BRITISH COLUMBIA UTILITIES COMMISSION

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

And

Insurance Corporation of British Columbia -
2018 Basic Insurance Rate Design Application -
Project No. 1598968

Vancouver, B.C.
September 4th, 2018

Streamlined Review Procedure

BEFORE:

D. Morton	**Chairman**
A.Fung	**Commissioner**
B. Magnan	**Commissioner**

VOLUME 1

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APPEARANCES

P. MILLER	Commission Counsel
M. GHIKAS	Counsel for Insurance Corporation of British Columbia (ICBC)
T. LITMAN	Vancouver Transport and Policy Institute
J. QUAIL	Counsel for Movement of United Professionals (MoveUP)
R. LANDALE	Self
L. WORTH	Counsel for British Columbia Old Age Pensioners' Organization, Active Support Against Poverty, Disability Alliance BC, Council of Senior Citizens' Organizations of BC, Together Against Poverty Society and Tenants Resource and Advisory Centre (BCOAPO)
F. WEISBERG	Toward Responsible Educated Attentive Driving (TREAD)
R. McCANDLESS	Self
W.T. WEILAND	ICBC
K. AIMERS	ICBC
N. JIMENEZ	ICBC
L. CHEUNG	Commission Staff
A. PLAHA	Commission Staff
B. GUZMAN	Commission Staff

1 **VANCOUVER, B.C.**
2 **September 4th, 2018**
3 **(PROCEEDINGS COMMENCED AT 8:30 A.M.)**
4 THE CHAIRPERSON: Good morning, ladies and gentleman.
5 My name is Dave Morton and I'm the panel chair. With
6 me are Commissioners Anna Fung and Bernie Magnan.
7 Welcome to this morning's streamlined review
8 proceeding to consider various matters related to
9 ICBC's basic insurance rate design application which
10 was filed on August 15th, 2018.
11 We're going to start with introductions,
12 first from the representative of ICBC followed by
13 registered interveners and BCUC staff. ICBC will then
14 make a presentation summarizing their application.
15 In accordance with the BCUC letter
16 regarding the streamlined review process which was
17 dated August 30th and posted as Exhibit A-4, ICBC is
18 requested to limit its initial presentation time to no
19 longer than two hours in order to allow time for
20 subsequent questions and response period during
21 today's process.
22 In accordance with the regulatory timetable
23 established in order G-152-18 parties have provided a
24 number of written questions to ICBC.
25 **Proceeding Time 8:32 a.m. T02**
26 I note that ICBC has responded to them and

1 I assume that all parties have copies of this
2 response. But I also assume that, like myself,
3 parties didn't get that response until just before
4 this meeting, or before this proceeding. So, I'm
5 going to ask ICBC to, where appropriate, and in the
6 course of your presentation, to summarize those
7 responses, so that people will have an opportunity to
8 hear them.
9 And in addition, we will be taking a break
10 after your presentation. I may extend the time of the
11 break to give people a chance to read the responses to
12 their questions. So if you could just please be
13 mindful that people may not have had a chance to read
14 them yet.
15 And then you will have the opportunity to
16 ask follow-up questions after the break, when I turn
17 it over to interveners.
18 Please remember that in cases where Orders
19 in Council 458-18 and 459-18 prescribes what the BCUC
20 must approve, please remember that those items are
21 effectively out of scope at this proceeding, and in
22 the interests of regulatory efficiency, there is
23 really no need to pursue questioning around those
24 issues. And I would ask that you please -- I would
25 ask interveners to please be mindful of that.
26 So now we're going to introduce ourselves.

1 Again, starting with ICBC and then we'll move along
2 that side of the room; the south side, I think. And
3 then move to the back, and then we'll move to the -- I
4 think it's mostly -- and then we'll move up this side.
5 And just please state your name, spell your
6 last name for us, for the record. And tell us who you
7 are representing and what your role is here. If you
8 could do that, I would appreciate it. And then after
9 that we'll move immediately into ICBC's presentation.
10 Thank you.
11 Please, Mr. Weiland.
12 MR. WEILAND: My name is Bill Weiland. I'm the external
13 actuary with Eckler Limited. My last name is spelled
14 W-E-I-L-A-N-D.
15 MS. AIMERS: I'm Kelly Aimers, A-I-M-E-R-S. And I'm the
16 director of pricing at ICBC.
17 MR. JIMENEZ: Good morning. My name is Nicholas Jimenez,
18 the president and CEO of ICBC. My last name: J-I-M-
19 E-N-E-Z.
20 MR. GHIKAS: Mr. Chairman, my name is Matt Ghikas, G-H-I-
21 K-A-S. I'm external counsel for ICBC. There are
22 several people here from ICBC. Do you want each of
23 those individuals to introduce themselves? We weren't
24 anticipating them speaking, so --
25 THE CHAIRPERSON: If they're not anticipating
26 participating, that's fine.

1 MR. GHIKAS: Okay, thank you.
2 MR. LITMAN: Good morning. My name is Todd Litman, with
3 the Victoria Transport Policy Institute. Litman is
4 spelled L-I-T-M-A-N.
5 THE CHAIRPERSON: Thank you, sir.
6 MR. QUAIL: Good morning. Jim Quail representing MoveUP,
7 which is the union that represents employees of ICBC.
8 THE CHAIRPERSON: Thank you, Mr. Quail.
9 MR. LANDALE: Good morning. My name is Richard Landale,
10 L-A-N-D-A-L-E, and I'm representing myself. Thank
11 you.
12 THE CHAIRPERSON: Thank you, Mr. Landale. Is there a
13 gentleman at the back?
14 MR. CHEUNG: Leon Cheung, C-H-E-U-N-G. BCUC staff.
15 MR. PLAHA: Good morning. My name is Amit Plaha, P-L-A-
16 H-A, BCUC staff.
17 MS. GUZMAN: Hi, my name is Bonnie Guzman, G-U-Z-M-A-N,
18 BCUC staff.
19 THE CHAIRPERSON: Is there any other staff that want to
20 introduce themselves? No? Okay.
21 MS. WORTH: Good morning, Mr. Chair, members of the
22 panel. First of all, my apologies for being late. I
23 was actually in a bit of a fender-bender on the way
24 and then I couldn't park.
25 Leigha Worth, here as counsel for BCOAPO *et*
26 *al.*, and that's W-O-R-T-H.

1 THE CHAIRPERSON: Thanks, Ms. Worth.
2 **Proceeding Time 8:37 a.m. T03**
3 MR. WEISBERG: Good morning. My name is Weisberg, W-E-I-
4 S-B-E-R-G, Fred J., appearing for Toward Responsible
5 Educated Attentive Driving, or TREAD. Good morning,
6 and my apologies for being late as well.
7 THE CHAIRPERSON: As long as you weren't in a fender-
8 bender also.
9 MR. WEISBERG: Not today, sir.
10 MR. MILLER: Mr. Chair, Miller, initial P., external
11 counsel to BCUC. And I note we still have Mr.
12 McCandless on the line.
13 THE CHAIRPERSON: Mr. McCandless, are you on the line?
14 MR. McCANDLESS: Yes, I am. Richard McCandless, M-C-C-A-
15 N-D-L-E-S-S, and not aligned.
16 THE CHAIRPERSON: Okay, thank you, sir.
17 Okay. Are you ready to go?
18 MR. JIMENEZ: We are.
19 THE CHAIRPERSON: Thank you.
20 **ICBC PRESENTATION:**
21 MR. JIMENEZ: I'm going to move to the agenda. We've got
22 a lot of ground to cover today. So, I'll just quickly
23 run through the main sections of the presentation and
24 then we'll jump right into it.
25 We're going to begin with just some very
26 preliminary remarks that accentuate, highlight, the

1 elements of the rate design that we're going to talk
2 about today; spend a little bit of time talking about
3 the background, and some of the challenges we have
4 with the current rate design. We're going to then
5 move to the heart of the presentation, and explaining
6 essentially what we put forward in the application, in
7 terms of the new rate design. That includes looking
8 at certain customer impacts, providing examples to
9 kind of illustrate what the changes will look like in
10 certain scenarios.
11 Mr. Weiland will then provide an external
12 actuary assessment, and we'll finish with a change
13 management and looking forward section before we
14 return it back to the Commission panel for -- to ask
15 their questions.
16 So, today we are here seeking approval from
17 the Utilities Commission to implement our basic
18 insurance rate design. And this is as prescribed by
19 government in its direction letter to ICBC and the
20 Commission. I think it's well understood in the
21 application, but per the direction letter, the rate
22 design is to take effect September 1st, 2019. It also
23 includes other provisions for the driver penalty point
24 premium and the driver risk premium, the DPP and DRP
25 programs that we commonly call them. And those would
26 take effect on November 1st, 2018 with a further

1 increase November 1st, 2019. And we'll talk a little
2 bit more about that later in the presentation.
3 I guess rate design, simply put, is really
4 about how we allocate costs among customers in a
5 revenue-neutral way. We have come to this place by
6 virtue of the fact that we have a rating framework
7 that has been in existence for, you know, between 20
8 and 30 years. And while it worked well for a number
9 of years, it has over time become less effective at
10 distinguishing risk, distinguishing risk among
11 customers with this different levels of risk. We're
12 going to talk a little bit about some of the current
13 challenges we have with the program. But this
14 application essentially proposes a major redesign for
15 how we think about rate design, to fundamentally
16 improve fairness in British Columbia's auto insurance
17 system.
18 The challenge we have with -- well, the
19 opportunity we have here is essentially to improve
20 rate design, and essentially it's to bring -- there we
21 go. It's to bring a data driven approach, or a more
22 informed data driven approach, to how we look at
23 fairness; to make sure that we are doing a better job
24 aligning premiums more closely with the risks
25 associated with someone's driving record, and
26 someone's experience; and to address and incorporate

1 the directed policy overlays prescribed by government
2 to specifically look at issues of affordability.
3 **Proceeding Time 8:41 a.m. T4**
4 Some of the basic highlights, and Kelly is
5 going to go into this in a lot more detail, but if I
6 had to just step back and summarize some of the
7 highlights, you know, fundamentally we believe that
8 two-thirds of drivers will be better off in the new
9 rate design than they are in the current system. The
10 design also ensures that lower risk drivers will pay
11 less. And by lower risk drivers we're specifically
12 talking about experienced drivers who do not have at-
13 fault crashes.
14 We also designed it in such a way to ensure
15 conversely that higher risk drivers will pay more and
16 high risk drivers — again, as Kelly will get into in a
17 little bit more detain — for us is typically
18 categorized by those who are inexperienced and those
19 who have had at-fault crashes, repeated at-fault
20 crashes.
21 Another benefit of this new system is that
22 seniors will be better off overall. And then we have
23 spent a lot of time developing a transition plan to
24 manage the impacts as we move from the old system to
25 the new system. Finally, and again it's something
26 we'll spend a little bit of time talking about at the

1 outset, that there will be little impact of the
2 proposed rate design on fleet, garage and our taxi
3 customers.
4 I think it's important too — and we'll
5 spend a bit of time talking about this shortly — to
6 highlight the fact that change management is going to
7 be absolutely crucial here. As much as, you know, we
8 spend a lot of time, you know, working with government
9 to think about and get the design right and get
10 actuarial tables correct and the modeling down, the
11 bigger challenge I think we will have is in the change
12 management piece.
13 And this is moving over 3.3 million
14 customers from a system that has been in place, as I
15 said before, between 20 and 30 years, to something
16 that is new. And in some ways requiring customers to
17 disclose more information and bringing more nuance and
18 more rating variables in to the system. So making
19 sure that we have a smooth implementation, both for
20 customers -- sorry, not both. For customers, for our
21 brokers and for employees, will be of paramount
22 importance and we'll spend some time talking about how
23 we're thinking about that challenge today.
24 So just a bit of background before we jump
25 into the details. It's important to remember that
26 rate design is part of a broader government plan that

1 has been announced -- really beginning with September
2 of last year announcements made by the Attorney
3 General, and again in February, and more recently in
4 July, to address the challenges with B.C.'s auto
5 insurance system. Rate design is the part of the
6 program designed to address fairness. There are other
7 announcements that have been made that are
8 specifically looking at the costs associated with this
9 systems. So you'll be well aware that we are
10 implementing major changes to the product and that
11 will come into effect in April of 2019. The Attorney
12 General and his colleague, the Solicitor General, have
13 announced road safety measures in addition to other
14 initiatives that ICBC is looking at for operational
15 effectiveness. All of these together form a
16 comprehensive program, a suite of initiative design
17 to, again, the address challenges. The one we're
18 looking at specifically today, obviously, is just rate
19 design and that is primarily directed at the fairness
20 precept of the challenges with the current system.
21 So I mentioned earlier that the August 9th
22 announcement, my government directed ICBC to seek
23 approval of the tariff to achieve the listed
24 objectives, and I believe that information was filed
25 in our application, but I won't go through it today.
26 The application also seeks BCUC approval for the same

1 tariff pages subject to certain errata.
2 I think it will be obvious to most in the
3 room, but I'll just take a quick minute to highlight
4 this in case it's not, and it's to distinguish between
5 rate design and revenue requirements. So rate design
6 is fundamentally who pays what portion of our costs,
7 particularly as it relates to basic insurance. We
8 have typically in communicating with customers and the
9 media and brokers, used the analogy of a pie. It's a
10 little bit simplistic, but I think it helps illustrate
11 the difference. Whereas revenue requirements
12 identifies the amount of premium we need in any given
13 policy year, and that's something obviously that we do
14 on an annual basis, rate design is how we carve up
15 that pie. And the proposals that we're making are to
16 carve up that pie in a more fair way today. One that
17 does a better job of recognizing risk than the current
18 system. So I'm sure we'll come back to this a number
19 of times over the course of the presentation, and then
20 into the questions, but I wanted to get that out as
21 context before we get too far into this.
22 **Proceeding Time 8:47 a.m. T05**
23 So, in light of that fact, the application
24 does not address a couple of things. Because we are
25 addressing rate design, we are not looking at general
26 rate increases or decreases and whether they are

1 warranted or not. We are not looking at things like
2 the cost of processing, paying out claims and any
3 forecasts related to how we model rate increases. We
4 are not looking at initiatives that are currently
5 underway to address cost controls, some of which I
6 mentioned minutes ago in my remarks. And we are not
7 specifically addressing optional insurance because
8 this is specifically related to our basic product.
9 So when we approach rate design, we look at
10 it generally as understanding the risks presented by
11 customers, and using complex actuarial modelling to
12 determine what is the right way to design a system so
13 that it's fair and accurately assesses risk. But
14 interestingly, we also have to embrace and incorporate
15 policy overlays as directed by government. And this
16 often can result in premiums being different from what
17 the actuarial analysis would indicate in order to
18 promote a particular objective and we'll talk about
19 some of those when we get into the detail.
20 It also results in us providing for
21 transition periods to accommodate increases or
22 decreases for certain customer segments within our
23 broader portfolio.
24 So as I said earlier, the current rate
25 design has been in place for many years. I think it's
26 been used with effect, but over time we have discerned

1 a number of particular challenges, and those are some
2 of the challenges we attempted to address in the
3 proposals that we put forward in our application.
4 I guess I'll give a couple of examples.
5 But at a high level, the current model doesn't do a
6 particularly good job of ensuring accountability for
7 the impact of crashes, and as a result it doesn't do a
8 very good job distinguishing risk. It's also built on
9 a model that we say is vehicle based not driver based,
10 so crashes tend to follow the vehicle and not the
11 driver, allowing some people to escape accountability
12 for their actions. It also has a limited number of
13 rating variables, which again limits the ability for
14 us to provide a more sophisticated view of how we look
15 at risk.
16 So just some illustrations. Currently
17 about 80 percent of British Columbians get the top
18 insurance discount, about 43 percent. The challenge
19 we have there is that 8 out of 10 drivers can't
20 possibly have an identical risk profile. Our current
21 system doesn't allow us to provide more nuance to how
22 we look at risk, because it offers very little
23 differentiation in that regard.
24 The other thing it does is it forgives too
25 many crashes. Currently we forgive about 40 percent
26 of all crashes in a year, and that means everybody

1 else has to pay for those crashes, especially those
2 who didn't cause the crashes, and I think customers
3 have said to us for years that that's an unfair design
4 feature, and I think we tend to agree.
5 The other thing is that the data that we
6 use to determine rate classes in territories was last
7 updated in 2007 -- or 2010, excuse me. But it was
8 based on 2007 data. So what we know, obviously, is
9 that between 2007 and 2018 a lot has changed in
10 British Columbia communities. Infrastructure,
11 population, et cetera, has evolved and our rating
12 variables for rate class and territory have also, and
13 so that was clearly a challenge for us.
14 So fundamentally again, against this
15 backdrop, we are attempting to find ways to address
16 what we believe are some of the key challenges with
17 the current system.
18 I'm going to hand it over to my colleague
19 Kelly who will move to the specifics of the details.
20 **Proceeding Time 8:51 a.m. T06**
21 MS. AIMERS: Before I get into the new rate design, I
22 just wanted to give a little bit of background on
23 myself. I am the director of pricing and regulatory
24 affairs. I've worked in the actuarial field for over
25 20 years. I have obtained my Fellowship with the
26 Canadian Institute of Actuaries in 2005, and my

1 Associateship of the Casualty Actuarial Society in
2 2008.
3 My role within this project has been to
4 lead the actuarial analysis that supports this
5 application. That team has consisted of pricing
6 actuaries, as well as our predictive analytics team
7 that's been led by Mr. David Menard. Mr. Menard has
8 his ACAS and FCIA, as well as he is a certified
9 specialist in predictive analytics.
10 So at a high level, if we're looking at the
11 role of an actuary, we are business professionals who
12 deal with measurement and management of risk and
13 uncertainty. So within the context of this project,
14 the actuary's role has been to provide data-driven
15 analyses based on statistical modeling and technical
16 judgment. And this supports the certain elements of
17 the rate design that are to be in accordance with
18 accepted actuarial practice, based on the government
19 directive letter.
20 We are certified by our Casualty Actuary
21 Society, and that's done by passing a series of exams,
22 which takes about four to seven years. And in
23 addition, we have to achieve 100 hours of professional
24 development every two years. So, and the reason why
25 I'm going through this is to give you an understanding
26 that we have extensive training and on the job

1 experience that ensures that we are qualified to
2 undertake this work.
3 Okay, enough of that. Okay, I'm going to
4 move into the new rate designs, and we're going to
5 start off with going through the changes to driver
6 penalty point and driver risk premium. So these are
7 part of the government direction, and what it says is
8 that, as of November 1st, 2018, those premiums are to
9 be increased by 20 percent. And just to give a bit of
10 background on what DPP and DRP is, these are traffic
11 offenses or serious convictions. So, DPP, what it
12 does is it assigns points to certain traffic offenses,
13 such as speeding, distracted driving, red lights and
14 they start off with four points, fined $175, and it
15 escalates with how many points you receive.
16 DRP is more aligned to serious convictions
17 such as excessive speed, drinking and driving. So
18 across the board these will increase by 20 percent on
19 November 1st, and another 20 percent coming in November
20 1st, 2019. And after that, starting with policy year
21 2020, they will be aligned to the revenue requirement
22 rate change.
23 So the reason why we're starting off with
24 this is because these are not included in your basic
25 premium. These are a stand-alone charge, that's
26 billed directly to the driver. So it doesn't impact

1 the registered owner of the basic policy.
2 So at a high level we're going to walk
3 through each of the factors that are outlined in the
4 new rate design algorithm. A lot of information is
5 found in Chapter 3, and we're going to try to give a
6 deeper dive and a better understanding of what those
7 factors are and how they comply with the government
8 directive.
9 So each of the factors we've lumped into
10 three categories. Vehicle factors; this is the rate
11 class and territory. We've added a category for
12 driver factors. So this is a fundamental change to
13 the new rate design is that we're now looking at all
14 of the drivers that are driving the vehicle. And then
15 we're going to talk through some of the additional
16 discounts and add-ons that we're introducing through
17 this design.
18 We're going to start with the base rate.
19 And we made a starting point to apply all of the
20 factors to. So that starting point is represented by
21 $1,000. It has no impact on the customer's premium by
22 setting it at $1,000. It is simply the base rate that
23 all the factors apply to. So in current state, we had
24 a base rate, it was embedded into the rate class and
25 territory amounts. So for example if you were to look
26 up in the current tariff under rate class and

1 territory, they're expressed as dollars. So for
2 instance, Territory D, which is Lower Mainland, rate
3 class 1, would have shown a dollar amount of roughly
4 $1900. All we're doing is, we're dividing out $1,000
5 and calling that the base rate. And now the rate
6 class and territories are expressed as factors. So,
7 1.9. So combined, it's the same number, it's just how
8 we're communicating it.
9 And then going forward with any rate --
10 with any revenue requirement rate changes, those will
11 be applied to the $1,000 base rate. So for example if
12 we have a 2 percent rate increase, the $1,000 will now
13 be expressed as $1,020.
14 **Proceeding Time 8:51 a.m. T07**
15 Okay, so we are going to start by going
16 over the vehicle factor, and that's the rate class and
17 territory factor, and as Mr. Jimenez mentioned, no
18 change to today in the structure of the rate class and
19 territories but we are updating these factors to
20 represent new information. So this analysis hasn't
21 been performed since 2007 and a lot has changed in
22 that time. So this file is the government directive.
23 By basing this on data driven analysis it's using
24 statistical models. Mr. Weiland will go through his
25 review process, but it's also been reviewed by our
26 external actuary, and the main change here is that

1 these changes will be transitioned over a ten-year
2 period.
3 The next two slides show a summary of what
4 the impacts are with regards to the rate class and
5 territory change. So you'll look, we've shown the 14
6 rating territories within B.C. and the first column
7 shows the average annual territorial adjustment in
8 year one, and then the second column shows the
9 accumulated increase over the next ten years.
10 And so we've highlighted the territories
11 that are going to be seeing increases. Now these are
12 averages and this is only reflecting the rate class
13 and territory factor. So there is going to be other
14 factors that we are going to talk about that could be
15 lower or could be higher.
16 This is the rate class summary of those
17 changes. So these are rate class groups and what that
18 means is that we've -- there's several rate classes
19 that we have and we've just combined them into light
20 categories. So for instance, light commercial, it's a
21 rate class group on the screen. It consists of
22 several rate classes including artisans, short
23 delivery, U-drives, and again, this shows what the
24 first year of the annual rate change associated with
25 these rate classes is, and then the accumulated ten-
26 year impact.

