-insurance, and optional?
14 But that wasn't -- and is that what should have been
15 done with the particular allocator I was looking at
16 yesterday morning?
17 MS. PRIOR: A: Well, yes, I mean, but in this case they
18 were just claims, they were just claims folks. So are
19 you questioning why there's no non-insurance in there?
20 MR. MUNN: Yeah, because most weighted averages are there
21 because there's a non-insurance component.
22 MS. PRIOR: A: Right. So these folks were claims
23 folks. And in the past there was a little bit of some
24 blending because that area had responsibility for some
25 licensing, I think, or road safety. It didn't. When
26 the people moved and what was left in there was just

1 claims folks at the end of the day. So when you split
2 it it was just the basic and the optional.
3 MR. MUNN: Okay.
4 MS. PRIOR: A: Yeah. If we had any of those
5 responsibilities, you're right, it would have shown up
6 in how we applied that. But there was none of those
7 responsibilities left in that call centre.
8 MR. MUNN: Fair enough. And the -- well, the rest of
9 that I can deal with in argument, thank you.
10 THE CHAIRPERSON: Okay. Thank you very much, Mr. Munn.
11 MR. GHIKAS: That's it for me at this point, Mr.
12 Chairman.
13 THE CHAIRPERSON: That's it for you, Mr. Ghikas?
14 MR. GHIKAS: Yes, thank you.
15 THE CHAIRPERSON: Okay. So before I go to Mr. Weisberg,
16 fair warning, we're going to have a very short break
17 for nature's causes somewhere around quarter after
18 ten, because I know all of us would like to finish
19 this today as much as possible. And if we do have to
20 go into this afternoon, we'll break until 2:00 and
21 then come back at 2:00 to finish off. But we'll make
22 that judgment later on.
23 MR. MILLER: Mr. Chair, when you indicated that we'll be
24 breaking for lunch possibly, could you indicate the
25 time that we should be --
26 THE CHAIRPERSON: Our break for lunch will be probably

around ten to twelve, quarter to twelve, ten to twelve. That's if we need to -- if we're not finished by then. Okay?

All right, Mr. Weisberg, please.

MR. WEISBERG: Thank you and good morning, Commissioners. My valentine to all in the room is the red ink I spilled last night in trying to cut my remaining questions down further.

THE CHAIRPERSON: It is much appreciated, Mr. Weisberg.

CROSS-EXAMINATION BY MR. WEISBERG (Continued):

MR. WEISBERG: Q: Yesterday Ms. Prior made a number of references to an August 30th, 2013 press release titled "ICBC Makes Changes to Basic Optional Rates" because that's been referred to already and I propose to mark it as an exhibit. It's been distributed to both panels. And that would be Exhibit C11-6.

THE HEARING OFFICER: Marked Exhibit C11-6.

(PACKAGE OF DOCUMENTS, FIRST ENTITLED "ICBC MAKES CHANGES TO BASIC AND OPTIONAL RATES MARKED EXHIBIT C11-6)

MR. WEISBERG: Q: And I'll just note that that package includes three separate documents. The first is the press release I have described. On the third page in is a single page document titled "Insurance Consultation and Engagement". That's from the ICBC website. And the third document in the package begins

on the fourth page in. That's the ICBC basic vehicle insurance rating system consultation and engagement from 2012.

Ms. Prior, looking at the first of those documents, do you see the top arrow in the graphic stating a plus $36 increase to the basic premium?

MS. PRIOR: A: Yes, I do.

MR. WEISBERG: Q: Okay. Why does that indicate a basic premium increase that's $2.00 higher than the $38 increase that was established in prior testimony?

MS. PRIOR: A: Right, so there's a difference because when we -- when the actuaries calculate this, they blend both the commercial business and the personal business together. This is simply for our personal customers. So on the commercial customers there's a different process of communicating with them. There's actually reach out on individual communications because there's fewer of them.

So they are communicated to on a personal basis. This one is just the personal insurance auto line.

Proceeding Time 8:49 a.m. T05

MR. WEISBERG: Q: Okay. So, but for your clarification, that would have meant something in the neighbourhood of about $6.6 million in incremental basic premiums, if you follow me. I'm using 3.3

1 million customers at a $2 difference in the average.
2 But with the qualification you've made
3 about commercial --
4 MS. PRIOR: A: Yeah. I'm not quite sure that's how
5 they did that calculation. I think they would have
6 peeled the commercial off and then figured out for the
7 personal --
8 THE CHAIRPERSON: If I may interrupt at this point, since
9 I'm the one who did the calculation, I did it on the
10 full basis and I've included a $2 increase in the
11 basic licensing. And that's where the $2 is. If that
12 helps.
13 MR. WEISBERG: Thank you.
14 THE CHAIRPERSON: So that adds up to the $38. The $36 is
15 just on the basic insurance.
16 MR. WEISBERG: Q: Okay, thank you.
17 THE CHAIRPERSON: And that's -- I don't remember where
18 the reference is for that, but it's for the break-out,
19 the increases -- the projected increases in one of the
20 exhibits, and I can't remember which one it is.
21 MR. WEISBERG: I believe that that was in 2013.2, BCUC
22 161.1, attachment A.
23 THE CHAIRPERSON: Thank you.
24 MR. WEISBERG: But I'll leave that. Thank you, Mr.
25 Chairman.
26 Q: Panel, would you agree to produce a copy of the

PY-2013 revenue requirements application communication plan?

MS. PRIOR: A: Communication plan? I'm not sure it's a formally written communication plan, Mr. Weisberg. Like I said, I think it basically was just pulling this together and pulling the other together. I'm not sure we have a formally documented plan to produce.

MR. WEISBERG: Q: It's referenced in, I believe, five TREAD IRs. It doesn't specify if it's a written form or not. Can I leave that -- can I leave that with you?

MS. PRIOR: A: Well, maybe I'll check it, and if there is something written, then for sure we'll produce it for you.

Information Request

MR. WEISBERG: Q: Absolutely. That would be fine, thanks.

MS. PRIOR: A: Sure.

MR. WEISBERG: Q: Still on C11-6, beginning on the fourth page, there is the discussion guide and feedback document that I've already identified. Can you tell me, were the costs of that public consultation and engagement borne by basic, or optional, or allocated in some fashion between them?

MS. PRIOR: A: The reason -- sorry. The reason for the hesitancy is, I'm not as familiar with the work that

1 was done under this rate design piece, and I was just
2 trying to determine whether it covered both basic and
3 optional, or if it was just basic. So, if I could
4 just follow up on that for you, just to be certain.
5 Be an easy check.
6 MR. WEISBERG: Q: Does it help if we turn -- I guess
7 this is the third page into the document, it's the one
8 marked in the lower right-hand corner as page 1.
9 MS. PRIOR: A: Mm-hmm.
10 MS. PRIOR: A: It is -- oh, I'm sorry, it is basic.
11 MR. WEISBERG: Q: Okay.
12 MS. PRIOR: A: Yeah.
13 MR. WEISBERG: Q: So, does that mean that all of the
14 costs for this consultation would have landed on the
15 basic side of the business?
16 MS. PRIOR: A: That would be my understanding, yes.
17 MR. WEISBERG: Q: Okay. Thank you. And can you tell
18 me if this consultation and initiative evolved into
19 the development of a rate design application, those
20 costs will continue to be landing exclusively on the
21 basic side of the business?
22 MS. PRIOR: A: If this is used strictly for basic, then
23 it would fall under the basic, yes.
24 MR. WEISBERG: Q: Okay. Thanks. And is there
25 available a total cost of the consultation and
26 engagement initiative to date?

MS. PRIOR: A: There would be. I don't have that handy.

MR. WEISBERG: Q: Is that something that you'd undertake to provide?

MS. PRIOR: A: Certainly.

Information Request

MR. WEISBERG: Q: Thank you.

As part of the question I just asked, Ms. Prior, would it be possible as well, when you determine those costs, to provide the breakdown between what was -- has already been reflected in the 2012 revenue requirement and what portion of those costs would land in the PY-2013?

Proceeding Time 8:55 a.m. T6

MS. PRIOR: A: I'm sure we could do that breakdown for you, yes.

Information Request

MR. WEISBERG: Q: Thank you, I appreciate it.

Now, the terms of reference which we won't go to unless necessary, contemplated that the consultation and engagement would result in two end products. Are you aware of that?

MS. PRIOR: A: I'm sorry. Sorry, two?

MR. WEISBERG: Q: End products.

MS. PRIOR: A: End products. My understanding was this was going to result in the work that we did around

1 rate design, so I'm not sure what two end products
2 are.
3 MR. WEISBERG: Q: Okay, so the terms of reference which
4 can be found on ICBC's website in a path that begins
5 with the document "Insurance Consultation and
6 Engagement". So I don't propose to take you to the
7 website but it does say there in the terms of
8 reference that the two things that will come out of
9 this are a consultation summary report.
10 MS. PRIOR: A: Yes.
11 MR. WEISBERG: Q: And a consideration memo prepared by
12 a project team indicating how the input has been
13 considered for utilization and policy objectives and
14 requirements.
15 So have either of those two documents been
16 produced?
17 MS. PRIOR: A: So we have the results of the
18 consultation document. That is documented. But
19 that's basically where the work stopped on this
20 project.
21 MR. WEISBERG: Q: And what's the reason for the
22 initiative being stalled after money has been spent on
23 the basic insurance side of the business to have it
24 done?
25 MS. PRIOR: A: Right. So when we started this work it
26 was actually -- I think it was the end of 2011 we

actually started planning for this work and did the consultation. We discussed with government the process that we were going to use and it was actually upon their request that we do a wider stakeholder, I guess, consultation process. So that's what we endeavoured to do. We went out and collected the information and at the end of that, we had the results. It took a while to get them analyzed. That all pulled together in 2012.

However, in 2012 there was also an election, so that -- we lost a little bit of time there, and then when we came back to the table, there wasn't a priority to work on that, because there was a couple of things going on within the organization.

So as we were waiting to have those discussions with government, we were also moving along on our transformation work. And we had to make a call as to when we were going to start the work on the insurance systems. The planning was underway. When you put a team up and running there is what we call a burn rate. We pay for those individuals and to stand a team down and put it back up would be costly. We wanted to pursue with that work because transformation had been going on at this point for a few years. We started the planning in 2009, but really kicked off in 2010. So we were well into it. We had an opportunity

1 to move forward on the insurance work.
2 At the same time we had the government
3 review process coming in and so resources were kind of
4 stretched at that point in time. We decided to move
5 ahead full force with the insurance system work.
6 In doing that, we basically thought it
7 really made more sense for this consultation work to
8 inform how we were going to allow the system to be
9 flexible enough to accommodate what changes we might
10 potentially want to do, and this work was rather
11 informative of that. But we weren't going to pursue
12 this work and actually do the rate design and do the
13 filing, et cetera.
14 So we made a choice of what we moved ahead
15 first. We moved ahead with the system. It's well
16 underway right now. It's a significant piece of work
17 of, I'm going to say, close to $100 million. So that
18 is -- we brought our expertise on. That's what we are
19 going full force with right now.
20 So it only makes sense that this would come
21 together once we have the systems in place. We
22 couldn't implement anything today. That system will
23 be -- is expected to be complete around the end of
24 2015, and I think once we've stabilized that it would
25 make sense to then build in, number one, the
26 application and any rate design work we were going to

do, because the system could then accommodate the changes.

So this work has been put on hold based on that history of what we've done.

MR. WEISBERG: Q: I think I took us to -- well, in the discussion guide in feedback form, third document in the package, on the page marked as page 1, which is the third page. There are three columns of text. In the third column, the second --

Proceeding Time 9:00 a.m. T7

MS. PRIOR: A: Sorry, just one second.

MR. WEISBERG: Q: Yeah. There's a picture of a man and his friend, perhaps on Valentine's Day, standing beside a car.

MS. PRIOR: A: Is it on the table of contents page?

MR. WEISBERG: Q: Yes, it is.

MS. PRIOR: A: Ah, sorry, okay, yes.

MR. WEISBERG: Q: And the page indicator is hiding but there it is. So just above the photograph, that paragraph closes with the second last sentence says:

> "ICBC is working to have its new basic vehicle insurance pricing system ready for implementation in 2014/2015."

And this document itself is dated, I believe --

MS. PRIOR: A: I think it's twenty --

MR. WEISBERG: Q: June 2012.

MS. PRIOR: A: Yes.

MR. WEISBERG: Q: So what you've just said in your last answer was about sort of system capability limitations. Now, those certainly would have existed to the same extent, probably to a greater extent, in 2012, and the expectation then was that it would be ready for 2014/2015. So I don't follow how it's now more difficult or why there's a requirement to delay it further because of your system limitations.

MS. PRIOR: A: No, so what -- I guess maybe I wasn't clear. When we made the decision to go full force with what we're calling the ISAS project, this has consumed the insurance division. And so we don't, from a resource perspective, given some of the reductions that we've done, everything else, don't have the resources to apply to work on this piece of work. We also thought what made more sense was to work on this once we were closer to the end of actually getting the systems in place.

So a very large project has a lot of risks. Our best estimate at this time is it'll be end of 2015. I can tell you, having been through a number of these before, that is just a best estimate at this point in time. Things can happen.

So what we were thinking is we don't have the resources to apply to work on the rate design work

at this point in time to pursue this further. We've had, like I said, probably more resources consumed in this project than maybe we would have originally thought when we started. But given where we are now, we just don't have the capacity to do it. And as I mentioned in 2012 with the government review work under way as well, that really did consume and was not expected, at that timing anyway, that that did consume a lot of resources in the organization.

So we might have made a little more headway, we just simply didn't, and we are where we are today.

MR. WEISBERG: Q: I think you just said that the end of 2015 is your best estimate, and the best estimate for completion of a rate design filing?

MS. PRIOR: A: No, I was talking about for the systems work to be implemented. So we would basically hope to implement then, have a bit of a stabilization period as you do with any large system.

And so I guess the point of that, Mr. Weisberg, is we wouldn't be able to implement anything out of any rate design work until subsequent to that. And frankly, right now we don't have resources we can put to the rate design work.

MR. WEISBERG: Q: So what's the earliest that you believe that ICBC would be prepared to file a rate

1 design application?
2 MS. PRIOR: A: It would definitely be post-2015, and I
3 think there's got a few things on our plate to
4 determine from a regulatory perspective what the
5 priorities are. But it would be something that would
6 have to be post that time frame.
7 MR. WEISBERG: Q: But your expectation is that when a
8 rate design application is filed, and should it be
9 approved substantially as you envision it, it would
10 have the effect of lowering basic insurance rates for
11 approximately two-thirds of your customers, is that
12 right?
13 MR. GHIKAS: Mr. Chairman, I'm on my feet again because
14 I've given Mr. Weisberg some latitude here and I could
15 see that the earlier parts of his questions were
16 related to the costs that were incurred. We've gone
17 past what in my submission is the appropriate line,
18 and now we are well beyond the expenditures associated
19 with the consultation that might conceivably have an
20 impact on this revenue requirement and well into now
21 Mr. Weisberg's hopes and expectations with respect to
22 a rate design application.
23 MR. MILLER: Mr. Chair, just one further comment. I
24 think Mr. Weisberg was okay up until his last
25 question, but he's definitely not in revenue
26 requirement matters now.

1 MR. WEISBERG: Mr. Chair, I've established without being
2 able to know what the number is, that there are
3 expenses that will land in the 2013 premium year for
4 this consultation engagement work which Ms. Prior has
5 acknowledged is intended to lead ultimately to a rate
6 design application. That was the end of my line of
7 questions on this. It's not going further than that.
8 I think that I'm entitled to know when ICBC
9 plans to file a rate design application for this
10 reason. The consultation and engagement was done in
11 2012. At some point that information will become so
12 stale that it will have lost its value, and the amount
13 of money that was spent on it within basic insurance
14 business, there'll be no remaining value.
15 So my line ends here. I just wanted to get
16 to the point of where do you think that there might be
17 a return on the expenses --
18 THE CHAIRPERSON: So, Mr. Weisberg, so you've asked your
19 last question in that area?
20 MR. WEISBERG: That's where I wanted to go.
21 THE CHAIRPERSON: So going on to the next area now,
22 please.
23 MR. WEISBERG: That's what I've said.
24 THE CHAIRPERSON: Okay, thank you.
25 **Proceeding Time 9:06 a.m. T08**
26 MR. WEISBERG: Q: For the short-term incentive pay and

gain sharing, at this point does ICBC know whether the targets for fiscal 2013 have been met or exceeded in order to trigger pay outs?

MR. HALE: A: As of the Q3 forecast, the plans were on target.

MR. WEISBERG: Q: No expectation of exceeding the target, presently?

MR. HALE: A: That's the only information we have at this point.

MR. WEISBERG: Q: Panel, can you turn to, I believe it's B-13 or B-14, but it's the presentation that panel 2 did at the beginning of your testimony. I don't have the exhibit number.

THE CHAIRPERSON: B-13, I believe it is.

MR. WEISBERG: Q: Thank you. I've left the other half in my other binder.

So if we could look at page 3 and page 4 of that document, and in both cases the bottom slide. Start with page 3. There's one called "Operating Expenses Reduced Basic Rates by 0.6 Percentage Points". Do you see that?

MS. PRIOR: A: Are you talking about the graph, Mr. Weisberg?

MR. WEISBERG: Q: Yeah, it's slide -- it's indicated as slide 5 on page 3.

MS. PRIOR: A: Oh, 5. I thought you said 3, sorry.

1 MR. WEISBERG: Q: I said page 3, and it's slide 5 as it
2 was provided. It has two slides per page.
3 MS. PRIOR: A: Oh, sorry, I don't have that. I have my
4 presentation. All right. Thank you.
5 MR. WEISBERG: Q: Slide 5.
6 MS. PRIOR: A: Got it.
7 MR. WEISBERG: Q: Okay, so I'm looking at that. I'm
8 also looking at slide 7 which again raises the $51
9 million that I've been over with you previously.
10 MS. PRIOR: A: Mm-hmm.
11 MR. WEISBERG: Q: So I'm wondering about the claim here
12 that operating expense reduce basic rates by 0.6
13 percentage points. And I'm just wondering what goes
14 into that. Is there -- have you laid out somewhere
15 the calculation of how operating expenses lead to that
16 reduction in basic rates?
17 MS. PRIOR: A: That would be in the actuarial chapter.
18 I don't have the reference handy, but it is in, I
19 believe, one of the exhibits as to how that's laid
20 out.
21 MR. WEISBERG: Q: I won't pursue that further. If you
22 are able to just provide that reference, that would be
23 all I need.
24 MS. PRIOR: A: Sure. Happy to do that.
25 **Information Request**
26 MR. WEISBERG: Q: The Olympics are still on so I'm

1 thinking sports. There was one last area. On Game 7
2 of the 2011 Stanley Cup Finals there was a lot of
3 vehicle damage that night, and ICBC launched a civil
4 claim against many of the rioters. Those costs -- the
5 loss cost paid out, that would have been all under
6 optional insurance coverage?
7 MS. PRIOR: A: I haven't gone claim by claim, but my
8 understanding is yes, that would basically be optional
9 coverage.
10 MR. WEISBERG: Q: All right. Nevertheless, I commend
11 you for pursuing recovery of those costs.
12 MS. PRIOR: A: Thank you.
13 MR. WEISBERG: Those are all my questions for the panel,
14 thank you.
15 THE CHAIRPERSON: Thank you, Mr. Weisberg. And I believe
16 now it's your turn, Mr. Miller.
17 MR. MILLER: Thank you, Mr. Chair.
18 **CROSS-EXAMINATION BY MR. MILLER:**
19 MR. MILLER: Q: Panel, I'd like to start with Chapter
20 5 of the application, investments. Now, as part of
21 your application you filed the multi-dealer survey,
22 which was dated as of June 2013 and you also filed an
23 update as of September 2013. Are there any updates
24 available from December yet?
25 MS. GOULD: A: I do have updated forecasts and if the
26 Commission is interested, we do have the forecasts as

of December 2013.

MR. MILLER: Q: Yes, please, could you file that.

Information Request

Could you give us the highlights of the update as far as you are aware?

MS. GOULD: A: In terms of the update, what has transpired from the initial forecasts, inflation is lower and yields are lower. So as a result we would expect the new money rate, or we have done the calculation on the new money rate, and the new money rate has fallen from the 3.75 down to 3.56 percent.

Proceeding Time 9:12 a.m. T09

MR. MILLER: Q: Sorry, 3.56?

MS. GOULD: A: Yes. So that has an approximately half a percent impact on the rate. So, it would boost the rate up by another half a percent.

MR. MILLER: Q: Is that half up or down?

MS. GOULD: A: Up. So their rate would go up.

MR. MILLER: Q: Do you have that calculation? Can you file that calculation?

MS. GOULD: A: Certainly.

Information Request

MR. MILLER: Q: Thank you.

I want to deal next with the risk-free rate, okay? And there is already a lot of explanation on the record about why you've chosen the risk-free

1 rate, and so I understand all that. My questions
2 don't go there. I just want to explore what the
3 effect is, okay?
4 MS. GOULD: A: Mm-hmm.
5 MR. MILLER: Q: Now, in the April, 2010 decision, the
6 approved formula was to make use of a risk-free rate
7 which was set equal to the average of 30-year bond
8 yields from multi-dealer surveys. But you've noted in
9 Exhibit B-1, page 5-3, paragraph 10, that ICBC agrees
10 with the Commission that the current monetary policy
11 is historically unusual and subsequently results in
12 the possibility of a higher effective free rate --
13 risk-free rate, excuse me. And therefore you're
14 proposing to use the 3.8 percent estimate for the
15 risk-free rate in alignment with the May, 2013
16 decision, correct?
17 MS. GOULD: A: That's correct, yes.
18 MR. MILLER: Q: Okay. So, by using the 3.8 estimate
19 for the risk-free rate, that is a slight departure,
20 but you're seeking approval from the Commission,
21 correct?
22 MS. GOULD: A: That's correct, yes.
23 MR. MILLER: Q: Okay. And in -- you don't have to turn
24 there, I don't think, but in Appendix 5A, you
25 calculated the average 30-year bond yield from the
26 multi-dealer survey as 3.1 percent.

1 MS. GOULD: A: Yes. That's correct.
2 MR. MILLER: Q: And the last two revenue requirement
3 applications, you used the average 30-year Government
4 of Canada bond yield calculated from the multi-dealer
5 survey, correct?
6 MS. GOULD: A: That's correct, yes.
7 MR. MILLER: Q: And if we substituted the calculated
8 risk-free rate of 3.1 instead of the 3.8, what would
9 the -- well, let me just lead you through this. I
10 believe you provided this, actually, I just want
11 confirmation.
12 So in BCUC 2013, round 1, 95.3, you
13 indicate that if we used 3.1 instead of 3.8, the new
14 money rate decreases from 3.75 to 3.60 and the yield
15 on basic equity decreases from 4.25 to 4.09. Is that
16 correct?
17 MS. GOULD: A: I can confirm the new money rate. May I
18 pull the IR with respect to the yield on basic equity?
19 What was that?
20 MR. MILLER: Q: 95.3.
21 MS. GOULD: A: 95.3.
22 MR. MILLER: Q: And I've got another question on 95.3
23 too, so we can stay there.
24 MS. GOULD: A: Yes, I can confirm the yield on basic
25 equity as well.
26 MR. MILLER: Q: Okay, thank you. And so if we were to

1 substitute the 3.1 instead of the -- oh, sorry. If I
2 just -- what is the revised actuarial rate indication
3 if the current average of the 30-year bond yields is
4 used instead of the 3.8? Does it take it from 4.9 to
5 roughly 5.4 as indicated in 95.3.1?
6 MS. GOULD: A: It would have an impact of half a
7 percent.
8 MR. MILLER: Q: Okay.
9 MS. GOULD: A: Yeah.
10 **Proceeding Time 9:17 a.m. T10**
11 MR. MILLER: Q: Is there any other impact to the
12 actuarial rate indication by using the 3.1 percent
13 risk free rate?
14 MS. GOULD: A: Not that I am aware of, no.
15 MR. MILLER: Q: Now, if we assume that 3.1 percent is
16 used instead of 3.8 in the forecast, and if we hold
17 everything else equal, is the dollar effect on the
18 financial year-end results for basic going to be
19 positive or negative?
20 MS. GOULD: A: Can you please repeat the question?
21 MR. MILLER: Q: Sure. If we substitute 3.1 instead of
22 the 3.8 used in your forecast.
23 MS. GOULD: A: Yes.
24 MR. MILLER: Q: Is that going to have a favourable or
25 unfavourable impact on your financial year-end results
26 for basic?

1 MS. GOULD: A: For 2013?
2 MR. MILLER: Q: Yes.
3 MS. GOULD: A: It will not have an impact. And I'm
4 thinking in the perspective as investment income.
5 It's on the financial results it will not have an
6 impact.
7 MR. MILLER: Q: Okay. What if we assume that the
8 actual risk free rate for policy year 2013 is 3.1 and
9 not the 3.8 as you forecast? Same question. If we
10 hold everything else equal, what will be the result on
11 the financial year-end results for basic?
12 MS. PRIOR: A: Sorry, can you repeat the question
13 please, Mr. Miller?
14 MR. MILLER: Q: Sure. If we assume the actual risk-
15 free rate for the 2013 policy year as 3.1, so that's
16 the actual, and not 3.8 as forecast, and if we hold
17 everything else equal, what does that do to the
18 financial year-end results for basic?
19 MS. PRIOR: A: I don't think there's any impact on the
20 financials. This is not what's used on our actual --
21 you're talking about financial statements purposes?
22 MR. MILLER: Q: Does it have any effect on the basic
23 capital reserve, that the numbers changed from 3.1
24 from 3.8? Will it decrease it?
25 MS. PRIOR: A: I don't think it has any impact.
26 MR. MILLER: Q: Okay. Another question based on the

1 same scenario. So we're going to assume that the
2 actual, what's actually occurring in the market risk
3 free rate is 3.1 instead of the 3.8 forecast. If we
4 hold everything else equal, does that result in a
5 revenue -- a possible revenue deficiency for the
6 Insurance Corporation?
7 MS. PRIOR: A: Mr. Miller, so maybe -- we're having a
8 little bit of trouble with the question. So there
9 already is a rate deficiency and that's why we're
10 filing. So if the question is there more of a rate
11 deficiency by using this, I think the answer is it
12 gets back to that .5 impact on the rate.
13 MR. MILLER: Q: Thank you.
14 COMMISSIONER O'HARA: And that is then assuming that the
15 application is approved, that's what -- and this
16 happens, is that the line?
17 MR. MILLER: Yes.
18 COMMISSIONER O'HARA: Thank you.
19 MS. PRIOR: A: I think it's just whatever we have
20 submitted in, yes, it has that impact, yes.
21 COMMISSIONER O'HARA: Thank you.
22 **Proceeding Time 9:22 a.m. T11**
23 MR. MILLER: Q: Now, in Round 2 BCUC 159.1 there was a
24 question with regard to differences between interim
25 and permanent rates and your response was on the lines
26 of that you are interested, the Insurance Corporation

is interested in the possible approach of deferring the difference to the next rate application. Okay? I'll let you read it first.

MS. PRIOR: A: Just one second.

MR. MILLER: Q: Yes.

MS. PRIOR: A: Okay, 159.1?

MR. MILLER: Q: Yes.

MS. PRIOR: A: Yes, mm-hmm.

MR. MILLER: Q: Okay, so if the Commission found that using a rate of 3.1 was more appropriate than 3.8, is it your position that the rate difference should be deferred to the next application to be dealt with?

MS. PRIOR: A: I think for that amount of change, for simplicity's sake, if we rolled it into the next rate application it would be a lot more, as I said, efficient to do it that way.

MR. MILLER: Q: Thank you. Okay. I want to talk now about your proposed investment policy and procedures for your investments. Now, you initially filed your investment policy and procedures – I believe it's called SIPP, is the acronym – dated April 15 in a confidential exhibit, but you've retracted that confidentiality, correct?

MS. GOULD: A: Yes, that's correct.