1 And so again, we've just highlighted the
2 groups that are, on average, going to be seeing
3 increases over that time period.
4 Okay. I'm going to move into the driver
5 factors, and we're going to be introducing a new
6 acronym. It's called the combined driver factor, it's
7 CDF, and this is going to be replacing the current
8 CRS. And what this does is this is the fundamental
9 change to this new rate design, and as I mentioned
10 earlier, as a registered owner coming into the
11 broker's office, you will be asked to list your
12 drivers, who drives the vehicle. And now each of the
13 drivers that drive your vehicle will be assigned their
14 own individual risk factor. So we'll be looking at
15 the risk characteristics of all of those drivers to
16 calculate the vehicle's premium. And this is a shift
17 from today.
18 Today in the CRS world, if that vehicle had
19 a crash, that individual's premium was impacted
20 regardless of who caused that crash. That driver may
21 never drive the car again, but as the registered owner
22 of that vehicle, you were paying for that crash.
23 That's different in this new rate design.
24 So each listed driver will be assigned an
25 individual driver factor, and based on the government
26 directive, we will look at all of the listed drivers

1 and assign weights. So 75 percent of the weight will
2 be assigned to the principal driver, that's who drives
3 the vehicle the most, and of the remaining listed
4 drivers, we will assign the remaining 25 percent to
5 the highest risk driver.
6 So now we are going to go into how these
7 individual driver factors are calculated for each of
8 those drivers. And at a high level, the IDF, it
9 accounts for years of experience, crash history,
10 senior status, and new resident status. So the first
11 three are similar factors to what goes into the
12 current premium. The only new one added to this list
13 is the new resident status. And we'll walk through
14 each of these.
15 **Proceeding Time 9:01 a.m. T8**
16 So the formula at the top shows how we
17 calculate the individual driver factor and it starts
18 off with the experience factor. So the experience
19 factor, what it does is it looks at how many years of
20 experience does each driver have. And the change that
21 we're introducing with this as per the government
22 directive is we're going to be looking up to 40 years
23 of experience now. With the CRS, which is one of the
24 fundamental issues, as Mr. Jimenez mentioned, after
25 nine years of claims free experience within CRS you
26 already achieve the maximum discount of 43 percent.

1 You can't increase that discount with more years of
2 experience. With this new rate design we're extending
3 that discount out to 40 years.
4 And so what the graph shows is a graphical
5 depiction of what I've just said. So the blue line
6 shows current state, it shows CRS, on the horizontal
7 axis that shows all the years of experience all the
8 way up to 40 and on the vertical axis that shows the
9 amount of discount. So you start off with zero years
10 of experience. You work your way down to nine years
11 and then you maximum at the 43 percent discount all
12 the way out.
13 Now, if you look at what the experience
14 factor is doing, is it's a data driven analysis and
15 it's in accordance with accepted actuarial practice.
16 So this is the actual risk based on how many years of
17 experience you have and this is assuming that you are
18 crash free. So you'll notice it's a very different
19 line than what CRS shows.
20 So the two lines intersect at 15 and what
21 that means is that for those customers that have less
22 than 15 years of experience, they're not paying their
23 true risk. And those customers that have more than 15
24 years of experience are paying too much. And so this
25 line, what it shows is just the pure data driven
26 analysis before any policy overlays.

1 So within the experience factor it's a two
2 dimensional table. It looks at experience all the way
3 up to 40, that we just mentioned, and it also looks at
4 years since your last at-fault crash. So we talked
5 about the first column and that's the experience
6 assuming that you have no at-fault crashes. Now,
7 there's an additional charge if you've had a crash in
8 the last ten years. And so the first bullet we want
9 to speak to is we are looking at a ten-year scan
10 period for crashes. So if you've had a crash in the
11 last ten years it will impact your premium.
12 But to transition into the scan period
13 based on what the tariff pages outline, is that
14 transition will start at March 1st, 2017. So when this
15 is implemented on September 1st, 2019 and you go in to
16 renew your policy, we will only be looking if you've
17 had a crash after March 2017. Those crashes will
18 influence you on your new rate design.
19 And that's because if you've had a crash
20 eight years ago, you don't want to unexpectedly come
21 in to your broker and all of a sudden now that crash
22 is impacting your premium. So we will transition
23 customers into the ten-year scan period. Every year
24 we'll add a year until 2027, until the ten-year scan
25 period is implemented.
26 Now, the second point we want to talk about

1 is forgiveness. Now, Mr. Jimenez mentioned that under
2 the current state we have a very generous forgiveness.
3 Forty percent of our crashes are currently forgiven.
4 And as an example, you can be at the maximum CRS and
5 have three crashes in a year, ever after that you can
6 have a crash every four years and still be having the
7 maximum amount of discount of 43 percent.
8 So what the forgiveness does is it corrects
9 that issue. What it says — and again it's based on
10 the government directive — is that ICBC will give a
11 forgiveness for an at-fault crash as long as you have
12 20 years of experience and the last ten years are
13 crash free.
14 And the third bullet we want to speak to is
15 claims repayment. So current state we do allow for
16 claims to be repaid. About 16,000 claims are repaid
17 every year. And based on the government directive we
18 have introduced a threshold. So only claims that are
19 under $2,000 can be paid going forward. And these
20 payments include not only material damage, but also
21 bodily injury payments.
22 **Proceeding Time 9:06 a.m. T09**
23 Okay, I want to jump to the experience
24 adjustment factor because I think experience factor
25 and experience adjustment factor go hand in hand, and
26 what the experience adjustment factor is basically

1 what the title is, it's an adjustment to those
2 actuarially indicated rates that are outlined in the
3 experience factor. So this is that policy overlay to
4 the indicator rate. And this is meant to address
5 affordability for new drivers.
6 And basically a favourable adjustment is
7 applied to those drivers that have less than 15 years
8 of experience. But think about it. If we're going to
9 be giving a favourable adjustment to those drivers of
10 less than 15 years, and unfavourable adjustment is
11 given to those greater than 15 years, and that's no
12 different than what we saw with the CRS system.
13 Now, however, there is a catch here. If
14 you have an at-fault crash in five years and you have
15 less than 15 years of experience where you've had that
16 favourable adjustment, that favourable adjustment is
17 cut in half. And if you have two at-fault crashes in
18 five years, the favourable adjustment is removed.
19 And I've got a graph to show that. So
20 earlier I showed you the blue line, which is CRS; the
21 orange line, which is the actuarially indicated rate,
22 the experience factor; and what the purple line shows
23 in the combination of experience factor and experience
24 adjustment factor. So this is what a customer will see
25 as part of their idea.
26 So again you'll notice that 15 year mark.

1 Anyone with less than 15 years compared to current
2 state would see an increase with respect to these
3 factors and anyone with more than 15 years will see a
4 decrease. So you'll notice that there is still a
5 difference between the orange and the purple but we've
6 moved closer to the actual risk compared to current
7 state. I'm going to pause there, because this is an
8 important concept. Are there any clarifying
9 questions?
10 Sure.
11 THE CHAIRPERSON: Yes, so could you please clarify, the
12 dotted orange line is what the discount would be if it
13 wasn't for this experience adjustment factor.
14 MS. AIMERS: That's right.
15 THE CHAIRPERSON: But with the experience adjustment
16 factor it is actually -- the actual discount will be
17 the purple solid line.
18 MS. AIMERS: Yes, and we haven't accounted for the
19 other boxes in between yet, but if you're not --
20 THE CHAIRPERSON: Okay, fair enough.
21 MS. AIMERS: But yes.
22 THE CHAIRPERSON: So, and the dotted blue line is what
23 the current discount is.
24 MS. AIMERS: Yes.
25 THE CHAIRPERSON: So you're actually moving the discount
26 from the dotted blue line to the solid purple line.

1 MS. AIMERS: That's correct.
2 THE CHAIRPERSON: And the big jump up to the dotted
3 orange line is -- that's just on paper. That's not --
4 MS. AIMERS: That's correct.
5 THE CHAIRPERSON: Okay, thank you.
6 MS. AIMERS: Sure. Okay, so let's move to the multiple
7 chargeable claim payment factor. And as we outlined
8 in the experience factor, it only takes into account
9 years since your last at-fault crash. But what if you
10 have multiple at-fault crashes in the ten-year period?
11 So current state we do have what's called a
12 multiple crash premium, and that's a thousand dollars
13 charge if you've had three at-fault claims in the last
14 three years. Now, so we are replacing that with this
15 multiple chargeable claim payment factor. And that's
16 data driven. It is based on statistical modelling,
17 and it is in accordance with accepted actuarial
18 practice.
19 And what it is, is it's a table and it's
20 split by the age of that crash, and there's a divide.
21 What's in the tariff pages right now, that's part of
22 the errata that was filed. There is a labelling, it's
23 a mislabel. It says three years and under, and three
24 years and over, but the data that's actually in the
25 table that is in accordance with accepted actual
26 practice is a two-year split. So that's the analysis

that was undertaken. The table and the tariff, as well as in the chapter, is just a mislabeling. So I just wanted to bring that to your attention. And it was filed through the errata.

But that's the impact of the multiple chargeable claim payment factor, is it's based on the age of the crash and how many of those crashes you've had in each of those buckets.

Moving to the senior driver factor. Currently we do have a discount for our seniors. It's a 25 percent discount when they are 65 years old assuming that they use their vehicle for pleasure use only. So that's going to be in the same as current state. The registered owner also has to be a senior for this discount to apply to all of the drivers who are also 65 years or older. The difference is, based on the government directive, it is a 15 percent discount now. And that is because we've extended the years of experience out into 40. So as a driver gains more experience, they are gaining more discount.

So for an example, the maximum discount that a customer can receive is 52 percent in the new rate design versus 43. So that's an increase of 15 percent. So on top of that, the senior will receive a senior's discount of 15 percent. When you combine the two, a senior driver that does not have at-fault

1 crashes is better off.
2 **Proceeding Time 9:16 a.m. T10**
3 Now, however, the senior discount in this
4 new design will be impacted by at-fault crashes. So
5 keep in mind, we do have the forgiveness. So, if the
6 senior has 20 years of claims-free -- or, sorry, 20
7 years of experience and 10 years of claims-free, that
8 first at-fault crash is forgiven. So it's the first
9 unforgiven crash that the senior has where the senior
10 driver factor will be -- or the senior discount will
11 be reduced. So it will move from 15 percent to seven
12 and a half percent. And it's the second unforgiven
13 crash that they've had in the last ten years and the
14 senior discount will be removed.
15 Okay, we're going to introduce a new
16 resident driver factor. So this is new within the
17 rating algorithm. Current state, the way we deal with
18 new residents is when they're new to the province and
19 they want to gain insurance, they have to provide
20 proof of prior insurance to the broker. And that can
21 be quite difficult to do. Insurance companies may be
22 reluctant to provide that information to the customer.
23 Insurance company may be out of business. It's been a
24 big complaint, and it's also administratively complex
25 from our end of validating the information.
26 So going forward, as a new resident coming

1 into B.C., they no longer have to provide proof of
2 insurance. So what they do have to provide is proof
3 of driving experience.
4 So current state, when a driver comes to
5 B.C. and wants to apply for a B.C. licence, they go
6 into their driver licence office. In current state,
7 they provide their proof of their other jurisdictional
8 licence. And they only have to provide two years of
9 proof. So this is a change, and we're now going to be
10 asking them, "What is the earliest date that you've
11 had your driver's licence?" That information will be
12 stored and automatically fed to the brokers when that
13 new resident comes in to apply for insurance. So it's
14 less work on everyone's side, both customer, broker
15 and ICBC.
16 Now one of the changes that we are making
17 is, current state as a new resident, you are only able
18 to receive up to eight years of claims-free
19 experience. Under the new rate design we're extending
20 that to 15.
21 Now, to account for the fact that we are
22 not collecting prior crash experience, and based on
23 analysis, we've looked at the comparison of new
24 resident driver risk compared to a B.C. resident. And
25 new residents impose a higher risk than a new -- or a
26 B.C. driver with the same amount of experience

1 operating in the same territory. There is going to be
2 a new resident driver factor to account for that risk.
3 And again, this is laid out in the
4 government directive letter. So a new resident coming
5 in will be granted up to 15 years of experience.
6 However, they will have a driver factor of 1.15 in
7 year 1. That will reduce to 1.1 in year 2, 1.05 in
8 year 3, and after that they'll be treated just like
9 any other B.C. resident.
10 Okay, so before we move on, I just wanted
11 to give an example of how listing drivers is different
12 that current states. So we just walked through how
13 each individual driver factor is calculated. So we've
14 walked through to the components; they're all
15 multiplied together. It gives you an individual
16 driver factor, and now we need to combine those, apply
17 the weights, and bring us up to the combined driver
18 factor. So what this graph shows is of Erica. Erica
19 is a registered owner. She is also the principal
20 operator of the vehicle. Her husband, Steven, drives
21 the car as well as her daughter Jennifer. Under
22 current state, the only driver that was used was
23 Erica. And so she's got 30 years of experience, so
24 she was granted the maximum CRS discount of 43
25 percent. And we used -- she's living in North Van,
26 using her vehicle for pleasure use only. Her total

1 premium came to 1,097. So that's the current state.
2 Moving into the new rate design, Erica's
3 going to be asked to list her drivers. So Erica's
4 going to list Steven, who also has 30 years of
5 experience, and her daughter Jennifer, who has no
6 years of experience. She's a brand-new driver.
7 So, from our perspective, we're going to be
8 assigning weights to each of those drivers based on
9 their risk profiles. So at least we calculate IDF's
10 for each of her drivers. Erica, being the principal
11 driver, is assigned a 75 percent weight. Because she
12 has got 30 years of experience, she has more discount.
13 It's 48 percent.
14 Jennifer being the highest-risk driver,
15 between Jennifer and Steven, she's assigned 25 percent
16 of her IDF. So, Jennifer being a new driver actually
17 has a 17 percent surcharge.
18 So 25 percent of the surcharge, 75 percent
19 of the 48 discount is combined, and that gives us a 32
20 percent discount with a premium of 1309.
21 **Proceeding Time 9:18 a.m. T11**
22 So this is a better reflection of the risk
23 of the vehicle and in current state we didn't look at
24 Jennifer, and when we looked at the premium, and she
25 has an added risk to the vehicle. And so this is a
26 better way of attributing risk and calculating a more

1 accurate view of the vehicle's risk to the basic
2 insurance system.
3 Now, one difference compared to current
4 state is every year all three of their drivers will
5 move down that purple line and accumulate more
6 discount. So that 32 percent in year 2 will increase
7 to 35 percent. It will increase to 37 percent. It
8 will continue to increase as each of these drivers
9 gain more experience, as long as they remain crash
10 free.
11 Okay, we're going to walk through discounts
12 and add-ons now. I'm not going to talk a lot about
13 the disability discount factor or the high value
14 vehicle factor, because these are unchanged compared
15 to current state. So the disability discount factor
16 would be .75, which reflects the 25 percent discount,
17 and if the vehicle is a high-value vehicle, the factor
18 would be 2 to represent that it's 2 times the basic
19 insurance premium.
20 A new discount that has been added as per
21 the government directive is the advanced safety
22 technology factor. So that's giving customers a 10
23 percent discount for those that have vehicles with
24 manufacturer installed autonomous emergency braking
25 systems. So this is technology that has been proven
26 to prevent crashes.

1 Now, over time, as more technologies are
2 known and are proven to prevent crashes, they could be
3 added as well to this advanced safety technology.
4 A second discount factor that's been added
5 is a ten percent discount for those vehicles that
6 drive less than 5,000 kilometres in the prior year.
7 So we've just started collecting odometer readings
8 starting on August 23rd, 2018. And that's because
9 we're always looking a year back. So come when this
10 design is implemented in September 1st, 2019, in order
11 to give customers that discount, they had to have
12 driven 5,000 kilometres or less in the prior year. So
13 we need to start collecting that odometer data now so
14 when they come and renew, we can take A minus B. If
15 it's less than 5,000, those customers are eligible for
16 a ten percent discount.
17 Okay. Some of the add-ons. So one of the
18 add-ons is the learner premium. And this is the
19 different way of looking at learners. Based on the
20 government directive we are to apply an additional
21 premium to represent the learners. It's starting at
22 -- its base premium is $117 and is adjusted based on
23 what territory the vehicle is operating in. It's
24 using the pleasure use rate class.
25 So, for example, somebody operating their
26 vehicle in the Lower Mainland would pay more.

1 Somebody operating in Prince George would pay less.
2 Now, the key things with learners is that
3 this premium reflects the fact that we are no longer
4 collecting crashes for learners. If a learner causes
5 the crash during that period, it is not going to
6 impact his or her record, nor does it impact the
7 registered owner of the vehicle. A crash is
8 completely forgotten.
9 On the other side, we are not -- the
10 learner will not be accumulating any experience during
11 the learner period. So once they get their novice
12 licence, they start off on that experience factor with
13 zero years of experience, but they are crash free.
14 I'm going to jump to unlisted driver
15 accident premium. So earlier we talked that as the
16 customer coming in, you have the choice to list your
17 drivers. However, if you don't list your drivers and
18 one of your unlisted drivers has a crash, there are
19 financial consequences. And so that's what the
20 unlisted driver accident premium is.
21 So if we go back to Erica in her instance,
22 let's assume she does not list Jennifer or Steven, she
23 just lists herself. So she pays a lower premium.
24 However, if Jennifer crashes her car, there is a
25 financial impact to Erica. It's one-time penalty, and
26 what it is, is it's 15 times the premium that she paid

1 versus the premium that she would have paid had she
2 listed Jennifer as a driver.
3 So if we were to do the math in Erica's
4 case, that would have been over $4,000.
5 **Proceeding Time 9:28 a.m. T12**
6 So this is a financial consequence which is
7 urging people to list their drivers, so we can
8 accurately reflect the risk. Now, if the unlisted
9 driver had a better risk -- so, Steven, for instance,
10 let's say Steven drove the car and crashed it.
11 Because Steven has the same risk as Erica, the 15
12 times premium is zero. So there would be no financial
13 consequence for Erica for not listing Steven, because
14 he's the same if not better risk than Erica.
15 So the consequence only applies to those
16 drivers, unlisted drivers, who are a higher risk than
17 those that are already listed.
18 In addition, if the unlisted driver does
19 not have a valid B.C. drivers' licence, or -- sorry,
20 not a valid one, an out of province driver's licence,
21 it's a one-time penalty of $250. Not the 15 times.
22 It's just $250. So it's a one-time consequence and
23 the crash follows the driver.
24 COMMISSIONER FUNG: And so, Ms. Aimers, just want to
25 clarify your last point. I assume that's regardless
26 of what the unlisted driver's experience is, provided

1 that he or she is from out of town. Is that correct?
2 MS. AIMERS: Yes.
3 COMMISSIONER FUNG: Okay, thank you.
4 MS. AIMERS: Now, there are exceptions to the unlisted
5 driver accident premium. If Jennifer wasn't listed,
6 and she had to drive Erica as a medical emergency and
7 crashed the car, there would not be a one-time
8 financial consequence.
9 MR. QUAIL: Are there any other exceptions?
10 MS. AIMERS: I believe there is an exception if you are a
11 company that has designated drivers, like Operation
12 Red Nose, and those drivers were driving your vehicle
13 and crashed it, they would also be excluded from this
14 premium.
15 THE CHAIRPERSON: But not if your high-risk daughter
16 drove it.
17 MS. AIMERS: No.
18 THE CHAIRPERSON: In that circumstance.
19 MS. AIMERS: Yes, that's right.
20 COMMISSIONER FUNG: And, Ms. Aimers --
21 MS. AIMERS: Yes.
22 COMMISSIONER FUNG: Can I just ask one follow-up
23 question?
24 MS. AIMERS: Sure.
25 COMMISSIONER FUNG: I'm aware that, you know, there are
26 many seniors living on their own who occasionally need

1 to be driven, let's say, to -- not for medical
2 emergency but, you know, for doctor's visits, and
3 allows a neighbour to drive them, to avoid having them
4 take a taxi.
5 MS. AIMERS: Mm-hmm. Mm-hmm.
6 COMMISSIONER FUNG: In those circumstances, what is that
7 individual supposed to be doing, under this new
8 policy?
9 MS. AIMERS: That's what the next slide is going to talk
10 to. And I'll jump to it, unless Mr. Weisberg has --
11 COMMISSIONER FUNG: I'm happy to defer.
12 MS. AIMERS: So I will -- I will address that question.
13 COMMISSIONER FUNG: Thank you.
14 MR. WEISBERG: I just wanted to follow up on what you
15 just said about designated drivers. So, I'm imagining
16 a situation where someone goes to a pub, becomes
17 intoxicated, that they realize, and they want to do
18 the right thing and they designate someone else as a
19 driver.
20 MS. AIMERS: Mm-hmm.
21 MR. WEISBERG: And they ask them to drive their vehicle.
22 Is that an exception, or is it not formally classified
23 as a designated driver that would trigger this
24 exception?
25 MS. AIMERS: Right. They would not be considered an
26 exception.

1 MR. WEISBERG: And you've considered that that -- from an
2 insurer point of view, might be a behaviour that you
3 would want to encourage, but you're not doing so with
4 this rate design.
5 MS. AIMERS: And that's what the next slide hopefully
6 addresses. But come back if I don't. Okay. The same
7 thing.
8 Okay, so there is an unlisted driver
9 premium protection. So what this does is, this --
10 it's an added premium. It starts off at $50, and what
11 it -- and if you purchase this, what it does is, it
12 protects you from that unlisted driver accident
13 premium if an incidental driver drives your vehicle
14 and crashes it. So what it does not include, though,
15 are household drivers, employees or anyone that drives
16 your vehicle more than 12 times a year. So these are
17 meant to think about those incidental drivers who may
18 drive your vehicle. You would purchase this coverage
19 to protect you from that.
20 THE CHAIRPERSON: Does that mean someone in your
21 household can drive it 12 times a year and still be
22 under this coverage?
23 MS. AIMERS: No. This coverage does not include your
24 household drivers.
25 THE CHAIRPERSON: At all.
26 MS. AIMERS: Because you are assumed to know who's

1 driving your vehicle in your household. But you may
2 not know that neighbour Bob would be driving your
3 vehicle.
4 THE CHAIRPERSON: Okay.
5 COMMISSIONER MAGNAN: This is just a follow-up question
6 to that. So, 12 times a year, that's once a month.
7 MS. AIMERS: Yes.
8 COMMISSIONER MAGNAN: If you're a senior and have several
9 medical appointments in a month, then you have your
10 granddaughter or your son or your neighbour, who is an
11 occasional driver of your vehicle, come and drive you.
12 MS. AIMERS: Mm-hmm.
13 COMMISSIONER MAGNAN: And they use your vehicle. That
14 means that they can only drive it once a month and
15 still not have to pay an extra premium. Is that
16 correct?
17 MS. AIMERS: That's right. And so if you know that that
18 driver is going to be driving your vehicle often, we
19 would want that person to list the driver. That's
20 part of the risk of the vehicle.
21 **Proceeding Time 9:28 a.m. T13**
22 COMMISSIONER MAGNAN: So then $50 for an additional
23 driver. Does that apply to all additional drivers?
24 MS. AIMERS: Yes.
25 COMMISSIONER MAGMAN: So a $50 premium, you can have
26 several people drive your car several times a month

1 and that covers that.
2 MS. AIMERS: Yes.
3 COMMISSIONER MAGNAN: Thank you.
4 MS. AIMERS: You're welcome.
5 MR. ADAIR: What about a husband and wife, each has their
6 own car registered in their own name, and they
7 occasionally drive them back and forth? Does that
8 increase the risk in any way, and would you charge
9 them an extra $50 on each car, or how would you handle
10 that?
11 MS. AIMERS: Right. If they are in the same household
12 and you know your spouse is going to be operating your
13 vehicle, I would list the driver. Chances are they
14 are at a similar risk if they have the same amount of
15 experience and they are crash free, and it wouldn't
16 have any impact on the premium to begin with.
17 I'm going to move on to transition. So
18 what the government directive has said is that looking
19 at current premium to the premium under the new rate
20 design, a customer can't see more than a 20 percent
21 increase and this excludes any impacts from changes in
22 rate class, territory or learner premium.
23 So we've introduced this transition factor,
24 it's 20 percent. Now what happens is, after September
25 1, 2019 and you've been transitioned, so let's say
26 your premium going from current state to new state,

1 you have been transitioned by the 20 percent rule.
2 After that, if you have a crash or if you've changed
3 your principal driver, your risk has significantly
4 changed and transition rules no longer apply to you.
5 So there's very small cases of this, but it's just a
6 way to increase the transition and help move it
7 faster.
8 So when we're looking at the transmission
9 factor, for those customers that are capped at this 20
10 percent, it's only seven percent of the customers. So
11 typically the customers that are being capped are
12 those with multiple crashes in the last few years.
13 Most customers exit transition within a three-year
14 period. But keep in mind we have to obtain revenue
15 neutrality, and whenever you don't collect enough
16 premium on one end, that means that somebody else is
17 paying for that loss of premium. And so what we've
18 done to account for that is we've introduced minimum
19 CDFs. So because we are capping the 20 percent on the
20 increases, we need to cap the decreases. So that's
21 where this minimum CDF table says.
22 So I spoke earlier about the maximum amount
23 of discount you can receive with 40 years of
24 experience is 52 percent. We're going to be
25 transitioning it in over three years. So in year one
26 the maximum amount of discount that a customer can

have is 46 percent. So that's still higher than today, today is 43 percent. And I'm just taking one minus the minimum CDF on the table.

By year two the maximum discount is 49 percent and by year three we'll reach the maximum 52 percent. And then of course the senior factor is also applied so they have higher discounts available to them under this transition period.

Okay. Revenue neutrality. This came up in several of the questions asked. I just want to start out by explaining what revenue neutrality is. Revenue neutrality says we have to look at the total premium that is collected under the current rate design and ensure that it's the same after we apply the new rate design rules. So if we were to look at the current rate design total premium, and before using any off balance factors, and we'll explain what that is, because the majority of these design changes are favourable to customers, we are not collecting the same amount of premium. It's actually less. And so what that means is we have to apply these off-balance factors to make the before and the after the same.

Now, off-balance factors, these are standard, and when you are looking at rate design, they are considered accepted actuarial practice, because we do have to make sure the premium is the

1 same before and after. So these are typical
2 adjustments that are made.
3 **Proceeding Time 9:33 a.m. T14**
4 So I'm going to explain these off balance
5 factors. This was asked in BCUC 8.1 and 8.2. At a
6 high level we had three cases of where we've made
7 these adjustments to ensure revenue neutrality. The
8 first one was with respect to the rate class and
9 territory factors. When we look at the design
10 features such as the advanced safety technology
11 feature or factor, the distance factor, which tells us
12 that we're not going receive less premium because
13 they're discounts, and then we're collecting
14 additional premium for learners. Combined overall
15 we're collecting less premium. So we applied a 1.005
16 factor to bring us to break even.
17 And then we looked at the experience
18 factor. So we had enchantments such as the senior
19 driver factor, claims forgiveness rules, transitioning
20 the crash scan, and repayment. These are all
21 favourable adjustments to customers. And so, again,
22 to make sure that the premium collected before and
23 after is the same, a 1.151 off-balance factor was
24 applied. And then we just talked about the minimum
25 CDF and that's because we are transitioning -- we are
26 applying a cap of 20 percent, therefore we've

1 introduced the minimum CDF.
2 So all three of these things combined are
3 what we're calling off-balance factors. And once you
4 look at now -- including the off-balance factors, now
5 before and after is the same. And that's how we've
6 achieved the revenue neutrality which is set out in
7 the government directive.
8 MR. MILLER: How long would those off-balance factors be
9 applied?
10 MS. AIMERS: They are embedded in the rate design.
11 MR. MILLER: They are?
12 MS. AIMERS: And so, that's the next point, somewhat. So
13 one thing to keep in mind is this is a forecasting
14 exercise. So as actuaries we are making assumptions
15 as to what's to come in the future. Now, of course
16 there's going to be variants.
17 For example, how many customers are going
18 to be eligible for the distance factor? We've made an
19 assumption of five percent. Perhaps once everything
20 is done in year one it's ten percent. Therefore,
21 we've collected less premium. And so what happens is
22 any variants that's attributable to factors such as
23 that will be reflected through the revenue requirement
24 application.
25 MR. MILLER: Thank you.
26 MS. AIMERS: You're welcome.

1 Okay, so I've walked through the rating
2 algorithm hopefully with enough detail that you have a
3 better understanding. Now I'm going to go through the
4 overall customer impacts and we're going to walk
5 through a few examples.
6 So first, Mr. Jimenez also addressed this,
7 but once this new rate design is in place 33 percent
8 of customers will pay more of their fair share and 67
9 percent of our customers will be better off. If we
10 were to spread that out over all the dollar impacts —
11 now this is also found in the application, this graph
12 — you can see the dollar distribution impacts by
13 customer. So the majority of our --
14 THE CHAIRPERSON: Excuse me, just a moment, please.
15 MS. AIMERS: Go ahead.
16 THE CHAIRPERSON: Mr. McCandless, are you on the line?
17 (DISCUSSION OFF THE RECORD)
18 **Proceeding Time 9:28 a.m. T15**
19 THE CHAIRPERSON: Go ahead.
20 MS. AIMERS: I was just mentioning that this shows the
21 dollar distribution from year 1 of the rate design.
22 Nobody wants to hear this.
23 MR. McCANDLESS: I'll hang up and try and dial back in.
24 MS. AIMERS: Yes, please.
25 THE CHAIRPERSON: Do we want to take a short --
26 MS. AIMERS: Yeah, if we could, yeah.

1 THE CHAIRPERSON: Okay. Come back in about five minutes.
2 MS. AIMERS: Five minutes? Yeah.
3 **(PROCEEDINGS ADJOURNED AT 9:38 A.M.)**
4 **(PROCEEDINGS RESUMED AT 9:43 A.M.)**
5 THE CHAIRPERSON: Mr. Weisberg, I understand that you
6 have a question for us.
7 MR. WEISBERG: I do. It's a request concerning the
8 schedule. I'm going to have to be absent from 10:10
9 today until about 11:30. And I wasn't sure I'd be
10 able to return when you're still in session to make a
11 procedural request.
12 So specifically I will be unable to
13 participate in oral argument on September 6th, and I'll
14 also be unable to participate in the alternative,
15 filing written argument on September 5th. I'm
16 requesting that the panel grant TREAD an exception to
17 the established regulatory timetable, and leave the
18 record open until TREAD files written final argument
19 by 4:00 p.m. on Monday, September 17th. And ICBC file
20 its written reply to TREAD's final argument by 4:00
21 p.m. on Tuesday, September 18th.
22 So, following is an explanation of the
23 basis for that request. Sorry.
24 THE CHAIRPERSON: So can you say the dates again, please?
25 MR. WEISBERG: Sure. So, TREAD argument by 4:00 p.m. on
26 Monday, September 17th. And ICBC reply to TREAD

1 argument by 4:00 p.m. on Tuesday, September 18th.
2 THE CHAIRPERSON: Okay, go ahead, please.
3 MR. WEISBERG: So I'm making the request -- I'm cognizant
4 of the time pressure on the BCUC. It arises from the
5 government -- sorry.
6 From the government directive included in
7 the Order in Council 459-18 that requires that the
8 BCUC must, within 45 days of ICBC's application dated
9 August 15th, regulate and fix the rates using the
10 factors, criteria and guidelines set out in the August
11 3rd, 2018 government directive, included in OIC number
12 458-18.
13 I understand that end date to be September
14 29th, 2018. Please understand I don't make this
15 request lightly. I can't see any other viable
16 alternative, sorry, to what I'm proposing. I wouldn't
17 otherwise go into details of my health status, but I
18 believe it's necessary to provide the required context
19 for TREAD's request.
20 I am currently being treated for oral
21 pharyngeal cancer, and I have a tumour in my throat,
22 and I'm very swollen from the treatment side effects.
23 And now leave the SRP in a few minutes to go to
24 radiation. I've completed three weeks, I have another
25 four to go, Monday to Friday. I've tried to move my
26 appointment today to avoid the time period in the SRP,

1 but -- no alternative time. No alternative time slots
2 were available.
3 I'm also receiving chemo. My second cycle
4 of chemo, which I requested be postponed one day from
5 the scheduled date of today so I could participate,
6 requires me to enter hospital at 8:30 tomorrow
7 morning. I have to remain there until I'm discharged
8 some time on Thursday, probably around noon.
9 Those circumstances and the cognitive and
10 physical disability resulting from my treatment make
11 it impossible for me to participate in either the
12 scheduled oral or written argument options. My
13 experience from the first round of chemotherapy, which
14 I'm told by my doctor it's going to be worse this time
15 due to similar effect, rendered me unable to work
16 reliably or effectively for about ten days.
17 **Proceeding Time 9:51 a.m. T16**
18 Accordingly I don't expect to begin any
19 meaningful work on TREAD's final argument until about
20 Friday, September 14th. I've considered asking for an
21 extension of the date for oral argument for all
22 parties, but I realize that if granted such a request
23 would leave the panel with a very short time period to
24 consider final arguments from all parties. My intent
25 of framing TREAD's request is I have is to enable the
26 party -- the panel to maintain the schedule of the

1 deliberation period with the limited exception of
2 TREAD's final argument and ICBC's reply to TREAD.
3 I would hope that my proposal would enable
4 the panel to begin its deliberations following oral
5 argument on September 5th, September 6th, and
6 incorporate consideration of TREAD's final argument
7 and ICBC's reply to TREAD's final argument beginning
8 September 19th.
9 It's my hope that ICBC and other
10 interveners will support TREAD's request, recognizing
11 that TREAD gains no advantage and ICBC and interveners
12 are unlikely to be prejudiced if the request is
13 granted. But TREAD will be severely prejudiced if the
14 request is denied as that would effectively prevent
15 TREAD from any meaningful participation in the
16 argument phase.
17 I would be happy to answer any questions
18 from the panel, ICBC, or other interveners regarding
19 TREAD's request or alternative proposals that we may
20 not have considered. Thank you.
21 THE CHAIRPERSON: Thank you, Mr. Weisberg. And let me on
22 behalf of the panel say you have our best wishes for
23 your speedy recovery.
24 MR. WEISBERG: Thank you.
25 THE CHAIRPERSON: I'm going to ask if there's any comment
26 or questions from any other party?

1 MR. MILLER: Mr. Chair, people may need a minute or two to
2 consider their positions. So maybe a five, ten minute
3 break.
4 THE CHAIRPERSON: I think Mr. Ghikas has --
5 MR. GHIKAS: I can speak for ICBC right now that we would
6 -- everybody would reiterate your comments about
7 Fred's speedy recovery. We will make that work. All
8 we would ask is that in the event that the submission
9 is lengthy, that there be some best efforts, wiggle
10 room in our deadline. We obviously recognize as well
11 that you're under considerable pressure, but we will
12 move mountains to make sure that that works for Fred.
13 THE CHAIRPERSON: Okay. Thank you. Does anyone either
14 have a comment or require time to make a comment?
15 MR. QUAIL: Jim Quail, MoveUP supports the application.
16 THE CHAIRPERSON: Thank you.
17 MR. QUAIL: Thank you.
18 THE CHAIRPERSON: Does anyone need further time?
19 Mr. Weisberg, I would echo Mr. Ghikas's
20 comment, we'll make it work somehow.
21 MR. WEISBERG: Thank you. I appreciate that.
22 THE CHAIRPERSON: Okay.
23 MR. WEISBERG: Thank you, everyone.
24 THE CHAIRPERSON: Okay. Okay, Mr. McCandless, are you
25 still on the phone?
26 MR. McCANDLESS: Yes, I'm here. I just take a second to

1 get off mute.
2 THE CHAIRPERSON: Okay, great. So we're going to proceed
3 now with the presentation. Thank you.
4 Go ahead, please, Ms. Aimers.
5 MS. AIMERS: Sure. So I'm on slide 49. It just says the
6 breakdown of the overall impact split by $50
7 increments. And it also graphically depicts the fact
8 that one-third of our customers will see increases and
9 two-thirds of our customers will see decreases. So
10 that meets the government directive that less than 35
11 percent of our customers should be receiving
12 increases.
13 So I have another further breakdown of the
14 overall impact on our customers. If we look at it
15 from a spectrum starting with those customers that'll
16 see the biggest decreases, these are customers that
17 are experienced drivers and do not have crashes. And
18 specifically when we looked at our analysis what we
19 saw were those customers that had crashes from other
20 drivers. Now that those drivers are no longer in the
21 household and weren't attached to this policy, they
22 received significant decreases in their premium. So
23 this, again, just reiterates the fact that we are now
24 accounting for the risk of the policy rather than
25 looking at the vehicle itself.
26 The second grouping are seniors. Roughly

1 75 percent will be seeing some decrease with the new
2 rate design proposal. Looking at territory and rate
3 class, we showed those summaries earlier. Some rate
4 class and territory mixes will be seeing increases,
5 some would be seeing decreases, and these would be
6 speared over a ten-year period.
7 **Proceeding Time 9:52 a.m. T17**
8 On the other hand, if rural B.C. increases,
9 these are those drivers that have less than 15 years
10 of experience, as well as those customers that have
11 multiple crashes after March 1st, 2017.
12 I'm going to walk you through two examples.
13 I'm going to start with a simple example, and I'm just
14 going to provide some numbers and if you don't mind,
15 I'm going to pull your direction to the tariff pages
16 so you can have a better understanding of where to
17 find some of these tables. We're going to start with
18 William. Currently he's got three years of
19 experience, no at-fault crashes, he lives in Richmond,
20 he uses his vehicle for pleasure use and he's not
21 eligible for any of the additional discounts or add-
22 ons. So in current state, he's paying $1,608 for that
23 profile.
24 Under the new rate design in the following
25 year, when he comes in to renew, he'd be paying
26 $1,706. So I'm going to walk through how that works.