MR. MILLER: Q: Now, the determination, generally speaking, of how ICBC forecasts its investment income

1 for basic is essentially has two elements, right?
2 What is your base portfolio, and second, what do you
3 forecast on -- the returns on that base, correct?
4 MS. GOULD: A: Just in terms of forecast, are you
5 talking about the forecast of returns on the premiums
6 that are being generated?
7 MR. MILLER: Q: Yes.
8 MS. GOULD: A: Yes. So in terms of how we estimate the
9 -- or proxy the expected return on the portfolio, we
10 look at our strategic asset mix as it's broken down
11 between fixed income, equity and real estate. And
12 then each of those components have an assumed rate of
13 return. And then we proxy what the return will be on
14 premiums that are coming in during the policy year.
15 MR. MILLER: Q: Okay. And if I call it the SIPP, it
16 provides a detailed description of the regulatory
17 framework which ICBC operates under, including Section
18 29 of the *Insurance Corporation Act*, the applicable
19 regulation, and it also defines the roles and
20 responsibilities of ICBC's board and management with
21 respect to investment policies and procedures,
22 correct?
23 MS. GOULD: A: Yes, that's correct.
24 MR. MILLER: Q: The legislation sets the upper limit
25 of the range for each asset class. For example, real
26 estate investments are limited to ten percent of the

1 total portfolio, but there is some variation allowed
2 below the cap, correct?
3 MS. GOULD: A: That's correct, and that would be based
4 on the risk tolerances of the Corporation as to how we
5 work within those constraints, and the Board of
6 Directors, of course.
7 MR. MILLER: Q: And if you can turn to BCUC Round 1
8 89.2, Attachment A.
9 MS. GOULD: A: I'll just pull that IR.
10 MR. MILLER: Q: Yes, no problem.
11 **Proceeding Time 9:28 a.m. T12**
12 MS. GOULD: A: Yes.
13 MR. MILLER: Q: So there is a question there, it starts
14 off -- it references the higher expected investment
15 income as compared to policy year 2012 has had an
16 impact of minus 1.1 percentage points on the PY-2013
17 indicated change. And then at the bottom of the IR,
18 you are asked what's the -- explain the portion of the
19 percentage point change due to investment change, and
20 what portion is due to the change in the claimed
21 payment pattern. And you indicate on the bottom there
22 is a negative 1.1 percent effect, correct?
23 MS. GOULD: A: That's correct, yes.
24 MR. MILLER: Q: And in general, your new SIPP has
25 transitioned to higher allocations to mortgages and
26 real estate, and a new allocation to high-yield bonds,

1 and it's reduced allocations to equities and Canadian
2 bonds, correct?
3 MS. GOULD: A: Yes, that's correct.
4 MR. MILLER: Q: And you call these items I've just
5 talked about "alternative asset class," correct?
6 MS. GOULD: A: I would view real estate, high-yield
7 bonds, and potentially mortgages as alternative asset
8 classes.
9 MR. MILLER: Q: Thank you. Now, you expect, given the
10 new strategic mix, that your portfolio is going to be
11 more efficient and less volatile at the same -- oh,
12 sorry. You expect your portfolio to be more efficient
13 and deliver less volatile investment returns at the
14 same approximate expected return as the previous
15 strategic mix, correct?
16 MS. GOULD: A: Yes, that's correct.
17 MR. MILLER: Q: But if things don't turn out as
18 planned, and there is unfavourable performance
19 results, that affects your investment income. And has
20 a negative impact on basic policy holders, correct?
21 MS. GOULD: A: With any strategic asset mix there is
22 the potential for a negative outcome. What I would
23 like to stress with regard to the change in the policy
24 is, we have reduced our allocation to equities, which
25 does add quite a bit of volatility in the short term,
26 to our investment results. So, we would expect

1 probably less of a short-term downdraft as a result of
2 this change in asset mix.
3 MR. MILLER: Q: Thank you. Those are my questions on
4 investment, thank you very much. We went through that
5 very well.
6 I want to talk now about Chapter 7,
7 operating expenses and allocation information.
8 Excuse me. It's perhaps best to start off
9 at page 7-6 of the application. Okay, on page 7-6 of
10 the application, you note that corporate operating
11 expense savings in 2013 forecast as compared to 2011
12 plan are 51 million, correct?
13 MR. LEONG: A: That's correct.
14 MR. MILLER: Q: Okay. And this is calculated as the
15 difference between the 2013 forecast figure of 579
16 million, less the 2011 plan figure of 630 million,
17 correct?
18 MR. LEONG: A: That's correct.
19 MR. MILLER: Q: Now, in -- I don't think you need to
20 turn there, but the reference is BCUC Round 2, 204.2.
21 You confirm that the $51 million savings figure
22 excludes the following 2013 forecast expenses. And
23 those are 3 million increase in compensation costs
24 that are expected to be offset by increased revenues
25 and reduced claims. That's the first item. And then
26 $19 million increase in pension and post-retirement

1 benefits related to changes in IAS 19-R. Assumption
2 changes for accounting purposes and discount rate
3 changes, correct?
4 MR. LEONG: A: Yes, that's correct.
5 MR. MILLER: Q: And you indicated you made that
6 exclusion -- and this is in response to BCUC 204.2.1,
7 to -- you used the term to "facilitate" comparability
8 to the 2011 original plan. Correct?
9 MR. LEONG: A: Yes, that's correct.
10 MR. MILLER: Q: Okay. Now, with respect to the $3
11 million in compensation costs that are expected to be
12 offset by increased revenues and reduced claims costs,
13 can you confirm that those costs are actually included
14 in the forecast 2013 operating expenses?
15 MR. LEONG: A: I think if you can turn to Figure 7.2 --
16 MR. MILLER: Q: Yes.
17 MR. LEONG: A: -- on page 7-8,
18 **Proceeding Time 9:34 a.m. T13**
19 MR. MILLER: Q: Yes?
20 MR. LEONG: A: If you can look at the very right-most
21 column, the 2013 forecast column, you will see that 3
22 million right before the 579 million which is sort of
23 the middle row in the table, in bold, has been
24 excluded from the 579.
25 MR. MILLER: Q: Yes.
26 MR. LEONG: A: But thereafter we've added it back in

for the total operating expenses.

MR. MILLER: Q: The answer was yes?

MR. LEONG: A: Yes.

MR. MILLER: Q: Now, with respect to the $19 million increase in pension and post-retirement benefit costs and also the IAS 19-R, you're assumptions for accounting purposes and discount rate changes, those numbers are also included in the forecast 2013 operating expenses, correct?

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

MR. MILLER: Q: So if we take into account the 3 million and the 19 million forecast operating expenses which is 22, the 51 million operating expense savings from 2011 are actually reduced by 22 million, so the number is 29 million, is that right?

MR. LEONG: A: Yes, that's correct. But I do want to point out that the reason why the 22 million has been excluded is for comparability purposes. If you think about the 19 million, it is an accounting change that was required to implemented in 2013, which didn't exist in 2011. It's purely an accounting change. It has nothing to do with any cash flow or anything. It just increased the pension expenses by about $19 million which we did not have in 2011 and we felt that that was an appropriate exclusion for comparability purposes.

MR. MILLER: Q: So that accounting change will persist in the future, thought, correct?
MR. LEONG: A: Yes, it will.
MR. MILLER: Q: So we weren't criticizing, we were just to understand what's going on.
COMMISSIONER O'HARA: May I just ask, so what was the discount rate that you used before? What was it before and what was it now that caused the change?
MR. LEONG: A: The discount rate, I believe at the end of 2012, subject to check, is 4.5 percent. The previous year, I believe it was at about, subject to check, about 5.2. So as discount rates go down, our liabilities will go up and expenses will go up accordingly as well.
MR. MILLER: Q: Thank you.
THE CHAIRPERSON: May I just ask a question here. What was the accounting change that occurred the caused the $19 million?
MR. LEONG: A: So under the previous standard pension expense -- pension expense is comprised of a number of components, one of them being the return on your plan assets, which would reduce your pension expense. Previously the accounting standards required that we use an estimated investment yield, and generally that would be, for argument's sake, about, say, six or seven percent, just hypothetically speaking.

1 What the standard change requires us to do
2 is instead of using an investment yield, they required
3 us to use the same discount rate as was used for the
4 liabilities, and that was a lower rate, and because of
5 that we've lost the benefit of the difference.
6 THE CHAIRPERSON: Okay, thank you.
7 MR. MILLER: Q: Can I get you to turn to BCUC Round 2,
8 218.2.
9 MR. LEONG: A: Yes, I am there.
10 MR. MILLER: Q: I'll be right with you.
11 So in 218.2, there's a discussion regarding
12 general provision of 4 million that is included in the
13 2013 forecast based operating expense of 533 million.
14 And in response to 218.2 you submit that this general
15 provisions provides for the following items:
16 potential, unspecified and unforeseen advance events;
17 division's challenge to meet tight operating budget
18 targets; additional claims cost control initiatives
19 that maybe need to be implemented during the fiscal
20 year. Correct?
21 MR. LEONG: A: Correct.
22 MR. MILLER: Q: And you submit also that these
23 potential adverse events are not specifically known,
24 correct?
25 MR. LEONG: A: Correct.
26 **Proceeding Time 9:39 a.m. T14**

1 MR. MILLER: Q: Now, on page 7-13 of the application,
2 in the other operating expense category, the forecast
3 for 2012 was 13 million and the actual 2012 was 9
4 million. So that's a favourable variance of 4
5 million, correct?
6 MR. LEONG: A: Yes, that's correct.
7 MR. MILLER: Q: And then outlook 2011 was 13 million
8 and actual 2011 was 11 million. So again a favourable
9 variance of 2 million, correct?
10 MR. LEONG: A: Correct.
11 MR. MILLER: Q: Okay, was a general provision amount
12 included in other operating expense category forecast
13 in either 2011 or 2012?
14 MR. LEONG: A: I believe there would have been one, but
15 I would like to check on that.
16 MR. MILLER: Q: Okay, so when you check can you first
17 of all indicate whether there was one, and secondly
18 the amount of the general provision for each of those
19 years, if there was one?
20 MR. LEONG: A: Yes, I will.
21 **Information Request**
22 MR. MILLER: Q: Thank you so much. Did the Insurance
23 Corporation experience any of the following in 2011?
24 And I'm going to run through the categories that you
25 had mentioned earlier. So the first one is potential
26 unspecified unforeseen advance -- adverse events,

1 excuse me.
2 MR. LEONG: A: I think you said 2011 but --
3 MR. MILLER: Q: Yes.
4 MR. LEONG: A: -- you meant 2013.
5 MR. MILLER: Q: 2011.
6 MR. LEONG: A: 2011. I don't recall offhand but we can
7 check on that.
8 **Information Request**
9 MR. MILLER: Q: Thank you. When you're doing that, the
10 same for your other category, divisions challenged to
11 meet tight operating budgets and additional claims
12 cost control initiatives?
13 MR. LEONG: A: Yes, I will.
14 **Information Request**
15 MR. MILLER: Q: Thank you.
16 MS. PRIOR: A: Mr. Miller, maybe I could just add a
17 comment here.
18 MR. MILLER: Q: Sure.
19 MS. PRIOR: A: That certainly every year I can tell you
20 that we do have unforeseen events where these are
21 taken into account, and wherever possible that area
22 with that event happens, whether it's corporate or
23 within a division, tries their best to absorb those
24 costs within their budget. That's just typically
25 what's expected. The small provision that we provide
26 on a corporate basis, if I go back a few years just to

my own history, I know sometimes we might have had some legal issue that was unexpected out of a legal division budget or whatever, and they would come and approach finance and say: Look, this is going to blow my budget but I really think it's ridiculous not to pursue this simply because I have a budget constraint.

And so it was those types of things, or sometimes we get into unfortunately investigation at a corporate level. So we have them, but wherever possible we do try and absorb them within. I'm not sure if that's helpful or not, but that's how we do manage. So we don't always use the corporate allocation for it, but there are definitely unforeseen events in a year.

MR. MILLER: Q: But we have seen, at least in the last little while, some favourable variances rather than --

MS. PRIOR: A: Yeah, and I would say it's not necessarily -- it may be, we'll check that out, but those favourable variances in that other category is broader than the contingency allowance in the budget.

MR. MILLER: Q: Same question with regard to 2012 if you can take that as an undertaking as well. So the same categories.

MR. LEONG: A: Yes.

Information Request

MR. MILLER: Q: If you'd turn to page 7-16 of the

application. There's a witness aid being circulated. It contains various IR references for hopefully efficiency purposes so we don't go back and forth through documents.

This should be marked Exhibit A2-15.

THE HEARING OFFICER: Marked A2-15.

(DOCUMENT ENTITLED "WITNESS AID - PREPARED BY COMMISSION STAFF CHAPTER 7, OPERATING EXPENSES AND ALLOCATION INFORMATION" MARKED EXHIBIT A2-15)

MR. MILLER: Q: And the document is entitled "Witness Aid Prepared by Commission Staff, Chapter 7, Operating Expenses and Allocation Information".

Proceeding Time 9:44 a.m. T15

So, on the top of page A2-15, you'll see the reference, Figure 7.5 from page 7-15 of the application. I'm not sure if it's 7-15 or 7-16. It should be 7-16, there's a correction on that.

Now, the total full-time equivalents, or FTEs, for core operations, excluding contractors, is 4,986 for 2011 actual, 4,876 for 2012 actual, and 4,734 for 2013 forecast, correct?

MR. LEONG: A: Correct.

MR. MILLER: Q: And that translates to FTE reductions for core operations, excluding contractors, of 110 in 2012 and 142 in 2013. Correct?

MR. LEONG: A: Correct.

1 MR. MILLER: Q: Now, in response to BCUC 215.1.1, which
2 is the next table listed on the witness aid I handed
3 out, the reductions -- sorry. The FTE reductions at
4 the corporate level with regard to the $25 million
5 restructuring costs included in 2012 actual are 22 for
6 the bargaining unit and 175 for management and
7 confidential, correct?
8 MR. LEONG: A: Yes, that's the forecasted reduction.
9 MR. MILLER: Q: So if we turn over the next page on the
10 witness aid, you're indicating that the actual FTE
11 reductions achieved with regard to the $25 million
12 restructuring costs are 163 in 2012, and 8 in 2013
13 outlook, correct?
14 MR. LEONG: A: Correct.
15 MR. MILLER: Q: The next figure, or table, in the
16 handout is a reference to BCUC Round 1, 120.1. And
17 you show that the FTEs at the corporate level
18 excluding contractors are 5,175 in 2011 actual, and
19 5,056 in 2012 actual. And 4,938 in 2013 forecast.
20 Correct?
21 MR. LEONG: A: Could you point me to where you're
22 referencing those numbers? This is on page 3 of your
23 handout, is that right?
24 MR. MILLER: Q: Sure. So if we go to, I guess, the
25 second-last row on the document, we've got total
26 management and confidential FTEs. So those numbers --

if we exclude contractors, I believe that equates to the numbers we've -- oh, sorry. The last line. We have total FTEs less the contractors. Oh, it's on the bottom of the page, says "Total ICBC FTEs".

MR. LEONG: A: Yeah, okay. So you're adding the total bargaining unit and the total management and confidential FTEs only, is that correct?

MR. MILLER: Q: I'm sorry, could you repeat that?

MR. LEONG: A: I think you're adding only the bargaining unit FTEs and the management and confidential FTEs.

MR. MILLER: Q: Yes.

MR. LEONG: A: And excluding the contractors.

MR. MILLER: Q: Yes.

MR. LEONG: A: Okay.