1 So currently we'd be looking at his rate
2 class territory, so that's in the current tariff.
3 That would show us under territory D, which is where
4 Richmond is, and the pleasure class is rate class 001.
5 That would reflect 1,892 base rate premium. Because
6 he has three years of experience, he's worked his way
7 down the CRS scale, he's got 15 percent discount, so
8 that's a factor of .85. We multiply those two factors
9 together to get the 1,608.
10 So now we're going to move to the new
11 design. So we start off with a thousand dollar
12 premium. The rate class territory, this is going to
13 be part of Schedule C. So if you look in the current
14 tariff there's ten Schedule Cs because it's going to
15 be over ten years. So we would be looking at the
16 first Schedule C. One page one you would look under
17 territory D, rate class 1 and you would see in that
18 cell a factor of 1.925. Now we go to calculate
19 William's CDF, and since he is the only driver, we are
20 only calculating one IDF and the only factors that
21 apply to William are the experience factor, and the
22 experience adjustment factor. So he's not a senior,
23 he doesn't have multiple crashes, he's not a new
24 resident. So when we look up in the tariff, if we
25 look at Schedule D, Table 1, which is on page 10 of
26 Schedule D, we would look up four years of experience

1 and he's crash free. So if we turn to that page, you
2 would see a factor of 1.174. So this is that
3 actuarially indicated rate.
4 Now, we move to the policy overlay which is
5 the experience adjustment factor, which is found on
6 Schedule D, Table 5 and we would look up his four
7 years of experience and that adjustment factor for
8 zero claims in .755.
9 So combining that together, William is
10 eligible for an 11 percent discount, and as I
11 mentioned, since he is the only driver, that is also
12 the CDF of the vehicle. Multiplying those three
13 factors together, the base-rate premium, times the
14 rate class territory factor, times the CDF, that gets
15 to a premium of 1,706.
16 So the main impact to William is his years
17 of experience.
18 We're going to walk through one more
19 example. This is a senior, Bob, who has 50 years of
20 experience, crash free, lives I Campbell River which
21 is territory Y and also drives for pleasure use.
22 Bob's wife is also listed on the policy, Mary, who has
23 50 years of experience. However, May has two at-fault
24 crashes in her ten-year scan. She's had a crash one
25 in three years ago.
26 So when we are looking at the current

1 design, Bob would you paying $617. Mary is not
2 included in that calculation, but the two crashes are.
3 Under the proposed changes, Bob would be paying 601.
4 So again, we'll look at the numbers -- because I like
5 numbers. Bob, we would look up the rate class and
6 territory, which under the current state is territory
7 Y, rate class 5, which is the senior rate class. That
8 is 1,082. So that already embeds the 25 percent
9 discount. Multiplied by the claims rated scale,
10 maximum discount of 43 percent, that gets us to the
11 617.
12 **Proceeding Time 10:02 a.m. T18**
13 Now, moving to the new rate design, Bob
14 would be listing Mary. So now we have to calculate
15 two IDFs; one for Bob, one for Mary. Because Bob is
16 the principal driver, we assign a 75 percent weight,
17 and Mary being the other listed driver is assigned a
18 25 percent weight.
19 So again, we look through all the factors.
20 We look up on the experience factor table. We look
21 for Bob, who is maxed out at 40 years, crash-free,
22 0.338. Eligible for the full senior discount of 15
23 percent, and then we apply the experience adjustment
24 factor.
25 Now, Mary has a different factor, and
26 that's because she's had two at-fault crashes. Now,

1 the first crash was forgiven. It was three years ago.
2 Now, the second crash is not forgiven. So that's now
3 going to impact her experience factor, and that's why
4 you'll see a higher factor for Mary of 0.561.
5 Mary's senior factor is also reduced
6 because she's had one unforgiven crash in that time
7 period. So the discount applicable for Mary is 7 and
8 a half percent, which is the factor of 0.925. We
9 apply the experience adjustment factor. And then if
10 you look at the two discounts applicable for Bob and
11 for Mary, Bob is given a 65 percent discount, Mary 36.
12 When you take the weights, that brings us to a 58
13 percent CDF, multiplying by the rate cost territory
14 factor and the base rate premium, that's how we get to
15 0.601.
16 So even though that Bob has had two crashes
17 from Mary, because of the additional experience he is
18 still paying less in the following year under the new
19 rate design.
20 So there are other examples in the
21 presentation. Just because of time, I'm not going to
22 go through them all. And hopefully the two examples
23 give you a good indication of how this work. And I'm
24 actually going to stop talking and hand it over to Mr.
25 Weiland to go over this review.
26 THE CHAIRPERSON: Thank you, Ms. Aimers.

1 MR. WEILAND: Good morning, everyone. Our firm, Eckler
2 Limited, is engaged by ICBC as external actuaries. I
3 am a Fellow of the Canadian Institute of Actuaries and
4 a Fellow of the Casualty Actuarial Society. I'm
5 employed by Eckler Limited as a consulting actuary.
6 Our review of the 2018 rate design was
7 performed under my direction, and I have my colleague,
8 Mylene Labelle, who is here this morning. And I am
9 going to be talking for a few minutes about the work
10 that we did in our external assessment.
11 So in relation to the 2018 rate design
12 application, we were asked to review the actuarial
13 models that had been developed by ICBC actuaries. And
14 the objective of that was to ensure that they were in
15 accordance with accepted actuarial practice, which
16 uses the acronym "AAP".
17 Our work, the work that we did in our
18 external review, is also subject to requirements of
19 the standards of the Canadian Institute of Actuaries.
20 And that's covered in section 1530 of the standards.
21 That deal with review or repeat of another actuary's
22 work, and I put that on the slide to let you know that
23 our work too is subject to the standards and they
24 specifically cover situations like the one in which we
25 are acting.
26 So I'm going to spend some time talking

about the work that we did. And you'll see five bullet points there that, at a very high level, describe what we have done.

And the first word in each of the first three bullets is the word "validation". So, I wanted to describe briefly what we mean by that term, and "validation" is the process, and in this context it relates to the generalized linear models that ICBC constructed, or GLMs, that they meet specifications and that they fulfill their intended purpose, which in this case is that the rate design results in rating factors that are reflective of the risk that the driver brings to bear on the basic insurance system.

Proceeding Time 10:08 a.m. T19

And validation covered three areas. The first one is the data that was used. And the data that we used in our work included exposures — these are policies, drivers — premiums, claim counts and reported incurred losses. We compared that data to another data source that B.C. has that they use to set their claims reserves. And so we made sure that those two data sets were in aggregate the same. So that's looking at the completeness of the information and making sure that it is consistent with what we know to be the whole from other data sources.

But because this is looking at the risk

1 that individual drivers bring to bear on the system,
2 we needed to look at that raw data to make sure that
3 its individual components made sense. And so we
4 looked at the lost cost per policy, and that's simply
5 the incurred loss divided by the number of policies,
6 and we looked at that by decile, that means ten
7 percent increments, ranking it from the lowest lost
8 cost to the highest lost cost. And we did that just
9 to examine the reasonableness of the information from
10 a high level. We wanted to identify whether there
11 were any unusual data points that we needed to
12 investigate before we started more detailed review.
13 One of the aspects of this kind of
14 modelling work that ICBC undertook is that the data is
15 divided into two parts. One part is called the
16 training data set and the other part is called the
17 testing data set.
18 The training data set is used to build the
19 model, and I'll talk a little bit more about that
20 process in a moment. But once that model is built and
21 is capable of giving us results, we then look at the
22 testing data set and we say, is that giving us the
23 same sort of signal that we're getting from the
24 training data set? Are there any inconsistencies
25 there? And so those testing and training data sets
26 are selected randomly through all of the records.

1 Seventy percent goes to the training data, thirty
2 percent to the testing. Those two data sets were 99
3 percent correlated. That's very high level, which
4 means that they are essentially telling us the same
5 thing. So that was our process surrounding the data
6 that was used.
7 With respect to the model itself and the
8 assumptions that ICBC actuaries use, we tested the
9 ICBC models and we compared them with models that
10 Eckler constructed. We used the ICBC specifications
11 for the models and we verified those calculations
12 using our own software. Not ICBC's software but
13 Eckler's software. The model code is reviewed in
14 considerable detail. It's very intricate and complex
15 as you might suspect. And I'm going to speak for a
16 moment about that code, really for the purposes of
17 showing the level of detail that we went to in our
18 review.
19 So with respect to the driver factor model,
20 the variables that go into that model are specified
21 through the government direction. So one of the parts
22 of the modelling process that, in a general sense,
23 that you go through, is to decide what variables are
24 giving you most signal, what its telling us most about
25 what the expected future costs are going to be, and
26 you sort through variables. Some you keep, some you

1 discard. We don't have to do that with respect to the
2 driver models because the variables are in fact
3 prescribed by the direction.
4 So what we are looking at is the results,
5 the coefficients of those variables from the models to
6 make sure that those are correctly calculated. And so
7 we have done that.
8 In the driver factor process, there is an
9 adjustment for what are known as fixed expenses. And
10 we checked that calculation. The purpose of this
11 adjustment is because the process in the models is
12 multiplicative. So when you load on the expenses to
13 the losses, then the situations where the loss costs
14 are higher end up with greater dollars of expense.
15 And so that's not appropriate. So an adjustment is
16 required to essentially make those expenses fixed.
17 And so ICBC has included such an adjustment as part of
18 their driver factor analysis and we have checked
19 those.
20 **Proceeding Time 10:13 a.m. T20**
21 Ms. Aimers spoke about a number of the
22 discounts in her presentation, and we reviewed the
23 coefficients that resulted. And the way those
24 individual factors were rolled up into the combined
25 discount factor. And finally we checked the off-
26 balance factor, the 1.005 which she mentioned with

1 respect to the driver factor model.
2 As far as the rate class territory model is
3 concerned, Ms. Aimers spoke about the rate classes
4 that are involved in the groupings, and as well, the
5 14 territories, and so you can think of that as a
6 matrix. There's a lot of interactions there between
7 those different cells. So the modelling process here
8 does go through the process of selecting and
9 discarding variables in order to find those that are
10 giving us the most information. And so we reviewed
11 that process that ICBC uses to select those variables.
12 We reviewed the calculation of the base
13 rate for the rate class territory, and again the off-
14 balance factor to ensure revenue neutrality.
15 With respect to the rate class territory
16 factors, there are what we like to think of as
17 intuitive relationships between certain groupings that
18 you'd think that a class that had more exposure to
19 driving every day as compared to someone who did not
20 drive very much, pleasure use only, those sort of
21 things, you'd expect one to be higher than the other.
22 And so there are number of those intuitive
23 relationships and we reviewed all of those. ICBC
24 refers to that as sequence logic, and we checked that
25 sequence logic to make sure it was properly applied.
26 And we reviewed the spread of the rate-

1 class territory factors over ten years to make sure
2 that that was correctly calculated.
3 In the course of the modelling there's a
4 number of other actuarial factors, like trend factors,
5 that we looked at and we have reviewed all of that.
6 Then from these models we looked at the
7 results and we evaluated those results using certain
8 statistical metrics, and we looked at certain
9 frequencies and loss cost severities for both the
10 training data and for the testing data, to make sure
11 that those results made sense and were the same as
12 ICBC's.
13 So as we went through this process there
14 were some differences. I'm now on the fourth bullet
15 there, that resolution of any differences,
16 differences between the Eckler replicated models and
17 the ICBC models regarding variables that had been
18 selected or discarded. Those were discussed with ICBC
19 actuaries to determine why the difference arose, and
20 if that examination revealed a problem with the ICBC
21 model, then that error was fixed.
22 So there are some exceptions to that,
23 because in certain cases the whole process of rate
24 design had gone too far, making it to be very onerous
25 if the model had to be corrected. So almost all of
26 the problems that we encountered were in effect fixed

1 by ICBC and are not present in the rate design that's
2 before you now.
3 There were three problems that were not
4 fixed. One was not fixed because the impact on the
5 rating factors was trivial and you had to go to the
6 fourth decimal place before it made any impact at all,
7 so very small in dollar terms.
8 The two other problems were not fixed
9 because the final model had been completed, had been
10 provided to government and had been used to prepare
11 the tariff that's before you now. So it was very
12 inconvenient to have to go back and make that change.
13 However, the impact, had we gone back and made that
14 change, those errors also were very small in size and
15 would have no material impact on the application,
16 either individually or collectively.
17 **Proceeding Time 10:17 a.m. T21**
18 So that's an important part of the process
19 that we went through is, how do we deal with those
20 differences.
21 Finally we looked at the implementation
22 matters that Ms. Aimers spoke about. The capping of
23 the discount on renewal policies for revenue
24 neutrality purposes, and the 20 percent cap when going
25 from CRS to the combined discount factor, the floor on
26 the senior discount, and we verified the transition

1 and revenue neutrality factors.
2 And this is my final slide, and my
3 conclusions. As a result of our work there were no
4 unresolved differences between the results of ICBC
5 models and the results of the Eckler replicated
6 models. The base rate, combined discount factor, rate
7 class territory factors, learner premium and other
8 discounts and factors are applied properly in the
9 models. And in my opinion, the actuarial models built
10 by ICBC as part of the 2018 rate design are in
11 accordance with accepted actuarial practice.
12 THE CHAIRPERSON: Thank you, Mr. Weiland.
13 MR. WEILAND: You're welcome.
14 THE CHAIRPERSON: I do have a question for you.
15 MR. WEILAND: Certainly.
16 THE CHAIRPERSON: Thank you for the presentation. That
17 was interesting. As you probably know, what the panel
18 has to consider are the two Orders in Council, 458-18
19 and 459-18, which prescribe the rate design changes.
20 And we're required to approve those prescribed rate
21 design changes.
22 Have you done any analysis of the rate
23 design changes and the tariff changes that ICBC is
24 proposing to see how they align with government
25 direction as laid out in those Orders in Council? And
26 if there are areas where the Orders in Council weren't

1 proscriptive, like, say the gave a range, 10 to 50
2 percent, let's say something like that, could you
3 point us to those areas where ICBC has made
4 assumptions that are within a prescribed range?
5 Because this is the area -- that's the area that the
6 panel has to focus on when making -- when reviewing
7 this application.
8 MR. WEILAND: Okay. So, the actuarial modeling process
9 produces indications. Those are optimal risk measures
10 from our analysis. Those indications are constrained
11 by the government direction. In some cases that I
12 spoke about with respect to the driver factors, the
13 variables that are included, in fact are prescribed.
14 So the only question there is, are the coefficients,
15 or rating factors that result from the modeling
16 process, are they reasonable? And so in those cases
17 we have run ICBC's models, their specifications, to
18 see that they're accurately applied. We have not
19 tried to construct alternative models.
20 So, we're opining on what they have done,
21 and is it in accordance with accepted actuarial
22 practice. There is not a unique solution, if I could
23 use those words, as to how the rate design should be
24 constructed. So there are judgments. But our role
25 wasn't to examine alternative models, it was to review
26 what they did in light of accepted actuarial practice.

1 Had we encountered something that was,
2 like, really offside, then I guess you could think of
3 that as leading to alternative models, because we
4 would have pointed out to them that they ought to
5 change what they're doing here. But we didn't
6 encounter anything of that sort. And I'm not sure
7 I've actually answered your question.
8 THE CHAIRPERSON: No, I'm sorry. My question may better
9 be directed to ICBC. But with regard to the comments
10 that you've just made, and I mean, with respect, the
11 panel's test is not one of reasonableness. The
12 panel's test is one of match. And do the parameters
13 in the actuarial model and the rate changes, and the
14 tariff changes that are being applied for, do they
15 match what's in the government Letter of Direction?
16 MR. WEILAND: Yeah.
17 THE CHAIRPERSON: And that was the essence of my
18 question.
19 MR. WEILAND: I'm thinking the answer is yes.
20 **Proceeding Time 10:22 a.m. T22**
21 THE CHAIRPERSON: Okay, and are there areas where if
22 there was latitude granted in the government letter of
23 direction, could you point us to those areas and show
24 us in the tariff pages where ICBC has decided on a
25 number within that latitude? And that doesn't have to
26 be answered now but that --

1 MR. WEILAND: Okay, I think I should chat with Ms. Aimers
2 about that and we'll get back to you with a response.
3 THE CHAIRPERSON: Yes.
4 MR. GHIKAS: So maybe if I can chime in, Mr. Chairman.
5 It's Matt Ghikas.
6 THE CHAIRPERSON: Yes.
7 MR. GHIKAS: So part of this is a legal question, I
8 guess, that you're posing and I understand that you're
9 going to have to wrestle with the issue of the scope
10 of your discretion and I am definitely going to be
11 addressing this on Thursday about it. But to just
12 foreshadow so that you understand the context in which
13 the answers are being given, the interpretation in
14 essence of how ICBC is approaching the directive is
15 that the directive encompasses the cover letter as
16 well as the tariff pages. So the contents of the
17 tariff pages are part of the directive, and they
18 reflect policy decisions every bit as much as the
19 cover letter does.
20 So if I were to articulate how the
21 directive should be read in ICBC's submission, it's if
22 you flip to the directive, what you'll see in the
23 introductory paragraph — and I can just summarize this
24 — but the directive is to apply for approval of the
25 rate design amendment set out in this letter and the
26 attached amended or new pages from the ICBC basic

1 insurance tariff in order to achieve the following,
2 and then there's a list of bulleted objectives. And
3 so the exercise from ICBC's perspective is for the
4 Commission to be reviewing whether or not what's in
5 the tariff pages delivers on the objectives that are
6 listed in the bullets.
7 And so for most of those bullets they are
8 quite prescriptive and so the exercise is self-evident
9 on the face of, you know, is it a $2,000 limit for the
10 forgiveness or not. And it says that in the bullets
11 and it says it in the tariff pages. So the exercise
12 that you have to go to is relatively straight forward.
13 There are really, in ICBC's submission,
14 only four areas which would require the Commission to
15 turn its mind to the evidence in any material way as
16 to whether or not the tariff pages deliver on those
17 objectives, and they're the first four bullets. The
18 first one being revenue neutrality; the second one
19 being that no more than 35 percent of basic policy
20 holders will experience an increase; and the third one
21 is the application of accepted actuarial practice with
22 respect to the rate class and territory. And the
23 fourth one is the application of accepted actuarial
24 practice with respect to the drivers of the vehicle,
25 the number of at-fault crashes and the experience
26 factors.

1 And so what you are getting from ICBC's
2 presentation here is the necessary evidence to
3 demonstrate that accepted actuarial practice in the
4 context of those areas where it's called for in the
5 directive is being applied. And so the parameters
6 that are in the tariff are directing a particular
7 outcome, and what the witnesses are saying, the
8 presenters are saying is that the outcome that is
9 dictated by the tariff pages is one that also accords
10 with accepted actuarial practice.
11 THE CHAIRPERSON: Thank you, Mr. Ghikas. That's very
12 helpful.
13 MR. GHIKAS: Okay.
14 THE CHAIRPERSON: I'm just going to take your words --
15 MR. GHIKAS: Absolutely.
16 THE CHAIRPERSON: -- and I'm going to come back to Mr.
17 Weiland then.
18 Would you, for the record then, confirm
19 that with regard to those four bullets, can you
20 confirm that what Mr. Ghikas just said is correct?
21 MR. WEILAND: Yes, I can.
22 THE CHAIRPERSON: Thank you.
23 **Proceeding Time 10:28 a.m. T23**
24 COMMISSIONER FUNG: Mr. Ghikas, I just wanted to point
25 out one item that you may want to consider, and it's
26 the follow-up to our Chair's comments about the level

1 of latitude or discretion that we have. And I'm
2 referring to the directive, or I guess the quote from
3 the directive that relates to seeing no more than a 20
4 percent increase in premiums for drivers in this
5 province.
6 The way I see that is that for the
7 Commission there's a range of increase that we can
8 consider between 0 and 20. The tariffs and what
9 amendments are proposed indicate a 20 percent
10 increase.
11 So can you can you address that issue? And
12 it's not within the four items that you've outlined
13 earlier.
14 MR. GHIKAS: It is actually addressed in the second
15 bullet of the objectives. So it's the --
16 COMMISSIONER FUNG: 35 percent?
17 MR. GHIKAS: The 35 percent, yes. So what the slide is
18 showing is that there's a two-thirds/one-third spilt,
19 and so that delivers on that requirement in the second
20 bullet about being no more than 35 percent. You've
21 got 33 percent effectively.
22 The point and the nuance here is that, in
23 my submission, Commissioner Fung, there isn't actually
24 that latitude that you are articulating. And the
25 reason for that is that the split between the one-
26 third and the two-thirds is actually the output of all

1 -- of the application of very other bullet and every
2 other element of the tariff pages that are attached.
3 So if you are to take the directed tariff
4 pages and apply all of those overlays, the outcome is
5 the outcome that's being presented. You could not
6 arrive -- and you can -- we can turn this to the
7 witnesses to address the question directly, but their
8 evidence I anticipate will be that you could not have
9 the tariff pages that are in here deliver an outcome
10 that would result in, say, 20 percent of people
11 increasing. In order to do that you would have to
12 change a whole bunch of variables that you would not
13 be able to change accepting the tariff pages being
14 what they are and the other overlays that are in the
15 bulletin list.
16 So that discretion is -- it's really, what
17 I'm articulating in a nutshell is that your discretion
18 with respect to these things is to -- is in effect a
19 review to make sure that the tariff pages are
20 consistently delivering the outcomes in the
21 objectives. It's not to examine whether there are
22 alterative tariff pages that can be put in place that
23 would deliver on those objectives.
24 And we can -- I'll leave it in your hands
25 as to whether you want to direct that to the panel or
26 not, but that's it in a nutshell.

1 COMMISSIONER FUNG: And Mr. Weiland, do you agree with
2 what Mr. Ghikas has just said in terms of the totality
3 of the rate design incorporating the variables?
4 MR. WEILAND: Yes. The 35 percent or the 33/67 percent
5 split, that is the outcome. And if you were to change
6 that to 20 percent you would have a different rate
7 design. You would have to reexamine all of those, all
8 of those variables and the interactions between them.
9 So, yes, I agree with what Mr. Ghikas said.
10 COMMISSIONER FUNG: Thank you.
11 THE CHAIRPERSON: Okay, a follow-up, please.
12 MR. GHIKAS: Absolutely.
13 THE CHAIRPERSON: So would you also say, then, that in
14 any area where there appears to be discretion, there
15 actually isn't discretion because in fact it's an
16 output and the problem is over constraint. So the
17 result would be that there is actually no discretion
18 even though it appears that way?
19 MR. GHIKAS: Well, let me answer it --
20 THE CHAIRPERSON: So I'm generalizing now.
21 MR. GHIKAS: I understand.
22 THE CHAIRPERSON: I'm just focused on that one point, but
23 generally.
24 MR. GHIKAS: Yeah, no, I understand completely. So the
25 direction is to approve the pages unless you determine
26 that it doesn't meet those directives. So if you

1 determine that the pages meet those objectives, that's
2 the end of the exercise from your prescriptive, in my
3 submission.
4 THE CHAIRPERSON: Even if a different set of pages would
5 also meet the --
6 MR. GHIKAS: Correct.
7 THE CHAIRPERSON: Okay.
8 MR. GHIKAS: Correct.
9 THE CHAIRPERSON: Yeah.
10 MR. GHIKAS: But, you know, for example, I anticipated
11 there would be questions about, well, how does the
12 errata fit into this, right? And this is actually --
13 we can deal with this in case anybody else wants to
14 ask about it or whatever, but the way that dovetails
15 with the analysis that I've just walked you through is
16 that based on what the actuaries are saying is you
17 couldn't leave a typographical error in a table with
18 the values that are determined the way they are. You
19 couldn't change the scan period in error and have it
20 accord with accepted actuarial practice.
21 So this is in fact an area where the tariff
22 page doesn't deliver on the intended objective as
23 articulated in the cover letter which gives you the
24 discretion to say, well, let's fix the typo. Now, if
25 you were to determine you didn't have that discretion,
26 you know, the directive allows for subsequent

1 applications to change things like that. But in my
2 submission there is a consistency and an alignment
3 there between those things.
4 **Proceeding Time 10:34 a.m. T24**
5 THE CHAIRPERSON: Thank you. Sorry, where were they
6 there? We were just finishing the --
7 MR. GHIKAS: I've finished with my remarks, Mr. Chairman.
8 THE CHAIRPERSON: Yes, please.
9 MR. JIMENEZ: We're going to just wrap shortly, after I
10 go through some comments around change management and
11 then I guess we'll move onto the question period.
12 So I think it's fair to say, after Kelly
13 and Bill have been through their explanation of the
14 change, that while it achieves fairness, it's complex.
15 I don't think we're trying to suggest otherwise.
16 Which puts more pressure on ICBC to make sure that we
17 have an effective change management strategy in place.
18 And I mentioned at the outset in my remarks that this
19 is coming on the heels of a system that's been in
20 place for a long time, people have been conditioned to
21 understand one way of thinking about rating. You
22 know, we have a very skilled partnership -- we have a
23 partnership with very skilled brokers who do an
24 excellent job coaching customers through the process.
25 All to say that we can't take any of this for granted,
26 so I think we are looking at this change in multiple

1 ways.
2 One is making sure we have the design
3 right. One is making sure that we do an effective
4 job, you know, with the systems and the business
5 process part of it. And then one is making sure that
6 we have a transition plan that includes, you know,
7 change and communications and all kinds of other
8 tactics to get people through what will be, you know,
9 quite frankly, you know, a complicated period of
10 adjustment. But I think we can do it without a lot of
11 disruption. We can build on what we have learned in
12 some of the other large program changes that we've
13 done in the last number of years and we can take those
14 learnings, and we are taking those learnings, to kind
15 of build a robust program.
16 So I'll just quickly describe what that is
17 and I'm sure there'll be questions. So I won't go
18 into the gory detail.
19 But essentially we are looking at this as a
20 customer, broker and employee effort. So for
21 customers, we are going to deploy the full range of
22 communication tactics across the full range of the
23 channels that we have to talk to customers, and that
24 includes the fact that we've got 35 claim centres,
25 more than 35 claim centres around the province, we've
26 got 120 driver licencing points of service around the

1 province, and we've got, you know, more than 6,000
2 highly capable brokers in 900 offices around the
3 province. So we have many opportunities for a face-
4 to-face interaction with customers to help begin the
5 process of building an awareness of the change and
6 understanding of the change.
7 We have a very robust digital platform for
8 communications, recognize that not everybody is
9 conversant and uses social media, but it is certainly
10 one part of a broader array of tactics that we'll be
11 bringing to bear in order to communicate the change.
12 We'll also be relying on more traditional forms of
13 communication, leveraging earned media and payed media
14 when necessary in communities across the province, in
15 properties that include but aren't limited to
16 community newspapers and regular newspapers.
17 We also have direct communications with
18 customers. Every year we have renewal reminders that
19 go out to communicate the upcoming rate change. So we
20 have lots of opportunities to provide content to
21 customers.
22 In addition, we want to build a tool that
23 simplifies what Kelly has gone through in her
24 presentation. We have no intention of putting an
25 algorithm in a communication so that customers can
26 begin calculating their ideal CDF based on an

1 algorithm. I think that would be hopelessly naïve
2 just seeing that that would be effective.
3 So we are working with technology partners
4 at ICBC and others to build something that is simple,
5 yet powerfully communicates the key elements of rating
6 and how that would, in a general way, impact an
7 individual's right. So that's a tactic that we'll be
8 leaning on quite heavily as we look at change
9 management.
10 On the broker side of things, we have
11 activated a broker task force. So we've been working
12 with a number of brokers for many months as part of
13 the build of this design, taking their feedback in
14 some elements of the design, but more importantly,
15 working with them on a go-forward basis to figure out
16 how, we make this work at point of sale. They have
17 been extremely useful and helpful in the early days of
18 that process, and we tend to lean on them quite
19 heavily as we move from now till next year, when we
20 deploy the change.
21 **Proceeding Time 10:39 a.m. T25**
22 And again, this builds on what we've
23 already done on other large complicated changes in the
24 past, working with brokers who have been, again, a
25 really effective partner in helping us figure out how
26 to move through complicated changes seamlessly, or as

1 seamlessly as possible.
2 So we'll also be doing training for
3 brokers. We intend to activate on-site coordinator
4 network across the 900 offices, so that they can kind
5 of do train-the-trainer learning, in addition to
6 whatever learning we provide through our e-learning
7 systems. We'll have webcasts, and an assorted range
8 of communication activities.
9 The other part of this is staff. So, ICBC
10 employees are involved in the sales process in
11 different ways, supporting brokers. We will, and are,
12 working to prepare training and other forms of
13 communication. Again, over the course of the year,
14 because we've got a long time -- although a year will
15 go by very quickly. Until we, you know, we deploy.
16 So, we are leaning heavily on our training programs
17 and our training systems, and our procedure manuals,
18 and all the things that we've learned and perfected
19 over the years in terms of managing large-scale
20 change.
21 So we've got, suffice it to say, a
22 comprehensive program that is in place, and will be
23 developed with a series of, you know, steps along the
24 way between now and when we deploy next September.
25 This slide, which I'm not really going to
26 go through, but it comes from the application, and it

1 just describes the methodology that we have used in
2 the past and will continue to use on this change. I
3 will say that the change we're looking at now,
4 relative to some of the things we've done in the past,
5 it is complex. And it is coupled with the fact that
6 we're making other changes. And I referenced that
7 earlier, at the outset, around product. All to say
8 that, you know, we are applying significant resources
9 and significant attention in our implementation
10 program to making sure we get the change right.
11 Because, you know, we only have one chance to do it
12 right, quite frankly.
13 So looking forward to *post*-2019, the
14 government directive contemplates that this will take
15 effect on September 1. We've mentioned that before.
16 There are certain aspects that are directed to take
17 effect in subsequent years, specifically those
18 measures that Kelly talked about in terms of the DRP
19 and the DPP increases. And it's also fair to say that
20 we'll be doing a significant amount of monitoring in
21 terms of the results. This is, you know, a one in 30-
22 year change. And we're introducing, you know, new
23 requirements for information; we are introducing new
24 features, new rating factors, that have heretofore not
25 been part of our program. And we will be monitoring
26 very closely and carefully what that transition looks

1 like. Now, that's not a one- or two-month effort.
2 It's a multiple-year effort, because, you know, it
3 will be a full year before we have our customers
4 migrated to the new -- all of our customers migrated
5 to the new system. So if you think by September 2020
6 we'll only have one full year experience, but still
7 only part of our customers, you know, who are living
8 in the new world, if you will. So we have many years
9 ahead of us in terms of trying to understand the
10 changes that occur as a result of what we've designed.
11 We've made assumptions about what that will
12 look like, and I am pretty sure that some of those
13 assumptions will shift once we actually see how
14 customers react to listing drivers, or purchasing
15 premiums for occasional drivers, et cetera, et cetera.
16 So, I won't belabor the end, but I guess I
17 want to just say again that we recognize that this is
18 complex and we want to thank you for allowing us the
19 opportunity to patiently give you an understanding of
20 what this new rate design looks like. We certainly
21 look forward to questions and we certainly expect
22 there will be many, as we kind of unpack the features
23 of the design, and maybe less clear based on what
24 we've put forward.
25 You know, if we step back, I do believe
26 that what we have put forward addresses the government

1 directive. And fundamentally delivers on what the
2 government directive has put forward, which is to
3 improve fairness in how we approach rating in the
4 insurance system here in British Columbia.
5 So as such, we would respectfully ask that
6 the Commission approve the proposed rate design, and
7 we'll leave it at that. And open it up to the panel
8 for next steps.
9 **Proceeding Time 10:44 a.m. T26**
10 COMMISSIONER FUNG: Mr. Jimenez, thank you for that.
11 I'm interested to know what your view is as to what
12 role, if any, the Commission has in ICBC's monitoring
13 of the results of this program and this change, and
14 its impact on customers.
15 MR. JIMENEZ: Well, I'm going to answer that by telling
16 you where we're at in the process of our monitoring.
17 We are still in the process of developing what that
18 monitoring will look like. So it's a little difficult
19 for me right now to be able to say specifically it's
20 going to be A, B, C, D, that you'll want to have some
21 visibility to.
22 What I do know is that over the course of
23 the next many months, we'll have a much better idea
24 about those features of the monitoring that we'll need
25 to put in place and how we're going to capture that
26 data, and what frequency and cadence and when we'll

1 have enough data to make a determination that
2 something material has happened or not happened,
3 whatever the case may be.
4 So in my view, and Kelly may want to chime
5 in here as well. It may be a little premature for me
6 to really delineate in explicit terms what that will
7 be. I think it's fair to say that there will be some
8 form of monitoring that will be required. We know
9 we'll be doing it, and certainly we're prepared to
10 talk about that as we build out our understanding in
11 coming months.
12 COMMISSIONER MAGNAN: So my question, just as a follow-
13 up, as you go through putting together this monitoring
14 process that you're going to have, is this something
15 that you're going to be keeping the BCUC informed as
16 to when you reach a point where you've got pretty well
17 a basis for the monitoring going forward, so at least
18 we know what you’re going to be looking at, and allow
19 us to better regulate ICBC going forward?
20 MR. JIMENEZ: Yeah, I think that's a fair assumption that
21 we would do that. Again, as to cadence and timing,
22 I'm not sure when is the appropriate time, because I'm
23 not -- I can't explicitly give you a date at which we
24 will have the monitoring program complete. Obviously
25 it will be before September 1st next year, but whether
26 that's in three months, six months, or nine months,

1 we're still into that work right now. But I think
2 that's a fair assumption.
3 COMMISSIONER MAGNAN: Thank you.
4 MS. AIMERS: And keep in mind, it's going to be a least a
5 year to capture the data. We have to at least wait a
6 year and then take that information and analyze it and
7 understand what it means. From an actuarial
8 standpoint we would typically need a couple of years
9 to see how things are developing.
10 COMMISSIONER MAGNAN: Thank you.
11 THE CHAIRPERSON: Thank you to the panel for your
12 presentation. That was interesting and informative.
13 So as I mentioned in my opening remarks,
14 we'll take a break now before we get into the other
15 parties' questions. I'd just like to ask everyone
16 though, if we take a half-hour break, is that
17 sufficient time for you to review your questions?
18 We'll be starting in the order that you gave your
19 names, so we'll be starting at the back of the table
20 here. So is half an hour sufficient time?
21 Yes, okay, so we'll come back at 20 after
22 11 then. Thanks.
23 **(PROCEEDINGS ADJOURNED AT 10:47 A.M.)**
24 **(PROCEEDINGS RESUMED AT 11:20 A.M.)** **T27**
25 THE CHAIRPERSON: Okay, thank you, everyone. I think
26 we've ready to go.

1 Mr. Litman, are you ready with any
2 questions?
3 MR. LITMAN: You betcha.
4 THE CHAIRPERSON: Great.
5 MR. LITMAN: Do I start -- Litman. Do I need to
6 introduce myself?
7 THE CHAIRPERSON: No, no.
8 MR. LITMAN: Okay.
9 THE CHAIRPERSON: Just start asking.
10 MR. LITMAN: So what an interesting challenge. ICBC is
11 establishing a 30-year -- or for the first time in 30
12 years it's doing substantial restructural changes.
13 And I think everybody wants, hopes that this can be a
14 major step forward in terms of the stated goals,
15 affordability and fairness, and maybe achieving some
16 other objectives.
17 I come at this a little bit differently I
18 think than other people here because I'm a member of
19 the Institute of Transportation Engineers. And a lot
20 of my work is looking at traffic safety in general.
21 So one of the issues that I am particularly interested
22 in looking at here is the degree that this rate reform
23 provides an opportunity to increase traffic safety
24 overall, to reduce crashes.
25 So I'm going to -- and this of course, in
26 order to understand this we need to understand the

1 actuarial structure, the factors that affect an
2 individual's vehicle's crash risk and, therefore,
3 possible ways that public policy, including ICBC's
4 rate structure, could encourage safer driving. So I
5 have some questions, some specific to actuarial
6 analysis.
7 So based on your overall knowledge of
8 accident risk factors, do you think -- holding all
9 other factors equal -- so for motorists in a
10 particular rate class that mileage, or what you would
11 call exposure, is a significant weighting risk factor.
12 Does that make sense?
13 MS. AIMERS: I personally haven't done the analysis. But
14 I have read reports that do in fact support that, that
15 statement.
16 MR. LITMAN: So does that make sense to you?
17 MS. AIMERS: It would.
18 MR. LITMAN: Yeah. Great. And does it make sense that
19 motorists would respond to price signals, so that a
20 rate structure that rewards people for reducing their
21 mileage is likely to reduce crashes? Does that --
22 from an actuarial or from your knowledge of motorists'
23 response to price incentives, does that make sense?
24 MR. WEILAND: We're not measuring customer behaviour as
25 part of the actuarial analysis process. We're looking
26 at the data and what's that telling us about the

1 losses and the risk associated with those and what
2 they bring to bear on the system. So it's not
3 directly looking at customer behaviour, although
4 customer behaviour may be reflected -- is reflected in
5 our historical data.
6 MR. LITMAN: Sure. And you might be familiar with the
7 body of research indicating that when fuel prices go
8 down, crashes tend to increase in an area. Does that
9 make sense? Are you familiar with any of that
10 research or would you say that makes sense?
11 MR. WEILAND: I haven’t looked at the research myself.
12 Intuitively, though, there's a relationship between
13 when drivers are on the road and their propensity to
14 get involved in crashes. So there's a relationship
15 there. One of the things that doesn’t exist to any
16 great extent in ICBC's data now is that underlying
17 exposure data. So right now it's very broad, so in
18 the current rate design we're -- what ICBC has done is
19 they've used all of the information that they do have,
20 which is appropriate because part of the government
21 direction says that this needs to be data driven as
22 well as in accordance with accepted -- so that's what
23 ICBC has done.
24 **Proceeding Time 11:26 a.m. T28**
25 MR. LITMAN: Right. Okay. So that leads me to another
26 area of question, because as technical analysts, as

1 actuaries, I suspect that you could come up with some
2 very precise price structures. That you could design
3 the price structure so it is more actuarially
4 accurate, that it's more -- that the premiums charged
5 to a vehicle more accurately reflect the claim costs
6 of that vehicle, or that vehicle category, than
7 currently exists.
8 But I see that most of the rating factors
9 that are incorporated into the new proposed rate
10 structure are actually government defined. They are
11 government directives. So I'm curious if your
12 analysis looked at the degree to which the government
13 mandated rate changes are actuarially accurate, and
14 whether they increase actuarial accuracy, either
15 compared with what currently exists or compared with
16 what could exist if actuaries actually had full rein
17 to design the rate structure.
18 MS. AIMERS: The analysis that we undertook was in
19 regards to the 2018 letter. So the analysis that we
20 did only looked at the components that did require it
21 to be under accepted actuarial practice. Now, the
22 other components are policy overlays, and they're
23 meant to be just that, part of the overlays.
24 MR. LITMAN: Right. So, factors like the discount for
25 new technology, the discount for driving less than
26 5,000 kilometres, and the senior discounts, those are