MR. MILLER: Q: You can take these numbers subject to check if you like.

MR. LEONG: A: Sure.

MR. MILLER: Q: Okay. And by our calculation, and again, subject to check, so you can check them, that translates to FTE reductions at the corporate level of 119 in 2012 and 118 in forecast 2013. So you can take that subject to check.

MR. LEONG: A: Could you repeat that, please? It was 119 for 2012, I think you said.

Proceeding Time 9:50 a.m. T16

1 MR. MILLER: Q: And 118 in forecast 2013.
2 Can we turn in the witness aid to BCUC
3 response -- or response to BCUC 120.1. So on the
4 second page of the document. Page 3 of the document.
5 So when we use the term "corporate level"
6 what do we exactly mean by staff reductions at the
7 corporate level.
8 MR. LEONG: A: Where are you referencing that
9 statement?
10 MR. MILLER: Q: When you are referring on the bottom
11 of 120.1 to "total ICBC FTEs corporate view", when we
12 are talking about staff reductions at the corporate
13 level, what exactly is meant by that?
14 MR. LEONG: A: That would be total corporate including
15 cooperations, TP, you know, employees seconded to the
16 transmission program, employees seconded to government
17 initiatives. So everybody --
18 MR. MILLER: Q: That's fine. And you use the term
19 "core operation staff", or "core operations". What
20 exactly is meant by that again? What is core
21 operations?
22 MR. LEONG: A: Core operations would exclude employees
23 seconded to the transmission program and to government
24 initiatives that are fully funded by the government.
25 And excluding contractors, just to be clear.
26 MR. MILLER: Q: Thank you. If we can again reference

page 2 of the handouts. This is BCUC 215.1. Now, you show that the actual FTE reductions achieved with regards to the 25 million restructuring costs are 163 in 2012 actual and 8 in 2013 outlook, correct?

MR. LEONG: A: Correct.

MR. MILLER: Q: But when we go again to the handout, the next page which again is referencing 120.1, your table shows that FTEs at the corporate level, excluding contractors, are 5,175 in 2011 actual, 5,056 in 2012 actual, and 4,938 in 2013 forecasts. So by our math that translates to a total corporate level FTE reductions of 119 in 2012 and 118 in forecast 2013.

So can you explain how we reconcile these numbers?

MR. LEONG: A: (Silence to end of track!!)

Proceeding Time 9:55 a.m. T17

MR. LEONG: A: Mr. Miller, we are going to have to go back and reconcile the numbers for you.

MR. MILLER: Q: I'm sorry --

MR. LEONG: A: We're going to have to go back and reconcile that number.

Information Request

MR. MILLER: Q: That's fine. You can file it as an undertaking.

Now again, looking at Table 215, sorry, the

1 table contained in response 215.1 to BCUC on the
2 second page of the witness aid, the actual FTE
3 reductions were 4 below forecast in 2012 actual and
4 are expected to be 22 below forecast in 2013 outlook.
5 My question is, when do you anticipate the additional
6 FTE reductions to take place?
7 MR. LEONG: A: Sorry, could you repeat the question
8 please?
9 MR. MILLER: Q: Sure. When do you expect those
10 additional FTE reductions to take place?
11 MR. LEONG: A: Sorry, I missed the first part of the
12 question. Could you --
13 MR. MILLER: Q: I'll go back to it, sorry. If you lose
14 me in a question just stop me and I'll start over.
15 So in 215.1 you indicate that the actual
16 FTE reductions were 4 below forecast in 2012 and are
17 expected to be 22 below forecast in 2013 outlook. And
18 I'm just asking, when do you expect those additional
19 reductions to take place?
20 MR. LEONG: A: The additional 22? Is that correct?
21 MR. MILLER: Q: Yes.
22 MR. LEONG: A: We actually don't believe we need to
23 reduce those additional 22 any more. We basically
24 have looked at our cost structure and felt that no
25 further reductions are required.
26 MR. MILLER: Q: Okay, I'd like to move on to a new

1 topic. Oh, before I move on -- maybe just a little
2 further elaboration, Mr. Leong, about why there's no
3 longer any anticipation to achieve those reductions.
4 MR. LEONG: A: Yeah, I think we've achieved the
5 commitments that we've made to the government review
6 committee in terms of a reduction of our costs in
7 getting our compensations levels and FTE levels back
8 to a level more consistent with 2008.
9 MS. PRIOR: A: So in other words, I think we've done,
10 they have been achieved. Those were under our
11 forecasts for '13. They have been achieved in '13.
12 MR. MILLER: Q: Okay, thank you. Exhibit -- we're in
13 the application in Figure 7.2. You indicate that the
14 2013 forecast operating expenses figure for the actual
15 rate indication is 594 million, correct?
16 MR. LEONG: A: That's correct.
17 MR. MILLER: Q: In Chapter 7, Section D of the
18 application, you outline the allocation methodology
19 used to allocate operating expenses for the actuarial
20 rate indication to basic. So my question is, do the
21 2013 forecast operating expenses figure for the
22 actuarial rate indication of 594 million include any
23 costs for the transformation program?
24 MR. LEONG: A: No, it does not.
25 MR. MILLER: Q: Does that mean that the allocation
26 methodology discussed in Chapter 7, Section D as I

1 just referenced, doesn't pertain to transformation
2 program costs?
3 MR. LEONG: A: That's correct. The translation program
4 is fully funded by the optional side of the business.
5 MR. MILLER: Q: Does the 2013 forecast operating
6 expenses figure include any costs incurred related to
7 costs recoverable government initiatives?
8 MR. LEONG: A: For the government initiatives that are
9 fully cost recoverable, no, it does not include them.
10 MR. MILLER: Q: Does that also mean, then, that the
11 allocation methodology in Chapter 7, Section D does
12 not pertain to cost recoverable government
13 initiatives?
14 MR. LEONG: A: That's correct.
15 **Proceeding Time 10:01 a.m. T18**
16 MR. MILLER: Q: Thank you.
17 Mr. Chair, I know you said 10:15. We are
18 actually making remarkable time. I am going to move
19 onto a new topic now. I wonder if you might consider
20 taking the morning break, the short morning break at
21 this time.
22 THE CHAIRPERSON: At this time? I'm getting indications
23 that we should. So therefore we will take our short
24 morning break at this time. We will reconvene at ten
25 after, please. I'm hoping that will give everyone an
26 opportunity. Thank you.

1 **(PROCEEDINGS ADJOURNED AT 10:02) P.M.**
2 **(PROCEEDINGS RESUMED AT 10:11 A.M.) T19**
3 THE CHAIRPERSON: Please be seated. Mr. Miller?
4 Thank you all for being so prompt. It is
5 appreciated.
6 MR. MILLER: Mr. Chair, if you could reference BCUC Round
7 2, 212.1, we'll start there.
8 THE CHAIRPERSON: Okay, thank you.
9 MR. MILLER: Q: And it's the third page of that IR
10 response. There's a table which down at the bottom of
11 the page has total benefits.
12 And that's $104 million, correct?
13 MR. LEONG: A: Mm-hmm. That's correct.
14 MR. MILLER: Q: So, total benefits. And this is
15 related to pension and post-retirement benefits
16 adjustments. Now, in the following IR response,
17 212.2, you indicate that the 104 million represents
18 consolidated total benefits inclusive of pension and
19 post-retirement benefits, and other benefits for basic
20 insurance, non-insurance, and optional insurance.
21 Now, based on the table that we've referred
22 you to with the 104 million in, the .1 IR, that
23 amount, the 104 million, is comprised of 66 million
24 for amounts of benefits allocated to divisions, 19
25 million representing the difference between the
26 standard benefit rate as a percentage of salary

1 charged to each user division, and the actual costs of
2 the benefit to ICBC, and 19 million related to changes
3 in IFRS accounting standard on employee benefits
4 assumptions for accounting purposes and discount rate.
5 Correct?
6 MR. LEONG: A: Yes, that's correct.
7 MR. MILLER: Q: And in response to IR 212.2.1, you
8 confirm that the consolidated amount of 104 million
9 includes costs attributable to employees seconded to
10 support the transformation program, and employees
11 working on the cost recoverable government
12 initiatives. Correct?
13 MR. LEONG: A: Yes, that's correct.
14 MR. MILLER: Q: Okay. Now, with respect to the 66
15 million that's been allocated to the divisions, is it
16 correct that the costs attributable to employees
17 seconded to support the transformation program, and
18 the employees working on cost-recoverable government
19 initiatives, are recovered through the line item
20 labeled "Charge to projects"?
21 MR. LEONG: A: No, the only amount that's recovered
22 through the charge to projects line item is the
23 capitalized labour that's charged to the TP program.
24 All the FTEs associated with the transformation
25 program are segregated in a separate bucket.
26 MR. MILLER: Q: Okay. Now, with respect to the $19

1 million difference between the standard benefit rate
2 charged to each user division and the actual cost
3 benefit to ICBC, is it correct that this amount will
4 include benefit costs for basic, non-insurance, and
5 optional?
6 MR. LEONG: A: Yes, that's correct.
7 MR. MILLER: Q: Now, if we turn to page 7-8 of the
8 application, it's Figure 7.2. On the third row, last
9 column, where it says "Pension and post-retirement
10 benefit adjustment, (a)", you're indicating that the
11 full $19 million amount related to the difference
12 between the standard benefit rate and the actual cost
13 is included in the operating expenses for the
14 actuarial rate indication. Correct?
15 MR. LEONG: A: That's correct.
16 MR. MILLER: Q: Can you explain how you allocated the
17 costs included in this 19 million amount for employees
18 seconded to the transformation program -- to the
19 transformation program, to ensure they're recovered
20 100 percent from optional?
21 MR. LEONG: A: As I said before, the costs of the
22 employees that are seconded to the transformation
23 program are not part of this column at all.
24 **Proceeding Time 10:16 a.m. T20**
25 MR. MILLER: Q: I thought you just indicated the 19
26 million was included in the actuarial rate indication.

1 Am I confused or --
2 MR. LEONG: A: Yes, it is. So perhaps I can clarify.
3 MR. MILLER: Q: Sure.
4 MR. LEONG: A: There is a portion of this 19 million
5 that -- it is for the total employee population base
6 of ICBC. What we've done in terms of allocating
7 costs, is using a standard benefit rate, which is not
8 unusual in companies in terms of charging out labour
9 to different projects and to different divisions.
10 We've kept the benefit rate fairly consistent at
11 around 20, 21 percent over the years. What this 19
12 million has arisen, as you can see, when we adopt IFRS
13 in 2011, and the transition had been 2010, it
14 increased our pension expense by about $14 million.
15 The benefit rate was not adjusted because
16 we wanted to keep comparability for our divisional
17 reporting purposes. So yes, there is maybe a slight
18 component in there that should have been allocated out
19 to the optional piece of it. I believe the amount is
20 quite small. I can come back with an estimate amount.
21 MR. MILLER: Q: So could you file, as an undertaking,
22 that amount that you just indicated?
23 MR. LEONG: A: Yes, I will
24 **Information Request**
25 MR. MILLER: Q: So you may need to take this as an
26 undertaking as well. What would be the impact on

policy year 2013 indicated rate change if the amount of the 19 million that relates to the transformation program was excluded?

MR. LEONG: A: Yes, I will.

Information Request

MR. MILLER: Q: Thank you. Now, can you also explain how ICBC allocated costs included in the $19 million amount for cost recoverable government initiatives to the relevant initiative?

MR. LEONG: A: It would be the same circumstances.

MR. MILLER: Q: Okay, and can you do a similar undertaking on the amount of the $19 million that relates to government initiatives?

MR. LEONG: A: Yes, we can.

Information Request

MR. MILLER: Q: And then also the same, as an undertaking as well. Can you file as an undertaking the impact on the rate indication?

MR. LEONG: A: Yes, we can.

Information Request

MR. MILLER: Q: Okay, my last set of -- oh, no, actually I have two more sets, small sets of questions on this matter.

Can I get you to turn to BCUC IR Round 1, 125.3.2. Okay, do you have that? Oh, you are still getting it, I'm sorry.

1 Do you have that in front of you?
2 MR. LEONG: A: Yes, I do.
3 MR. MILLER: Q: So in response to BCUC information
4 request 1.125.3.2 you note that the pension and post-
5 retirement benefits expense is calculation by Aon
6 Hewitt at the beginning of each year based upon
7 assumptions and the financial position at the prior
8 year end. For example, the 2013 expense is based on
9 the December 31, 2012 assumptions and financial
10 positions. You indicate that the estimated expense
11 equals the actual expense unless a significant event
12 occurs that causes a change to the final expense. You
13 also note that the discount rate is based on high
14 quality corporate bond deals. Okay?
15 And then if we go to BCUC 127.2.1 you
16 submit that the discount rate at December 31, 2012
17 which was used to determine the 2013 pension and post-
18 retirement benefit expense was 4.5 percent. Correct?
19 MR. LEONG: A: Correct.
20 MR. MILLER: Q: And then in response to BCUC Round 1,
21 125.1 you indicated there was a .9 million favourable
22 variance between forecast and actual 2012 expense and
23 post-retirement benefit expense that was due to
24 corporate restructuring that resulted in a significant
25 reduction in the number of employees covered by the
26 management and confidential pension plan. And you

1 note that you do not anticipate any significant event
2 in 2013 that would cause a change to the 2013 forecast
3 expense.
4 Now, the table provided in response to BCUC
5 Round 2, 212.1 notes that the forecast 2013
6 consolidated pension and post-retirement benefits
7 expense was 62 million.
8 Okay. Are you still with me?
9 **Proceeding Time 10:22 a.m. T21**
10 MR. LEONG: A: Yes, I am.
11 MR. MILLER: Q: Is the 2013 forecast pension and post-
12 retirement benefits expense of 62 million based on the
13 assumptions and financial position at the end of
14 December, 2012?
15 MR. LEONG: A: Yes, it is.
16 MR. MILLER: Q: Can you explain what you mean, or what
17 you consider to be a significant event that would
18 result in actual pension and post-retirement expense
19 varying from forecast? What sort of events are we
20 looking at?
21 MR. LEONG: A: So, the 900,00 that you referred to for
22 2012 was a significant event. It was -- in
23 discussions with Aon Hewitt, a reduction of, say, 200
24 MNC employees was considered a significant event and
25 resulted in a settlement gain of $900,000.
26 So other significant events would be if you

had significant changes to your plan benefits, or demographic changes, those would be considered significant events.

MR. MILLER: Q: Would a significant event be if there was a change in the discount rate during the year?

MR. LEONG: A: No, it would not.

MR. MILLER: Q: Why is that?