1 not based on actuarial analysis. Those are purely
2 government decisions. Is that true?
3 MS. AIMERS: The components with those factors are based
4 on the objectives as set out in the government
5 direction letter.
6 MR. LITMAN: Right. So was there any actuarial analysis
7 of the justification for those?
8 MS. AIMERS: No. The only thing we did look at is what
9 percentage of our customers would be eligible for
10 these discounts, in developing our model.
11 MR. LITMAN: Right. So that leads me to another area of
12 research. Does your analysis highlight which groups
13 of motorists are most likely to be burdened by the new
14 price structure?
15 MS. AIMERS: Well, we did have that one slide that showed
16 a distribution of which customers would see increases
17 and which customers would see decreases.
18 MR. LITMAN: Right. So if I understand this correctly,
19 the biggest -- the most harmed group are youth, are
20 younger drivers. Does that make sense?
21 MS. AIMERS: I would probably reclassify it as
22 inexperienced drivers, and those particularly that
23 have at-fault crashes.
24 MR. LITMAN: Right. But experience ties in a lot with
25 age. In other words, somebody who is under 20 or even
26 under 25 could never achieve the full discount, even

1 if they're an excellent driver. So, it's essentially
2 -- so, by placing -- how does it work? By reducing
3 the maximum -- or by reducing what you call
4 inexperience, I would call younger drivers' discount,
5 that's almost certainly going to increase premiums for
6 most younger drivers. Is that true?
7 MR. GHIKAS: Mr. Chairman, if I -- it's Matt Ghikas here.
8 If I could just interject, and you know, I've listened
9 to the line of questioning. And trying not to leap in
10 right away. But the ICBC is, you know, putting
11 forward a rate design application that is based on
12 directed tariff pages, and that is based on government
13 policy objectives that are set out in the directive.
14 The debate, I think, that is underlying
15 some of these questions is what really boils down to
16 whether or not those policy decisions were the direct
17 policy decisions. And in the past, and for example in
18 the 2012 revenue requirements decision, on page 45
19 there was a discussion of a similar debate that went
20 on in that application. And it was one that was
21 directed ultimately with a party challenging, in
22 effect, the wisdom of government decisions that
23 underlay the regulatory framework.
24 **Proceeding Time 11:32 a.m. T29**
25 And the Commission observed that matters of public
26 policy should be directed elsewhere. And what the

1 Commission was indicating in that context was that the
2 Commission is empowered to exercise its jurisdiction
3 that has been given to it, to exercise its discretion
4 within the parameters that the legislative bodies have
5 conferred.
6 In this context there are parameters that
7 have been placed on the Commission by government
8 policy, by direct government policy, and so there
9 really is, you know, in terms of debating what the
10 benefits of particular policy decisions, no basis for
11 us as participants in this proceeding to be second-
12 guessing that.
13 It's a long way of saying, really, I think
14 this is out of scope.
15 THE CHAIRPERSON: Mr. Litman, what do you say to Mr.
16 Ghikas?
17 MR. LITMAN: I would respectfully disagree. The
18 government has made decisions which they claim are
19 justified on actuarial basis, that there is a
20 fairness. They use the term "fairness", which I think
21 they mean that the premiums that are charged on a
22 particular vehicle accurately reflect the claim costs
23 of that vehicle, and the government justifies their
24 mandated requirements also based on affordability.
25 And I would argue that the existence of the B.C.
26 Utility Commission is to allow the public to be

1 represented in questioning those government decisions.
2 So if that's out of scope, then why have
3 Utility Commission hearings at all? You know, the
4 assumption is the government can make a policy
5 decision and that is going to be implemented. But the
6 existence of the Utility Commission, I would argue, is
7 to hold accountable both the individual agencies,
8 government agencies, or utilities and the government's
9 policy.
10 THE CHAIRPERSON: This goes beyond a policy decision.
11 We have an Order in Council which has the effect of a
12 statute, and if you could point us to somewhere in the
13 Order in Council, the material associated with it,
14 that would justify or support your position here, then
15 I would agree with everything that you've just said,
16 that it would be within scope of this hearing and it
17 would part of our mandate.
18 However, if you are unable to do that, then
19 if it's a matter that we can't decide on, then from a
20 regulatory efficiency point of view, we can't -- we
21 can't really be having protracted discussions on
22 matters that we have no jurisdiction over.
23 MR. LITMAN: I certainly understand and appreciate your
24 position, and I would have to take some time to look
25 at the Order in Council, but to the degree that the
26 Order in Council claims to increase fairness, and

1 affordability, I would argue that it needs to be
2 actuarially justified. That it is legitimate to ask
3 whether, for example, a ten percent reduction for
4 vehicles driven under 5,000 kilometres should be 11
5 percent or 9 percent, or that that cut off should be
6 6,000 kilometres rather than five.
7 So the actuarial analysis is implicitly
8 invoked if the government is using terms like
9 "fairness" and "affordability". But I admit, I
10 haven't looked at the Order in Council with that
11 perspective so I can't say without more time.
12 THE CHAIRPERSON: Correct. And while I don't want to
13 debate you, you know, it's possible that there could
14 be two different options, both of which are fair. One
15 is arguably more fair than another but they are both
16 fair. And you know, then it's unclear to me why you
17 would have an argument that one shouldn't be
18 considered and another should be.
19 But that being said, given that you haven't
20 reviewed the Order in Council, what I would suggest is
21 if you would like to take some time, we could slot you
22 in at the end, if you would like to come back when
23 you've had a chance to consider further your argument
24 and perhaps you would have justification for it then.
25 If that's okay with you?
26 MR. LITMAN: Sure. Should I end now or finish a separate

1 question?
2 THE CHAIRPERSON: If there's a separate question, please
3 go ahead.
4 **Proceeding Time 11:38 a.m. T30**
5 MR. LITMAN: So, is there any way -- is there any
6 information that we have on the demographics and the
7 geographics of the -- well, the geographics are
8 implied in one of the tables. But I haven't seen the
9 demographic analysis of which groups are going to pay
10 more. Is there any information we could come up with?
11 MR. GHIKAS: It's Matt Ghikas. While the panel is
12 conferring, I would just want to highlight and flag
13 the fact that ICBC is prohibited from rating on
14 certain variables, including with respect to age and
15 marital status and the like. So, I'm happy to have
16 the panel answer the question, but just in terms of
17 the way the rating goes, ICBC operates within that
18 framework.
19 THE CHAIRPERSON: Thank you, Mr. Ghikas.
20 MS. AIMERS: Yeah, I'd have to add on to what Matt -- Mr.
21 Ghikas has said. We did not look at any demographic
22 analysis when we looked at the impacts. It's -- we
23 more looked at the specific variables and for instance
24 who's in each rate class or territory, or the years of
25 experience. That's as far as we were able to
26 differentiate the change.

1 MR. LITMAN: Right. So, there has been various times the
2 use of the word -- in this process, and I believe it's
3 in the Order in Council, but I'll have to check, the
4 use of the word "affordability". And affordability,
5 by definition, means cost burdens relative to income.
6 So the portion of your household budget devoted to a
7 cost burden.
8 And so one of the -- what I believe is
9 implicit in that, a key factor, is whether the new
10 rate structure is progressive or regressive with
11 respect to income. That is it likely -- is there any
12 way to determine whether the new rate structure --
13 whether the people who pay more under the new rate
14 structure are likely to have higher or lower incomes
15 than the people who are saving under the new rate
16 structure?
17 MS. AIMERS: We don't have that analysis either. We
18 don't collect our customers' incomes, so I would have
19 no way of making that statement.
20 MR. LITMAN: Right.
21 MR. GHIKAS: But I would add, and it's Matt Ghikas again,
22 I would add that implicit in Mr. Litman's question is
23 a premise about what the meaning of affordability is.
24 And I accept that, you know, that is one view of what
25 affordability is. In fact, the directive defines
26 "affordability" in a specific context, and it's in one

1 of the bulleted objectives. And it's defining it with
2 respect to two factors; the first of which being the
3 seniors and a discount applied to that, and the second
4 of which relates to the inexperienced drivers. It's
5 not -- you won't see the words "inexperienced drivers"
6 in there, but it says -- it talks about it in terms of
7 rate factors as related to tables in the tariff, and
8 what that's effectively doing is providing a reduction
9 in the actuarial rate indication -- actuarially
10 indicated rate for inexperienced drivers.
11 So, affordability does have a meaning, and
12 it's a legislative meaning, not simply one that we can
13 pull out of the air.
14 MR. LITMAN: Okay. That may be, but the term is widely
15 used without -- with the implication that we're paying
16 attention to the cost burdens on lower income people.
17 And since, from what I can tell with this rate
18 structure, it is going to increase the cost burden
19 from what you would call "inexperienced drivers". And
20 inexperienced drivers do tend to be younger, and
21 people in that younger age range, let's say from 18 to
22 25, tend to earn less money. Does it make sense --
23 would I be -- is it reasonable for me to conclude that
24 the new rate structure is likely to be regressive with
25 respect to income?
26 MS. AIMERS: Again, I can't make the two assumptions. I

1 can't confirm the two assumptions that you've used.
2 What I can speak to is the inexperienced drivers.
3 MR. LITMAN: Right.
4 MS. AIMERS: And based on what the government direction
5 has asked us to do, we have introduced an experience
6 factor which is based on experience, which is data
7 driven, and in accordance with accepted actuarial
8 practice. And on top of that, we have applied a
9 policy overlay to address their definition of
10 "affordability" to those drivers under 15 years.
11 **Proceeding Time 11:44 a.m. T31**
12 MR. LITMAN: Right. Part of what I'm interested in is
13 whether there is any way to evaluate the government
14 directive with respect to affordability and
15 regressivity, and therefore -- and I understand. I
16 don't envy you, as staff people working within -- you
17 know, having -- professionally being interested in
18 data, and then having a directive which apparently was
19 not based on data. But I'm interested in whether
20 there's any way to determine after the fact the degree
21 that the government directive increases or reduces --
22 you know, its effect on regressivity and whether there
23 is any way to understand who was harmed by those
24 decisions.
25 MR. WEILAND: First and foremost, the rate design is
26 looking at the risk that individual drivers are

1 bringing to bear on the system, and that's what
2 accepted actuarial practice is looking at. Where do
3 we expect the costs are going to lie? And those
4 should be distributed in accordance with the burden
5 that the drivers are bringing to bear on the system.
6 So first and foremost that's what this
7 exercise is about. The affordability issues and the
8 ones that Mr. Ghikas was speaking to a moment ago in
9 the bullets, they temper some of those actuarial
10 indications, and so that produces a change from the
11 actuarial indicated level in the experience factor.
12 So the degree to which that was specified
13 in the government direction, that was not within our
14 scope to examine, as to whether or not what we were
15 being told was reasonable or not. We are looking at
16 the risk that they are bringing to bear on the system
17 first and foremost and then applying what we're being
18 told to do. And so that's what we've done.
19 MR. LITMAN: Like I said, I don't envy you. When you
20 say "tempered" we could also probably -- could we say
21 "contradicts", that some of the policy decisions -- or
22 let's say the government directive in some ways
23 contradict optimal, the most actuarially accurate
24 price structure?
25 MR. WEILAND: So, let me speak just for a moment about
26 the principles behind rate design which are well

1 documented in actuarial literature, and certainly at
2 the heart of that is looking at the cost that people
3 are bringing to bear on the system. But there are a
4 number of social factors that are also part of rate
5 classification principles. So all of those
6 principles, as they are applied, are not necessarily
7 within the control of the actuaries or ICBC when they
8 are applying it.
9 But there is more than simply looking at,
10 well, what are the actual costs here. Because taken
11 to an extreme, then each person would pay their own
12 costs and we don't really have any insurance at all.
13 So fundamentally there is a sharing here, and that's
14 what insurance is all about. And so in this rate
15 design process and using these classification
16 principles, I think that balance has been struck.
17 MR. JIMENEZ: Maybe I would just add one. It's Nicholas
18 Jimenez here. When the government announced a suite
19 of changes to address the financial challenges with
20 the auto insurance scheme, you know, rate design,
21 which is one of them, rate design was primarily
22 targetted at fairness and risk assignment as Bill has
23 pointed out.
24 There are other initiatives, as you are
25 probably well aware, that are really tackling the
26 question of the costs associated with insurance and

1 what drives those costs. And some of those things
2 have already been announced by government and will be
3 implemented, you know, in a table next year. And
4 there are other initiatives that have been announced
5 around road safety which are intended to reduce
6 frequencies which again produce lower costs on the
7 system, et cetera, et cetera, and more that will come
8 in the months ahead.
9 **Proceeding Time 11:49 a.m. T32**
10 So again, I think we come back to the
11 underlying premise of rate design. Other than the way
12 affordability has been prescribed in the direction
13 letter, which Matt has articulated, this is
14 fundamentally about fairness.
15 MR. LITMAN: Right. However, if I understand this
16 correctly, that the Order in Council, the government
17 mandate, directive rate factors, as you say, they are
18 presented based on fairness. That is that they are
19 going to more accurately -- that the premiums charged
20 on a vehicle are going to more accurately reflect that
21 vehicle's crash risk and claim costs. And what I
22 would like to understand is whether, when the
23 government was considering that Order in Council, so
24 designing those factors, and subsequently when you did
25 analysis based on that, whether there was any analysis
26 of those mandated factors as to you know, actuarial

1 accuracy or affordability impacts.
2 MR. GHIKAS: So, it's Matt Ghikas. I just want to
3 caution that the deliberations of Cabinet and the
4 communications as between ICBC and Cabinet are covered
5 by a Cabinet confidence that is in favour of the
6 government. ICBC is not in a position to be waiving
7 that and discussing about details of conversations
8 that occurred with Cabinet. So I would caution that.
9 Second of all, this really is a discussion
10 and a debate about government policy, and I have the
11 same concern about this line of questions as I did
12 with the previous one.
13 THE CHAIRPERSON: I would agree with Mr. Ghikas. I
14 think that if you are prepared to go back and consider
15 the letter from the Attorney General to ICBC, for
16 example it says "the tariff amendments will improve
17 fairness." It doesn't say they will be the most fair
18 possible. It says it will improve fairness.
19 And you know, other than that, I would say
20 that if you could come back with something more
21 concrete as a basis for your questioning, then I might
22 be prepared to consider that.
23 MR. LITMAN: Okay. So one last question. Could I?
24 THE CHAIRPERSON: Yes.
25 MR. LITMAN: It's a technical question.
26 THE CHAIRPERSON: Yes.

1 MR. LITMAN: So one of the key changes in the new
2 proposed rate structure is a significant increase in
3 premiums in urban areas, and significant reductions in
4 rural areas. How much confidence do we have that that
5 is actuarially based?
6 MS. AMIMERS: The analysis that supports the rate class
7 territory changes are based on actuarial analysis.
8 MR. LITMAN: Mm-hmm. And is any of that accessible to
9 others outside of ICBC?
10 MS. AIMERS: With what regard of the analysis?
11 MR. LITMAN: Well, I guess I would be interested in
12 total claim costs broken down by territory, things
13 like that. Or what is it? Cost per premium by
14 territory.
15 MS. AIMERS: I'm recalling -- I could be wrong, but
16 within the revenue requirement application there is a
17 section in the appendix that is the information
18 sharing and it does break down premiums and claims
19 costs by territory.
20 MR. LITMAN: Okay. Thank you very much.
21 THE CHAIRPERSON: Thank you, Mr. Litman.
22 Mr. Quail, do you have an estimate of how
23 long?
24 MR. QUAIL: I should be done by noon with no trouble at
25 all.
26 THE CHAIRPERSON: Okay, thanks, sir.

1 MR. QUAIL: I don't hear anybody groan. Nobody is
2 saddened to hear that. But I don't intend to go
3 through the entrails of the rate design. My view is
4 that it's largely prescribed by Order in Council. And
5 we're not here to the debate the wisdom of the Orders
6 in Council. That's something that perhaps belongs in
7 the political forum but not here. This is not about
8 whether participants agree with the government's
9 solutions to the need for greater fairness and not
10 about an evaluation of the directive.
11 **Proceeding Time 11:53 a.m. T33**
12 Having said that, perhaps this is -- I'll
13 be brief, partly because maybe this is a matter more
14 for greater, more extensive discussion on Thursday,
15 but it is an issue that arose between the
16 Commissioners and ICBC this morning, having to do with
17 what is really the scope of this question at this
18 point in the hands of the Commission.
19 One part of my understanding of that, the
20 answer to that question, is that the directive itself
21 appears to contemplate this new tariff itself as the
22 subject for continued evolution in the hands of the
23 regulator over time. I won't go to them, but the
24 third-last and second-last paragraphs of the letter,
25 Mr. Evey made that clear and invites ongoing evolution
26 with experience.

As I see it, the government sees an urgent need to increase the revenues to ICBC, but first let's do something to make sure that additional burden is more fair. But they contemplate that this is going to be fine-tuned over time, and a lot of these -- there are several references to that, an opportunity to revisit a lot of that.

So, in a sense my interpretation is that what we have before us at this point is sort of a baseline or starting point, in what is going to be an ongoing story. Maybe I'm being fanciful here, but that's the way that I read the instrument.

The only other thing I want to do is -- that wasn't a question, and this isn't really a question either. One of the main concerns, obviously, of the union is concerns about the impact of all of these changes on the work force, who are the ones that are having to make it all happen. And simply on behalf of the union want to acknowledge the openness expressed and evidenced already by ICBC to consult with the union, and the indications of flexibility and finding solutions dealing with staffing issues and training. This is a good start, as we see it.

I didn't ask a single question, and I could turn that into a question but I won't. That's all I want to say.

1 THE CHAIRPERSON: You've got an early start on your
2 submissions.
3 All right. So I'd say it's pretty close to
4 12:00, so let's take a lunch break now. Come back at
5 12:30. Does that give people enough time? 12:45
6 would be better? No? Yes?
7 Okay. 12:30 is good. Okay. Thanks.
8 **(PROCEEDINGS ADJOURNED AT 11:56 A.M.)**
9 (PROCEEDINGS RESUMED AT 12:30 P.M.) T34
10 THE CHAIRPERSON: Mr. McCandless? Mr. McCandless, are
11 you on the phone?
12 MR. McCANDLESS: Yes, I am.
13 THE CHAIRPERSON: Great. So we're going to get started
14 here, then.
15 MR. McCANDLESS: All right.
16 THE CHAIRPERSON: Okay, thank you.
17 Mr. Landale, are you ready to go? Thank
18 you.
19 MR. LANDALE: Good afternoon, panel.
20 THE CHAIRPERSON: Good afternoon.
21 MR. LANDALE: ICBC. Interveners. My very first
22 question, if I may, to the panel, you started off
23 saying there are two OICs that are under
24 consideration.
25 THE CHAIRPERSON: Yes.
26 MR. LANDALE: Am I allowed to discuss OIC 084, which was

1 issued March the 5th, 2018, and discusses letter of
2 direction, fund rating affordability action plan from
3 optional insurance?
4 THE CHAIRPERSON: So that was issued to ICBC?
5 MR. LANDALE: Yes, it was. Ms. Joy McPhail, board of
6 directors.
7 THE CHAIRPERSON: Sorry, and what date was it?
8 MR. LANDALE: The letter is dated March -- February the
9 13th, 2018.
10 THE CHAIRPERSON: Okay.
11 MR. LANDALE: Under OIC 084.
12 THE CHAIRPERSON: Okay.
13 MR. LANDALE: March the 5th, 2018.
14 THE CHAIRPERSON: Why don't you go ahead and outline what
15 your questions are, and we'll see if it's in scope.
16 MR. LANDALE: Fair enough. I'll get to it a little later
17 on because I'm actually going to try to follow the
18 ICBC presentation.
19 THE CHAIRPERSON: Presentation? Okay.
20 MR. LANDALE: Thank you very much. Yeah. On slide 5, I
21 wasn't quite sure -- what is the actual effective date
22 as far as the insurance premiums are going to be --
23 data is collected September the 1st. But actually
24 there is no implementation of that data until November
25 the 1st, 2019?
26 MS. AIMERS: The rate design that is outlined in this

1 will be effective on September 1st, 2019. It's the DRP
2 and DPP changes, we will see a 20 percent increase on
3 November 2018, and a further 20 percent on November
4 1st, 2019. But those do not impact a basic insurance
5 premium.
6 MR. LANDALE: Thank you. Oh, yeah. Then I believe you
7 mentioned there was some -- one-third would be saving
8 some money, and two-thirds weren't. So there's --
9 MS. AIMERS: Oh, the opposite, Mr. Landale.
10 MR. LANDALE: Oh, sorry. Yeah, yes. Nothing like me
11 doing that. So, 2.3 million people will actually save
12 something. Give or take a policy or two. Okay.
13 Good.
14 I was having a little difficulty about the
15 slide 11. Rate design is about fairness. Could you
16 perhaps just go over that one more time for me?
17 Because I was having a little difficulty trying to fit
18 fairness into that.
19 **Proceeding Time 12:34 a.m. T35**
20 MR. JIMENEZ: Sure, I'll give it a go. So what the
21 proposals in the application try to do is make the
22 system more fair than it is today and I outline some
23 of the inherent features today that we believe aren't
24 particularly fair and I catalogued some of them.
25 The fact that, you know, the rate class and
26 territory data is predicated on 2007 information

1 versus 2018. The fact that the impact of crashes
2 isn't felt by those who actually caused the crashes by
3 virtue of being a vehicle based model versus a driver
4 based model. The fact that we forgive too many
5 crashes. 40 percent of every crash -- 40 percent of
6 all crashes in a given year are not accounted for by
7 the people who caused those crashes because of the
8 crash forgiveness featured in the current design.
9 So there are a number of features that have
10 led the system over time to become less effective at
11 assigning risk and then appropriately allocating risk
12 within the model. So that's essentially how we're
13 thinking about fairness. Looking to find ways as
14 prescribed in the direction letter to achieve a better
15 balance of fairness in the system.
16 MR. LANDALE: Perhaps I'm jumping a year or two head of
17 the game, but that fairness in terms of 40 percent to
18 bringing that up to the fairness level, that's
19 actually going to show up in a revenue requirement
20 application in 2019, 2020? That start will materially
21 show then? I'm saying "materially".
22 MS. AIMERS: Yeah, I am interpreting your question as
23 meaning the future forecast of the impacts of this
24 design. I can't comment on whether or not this will
25 be more favourable or less favourable in the future.
26 The way the design has been designed is it's a

1 forecast, and so we've made assumptions to what that
2 forecast will be in 2019. And then we've also
3 assigned these off-balance factors to ensure that it's
4 revenue natural.
5 And so any deviation from that, yes, would
6 be included in future revenue requirements, but
7 whether that's going to be favorable or unfavorable, I
8 can't comment on at this time.
9 MR. LANDALE: Yeah, actually I get what you're saying.
10 But I'm actually also following along with the
11 Attorney General's objective of what is fair. And as
12 you -- Mr. Ghikas pointed out, he described fairness
13 as you drill that down into what comes in and out of
14 our pockets is -- that's ultimately what fairness is.
15 And that's really what I was trying to drive at.
16 MS. AIMERS: You're talking about the overall revenue
17 requirement.
18 MR. LANDALE: Absolutely.
19 MS. AIMERS: Right. So today's discussion is just about
20 -- Mr. Jimenez showed that graph that the overall rate
21 requirement is the pie and we're talking about how we
22 divvy up that pie between the customers based on their
23 risk attributes.
24 MR. LANDALE: The 35/65 graph you're talking about?
25 MS. AIMERS: Yes, that would also show that. What I mean
26 though is revenue requirements is how the pie expands

1 or contracts. And we're not talking about the size of
2 the pie, that's revenue requirements and I think
3 that's your question. This process is regarding how
4 we divvy up that pie between the customers.
5 MR. LANDALE: Which is slide 12?
6 MS. AIMERS: Which is the 33/66.
7 MR. LANDALE: Yeah. And that's what you're saying in
8 slide 12, how you divide that pie up?
9 MS. AIMERS: Oh, yes. Yes, correct.
10 MR. LANDALE: Okay, good.
11 **Proceeding Time 12:38 p.m. T36**
12 Sorry, I've just got -- the only way I
13 could organize myself was to follow through your
14 presentation. Ah, yeah, yeah, yeah. Number 19. I
15 got lost as you were describing it.
16 I believe you said -- you used the word
17 "factor 1.9". And then you also used another number
18 of $1,010, I think is what I heard. Would you mind
19 just going over it again?
20 MS. AIMERS: Sure. On slide 19 is the slide on the base
21 rate, because this is the $1,000 base rate. And the
22 example I was giving is, in current rate, the rate
23 class and territories were set on a dollar basis. And
24 I gave an example of territory D, rate class 1, which
25 is one of the factors in the original table is set as
26 a dollar. It was set as $1900, was the example I

1 gave.
2 In the new rate design, what we're doing
3 is, we're dividing out those factors by a thousand
4 dollars and that's the starting base rate for this new
5 algorithm. And what's left is the factor, that's the
6 rate class territory factor. So in the example I
7 gave, that factor would be 1.9.
8 So when you multiply the two together, you
9 still get the $1900. It's just a different way of
10 showing it.
11 MR. LITMAN: Okay, got it. Thank you.
12 Oh, yeah, yeah. This is a cool one. I
13 like this one here. 25. It's because that's the way
14 I think. When I go and renew my insurance policy, and
15 as you've clearly enunciated, you have an education
16 program for all your brokers, and you're going to
17 offer an education program for all your customers.
18 Here's my question. Again, when I'm sitting across
19 with my credit card -- don't use cheques any more.
20 I'm going to be asked a whole bunch of questions, and
21 going to be asked about registered drivers. And
22 that's where the problem comes, that I have, is -- and
23 I've been advised not to use my personal data, so I'm
24 going to try to word the question -- correct me if I
25 go wrong.
26 There's two seniors, married. And they

1 live in territory D. And they both have a car. But
2 by some fantastic error of the clerk, both cars are
3 registered in the lady's name. Who comes for each car
4 -- who is the principal driver and who is the listed
5 driver? And in the case of a senior, where they both
6 own -- each own the car, they both have to be listed
7 on the alternate car?
8 MS. AIMERS: I would answer that as, your broker's going
9 to ask you who drives the vehicle. So you would be
10 listing the drivers of each of those vehicles. So if
11 your spouse does not drive the second vehicle, you
12 would not have to list her. And of course we talked
13 about this choice. You don't have to list your
14 driver. But then as we also talked about, there could
15 be financial consequences if an unlisted driver
16 crashes the vehicle.
17 MR. LITMAN: So if both drive, say, 40/60 from an
18 alternate point of view, if you're the 40, you
19 actually have to list yourself.
20 MS. AIMERS: Yes.
21 MR. LITMAN: Regardless of whether you're a registered
22 owner.
23 MS. AIMERS: You don't have to. You have a choice.
24 MR. LITMAN: Well, yeah, but --
25 MS. AIMERS: You do have to declare who your principal
26 driver is.

1 MR. LITMAN: Okay.
2 MS. AIMERS: And that's who drives the vehicle the most.
3 So the 60 percent, in your case.
4 MR. LITMAN: Okay. Is that in a directive?
5 **Proceeding Time 12:43 p.m. T37**
6 MS. AIMERS: Can we get back to you on that one, Mr.
7 Landale?
8 MR. LANDALE: Please do.
9 MR. GHIKAS: Can I just ask for clarification as to what
10 the question is. Is it what in the --
11 MR. LANDALE: The division of listing. My question is
12 two seniors married, two cars, registered on each car
13 who is the principal driver, and on a 60/40 use basis,
14 does the 40 percent have to be listed on a car that's
15 already registered in their name? And is that noted
16 in an OIC directive from Cabinet.
17 MR. JIMENEZ: So I guess what I think we're going to
18 clarify is is there in fact a regulation that
19 specifies the identification of a principal operator,
20 which is what I think you're asking. Where is the
21 requirement to list a principal operator if it exists
22 at all? And I think that's what we wanted to confirm
23 that it's in a regulation --
24 MR. LANDALE: And on a 60/40 basis or 70/30, whatever.
25 That's really what I'm trying to drive at.
26 MR. JIMENEZ: No, that's --

1 MR. LANDALE: Yes.
2 MS. AIMERS: Just from my memory, it's --
3 MR. LANDALE: Oh, sorry, could you --
4 MS. AIMERS: Sure. It's not a requirement to list your
5 drivers. You have a choice, and so what -- I believe
6 there was a regulation change, and we will get back to
7 you on that, but what it states is that we have to
8 consider all drivers in the premium. Okay.
9 THE CHAIRPERSON: Sorry --
10 MR. LANDALE: I certainly understand that. You're right,
11 I'm trying to OIC -- what do you call it? IVR
12 regulation. Yeah. Is there something in there that
13 says you do this? My question is fully answered.
14 THE CHAIRPERSON: Sorry. I'm sorry to interrupt, I
15 wonder if I could just ask a follow-up question here.
16 MR. LANDALE: Please.
17 THE CHAIRPERSON: As I understand it, when you list the
18 other drivers of your car, you're not asked to list
19 the percentage of time that they drive the car.
20 MS. AIMERS: No, that's correct.
21 THE CHAIRPERSON: Because I got the impression that
22 that's what you were suggesting, Mr. Landale.
23 MR. LANDALE: You're quite correct, Mr. Chairman. I
24 thank you for that. But people don't really think
25 that way.
26 THE CHAIRPERSON: No, I understand, but the notion of a

1 principal driver to the extent that there is one, it's
2 not based on the amount of time -- the proportionate
3 amount of time that that person drives the car.
4 MS. AIMERS: Yes. It's only based on -- the question
5 would be: Who drives the vehicle the most? And that
6 person would be assigned as the principal driver.
7 THE CHAIRPERSON: But you're not asking for a
8 declaration of how much they drive it.
9 MS. AIMERS: No. No, exactly.
10 THE CHAIRPERSON: Okay, thank you. Or much any other
11 driver drives it.
12 MS. AIMERS: Exactly.
13 COMMISSIONER MAGNAN: Just as a follow-up question.
14 Part of what I heard Mr. Landale say is if one of the
15 parties has ownership of both cars, the second car
16 could have a different principal driver than the first
17 one, is that correct?
18 MS. AIMERS: Yes.
19 COMMISSIONER MAGNAN: So it's based on principle driver,
20 not on the ownership of the vehicles?
21 MS. AIMERS: That's right.
22 MR. LANDALE: I'm glad to hear that. I don't have to go
23 and get it reregistered.
24 There are two slides, 27 and 30. I can
25 cover those slides on Thursday or you might be able to
26 help me understand it better so I don't cover it on

1 Thursday. Again, at the end of the day there is the
2 senior who's got well over 40 years' experience, no
3 crashes, lives in territory D and is a thoroughly good
4 boy. Where -- if you could put the slide up, where
5 would you put me? Put that driver? 27 or 30.
6 There you go, that will do.
7
8 **Proceeding Time 12:47 p.m. T38**
9 MS. AIMERS: Okay. If we're just considering experience
10 alone, this does not include the senior driver factor.
11 We max out at 40 years. So in the example that you
12 gave, you would be on that purple dot way at the end,
13 which is represented by 52 percent discount.
14 MR. LANDALE: That's 52 percent?
15 MS. AIMERS: Now, on top of that, Mr. Landale, if you are
16 eligible for the senior driver factor, you would also
17 be eligible for an additional 15 percent on top of
18 that. So you would --
19 MR. LANDALE: 52 plus 15?
20 MS. AIMERS: You would multiply 1 minus 52, which is
21 0.48, multiplied by 0.85. And I don't -- I'm not a
22 human calculator.
23 MR. GHIKAS: She's as close as you can get to one, but --
24 MR. LANDALE: All these laptops, have you got a
25 calculator?
26 It is confusing, isn't it?

1 MS. AIMERS: Yeah.
2 So Mr. Weiland is showing me a number of 59
3 percent.
4 MR. LANDALE: 59 percent?
5 MS. AIMERS: Yes.
6 MR. LANDALE: Thank you.
7 MS. AIMERS: Now, keep in mind that in year one there
8 will be a limit on the amount of discount each
9 individual will be able to receive. So in the case of
10 a senior with maximum discount, the most discount that
11 they can receive is 48 and a half -- or, sorry, 58.5
12 percent.
13 MR. LANDALE: Max 58.
14 MS. AIMERS: And that's shown on slide 44.
15 MR. LANDALE: That's what?
16 MS. AIMERS: It's shown on slide 44.
17 MR. LANDALE: Okay. Thanks for that.
18 MR. GHIKAS: Before Mr. Landale goes on, I have an answer
19 for the previous question.
20 MR. LANDALE: Oh.
21 MR. GHIKAS: Which was where in the tariff is it. And
22 they're just -- they're not consecutively paginated,
23 but luckily it's right at the beginning of the tariff.
24 There's a definition section, and it's on page 3 of
25 the definition section. So it's really only a half-
26 dozen pages in or so. And there is a definition of

1 "principal driver". And effectively what it says is,
2 and I can just read it in, it says:
3 "A principal driver means the following person:
4 (a) if determined at the time of issuing a
5 new or renewal certificate,
6 (1) if there is only one listed driver, it's the
7 listed driver; or, if there is more than one
8 listed driver, it's the listed driver who
9 operates the vehicle specified in the
10 certificate for more time than any other
11 listed driver."
12 So effectively the person -- you really only have to
13 look at who's driving it the most to know who that
14 principal driver is.
15 MR. LANDALE: Yes. Okey-dokey. Thank you very much.
16 Yeah, I had more problems than I even know
17 what to do with. Number 34, please. You gave an
18 interesting example, and what -- slide 34?
19 THE CHAIRPERSON: Unfortunately it's not advancing. I
20 don't know if you could do it manually.
21 MR. MILLER: Is this the controller over here?
22 MS. AIMERS: No.
23 **Proceeding Time 12:51 p.m. T39**
24 MR. LANDALE: I can try and describe it.
25 On the slide -- you have it on the slide
26 there.

1 THE CHAIRPERSON: It's called the "impact of listing
2 drivers".
3 MR. LANDALE: On the bottom part of the slide there is
4 this drop-off line where the dotted line and the solid
5 line meet and then it goes horizontal.
6 MS. AIMERS: Mm-hmm.
7 MR. LANDALE: Could you just, for the purposes of that
8 slide, put that drop-off and horizontal lines where
9 they meet? Can you give me better context of what
10 that means?
11 MS. AIMERS: It's meant to give an approximation of when
12 the senior discount would be applied.
13 MR. LANDALE: Oh, that's the start point.
14 MS. AIMERS: That's the drop. Yes, it's meant to account
15 for the senior factor.
16 MR. LANDALE: So that carries up and based on the other
17 example we talked about, it could max out at 58.5
18 percent.
19 MS. AIMERS: No.
20 MR. LANDALE: If you look at that graph.
21 MS. AIMERS: The purple line you mean?
22 MR. LANDALE: I've got two black lines. Yes.
23 MS. AIMERS: Yes, the solid line. Yes, I believe that
24 would be at the 58. That was --
25 COMMISSIONER FUNG: Only in the first year.
26 MS. AIMERS: That was the first year, thank you.

1 So your actual -- once we get through
2 transition, the maximum amount of discount that a
3 senior can receive would be 59 percent.
4 MR. LANDALE: Yes.
5 MS. AIMERS: The number I gave you first was the amount
6 limited by the transition rules.
7 MR. LANDALE: Thank you. Again, respecting the clarity
8 Mr. Ghikas gave about the OIC directives, I would just
9 like to ask a general question and it's not to
10 criticize Cabinet or anybody else. How did the 5,000
11 kilometres come to the Attorney General? He didn't
12 come up with it out of his own pocket. There was
13 something that drove him to say that.
14 MS. AIMERS: No, and I believe that Mr. Ghikas did
15 mention that any conversations that have been held
16 between ICBC and government are within a confidential
17 --
18 MR. LANDALE: So you can't tell me.
19 MS. AIMERS: I can't discuss what's been discussed
20 between us and government, no.
21 MR. LANDALE: Can you discuss within the terms of ICBC's
22 corporate offices, how did 5,000 become accepted?
23 There must be some sort of actorial basis on which
24 that 5,000 was generated.
25 MR. GHIKAS: Maybe if we could go about it this way.
26 If 5,000 is used, what's the implications of that?

1 MR. LANDALE: Thank you.
2 MS. AIMERS: Based on our estimates and I have to explain
3 it, our data is a little scarce on the actual
4 kilometres driven by British Columbians, but based on
5 the information we have, we've assumed that roughly 5
6 percent of British Columbians would be eligible for
7 this discount.
8 MR. LANDALE: I'd like to give you another little
9 scenario, if I may. So here is Grampa, lives in
10 Surrey and he wants to take his granddaughter who has
11 special needs to school. Under the rate class 1, he's
12 allowed to drive his granddaughter a maximum of six
13 times a month to school. That distance that Grampa
14 would drive, there and back, pick up the kids, drop
15 them back off at the end of the day would be 88
16 kilometres, and that translates on an 8 month, not the
17 full school year, to 4,200 kilometres.
18 Based on this 5,000 there's only 800
19 kilometres left for that grandfather to go do some
20 shopping, the doctor, the hospital, the dentist, the
21 candlestick maker. That is not fair. That's not fair
22 under the Attorney General's fairness.
23 MS. AIMERS: The discount is meant to reflect those that
24 drive under 5,000 kilometres. It's a set amount as
25 shown in the direction letter. I don't think I can
26 comment on the circumstances behind how you receive

1 the 5,000 kilometres.
2 **Proceeding Time 12:57 a.m. T40**
3 COMMISSIONER MAGNAN: Could I just ask a question at this
4 stage? Is this one of the elements that ICBC would
5 look at and see what the experience is to see perhaps
6 it might be too low or too high, whatever it is? Is
7 this something that would fall under what the Attorney
8 General put in his letter that said for ICBC to
9 consider possible changes through experience that has
10 happened over the course of the initial implementation
11 of these particular regulations?
12 THE CHAIRPERSON: Consequential amendments, right?
13 MS. AIMERS: I think that's fair to say. I think this
14 discount is meant to impact, you know, a relatively
15 small amount of individuals who do impose a lower
16 risk. And if that intent isn't achieved, that would
17 something we could look into further.
18 COMMISSIONER MAGNAN: Because I would think also one of
19 the other elements included in that is in the Lower
20 Mainland you can have long distances being driven to
21 reach specialty places where you wouldn't haven't that
22 in another jurisdiction, another geographic territory.
23 So, for example, if you're driving from
24 Langley to -- you have to go to downtown Vancouver for
25 specific reasons and you could easily exceed that
26 5,000 kilometres a month, whereas if you were in

1 Kelowna you wouldn't have to go that far a distance to
2 reach the same type of place, institution that you're
3 going to.
4 MR. LANDALE: Thank you so much. As a matter of fact,
5 I'll jump just ahead. I anticipated some of this and
6 in my presentation on Thursday I will be addressing
7 this and I actually have outlined a proposal with a
8 suggested amendment. So perhaps Mr. Magnan, instead
9 we could then do a little follow-up on that scenario
10 then, is that okay?
11 MR. JIMENEZ: I think we can take the question when we
12 get it on Thursday. As to specific follow-ups, I
13 think I reserve the right to hear the question before
14 we can do a follow-up.
15 THE CHAIRPERSON: The purpose of -- excuse me.
16 MR. LANDALE: I would appreciate --
17 THE CHAIRPERSON: Excuse me. The purpose of Thursday is
18 to allow parties the opportunity to make their final
19 arguments. It was not intended to be a follow-up to
20 questioning today. We were hopeful that we could wrap
21 up the questioning phase today. So if you have
22 further questions, sir, this would be the time to ask.
23 MS. AIMERS: Yes.
24 MR. LANDALE: I'm sorry?
25 THE CHAIRPERSON: If you do have further questions this
26 would be the time to ask, not Thursday.