MR. LEONG: A: That is part of the -- that's part of the standard that says you have to use a discount rate to value your liabilities. It's standard assumption base -- it's one of the assumptions that go into -- goes into calculating your pension liabilities and your expense. You know, I would say that, you know, back in 2008 with the global financial crisis that we had, discount rates dropped significantly and that's a challenge that we've had since then. The discount rates have been going down since then.

There was a review of how to derive the discount rate, but it was not recognized as a significant event.

MR. MILLER: Q: Thank you.

COMMISSIONER O'HARA: May I just clarify here, Mr. Leong? So, when you are calculating the pension expense and post-retirement benefits for 2013, actuals, so are you still using the 4.5, then? Or is that going to be something -- because this was a forecast. So when you

are -- for official financial report results for 2013, what will they be based on?

MR. LEONG: A: Yes. So pension expense is generally estimated at the beginning of a year. So it was the 4.5 percent.

COMMISSIONER O'HARA: Okay.

MR. LEONG: A: And generally the expense remains unchanged for the year, unless there is a significant event that happens.

COMMISSIONER O'HARA: Thank you.

MR. MILLER: Q: Just following up on what Commissioner O'Hara was addressing, has there been a change in the discount rate this year, from the 4.5 percent that was assumed?

MR. LEONG: A: Yes, the discount rate at the end of December 31st, 2013, I believe, subject to check, is 4.80.

MR. MILLER: Q: So what is the appropriate discount rate that you submit the Commission should be using? Is it the actual or the forecast?

MR. LEONG: A: In terms of the expense, the expense for 2013 has been determined based on the 4.5 at December 31st, 2012. And as I said, that expense remains unchanged. And there were no significant events in 2013 that would cause it to be different than the 62 million.

1 The 2013 discount rate of 4.8 will be used
2 to estimate the 2014 pension and post-retirement
3 benefit expense.
4 MR. MILLER: Q: Thank you.
5 Now, a couple of specific questions on IAS
6 19-R. In response to BCUC Round 1, 126.3, ICBC notes
7 that there were two changes in the calculation of
8 pension expenses resulting from the international
9 accounting standard on benefit -- employee benefits,
10 which is IAS 19-R, that came into effect on January 1,
11 2013. And you note that the most significant of these
12 two changes was the following. You state: "The rate
13 credited on plan assets changed. Previously the
14 reported pension and post-retirement expense included
15 an interest cost on the accrued benefit obligation
16 using the discount rate, and a credit on the plan
17 assets using the expected rate of return, a higher
18 rate than the discount rate based on long-term
19 expected bond and equity returns. With the new
20 accounting rules, the credit on the plan assets will
21 be calculated using the lower discount rate."
22 And then in response to BCUC 127.2.1, Round
23 1, you submit that the discount rate at December 31,
24 2012 which was used to determine the 2013 pension and
25 post-retirement benefits, as we just discussed, was
26 4.5 percent.

So my question is, can you confirm that the forecast 2013 pension and post-retirement benefits expense calculates the credit on the plan assets using the discount rate of 4.5 percent rather than the expected rate of return?

Proceeding Time 10:29 a.m. T22

MR. LEONG: A: Yes, that is correct.

MR. MILLER: Q: In calculating the credit on plan assets component of pension and post-retirement benefits expense, does IAS 19-R allow a choice to use either the discount rate or the expected rate of return?

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

MR. MILLER: Q: Thank you. Now I'd like to address some questions, and I think you very much for your clear and concise answers.

I was referred to Panel 2 with regard to some performance measure questions, so I'd like to run through those now. And then I have one other item after that and that deals with moving forward for our 2014 application, and then I'm done. Just let me find my tab here.

Okay. Now, I got referred to Panel 2 when I started asking questions about when -- about ICBC not expecting to be in a position to file a review of performance measures until late 2016, and you note

that the timing may align with a 2017 revenue requirement application. That is as a result, am I correct, because of the claims transformation and the implementation of what you described as your new and modern flexible administration system in 2015?

MS. PRIOR: A: Yes, there's a number of changes that we're doing organizationally. It's not just the systems but it's also the way that we're going to be servicing the policies and the customers. So it drives changes in our processes and we think we need to kind of let those settle in because that's where the performance will be driven from. To do it in between as we're going through that transition didn't seem to make sense to us.

MR. MILLER: Q: Are you able to give a commitment that you will file as part of the 2017 RRA?

MS. PRIOR: A: Yes, we can do that.

MR. MILLER: Q: Now, in BCUC IR, you don't need to go there, 143 Round 1 -- sorry, 143.2, Round 1, you indicated your position that you don't consider, excuse me, that the performance measures should be modified or added to at this time, correct?

MS. PRIOR: A: There are -- yes, that is correct. There are a number of performance measures we have right now, and organizationally we're also going to look at what performance measures make sense. And I

1 think at this point, adding or changing any of them
2 really would be not necessarily for the best value.
3 So that was kind of our position at this point in
4 time.
5 MR. MILLER: Q: So I'm going to test you on that a bit
6 with respect to a couple.
7 MS. PRIOR: A: Okay.
8 MR. MILLER: Q: So one of the items that Staff has
9 noted is you made a business decision in 2006 to no
10 longer forecast the 210 and 122nd call response
11 measures because you were dedicated to improve the
12 target of 80 percent of calls answered within 100
13 seconds, correct?
14 MS. PRIOR: A: I believe that is correct, yes.
15 MR. MILLER: Q: So shouldn't we be deleting the 210 and
16 120 second measures from the report if they're not --
17 MS. PRIOR: A: Well, Mr. Miller, maybe if I could
18 clarify. We would be happy to delete any. I think
19 we're talking about adding at this point. So, yes, if
20 there are -- there are some that we don't track
21 corporately, we do strictly for the purposes of the
22 BCUC, and we would be very pleased to take those ones
23 out.
24 MR. MILLER: Q: Okay. What other performance measures
25 do you believe should be deleted because, at least in
26 your submission, you don't find them particularly

1 useful?
2 MS. PRIOR: A: Well, if we look at for example the
3 customer approval index, it's not something we track.
4 We found it as we measured it, it moved a lot with
5 what happened in the media. There was more reflection
6 of what was being played out in the press. So that's
7 not something we measure.
8 We are working right now on trying to get
9 some better metrics around the customer service and
10 experience, et cetera, so that's an endeavour we've
11 committed to start in 2014.
12 **Proceeding Time 10:34 a.m. T23**
13 So the customer approval index isn't
14 particular useful for us. I guess the complaints
15 heard by the fairness commission are a fairly low
16 number versus all the transactions we have, so it's
17 not something that we have sort of corporately that we
18 track.
19 I think the financial measures on basic and
20 investment return and severity, again the below 40,000
21 and above 40,000 was an issue that came into play
22 around 2006 because at that point in time we had
23 noticed a difference in the shift in the size of the
24 claims that was happening, and that was driving the
25 severity. It's not something we track any more. It's
26 not relevant to the changes that we are seeing today

on severity.

MR. MILLER: Q: Okay. Anything else?

MS. PRIOR: A: Pardon me?

MR. MILLER: Q: Anything else? I mean, those are highlights, that's fine. I'm just wondering if anything else is a major concern to you.

MS. PRIOR: A: Yeah, those are the highlights. Sorry.

MR. DICKINSON: A: I have a suggestion.

MS. PRIOR: A: Sure, go ahead, Mr. Dickinson.

MR. DICKINSON: A: The new driver comparative crash rate. I think that was bought in with the introduction of GLP and now that that's in and the benefit is fully realized, it's flattened, flat-lined it quite a bit. So that one we don't particular use either.

MR. MILLER: Q: Okay, one last chance. Anything else that's major?

MS. PRIOR: A: Thank you.

MR. MILLER: Q: Okay, when we look at your actual performance between 2010 and 2012 actuals, on your call answer measures, it appears to be not the best sort of trend. Is there anything you are doing about it to try and increase that?

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

MR. MILLER: Q: Sure. I was referring to when we

compare 2010 actuals to 2012 actuals with regard to call answer measures, there appears to be declining performance. I was just wondering --

MS. PRIOR: A: This in the claims. So this is the claims, sorry. I was looking in the statistics. But it is claims. All right, so I think panel 1 could have probably answered this better.

I think what is going on here, my recollection is, because we had -- we were through a lot of the transformational work and we had a lot of changes going on there. I think just in terms of staffing and how we shifted things, and we had, I think, some work stoppages in -- was that in 2012, Mr. Hale? That those affected the numbers.

MR. MILLER: Q: One measure that isn't on or isn't currently part of the performance measurement chart, is claims frequency, and we've heard something about -- it's been a big driver of rate increases. So, how would you feel about having a performance measure with respect to claims frequency, reporting on --

MS. PRIOR: A: I think particularly in relation to the bodily injury frequency. I mean claims frequency in general, I mean if you look at it, there's material damage and there's bodily injury. I think the challenge for us has always been on the bodily injury side.

MR. MILLER: Q: Agreed. BI frequency.
MS. PRIOR: A: Yeah, so it's something we certainly focus on as an organization.
MR. MILLER: Q: Are you agreed to including it as a performance measure to go forward?
MS. PRIOR: A: We could do that.
MR. MILLER: Q: Now, in response to BCUC 105.1 we had a list -- and I'll let you get there first before I move on. Sorry.
MS. PRIOR: A: Okay, thank you. Is that Round 1?
MR. MILLER: Q: I'm sorry, yes, Round 1. You provided a table on this, but there's five items listed there. There's five items listed on table 1. So we've got "average BI exposures per BI adjuster", "average days to settle", "average days to representation", "litigated claims", "number of claims involving lawyers BI only" and "legal representation".

Do you consider these metrics as providing useful information and would you be willing to include them in your performance measures going forward? Or at least addressing them in future revenue requirements applications?
MS. PRIOR: A: I'm just hesitating because I think actually the claims panel on 1 would have probably been better equipped to answer this question.
MR. MILLER: Q: You can take it as an undertaking.

MS. PRIOR: A: Can we take that as an undertaking to just look at those?

MR. MILLER: Q: Yes, because I was referred on these question to this panel, and I know they didn't understand all the specific questions but --. You can take it as an undertaking.

MS. PRIOR: A: Yes. All right.

Information Request

Proceeding Time 10:39 a.m. T24

MR. MILLER: Q: Okay, now we are on to the topic of moving forward for your next application.

I think I've got a handout for you. If you go to Attachment A of BCUC 213, Round 2, 158.1, you've given a preliminary draft regulatory time schedule, a timetable. I'd like to address some issues in there. Okay.

Now, if I can put it this way, the nature of the future application is to some extent constrained by the requirements of OIC 152 where the Commission's -- or ICBC is supposed to apply for a rate increase in the spring of this year, correct?

MS. PRIOR: A: That's correct.

MR. MILLER: Q: And you're proposing a streamlined review process for the 2014 revenue requirements, correct?

MS. PRIOR: A: That is correct.

1 MR. MILLER: Q: Now, if you look at the timetable,
2 you're proposing an informal presentation within a
3 week of filing the application, correct?
4 MS. PRIOR: A: Yes.
5 MR. MILLER: Q: So what are your plans for notifying
6 people about that application? Who do you intend to
7 invite, and how can the Commission be ensured that an
8 appropriate number of people will be notified so they
9 can properly participate?
10 MS. PRIOR: A: So basically as we go to an annual
11 filing cycle, I think it'll become quite evident to
12 people that we do this on an annual basis. We I think
13 in the past have contacted past interveners that have
14 participated, to make sure they know ahead of time
15 when that would be. So I think we would propose we'd
16 do the same process.
17 MR. MILLER: Q: And so will Commission Staff be invited
18 as well?
19 MS. PRIOR: A: I think we would add them to the list,
20 yes.
21 MR. MILLER: Q: Are you going to go -- when you invite
22 people is it just going to be the people that attended
23 this session, or are you going to broaden your list to
24 the past and notify others that may not have yet come?
25 MS. PRIOR: A: We would invite past participants of
26 different filings. I realize not all of them showed

1 up to this one, but they have traditionally showed up
2 so we would invite them.
3 MR. MILLER: Q: Now I'm going to put you on the spot.
4 What's your views on the Commission Panel attending
5 such a session?
6 MS. PRIOR: A: I have no problems with the Commission
7 Panel attending.
8 MR. MILLER: Q: I thought you might say you want to
9 take that as an undertaking.
10 MS. PRIOR: A: We'd be happy to have them attend.
11 THE CHAIRPERSON: Maybe the Panel will take it as an
12 undertaking, if it's the same panel. And there's no
13 guarantee, sir.
14 MR. MILLER: Q: So should a Commission Panel be
15 arranged or appointed in advance of receiving the
16 application knowing that we expect to receive almost
17 some definiteness? Should we appoint a panel early
18 before receiving the application, or would that be of
19 no benefit?
20 MS. PRIOR: A: I'm not quite sure what your processes
21 are, but if you're talking about attending the actual
22 presentation and that?
23 MR. MILLER: Q: Yeah.
24 MS. PRIOR: A: I think it's always beneficial for the
25 people that are going to be reviewing the information
26 to basically get a summary of it before big binders

1 arrive.
2 MR. MILLER: Q: Okay.
3 THE CHAIRPERSON: If I may just add to what Mr. Miller
4 has said, we don't necessary move at a glacial pace,
5 but there is a certain time required to get some of
6 these things going at the outset, and this is indeed a
7 very tight timetable for any rate revenue application
8 of significance, even with an SRP. So it would mean
9 that the Commission would have to be getting things
10 geared up two to three weeks prior to you actually
11 submitting the application, given it's submitted on
12 time, in order to be ready to hit the ground running.
13 MS. PRIOR: A: I see.
14 THE CHAIRPERSON: So just be forewarned that that's --
15 MR. MILLER: The commissioners have other commitments, of
16 course, and then need to schedule in advance.
17 MS. PRIOR: A: Yes.
18 MR. MILLER: So that's just a matter for the Insurance
19 Corporation to consider.
20 THE CHAIRPERSON: You're not our only favourite
21 applicant.
22 MS. PRIOR: A: But we are one of them, I hear.
23 THE CHAIRPERSON: But you're one of the applicants.
24 MS. PRIOR: A: That hurts. That hurt. Mr. Miller?
25 MR. MILLER: Q: Yes.
26 MS. PRIOR: A: If I could just add one comment. So

1 when I was saying that for them to -- whoever the
2 Commission Panel happens to be attend, I wasn't
3 suggesting that that was mandatory. I think in past
4 filings what we have done on streamline is that hasn't
5 been the case. I was simply stating from an ICBC
6 perspective we'd be happy to have them there.
7 MR. MILLER: Q: I know.
8 MS. PRIOR: A: If they were able to accommodate.
9 MR. MILLER: Q: The reason I was raising the question
10 is these are unusual circumstances, and usually
11 there's a lot more lead time which allows the Panel to
12 get up to speed. But it may --
13 MS. PRIOR: A: I understand, yeah.
14 MR. MILLER: Q: But it may well be very important for
15 them to attend the workshop to abridge that time to
16 get up to speed.
17 MS. PRIOR: A: Yeah.
18 MR. MILLER: Q: So that when they actually get the
19 application they have context of what's happening.
20 MS. PRIOR: A: I understand, all right.
21 track 25
22 **Proceeding Time 10:45 a.m. T25**
23 MR. MILLER: Q: Okay.
24 MR. GHIKAS: And the only thing I would add, Mr.
25 Chairman, that ICBC would have to think about is --
26 and the Commission would have to think about, whether

1 -- what you wouldn't want to happen is that there ends
2 up being an oral hearing a week after the application
3 is filed, because that -- these workshops tend to be
4 kind of interactive.
5 So while Ms. Prior is, you know, suggesting
6 that the Panel attend, and that may have value, there
7 are other considerations which are -- which does end
8 up -- in the workshop, there is a lot of give and --
9 you know, exchange of information, trying to help
10 people understand. And that's all a good thing. But
11 sometimes it does turn into a bit of a Q&A session
12 that sort of resembles a cross-examination to some
13 extent. And so it kind of changes the purpose of the
14 workshop somewhat, and you'd have to think about
15 whether or not it was sort of a one-way presentation
16 versus, you know, everybody piping up and asking
17 questions of people.
18 So I personally as counsel, and I obviously
19 haven't had a chance to speak to my client, but I
20 personally have some considerations that I would need
21 to work through with them just to make sure that they
22 understand the implications of everything.
23 MR. MILLER: So, Mr. Chair, we are well aware of those
24 considerations, and they're -- you know, I'm not
25 telling ICBC how to put on their workshop. But the
26 first part of it may be available for the Panel to

1 attend for informative purposes, and the second point
2 could be the more free exchange. Because of course
3 what Mr. Ghikas is referring to, without stating it --
4 the interveners and others are very reluctant to say
5 things, or maybe say things they wouldn't otherwise
6 say if there is a Panel member there. And it
7 sometimes leads to posturing, and not -- you know,
8 something less than a full exploration of the issues
9 if the people are constrained about Panel members
10 being there.
11 THE CHAIRPERSON: No, and I fully appreciate that. And
12 it may be that that suggestion might be that the best
13 one -- we might -- a Panel might attend -- or Panel
14 members might attend for an initial presentation, to
15 get the gist of what the application is all about, and
16 then leave and let the rest of the session proceed as
17 they have in the past. Anyway.
18 MR. GHIKAS: That -- thank you for that clarification. I
19 think that will help. Thank you.
20 THE CHAIRPERSON: I will suggest it to my fellow
21 Commissioners if indeed the decision is made to have
22 the Panel attend.
23 MR. MILLER: Q: So the next issue, Ms. Prior, relates
24 to publication of your notice. Would it be possible
25 to publish the notice in advance of -- or more in
26 advance of the actual filing date, so that we can get

1 interveners registered early, rather than trying to
2 constrain them within the short time period we've
3 presently got?
4 MS. PRIOR: A: So, sorry, which notice are you talking
5 about? Are you talking about the very original
6 notice? You mean, notifying --
7 MR. MILLER: Q: The notice of advertisement, the public
8 announcement of your application.
9 MS. PRIOR: A: We would get that out as early as
10 possible. We are happy to do that.
11 MR. MILLER: Q: Now, if we look at the schedule that's
12 proposed, there is ten days available for the
13 Commission Panel to review the IRs, and set rates
14 effective August 1. My question is, is there a
15 presumption that the Commission will approve the rates
16 on an interim basis, and then make adjustments as
17 necessary, based on the final decision?
18 MS. PRIOR: A: That would be our desire, yes.
19 MR. MILLER: Q: What would happen if the Commission
20 didn't approve the final rates until after the start
21 of the rate year? What are the implications? For
22 example, what if the final decision didn't come out
23 till September or October?
24 MS. PRIOR: A: I think that would be fine. I mean, we
25 would have the interim rates in place. So I don't
26 actually perceive that as an issue.

1 MR. MILLER: Q: Okay. Do you plan to do any
2 consultation with interveners -- or maybe you already
3 have, you can let us know -- with respect to your
4 draft timetable? Have you heard from them any
5 response about whether or not they can work within the
6 time constraints that are being proposed?
7 MS. PRIOR: A: I'm not aware whether we have consulted.
8 This was absolutely filed as an information response.
9 I do know, and I do want to point out, in 2010 we did
10 use this timetable basically, and it was achievable.
11 I mean, it was tight, granted. But we've been in
12 those situations before.
13 MR. GHIKAS: I can confirm -- here I am, giving evidence
14 -- but I can confirm that what was done with that
15 timetable was simply respond to the IR by providing
16 the timetable. And it wasn't discussed with other
17 parties in the interim, given the time constraints of
18 responding to IRs. But that the timetable reflects
19 what was -- with the adjustments shown, reflects what
20 was approved for the streamlined process back in 2010.
21 THE CHAIRPERSON: Thank you, Mr. Ghikas.
22 MR. MILLER: Thank you very much, panel. Those are my
23 questions.
24 THE CHAIRPERSON: Okay. Don't go anywhere, panel.
25 Because this Panel has some questions of that panel.
26 And Ms. O'Hara, the floor is yours.

1 **Proceeding Time 10:51 a.m. T26**
2 COMMISSIONER O'HARA: I'll go first. Good morning,
3 panel.
4 MS. PRIOR: A: Good morning.
5 COMMISSIONER O'HARA: Mr. Miller was quite effective
6 already handling a number of questions I had. But
7 some follow-up questions.
8 The first question is going back to this
9 SIPP document that's now a public document then.
10 Thank you. Can you hear me better now? I
11 still want to read the same sentence from the page 1
12 here that Mr. Miller read before. "The April 2013
13 SIPP indicates that ICBC has adopted a more efficient
14 portfolio, a strategic asset mix that is expected to
15 deliver less volatile investment returns at the same
16 time, the approximately expected return as the
17 previous strategic asset mix reported in the July 2011
18 SIPP."
19 So Ms. Gould, during the first panel
20 session here, Dr. Minogue talked a lot about the new
21 basic insurance capital management plan, which is the
22 second big approval that you are seeking for, and she
23 described in depth how -- why ICBC needs 130 percent
24 solvency target because there is a lot of volatility.
25 And then you required additional 20 percent for
26 smoothing, and then a further 15 percent before you

1 consider the customer renewal credit and further
2 margin before it, is cost effective to actually
3 provide the $25.
4 So did you work with Dr. Minogue on these
5 aspects as well?
6 MS. GOULD: A: In terms discussing with Ms. Minogue on
7 the volatility of investment returns and what they
8 have been historically, and what the expectation is,
9 that was discussed with Ms. Minogue. With respect to
10 the tweaks -- I call them tweaks to the strategic
11 asset mix, we are always looking at ways where we can
12 sort of make adjustments to make the portfolio -- we
13 are working with a given risk profile. We are looking
14 to either increase the return marginally, or decrease
15 the risk marginally from where we are currently. We
16 are not making major changes.
17 So with respect to the changes to the
18 strategic asset mix, we would expect the standard
19 deviation of returns to go down a little bit, not by
20 huge, huge margins, from that 2 percent that was built
21 into Ms. Minogue's calculations.
22 COMMISSIONER O'HARA: Because with Dr. Minogue's
23 testimony, I think she didn't have that much
24 confidence with your group's performance, because she
25 wants to have all the provisions for the volatility
26 there. So I just wondered how closely you two worked

1 together on this.
2 MS. PRIOR: A: Can I just add a comment, Commissioner.
3 So what Ms. Minogue was concerned about -- I mean
4 investment volatility is one aspect of it, but frankly
5 the claims volatility is another thing. That really
6 has nothing to do with Ms. Gould.
7 COMMISSIONER O'HARA: I understand that.
8 MS. PRIOR: A: So when the tests were done, they were
9 both parts of it and so I think the -- yes, Ms.
10 Minogue, the equities in particular have given us some
11 challenges on volatility. Yes, I think that will
12 marginally decrease, but I think for the most part
13 your volatility we talked about, and have been testing
14 in those DCAT analysis, those actuarial tests that we
15 do to determine those target amounts, they basically
16 wouldn't take that into account.
17 COMMISSIONER O'HARA: Okay, thank you. My second issue
18 then, back to you, Mr. Ghikas. You kindly made that
19 offer before but now I just want to have it officially
20 on the record that I certainly would like to have ICBC
21 to provide the actual MCT as of December 31st 2013 on a
22 confidential basis to the Panel, as well as the actual
23 2013 investment return. I believe you offered that
24 it's doable. So can you confirm that you will do
25 that?
26 MS. PRIOR: A: Yes, absolutely.

1 COMMISSIONER O'HARA: Good, thank you.
2 **Information Request**
3 And then with Mr. Miller here we were
4 talking about the 2014 application logistics, but I
5 still want to understand specifically, when you do the
6 2014 rate filing, what is the quarter end that you
7 base on the projections when you set the equity return
8 and when you set the new money rate. So what's the
9 base for those projections?
10 **Proceeding Time 10:57 a.m. T27**
11 MS. PRIOR: A: So just to clarify, are you asking what
12 is the cutoff date we would use for the investment?
13 COMMISSIONER O'HARA: Yes, because I think for the 2013,
14 was this -- you used June 2013?
15 MS. GOULD: A: Yes, we used a June forecast.
16 COMMISSIONER O'HARA: Yeah, exactly, exactly.
17 MS. GOULD: A: So what we would be looking at is the --
18 since we're putting this together in May, so we would
19 take the March 31st forecast because that would be --
20 COMMISSIONER O'HARA: The latest information you have.
21 MS. GOULD: A: And typically the quarterly forecasts
22 are -- they're available quarterly, so that would be
23 the one that we would use. And we would be taking the
24 forecast as of the June, the beginning of June all the
25 way out to June the following year. That would be --
26 COMMISSIONER O'HARA: All right. This then brings me to

1 the -- I think that's one of my biggest concerns, and
2 again it's the logistics because it's both the Panel
3 and it's the ICBC and we are stuck within these
4 constraints of these amended government directives.
5 And when I went back to your -- that's your response
6 to the BCUC first round IR 4.2 where you are saying
7 that you are requesting a decision no later than March
8 15, 2014, which is just about a month from now, and
9 then with the reasons to follow. And then you say
10 that if circumstances are such that the Commission is
11 unable to do that, then your plan, what you plan then
12 to do is to proceed with your application work and you
13 will file by May 31st, assuming that the interim rates
14 are approved, i.e. based on that 4.9 percent.
15 MS. PRIOR: A: Yeah, I think that we said we would use
16 that as an assumption base and build that in.
17 COMMISSIONER O'HARA: Yeah, yeah, that's the best you can
18 do. But the difficulty I'm having, because throughout
19 these sessions we have had, I think, the closer
20 examination by the interveners and now Mr. Miller
21 indicates there are lots of updates that could be done
22 to give the Panel the best possible information. But
23 yet I hear same time why you really don't want to do
24 it because if you change one thing, then you have to
25 change -- it's just a lot of work, that you have to
26 cut it off somewhere.

MS. PRIOR: A: Yeah, I think, if I could -- sorry to interrupt you, but I think it wasn't so much the work because we can get these updated numbers. I think the principal, and I referred to an actual IR on that, was that when you use actuarial practice, which is how we put the filing together, it is about one set of numbers at a point in time. And so the caution I was trying to share was that if one were to cherry pick various elements, then that wouldn't necessarily be an acceptance. So that's the only caution I was using. We can provide the information.

COMMISSIONER O'HARA: Trust me, Ms. Prior, you don't have to remind me. Dr. Minogue did such a good job, I am reciting this principles in my sleep now, so don't you worry about that. But I'm trying to -- because also somehow at least I have had the perception that this is only nine months, this is just the rates for nine months, and then there is a new updated application coming with better information. So let's then focus on that.

But I think the important point is that as number of interveners, I think Mr. Weisberg also was getting back to that all the time, that with the new rules it's a very tight range. It's only plus or minus 1.5 percent change from the rate this Panel will approve, as well as we have to approve the capital

1 management plan.
2 So whatever this Panel decides based on the
3 information here, it will in fact set constraints for
4 the subsequent panels for the next three years. So I
5 think it's in everybody's interest that we get this
6 decision right. So it sounds just -- I think it has
7 to be an undertaking. So I'm just giving it back to
8 you.
9 Is there anything that you could find a way
10 logistically to work and then come back to Commission
11 and talk, how can we make it work in practice, that --
12 for this system do you have most up to date
13 information possible?
14 **Proceeding Time 11:03 a.m. T28**
15 And that you are still able to then meet
16 your government requirements, and make this work? And
17 I know you -- I just would like to just give you that
18 undertaking, at least to think about it.
19 MS. PRIOR: A: Well, so, I guess I just want to be
20 clear. So, the undertakings that we've taken today,
21 or whatever, we'll be able to turn those all around
22 very quickly. So I think any of the updated
23 information that's been asked for is, we can probably
24 turn that around pretty quickly. I mean, within a day
25 or so -- a day or two.
26 COMMISSIONER O'HARA: No, but I mean more -- for instance

1 --
2 MS. PRIOR: A: Okay.
3 COMMISSIONER O'HARA: -- taking into consideration the
4 actual 2013 MCT as well as the actual 2013 investment
5 returns. And I know they don't become public until,
6 what, early April. And I think that's the challenge.
7 MR. GHIKAS: With the MCT, Commissioner O'Hara, there is
8 also the additional issue that Special Direction IC-2
9 requires the use of the MCT forecast from Q1, 2013,
10 looking at the year-end. So there's that as well.
11 COMMISSIONER O'HARA: I know. So there -- we all have
12 all these constraints. So all I'm asking you to think
13 about, is there anything more that can be done, to
14 improve the quality of our decision?
15 THE CHAIRPERSON: And let me just add to that. I will
16 echo what Commissioner O'Hara has said about following
17 the actuarial guidelines, and making sure that we
18 stick to that. But at the same time, we want to be
19 aware of the sensitivities around that because of the
20 very real decision that we have to make on rates going
21 forward. And it is one where we're basically making a
22 three-year decision. Panels that come after us will
23 have some leeway, but they're restricted by IC-2 as to
24 what the rate can be granted. And we're also aware of
25 the changes that we might make on the MCT targets, in
26 terms of the 150 and the requested 165 and 173.

So, that's all we're asking for is so we have sufficient information to provide us with the knowledge to be able to make the best decision possible within the boundaries that we have available to us.

MS. PRIOR: A: Certainly. And we'd be very happy to provide whatever information that would provide you that context. We're not resisting that at all.

THE CHAIRPERSON: Okay.

COMMISSIONER O'HARA: And you are allowing us to use it. Mr. Ghikas was really careful there, that as long as we are not quoting anything in the decision, we want to understand the boundaries there.

And as I -- we don't need the answer now. I think this is something you should reflect on and then perhaps come back in an undertaking. What's doable and what's not.

MS. PRIOR: A: Certainly.

Information Request

COMMISSIONER O'HARA: Thank you.

THE CHAIRPERSON: Okay.

COMMISSIONER O'HARA: And one more question, I think, then I'm done. Back to you, Ms. Gould, there. I certainly was quite delighted to see that you actually read the Commission's generic cost of capital decision, and actually paid attention to it. Perhaps

the fact that we had the academic there, UBC finance professor on the panel, paid you -- you paid more attention. But, so thank you for that.

But my question is, and I think Mr. Miller asked the same thing, is that in your December, 2011 filing, for 2012 rates, you were using specific formulae for the new money rate. You were using -- relying more on the multi-dealer survey study. And now here you substituted that with reliance on the Commission's latest position on the generic cost of capital. But what's your -- you didn't really provide justification for that.

Are they really comparable? And what was your reason to use that?

MS. GOULD: A: In terms of substituting, I think everybody is aware that there has been some very, very extreme monetary policy that has taken place. As an investment manager, it has been a roller-coaster ride in terms of the markets, but also trying to figure out, what does the future hold for us? And how does a lot of this monetary policy impact rates going forward? Are we going to see rates lift up? Are we going to see rates go down?

I have no idea. And whether or not the 30-year Government of Canada bond rate is a reasonable expectation for a risk-free rate, I don't know. And

there is so much debate going on in the industry.

So, really what drove the decision to use the floor was to maintain some consistency with the Commission in terms of what its view was on the risk-free rate. Likewise, I view it with the equity risk premium. Again, I don't know what a reasonable equity risk premium is, but to eliminate some of the debate around those numbers that anybody in industry -- you know, nobody has certainty around those numbers. That was really what drove the decision to use that floor. I wish I had a better answer than that, but --

Proceeding Time 10:02 a.m. T29

COMMISSIONER O'HARA: I sympathize with you. It's not easy. Perhaps, I guess, the reason I was still asking it more, that are there somewhat different purposes, like that cost of capital decision was trying to assess what's a fair rate of return on those utilities that they are entitled to earn, and here you are using the numbers to set the right projections for new money rate to set correct rate for the premiums. And I don't -- that's why I was wondering.

And secondly then, when you made that decision like did you consider the intergenerational equity issues like ratepayers pay today or they pay a few years later? Because it seems like it can make a

1 difference.
2 MS. GOULD: A: In terms of those types of
3 considerations, that wasn't something that went into
4 the choice of that floor. It was to come up with
5 something that was reasonable in light of what was
6 going on in the markets. We have so many
7 uncertainties with what's going on with U.S. monetary
8 policy, with the removal of some of the stimulus, you
9 know, whether or not rates are going to go up. Again,
10 it was to try and maintain some consistency with what
11 the Commission's view was on risk-free assets. Beyond
12 that, I didn't give much consideration.
13 COMMISSIONER O'HARA: Okay.
14 MS. PRIOR: A: Can I just add a comment, Ms. O'Hara.
15 So in the past when we did not have the set formula on
16 either of those components, I can tell you there were
17 many many hours debating that amongst the interveners
18 and ICBC, and I think the reason the Commission, at
19 that time, went to trying to come to an agreement – we
20 put forth a proposal of let's use a formulaic base –
21 was kind of two-fold.
22 One was, was it really good value to spend
23 days debating that amongst people that had different
24 views, because as Ms. Gould said, there is no real
25 right answer, it's all people's perception.
26 I think the second thing was it is a

1 closed-loop system. So at the end of the day,
2 everything within the realm of the rates and the
3 capital and the finances for basic, it stays within
4 basic. So could you have small amounts of
5 intergenerational? I guess you could. I guess -- but
6 I think it's really hard to keep it totally pure on
7 any of these things.
8 So that was the reason, I believe, that the
9 Commission actually supported us in going to that,
10 which certainly has simplified that part of the
11 calculation. And whether what ultimately turns out
12 to be the right number, as I said, it all kind of
13 flows through within the system anyway. So I think
14 that was the logic.
15 COMMISSIONER O'HARA: Thank you, panel, those are all my
16 questions.
17 THE CHAIRPERSON: Mr. Revel.
18 COMMISSIONER REVEL: Thank you, Mr. Chairman. I have no
19 further questions. I've asked a good number as I've
20 gone along and my two colleagues have asked the other
21 ones that I would have asked.
22 THE CHAIRPERSON: Okay, and I've asked my questions, so I
23 believe it's Mr. Ghikas's turn.
24 MR. GHIKAS: It is, thank you. I'll be a few minutes
25 because I have a few areas I'd like to cover.
26 Before I jump into the actual re-direct of

1 the panel, Mr. Chairman, it was brought to my
2 attention in the break that Ms. Prior may have
3 misspoken in the context of how the consultation on
4 rate design may affect the current rates, basic rates,
5 and so I'd just ask -- and the consultation that we
6 are talking about was in the context of Mr. Weisberg's
7 cross-examination relating to the document that he had
8 included in Exhibit C11-6. Just for the record.
9 **CROSS-EXAMINATION BY MR. GHIKAS:**
10 MR. GHIKAS: Q: So Ms. Prior, can you expand upon that?
11 MS. PRIOR: A: Right. So we were talking about that
12 and it's probably an age factor where my memory
13 slipped. Actually DRM was originally part of the
14 transformation program, and so therefore all of those
15 costs would be included in the optional. And when I
16 look back I think all of the costs were done in 2012.
17 They were completed in 2012. So it had no impact on
18 this rate.
19 MR. GHIKAS: Q: You used an acronym, DRM. What are you
20 referring to there?
21 MS. PRIOR: A: Oh, the driver risk model. Sorry. So
22 that was the work under which the consultation took
23 place. So that consultation was related to that part
24 of the project.
25 MR. GHIKAS: Q: So just for clarity, is there any
26 conceivable impact that that can have on the current

file?

MS. PRIOR: A: There is not.

Proceeding Time 11:14 a.m. T30

RE-EXAMINATION BY MR. GHIKAS:

MR. GHIKAS: Q: Thank you. Okay. Now, in terms of re-direct I just want to follow up first of all on something that came up in Commissioner O'Hara's questions to Ms. Gould and on the investments issue.

Can you just clarify, Ms. Gould or Ms. Prior perhaps, if you were to use the original approach in terms of deriving the risk-free rate rather than the floor established in the cost of capital decision, what directionally, what impact does that have on the rate indication itself?

MS. GOULD: A: It would have a negative impact on the rate indication.

MR. GHIKAS: Q: Okay, you're going to have to use a different term than that.

MS. GOULD: A: Okay. Unfavourable. I'm sorry.

MR. GHIKAS: Q: By how much would that have an unfavourable implication?

MS. GOULD: A: And that was discussed previously, but I believe it was half a percent on the rate indication.

MS. PRIOR: A: That would be added.

MS. GOULD: A: Yes.

MS. PRIOR: A: To the number.

1 MR. GHIKAS: Q: So instead of 4.9 it would be 5.4?
2 MS. GOULD: A: 5.4.
3 MR. GHIKAS: Q: Thank you.
4 MS. GOULD: A: That's correct.
5 MR. GHIKAS: Q: Okay. Now, the next issue I want to
6 deal with, I'm going to require everybody to shuffle
7 some paper here unfortunately, but if you can have in
8 front of you Volume 6 of the materials. And these are
9 aimed largely at Mr. Dickinson, so if you don't have a
10 copy I will --
11 The other thing that we need handy is the
12 Round 1 IBC IRs. And the final thing we need is Mr.
13 Munn's package of documents C6-6.
14 Where I'd like to begin is in the
15 transcript Volume 6, page 968, and Mr. Dickinson, if
16 you can turn there, 968.
17 MR. DICKINSON: A: Got it.
18 MR. GHIKAS: Q: Okay. And if everybody is with me,
19 just in terms of the context, just to lay out the
20 context of my questions, there is some discussion in
21 this part of the transcript here relating to road
22 safety initiatives. Mr. Munn was asking you at line
23 4, for example, "Can you go to my handout," and you'll
24 see at the handout this was from ICBC's own filing in
25 2008, and he was focusing on the key conclusion of the
26 review process at that time was that ICBC should only

1 support road safety programs that have enforceable
2 consequences positive or negative. So that's the
3 context for my questions, Mr. Dickinson.
4 So what I'd like to do is, the easiest way
5 to do this, I think, is to take you to what Mr. Munn
6 was referring to on this page and in subsequent pages
7 of the transcript, and just walk through it because
8 the discussion, you and Mr. Munn succeeded in
9 completely confusing me during the course of that
10 discussion. And so my hope was that you could
11 enlighten me and at the same time perhaps enlighten
12 other people too in terms of what exactly you and Mr.
13 Munn were talking about here.
14 So if we can go to page 38 of Mr. Munn's
15 package, C6-6.
16 MR. DICKINSON: A: Yes.
17 MR. GHIKAS: Q: Okay, so if everybody is there, at the
18 top of page 38 there is a definition in paragraph 43
19 there, it says,
20 "The Commission accepted ICBC's definition
21 of Road Safety in its July 2006 decision…"
22 And then it provides the definition. Now, just for
23 context here, and this is sort of an aside for the
24 Commission, special direction IC-2, this is an
25 allocation issue, okay? And just for clarification,
26 special direction IC-2 in 3(1)(c) says, and I'll just

1 read it out, I'm not going to be spending any time on
2 this, but just for context it says that
3 "For each year Commission must fix those
4 rates on the basis of accepted actuarial
5 practice so that those rates allow the
6 Corporation to collect sufficient revenue…"
7 And then there's a paragraph that says, which is (A),
8 "The costs that are to be incurred by the
9 Corporation in that year for road safety
10 programs under section 7.1 of the *Act*
11 including, without limitation, payments by
12 the Corporation to any level of government
13 with respect to road safety…"
14 And there are other also road safety initiatives that
15 go on. In fact that's probably not the right
16 subparagraph that I read you, but the issue is one of
17 allocation where costs that fall within those get
18 allocated 100 percent to basic insurance.
19 **Proceeding Time 11:20 a.m. T31**
20 So, with that context, let's just walk
21 through this, Mr. Dickinson. So, is the significance
22 of this road safety definition as you understand it
23 that if it's road safety, it gets allocated 100
24 percent to optional -- oh, sorry, to basic insurance?
25 MR. DICKINSON: A: To basic, that's right.
26 MR. GHIKAS: Q: Okay. So, you'll see in paragraph 44

it says "all road safety programs that have been established as part of the review process conform with the above definition of road safety and the associated costs should therefore be allocated 100 percent to basic insurance." So that's what I just asked you, right?

MR. DICKINSON: A: Right.

MR. GHIKAS: Q: Okay. And then it talks about expenses for auto crime being allocated on the basis that ICBC's comprehensive insurance market share -- so first of all can you just explain what an auto crime prevention program is, just at a very simple level?

MR. DICKINSON: A: At a very simple level, it's the prevention of the theft of, or a theft from, vehicles and other crime that may occur to vehicles.

MR. GHIKAS: Q: Okay. And in terms of the allocation that's being referred to there, the comprehensive insurance market share, is that the share of -- that ICBC has of the optional market?

MR. DICKINSON: A: The comprehensive part of that optional market, yes.

MR. GHIKAS: Q: Okay, thank you. Now, in paragraph 45 it says one of the key questions that arose during the review process, and that's ICBC's review -- or, sorry. It was whether or not ICBC should invest in education and awareness tactics, given the inability to measure

1 short-term crash prevention benefits. And this is the
2 sentence here I want to focus on for a moment.
3 "The review concluded that for programs
4 focusing on drivers, ICBC should continue to
5 support a combination of tactics producing
6 short-term crash benefit outcomes,
7 enforcement tactics, and tactics designed to
8 produce long-term behavioural change,
9 education and awareness tactics."
10 So you'd sense from what I was just
11 emphasizing with my voice there, can you just please
12 -- there is some nomenclature here that we need to get
13 straight, I think. So is -- what is a "tactic", in
14 the way that ICBC uses it?
15 MR. DICKINSON: A: A tactic is a subcomponent of a
16 program, and so for example for speeding, a tactic for
17 speeding would be speed reader board signs.
18 MR. GHIKAS: Q: Okay. And so when you refer to a
19 program, given the example you just gave, that --
20 would that be the speeding?
21 MR. DICKINSON: A: That's correct.
22 MR. GHIKAS: Q: Okay. All right. So, in the next --
23 so the review concluded that -- and then there is the
24 term there in that paragraph, "for programs focusing
25 on drivers". Can you explain what that means?
26 MR. DICKINSON: A: Yes. Programs focusing on drivers

are for -- intended at road users, or specifically drivers. And those that are essentially behind the wheel.

MR. GHIKAS: Q: Okay. And is that distinguishing between that type and something else?

MR. DICKINSON: A: Yes, that would distinguish driver programs from road programs, and also vehicle programs.

MR. GHIKAS: Q: Okay. And what is a vehicle program?

MR. DICKINSON: A: Well, the idea -- you don't have to turn to this reference, but on page 8 of the road safety annual report there are examples of each type of program, driver programs, road programs, and vehicle programs. Vehicle programs include auto crime, commercial vehicles, or safer vehicles. And road programs include road improvement, the road improvement program and intersection safety cameras.

MR. GHIKAS: Q: Okay, and are driver programs focusing on drivers also there in that reference?

MR. DICKINSON: A: Yes. The driver programs are impaired, speeding, high-risk driving, driver distractions, and occupant restraints.

MR. GHIKAS: Q: Okay. And so, do those -- this was a little bit older in 2008. Are those same bucket terms, do they still apply?

MR. DICKINSON: A: Yes.

1 MR. GHIKAS: Q: Okay. All right. Now, if we go to
2 paragraph 46, Mr. Munn, I believe, took you there at
3 some point. And my recollection may be wrong, but
4 ICBC will only invest in road safety, education, and
5 awareness tactics in support of programs where a
6 driver will experience an enforceable consequence --
7 experience enforceable consequences for behaving
8 unsafely. Education and awareness programs and
9 tactics that do not meet this requirement were
10 discontinued. Okay.
11 So let me -- Mr. Munn asked you a series of
12 questions about the concept of enforceable
13 consequences, so I'd like to just explore that and
14 understand that a little bit, Mr. Dickinson.
15 So if I understand what ICBC is saying
16 there, can you just explain what that means to support
17 tactics in support of programs where a driver will
18 experience enforceable consequences for behaving
19 unsafely?
20 **Proceeding Time 11:25 a.m. T32**
21 MR. DICKINSON: A: Yeah, so enforceable consequences
22 would mean that there would be a negative outcome or
23 there would be, perhaps, a police violation for doing
24 something illegal.
25 MR. GHIKAS: Q: Okay.
26 MR. MUNN: I'm up, because to the extent this is helping

1 the Commission understand some of the road safety
2 issues, I don't object to it. But all of this is in
3 filings previously made with the Commission, some of
4 which the interveners weren't given an opportunity to
5 cross-examine on previously. I don't think this is
6 necessarily proper re-direct except to the extent it
7 may assist the Commission in understanding some of the
8 issues.
9 MR. GHIKAS: Mr. Chairman, I would disagree both with the
10 characterization of whether it is proper re-direct or
11 not.
12 Mr. Munn, I can take you to a specific
13 question, and I was about to turn there, specific
14 questions that need to be clarified on the record with
15 Mr. Dickinson.
16 It's entirely appropriate in my submission
17 to walk the Commission through this, but also to allow
18 Mr. Dickinson a chance to clarify his evidence which I
19 think is unclear in certain places.
20 THE CHAIRPERSON: I'll allow you to continue.
21 MR. GHIKAS: Thank you, Mr. Chairman.
22 MR. GHIKAS: Q: If we go back to the transcript then,
23 Mr. Dickinson, and you turn to page 969. There's a
24 question here, specifically that I'd just like to
25 understand. It starts at line 9 where Mr. Munn says:
26 "Let's try this again, and then we'll go in

1 a different direction. The question is, is
2 ICBC only investing in road safety education
3 and awareness tactics in support of programs
4 where a driver will experience enforceable
5 consequences for behaving unsafely?"
6 And your answer is, "No." And then you went on to say
7 -- Mr. Munn says:
8 "Thank you. So not withstanding your
9 submission to the Commission in October 17,
10 2008, that is not actually what you were
11 doing."
12 And Mr. Dickinson, you went on to say:
13 "We have adopted a safe systems approach as
14 I mentioned in 23.1 and so we are looking at
15 anything that can help reduce crashes."
16 Now, I was struggling to understand that,
17 because if we turn to IBC -- maybe you can do that.
18 IBC 23.1 in the first round. At the end of the second
19 paragraph there, the last sentence in the paragraph
20 says:
21 "ICBC's education and awareness programs
22 help reinforce legislation and enforcement
23 and are designed to change driver behaviour
24 to reduce crashes."
25 And can you help me understand -- can you help me
26 understand, Mr. Dickinson, why you responded "no" to

1 that question that Mr. Munn asked you?
2 MR. DICKINSON: A: Well, I think the answer is
3 enforceable consequences apply to driver programs and
4 not the entire road safety portfolio. So if you think
5 of the entire road safety portfolio as being the three
6 pillars, driver, roads and vehicles, those are all
7 road safety programs that meet the definition that we
8 reviewed earlier and that's the safe system strategic
9 framework that the Commission has approved earlier as
10 well.
11 So the actual way to frame this is the
12 enforceable consequences piece only applies to driver
13 programs. And so I may have been confused on that
14 point when we were going through the cross.
15 MR. GHIKAS: Q: Okay. So from the perspective of the
16 enforceable consequences, let me just ask, because if
17 I go back to the 2008, when it says ICBC will only
18 invest in road safety, education awareness tactics and
19 support of programs where a driver will experience
20 enforceable consequences for behaving unsafely, are
21 you doing something different than that?
22 **Proceeding Time 11:30 a.m. T33**
23 MR. DICKINSON: A: No.
24 MR. GHIKAS: Q: Okay. So let me just follow up on that
25 for a minute. So if you, in terms of the -- if you
26 invest in something that is related to education and

1 awareness, and it doesn't have enforceable
2 consequences, are the costs being allocated 100
3 percent to basic?
4 MR. DICKINSON: A: Could you repeat that?
5 MR. GHIKAS: Q: Okay. Well, let me -- can you give me
6 an example of a tactic that is an education and
7 awareness tactic that isn't in support of an
8 enforceable consequence for behaving unsafely?
9 MR. DICKINSON: A: That is not in support of an
10 enforceable consequence, no.
11 MR. GHIKAS: Q: Okay. I've seen something called Share
12 the Ride. Are you familiar with that?
13 MR. DICKINSON: A: Share the Wave?
14 MR. GHIKAS: Q: Share the Wave, thank you.
15 MR. DICKINSON: A: Yes, I'm familiar with that.
16 MR. GHIKAS: Q: Okay. So is that a tactic in support
17 of an enforceable consequence?
18 MR. DICKINSON: A: No, it's not.
19 MR. GHIKAS: Q: Okay. And so do you call that a road
20 safety program?
21 MR. DICKINSON: A: No.
22 MR. GHIKAS: Q: Okay. So Mr. Munn walked you through a
23 couple of examples. He took you to something called
24 -- if you go over the page to transcript 970, he took
25 you to something called Your Ad Here contest?
26 MR. DICKINSON: A: That's right.

1 MR. GHIKAS: Q: And he asked you, "What's the
2 enforceable consequence?"
3 MR. DICKINSON: A: Right.
4 MR. GHIKAS: Q: And you indicate farther down, you say,
5 you explain that it involves students -- this is at
6 line 9 -- involves students doing art work and
7 preparing messages, might be focused on impaired
8 driving or distractions or speed. And then at the end
9 -- or a couple of lines down on 15 you say:
10 "So if you had an impaired driving message
11 on there, the enforceable consequence is
12 that if you drive while impaired, you are
13 going to get caught by enforcement."
14 So, and if we go over to -- oh, so there is, I
15 suggest, enforceable consequence here. And then just
16 for the record, this initiative, this tactic has
17 actually been discontinued.
18 Now, if we turn over again, let's see,
19 where are we? If we go to 970 -- so let me ask you
20 this. So is Your Ad Here a tactic?
21 MR. DICKINSON: A: Yes.
22 MR. GHIKAS: Q: Okay, and what is the program that Your
23 Ad Here supports?
24 MR. DICKINSON: A: It could support any one of impaired
25 driving, speed, or distractions as I mentioned.
26 MR. GHIKAS: Q: Okay, and so when you're looking at

1 enforceable consequences, are you looking at an
2 enforceable consequence with respect to enforcing the
3 contest?
4 MR. DICKINSON: A: No. Of course it's about enforcing
5 the driver program.
6 MR. GHIKAS: Q: Okay, all right, thank you.
7 THE CHAIRPERSON: Mr. Ghikas, I understand that you're
8 trying to get clarification of the testimony on this
9 particular area. I'm just wondering about the
10 efficacy of it in terms of any influence it might have
11 on the Panel in terms of this particular area.
12 MR. GHIKAS: Okay. I will -- I think that is
13 sufficiently -- I think I've just about covered that
14 anyway, Mr. Chairman, so I take your point there.
15 THE CHAIRPERSON: Thank you, Mr. Ghikas.
16 MR. GHIKAS: Q: My final point is actually in response
17 to -- if we can have Volume 6, page 996 please.
18 THE CHAIRPERSON: 996?
19 MR. GHIKAS: Yes, it is.
20 THE CHAIRPERSON: Thank you.
21 MR. GHIKAS: Q: This is in response to a question from
22 Mr. Weisberg and I'll just read it here:
23 "Q: Ms. Prior, you strike me as not just
24 an intelligent woman but as an above average
25 intelligent woman. Does it make sense to
26 you as you sit here today to look at these

1 two press releases, one that was intended
2 for media in your words, and the other one
3 that's entitled An Open Letter to Customers,
4 and expect that they are to be received by
5 customers in tandem, that in a busy world we
6 live in that policy holders will look at, if
7 they find the press releases they will see
8 an open letter to customers and they may see
9 another one that says "ICBC makes changes to
10 optional and basic rates". Which one do you
11 expect they are more likely to read if they
12 read only one?"
13 And Ms. Prior, you say:
14 "A: Well, I think that you're assuming
15 that everybody is reading the op-ed. I
16 think the broader messaging actually went
17 out with what we put out to all news
18 releases. This one here is -- this one here
19 was the one in the publication in a letter
20 to the editor, so I think more broadly read
21 and the more broadly announced. The 197
22 hits we had on the story related to the 4.9,
23 so I think that's been our experience in the
24 past."
25 Ms. Prior, I handed out just now a package
26 which has the *Vancouver Sun* front page on it from

1 August 30th, 2013, and again August 30th was the same
2 day as Mr. Blucher's op-ed piece?
3 MS. PRIOR: A: Yes, that's correct.
4 MR. GHIKAS: Q: Okay, and it's hard to see but I've got
5 the original. Mr. Weisberg had his orange cards. I
6 have this. So if we go to the top above the fold on
7 the top here where it says "4.9 percent increase" in
8 large blue font?
9 MS. PRIOR: A: Yes.
10 MR. GHIKAS: Q: Okay. Can you just confirm for me, is
11 this the story that was picked up from your news
12 release?
13 MS. PRIOR: A: Yes. Yes, that's the story.
14 MR. GHIKAS: Q: Thank you. And if you turn over the
15 second page, so you see there's a picture of a car.
16 That's on page A-2 about the "Soaring injury claims
17 blamed", that's the continuation of the article on the
18 first page. And if you turn to the third page,
19 there's page A-11. So the last page of the A section
20 we have Mr. Blucher's letter. Is that your
21 understanding that Mr. Blucher's letter was on page A-
22 11 of the *Vancouver Sun?*
23 MS. PRIOR: A: That's correct.
24 MR. GHIKAS: Q: Okay. Did this letter run, this letter
25 of Mr. Blucher's run in any other paper?
26 MS. PRIOR: A: No, we didn't provide it to any other

1 paper.
2 MR. GHIKAS: Q: Okay. And if you turn over to the next
3 page, this is a copy from the *Vancouver Sun* online
4 edition with the heading of the four point -- "ICBC
5 wants to hike rates by 4 percent…".
6 **Proceeding Time 11:38 a.m. T34**
7 MS. PRIOR: A: 4.9 percent, yes.
8 MR. GHIKAS: Q: Yeah.
9 MS. PRIOR: A: Yes.
10 MR. GHIKAS: Q: Now, is -- were you aware of the 4.9
11 percent -- before you answer, let me ask the question.
12 And then pause, please. ICBC -- the press release
13 being picked up in the *Times-Colonist* and *The Province*
14 as well?
15 MS. PRIOR: A: Sorry, was the --
16 MR. GHIKAS: Q: Were you aware that ICBC's news release
17 was also picked up in the *Vancouver Province* and the
18 *Times-Colonist* on August 30th?
19 MS. PRIOR: A: I am not sure exactly which publications
20 it was picked up in. I knew it was, like, a
21 broadcast, and hit 197 is the number that we had
22 counted. I wasn't exactly sure which publications.
23 MR. GHIKAS: Those are my questions, anyway, Mr.
24 Chairman.
25 THE CHAIRPERSON: Thank you.
26 MR. GHIKAS: So it will be Exhibit B-28.

1 MR. MILLER: Can we mark that as Exhibit B-28?
2 THE HEARING OFFICER: Marked B-28, then.
3 **(EXCERPTS FROM *THE VANCOUVER SUN* MARKED EXHIBIT B-28**
4 **FOR IDENTIFICATION)**
5 MR. WEISBERG: Mr. Chair, I was just -- it didn't appear
6 to me that that was addressing a clarification of
7 evidence. It seems to me that it was evidence after
8 cross-examination was completed. So I object to it
9 being included in the record.
10 MR. MILLER: Mr. Chair, that goes to weight, not
11 admissibility. The Commission has a large discretion
12 to admit whatever evidence it wants, and this is not
13 court.
14 THE CHAIRPERSON: Thank you.
15 MR. WEISBERG: I'll leave it at that. Thank you.
16 THE CHAIRPERSON: Thank you, Mr. Weisberg, for your
17 comment. Okay, Mr. Miller.
18 MR. MILLER: Mr. Chair, I believe we need to close the
19 evidentiary record now, subject to outstanding
20 undertakings. And then we can move on to the --
21 hopefully the very brief issue about the timing of
22 filing of argument, and I already have the tentative
23 dates in the Commission Exhibit A-10, which I will
24 quickly circulate. We'll ask the Insurance
25 Corporation to go first. Any interveners that
26 disagree with the tentative timetable should then

1 address it, and then ICBC gets the last chance.
2 There is no need to mark this.
3 THE CHAIRPERSON: No. I have the copy of it.
4 Mr. Ghikas?
5 MR. GHIKAS: In terms of the timetable, it looks fine to
6 ICBC. I think we're -- it's more constrained than any
7 of us would like, I'm sure, but understanding
8 completely that the Panel has to begin its
9 deliberations. So I think we're going to have to live
10 with it.
11 THE CHAIRPERSON: Any interveners wants to comment on the
12 timetable?
13 MR. MILLER: There is no positive indication from the
14 room, Mr. Chair.
15 THE CHAIRPERSON: Thank you. Is there anything else?
16 MR. MILLER: Not that I'm aware of, Mr. Chair. You will
17 have to eventually rule on the timetable, but it's not
18 necessary today. Early next week would be fine.
19 THE CHAIRPERSON: So, yes, thank you for that reminder.
20 We will issue a letter next week, the beginning of
21 next week, indicating that -- confirming the agreement
22 to this timetable. I would think we would do that.
23 So, expect it some time during the week. Probably
24 early in the week.
25 Is there anything else, Mr. Miller?
26 MR. MILLER: Not that I'm aware of, Mr. Chair.

THE CHAIRPERSON: Okay. If that's the case, then thank you --

MR. MILLER: Oh, Mr. Chair, can you confirm that the record is closed? Subject to --

THE CHAIRPERSON: Sorry. Yes, I will confirm that the record is closed, subject to the undertakings.

And nothing else? If there is nothing else, I want to thank everyone for all their hard work during this hearing. I know it's -- especially when it's a little bit longer than normal. And I appreciate all the effort that's gone in by all parties to clarify the issues for the Panel, so that we can make the best judgment possible on the requests by ICBC in its application.

So, -- this hearing is adjourned.

(PROCEEDINGS ADJOURNED AT 11:42 A.M.)