1 MR. LANDALE: Would you mind if I go and get it?
2 THE CHAIRPERSON: Sure. Yeah, that's fine.
3 MR. LANDALE: Actually I apologize. I didn't mean to
4 take up so much time.
5 THE CHAIRPERSON: That's okay.
6 MR. LANDALE: The scenario I described is what I'll
7 actually be speaking to, of driving -- a grandfather
8 driving his child to school and back again, and so on
9 and so forth. So my question is would ICBC consider
10 creating a new rate class — I've just called it what
11 I've called it — 001SP, special needs, as defined in
12 Table 1, vehicle rate class listing descriptive,
13 Schedule B, page 7. With the addition of special
14 needs which could be determined by a professional
15 doctor's letter to ICBC or some other recognized legal
16 professional authority.
17 Part 2, create a special vehicle rate class
18 002SP, 003SP, 004SP as defined in Table 1, vehicle
19 class listing descriptive, Schedule B, page 7, with
20 the addition of a special needs which could be
21 determined by a professional doctor's letter to ICBC
22 or some other recognized legalized professional
23 authority.
24 One more. Amend the distance factor limit
25 giving in Schedule Y according to the proposed new
26 vehicle rate class given above, from 5,000 kilometres

1 to 10,000 kilometres with a 15 percent overage
2 allowance up to 11,500.
3 **Proceeding Time 1:01 p.m. T41**
4 And one of the reasons I'm saying and
5 making this proposal is this proposal is about
6 compassion and affordability to those families that
7 are already stretched to the limits and beyond, where
8 their limited financial resources cause major family
9 hardships and denial to other family members. What
10 are the real costs to ICBC?
11 Thank you.
12 MR. JIMENEZ: I think the question was would we consider
13 that. Maybe I'll start by thanking you for, obviously
14 the detailed work you did to come up with a revised
15 rate class. What we are really focussed on at the
16 moment is implementing the rate design that we've
17 proposed and I think it's -- given the, you know,
18 Herculean effort it's going to take to put that into
19 play over the next year, it's pretty difficult for us
20 right now to commit to additional rate design
21 initiatives.
22 So I think you've read it into the record
23 and it's certainly something that will be there for us
24 to review in the future. But right now we're not in a
25 position to incorporate new or additional rate design
26 features beyond what's been prescribed in the

1 government direction letter.
2 MR. LANDALE: That's fair enough, and I'd like to just
3 have a tiny follow-up if I may. If I was to actually
4 formally write you a letter detailing that all out
5 again, do you say before now and perhaps 2019/20 ICBC
6 could give this a real serious consideration?
7 MR. JIMENEZ: If you provide us with the information,
8 we'll certainly review it.
9 MR. LANDALE: I can't give you a schedule, an actorial,
10 but I can give you --
11 MR. JIMENEZ: If you can provide the outlines of what you
12 described today in a letter, we would be happy to
13 review it.
14 MR. LANDALE: That's very generous and I also thank you.
15 I think I'm just about -- yes, that's explained. I
16 can follow that through.
17 Yes, so again, this is the only question I
18 had outstanding was under the RRAP, the OIC O84.
19 Given my aforementioned, can the panel also consider
20 that OIC?
21 THE CHAIRPERSON: I have that OIC. I think that OIC
22 refers to optional insurance. If you look at the top.
23 MR. LANDALE: Yes. But as I was reading it, on the
24 second page -- I don't want to read all the
25 paragraphs, but I've generally started off by saying:
26 The government supports limiting the impact of ICBC's

1 investment in the RRAP project on a universal,
2 compulsory automobile insurance, basic insurance, by
3 funding RRAP project costs entirely from optional.
4 So basically I'm saying right here in the
5 OIC, the Attorney General is specifically mentioning
6 basic insurance. Although the title, I agree with
7 you, kind of misleads a little bit. It's right there
8 to be had, in my opinion.
9 THE CHAIRPERSON: Mr. Ghikas. Yes?
10 MR. GHIKAS: Thank you, Mr. Chairman. If I may be of
11 assistance. So this is a government directive. It's
12 aimed at the regulation of basic insurance rates and
13 so it's informing the Commission's discretion in terms
14 of the regulation setting basic rates. What it's
15 doing, in effect, is saying that the costs of all of
16 these initiatives, and I'm over-simplifying a bit, but
17 effectively the costs of all of these initiatives are
18 being borne by optional and thus are not impacting
19 basic rates.
20 So effectively the normal cost allocation
21 that would occur to impact basic rates is not
22 happening. And effectively, as these costs are
23 allocated a hundred percent to optional, the
24 Commission need not consider in its regulation of
25 basic insurance what these costs are effectively.
26 THE CHAIRPERSON: So Mr. Ghikas, is it fair to say then

1 that the direction here has no impact on the rate
2 design application? Is that what you're saying?
3 MR. GHIKAS: Certainly on the rate design and the
4 application as to what's being sought here, it has no
5 impact. What it effects is, if I can use the pie
6 analogy that Mr. Jimenez spoke to, it's shrinking the
7 size of the pie rather than what we're doing here,
8 which is taking the pie and cutting it up into slices.
9 If that helps, Mr. Landale.
10 **Proceeding Time 1:06 p.m. T42**
11 MR. LANDALE: I know what you're driving at, but I'd like
12 to continue the line, if I may?
13 MR. GHIKAS: Sure.
14 MR. LANDALE: Any costs that are not optional funded RRAP
15 costs, will continue to be allocated between basic
16 insurance and optional insurance, based on the
17 financial allocation methodology approved by the BCUC.
18 And I don't want to get into the -- what do you call
19 it? Revenue requirement, but if you think about the
20 financial allocation methodology, in every year that I
21 can recall ICBC provides allocation tables that split
22 things between basic and optional. And so I'm saying,
23 and asking, given that last paragraph I read, is that
24 what you're talking about? Those tables? Or is that
25 what the Attorney General is talking about? Those
26 tables? The financial allocations?

1 THE CHAIRPERSON: Sorry, the Attorney General is talking
2 about where -- where are you asking about?
3 MR. LANDALE: I'm saying that this paragraph
4 distinguishes between basic and optional insurance.
5 THE CHAIRPERSON: Right. Right.
6 MR. LANDALE: Based on financial allocation methodology.
7 THE CHAIRPERSON: Methodology. Yes.
8 MR. LANDALE: That's what I'm actually saying. And I'm
9 using the revenue requirement application, because in
10 there they actually break down what is allocated basic
11 and not --
12 THE CHAIRPERSON: Right. And, yes, that is correct.
13 MR. LANDALE: That's what I'm actually driving at, yes.
14 THE CHAIRPERSON: Yes. Yes. This refers to the
15 allocation methodology in the revenue requirements
16 application, correct.
17 MR. LANDALE: Having now said that, do you have purview
18 jurisdiction to make any adjustments?
19 THE CHAIRPERSON: Well, we can't make any retrospective
20 adjustments, and I don't know what authority we will
21 have in the next revenue requirement to make an
22 adjustment.
23 MR. LANDALE: Is that something that can be looked into
24 now, or do we have to wait?
25 THE CHAIRPERSON: So, we would have to wait until we get
26 the next revenue requirement application before I

1 would be able to answer that.
2 MR. LANDALE: I really thank you for indulging me.
3 THE CHAIRPERSON: Yes. Thank you.
4 Ms. Worth?
5 MS. WORTH: For the record, Leigha Worth here on behalf
6 of BCOAPO. And I have a few questions primarily
7 focusing at the beginning with regards to the impact
8 on seniors.
9 So I note that seniors in experience
10 classes -- and of course my clients fall within those
11 two groups. Yeah, I know that in the application it
12 says simply these were decommissioned because they are
13 now calculated using separate factors. But was it
14 really necessary to remove these classes?
15 MS. AIMERS: There is no impact from moving them. It
16 would be separate factors versus including them in
17 their own rate class. With rate class 5, is what I'm
18 assuming you're speaking to, we're simply looking at
19 rate class 1 times 0.75. And so we've just taken that
20 calculation out and we have a separate factor to
21 account for it. So you can -- it's very transparent,
22 what the senior factor is in the calculation within
23 the tariff.
24 MS. WORTH: Okay. But the previous -- in sort of the
25 current -- I don't want to refer to the previous --
26 it's not previous yet. But in the current system, the

1 seniors receive a 25 percent discount. And in what
2 you're proposing, it actually is a 15 percent
3 discount. Is that correct? For somebody who is
4 accident-free.
5 MS. AIMERS: Correct. And so what we also talked about
6 is that over the life -- insurance life cycle, if you
7 want to call it, each customer will be getting
8 additional discounts all the way up into 40. And
9 that's reflected through the experience factor. So
10 they're going from current state max of 43 percent, to
11 the new design, which allows for a maximum of 52
12 percent. And so then when you apply the senior factor
13 on top of that, looking from the combination of those
14 compared to the old senior factor of 25 percent,
15 they're actually better off in the new system, as long
16 as they are crash-free.
17 **Proceeding Time 1:12 p.m. T43**
18 MS. WORTH: So is it your position that under the
19 current system and the new system, two seniors with
20 the same driving record, whether with crashes or
21 without, are either being held -- they are being held
22 whole or they are in a better position, or are there
23 going to be outliers within that as well?
24 MS. AIMERS: If they are crash free, they will be better
25 off, everything else equal. If they have one crash
26 and it's in that forgiven scan period, they are still

1 better off. I would have to look at the circumstances
2 if they had more than one crash, whether or not they
3 are better off or not. It would depend on other
4 factors such as territory and rate -- just territory,
5 and whether or not they are eligible for the distance
6 factor. So there are other elements of the new rate
7 design that could favourably impact the senior driver.
8 MS. WORTH: Has ICBC done any -- I mean obviously you
9 don't have the figures with you right now, but I was
10 wondering whether ICBC had done any calculations or
11 examinations of the proportion or the percentage of
12 seniors as part of its policy holder group that are
13 going to be held whole or who are going to be better
14 off under this new rate design?
15 MS. AIMERS: Yes, we did look at that analysis. We
16 looked at the before and after, and it was roughly 75
17 percent of seniors will be better off in the new rate
18 design.
19 MS. WORTH: And of the 25 percent that will not be
20 better off, have you done an examination of the kind
21 of quantum of impacts that that 25 percent might see?
22 MS. AIMERS: No, not to my knowledge, but these would be
23 seniors that have had multiple crashes since March 1st,
24 2017.
25 MS. WORTH: Would it be possible for ICBC to produce
26 that? I'm not sure how much work would be involved so

1 I'm just asking. Would you be able to provide that in
2 anticipation of the oral arguments on Thursday this
3 week, or is that something that is beyond the scope of
4 what you'd be able to do?
5 MS. AIMERS: I'd have to refer to the Commission. If
6 they find that would be helpful in making the
7 decision, That is an analysis that we could undertake.
8 MR. GHIKAS: I think the question was how long it would
9 and how much effort.
10 MS. AIMERS: Yeah, I would think that would be -- oh, by
11 Thursday. That would be cutting it pretty close.
12 MS. WORTH: Okay. So can ICBC ensure that all the
13 individual protections as prescribed by the directives
14 and planned in the transition part and other elements
15 of the plan, will be enjoyed by all seniors now that
16 they are not in their own class? Because I note on
17 page 3-6 of the application, with the use of the
18 individual driver factor, I'm just wondering whether
19 seniors as a group or individually will enjoy the same
20 protections, for example, from premium changes, that
21 the other non-decommissioned groups will actually get
22 to enjoy.
23 Sorry, that was rather convoluted but --
24 MR. JIMENEZ: Yes, could you restate that?
25 MS. WORTH: Let's just say -- okay, we are looking at,
26 for example, the individual driver factor, okay? The

1 non-decommissioned rate classes will get the benefit
2 of that. Now, is it ICBC's position that the
3 individual driver factor will be enjoyed by seniors
4 now that they are not part of that commissioned rate
5 class group, that they'll have that protection during
6 the transition part and other parts of the rate
7 design, the way that they would have otherwise?
8 **Proceeding Time 1:16 a.m. T44**
9 MS. AIMERS: Would you mind describing the term
10 "protection"?
11 MS. WORTH: Well, would they be able to benefit from the
12 individual driver factor in the same manner as the
13 commission classes once -- the classes that you're
14 prospering remain commissioned?
15 MS. AIMERS: So seniors will now be included in rate
16 class 001. So they will still be applied an
17 individual driver factor if they are a listed driver.
18 And as long as the registered owner of the vehicle is
19 also a senior they will be eligible to also receive
20 the benefit of the senior driver factor. So that
21 factor is embedded in the IDF calculation for that
22 driver. And they also benefit from the extension of
23 the years of service to 40.
24 MS. WORTH: Okay. And was there an actuarial basis on
25 which the senior's discount was cut down to 15
26 percent?

MS. AIMERS: That was based on government direction.

MS. WORTH: Okay. Just trying to make sure that I'm not covering questions that have already been asked.

Now, quite often when we talk about energy regulation we talk about sort of the price elasticity, so prices go up, people tend to use less energy. And I'm wondering whether ICBC has found that there's impacts on driving behaviours that are actually driven by cost? And if so, whether ICBC has favoured into its analysis the impacts on driving behaviour that the new rate design is expected to induce, particularly because of the focus on holding those who cause more crashes more financially responsible?

MR. JIMENEZ: I can start and Kelly may want to jump in.

It is clear to distinguish rate design and what we're intending to do here -- within the context of your question, so we're not seeking to use pricing as a behaviour changing mechanism. We're seeking to design a system that better assigns risk to price. So, you know, what the consequences will be by virtue of the rate design, I think time will tell. But we're not designing it with the intention of making people crash less. We're designing it to make sure that if you do crash, and that's your decision how you drive, you're going to pay for that. So right now that's kind of the underlying premise around which we've

1 approached rate design.
2 I don't know if you want to add to that?
3 MS. AIMERS: That's great.
4 MS. WORTH: Just to clarify, there was no subtext to what
5 I was asking indicating that your intention was to
6 actually influence the behaviour of drivers. It was
7 more sort of have you built in to this an assumption
8 that this change to hold those drivers responsible who
9 are more responsible for the increase in costs might
10 have some effect on their driving behaviour, and if
11 so, what that might be?
12 MS. AIMERS: No. We haven’t built in any behaviour
13 changes into the model.
14 MS. WORTH: Okay. So that would be something that you
15 would sort of examine as time develops and sort of,
16 you know, any changes may or may not actually appear?
17 MS. AIMERS: Yes, I could say that, but to be able to
18 attribute it to the rate design changes would be
19 difficult. To understand why people have changed
20 their behaviour, it's hard to put a, you know, a pin
21 on that one.
22 MS. WORTH: Okay. Now, we have, you know, an opinion
23 here that -- an expert opinion here that this rate
24 design is in accordance with accepted actuarial
25 practice. But are there aspects of this rate design
26 that had to be judgment based rather than rooted in a

1 cost causation principle? So that overall it could be
2 within the accepted actuarial practice, but there may
3 be elements within it that are judgment based instead
4 of in accordance with that?
5 MS. AIMERS: At a high level the actuarial analysis
6 itself includes actuarial judgment and that was why I
7 went through all the credentials that we go through at
8 the beginning. But, yeah, there's always actuarial
9 judgement because we're forecasting forward, so we do
10 have to make assumptions, but that is in accordance
11 with accepted actuarial practice.
12 **Proceeding Time 1:21 p.m. T45**
13 MS. WORTH: Okay. And just -- no more questions, but
14 just a quick request. I'm just going to request that
15 all exhibits, undertakings and any other materials
16 that come out of this be put on the record as soon as
17 possible. For those of us that are working with
18 experts to remotely -- it's very beneficial for us to
19 have all of that material online for their benefit, as
20 well as our own, as soon as possible.
21 Thank you. Subject to any questions.
22 THE CHAIRPERSON: Yes. Thanks, Ms. Worth.
23 MS. WORTH: Thank you.
24 THE CHAIRPERSON: Mr. Weisberg?
25 MR. GHIKAS: I do believe everything is posted now,
26 that's been filed.

1 THE CHAIRPERSON: Great. Thank you.
2 MR. GHIKAS: I think the IR responses that were sent
3 through when they were finished last night have been
4 uploaded this morning.
5 THE CHAIRPERSON: Great.
6 (DISCUSSION OFF THE RECORD)
7 THE CHAIRPERSON: I'll ask our staff to look into why it
8 isn't posted, please. I'll get back to you.
9 MR. WEISBERG: It's the slow talking guy back, so be
10 patient with me, please.
11 Fred Weisberg for TREAD. Is it fair to
12 characterize the new rate design as being in
13 accordance with accepted actuarial practice only to
14 the extent that it is not contrary to the government
15 directive?
16 MS. AIMERS: Yes.
17 THE CHAIRPERSON: Sorry, can you repeat that?
18 MS. WORTH: Can you just -- yeah, please.
19 MS. AIMERS: Yes.
20 MS. WORTH: Thank you.
21 THE CHAIRPERSON: Thank you. For the record.
22 MR. WEISBERG: Mr. Jimenez, on slide 6, I understood your
23 remarks this morning to include a statement that ICBC
24 will be doing -- or intends to do a better job
25 aligning premiums with the risk under the new rate
26 design. My question is, would you agree that ICBC

1 then has not done a good job of aligning premiums with
2 risk for least the last six years? Could you comment
3 on that, please?
4 MR. JIMENEZ: What I would say, which is what I said
5 earlier, that this rate design improves on the current
6 scheme. The current scheme has a number of
7 limitations and challenges, and we don't -- we're not
8 trying to run away from that. But the rate design put
9 forward improves the system, we think, markedly. And
10 we think it makes it more fair.
11 MR. WEISBERG: I understand that part. To make it more
12 fair doesn't necessarily mean that it was unfair to
13 some extent previously, and I think there have been
14 statements made by your panel to that effect today.
15 MR. JIMENEZ: Sorry, is that -- that's the question? I
16 mean, I guess -- you know, I would just draw on the
17 comments of Commissioner Morton earlier, that you
18 know, fairness is a relative concept.
19 MR. WEISBERG: Mm-hmm.
20 MR. JIMENEZ: So, we believe that the system that we've
21 put in place has improved the current scheme by making
22 it more fair, and leave it at that.
23 MR. WEISBERG: Okay. And my next question arises from
24 slide number 8. And one of the bullet points where it
25 says highlights of the new rate design include the
26 fact that two-thirds -- that's a reference to policy

1 holders or customers, two-thirds will be better off
2 versus under the current rate design. If ICBC had
3 followed through on its 2002 customer consultation and
4 engagement, would you agree that two-thirds of B.C.
5 drivers could have been better off since perhaps 2013?
6 **Proceeding Time 1:26 p.m. T46**
7 MR. JIMENEZ: You know, again, I think there was work
8 initiated a number of years ago. You were referencing
9 that. The priorities of our shareholder changed in
10 the midst of doing that work. So we went out and we
11 had consultations with customers to begin and initiate
12 a rate design exercise. The shareholder made a
13 judgment that they had different priorities, which is
14 their right to do, and we moved forward on a different
15 set of priorities for a period of time. We are now at
16 the place where we are putting forward proposals,
17 package of reforms, which we think improve the system.
18 I think we feel pretty good about the direction that
19 we've received from government and our ability to
20 design a program that meets that direction.
21 MR. WEISBERG: And can you say that absent that change of
22 priorities, that two-thirds of B.C. drivers would have
23 been better off for six years?
24 MR. JIMENEZ: What I can say is with the proposals that
25 we are putting forward today, we are confident that
26 customers, more customers are going to achieve a

1 better sense of fairness in a rate design than the
2 current scheme.
3 MR. WEISBERG: What's the difficulty in agreeing that if
4 a rate design had gone ahead on one of the public
5 statements made in that consultation engagement was
6 that two-thirds of B.C. driver's would be better off
7 and one-third would be --
8 MR. JIMENEZ: Well, it's a hypothetical. You're asking
9 me to recreate history and I can't say what else would
10 have happened in that timeframe with other measures.
11 So what I can say and what we've been very clear,
12 we're not running away from the fact that the current
13 scheme has limitations and challenges. We've
14 acknowledged that. We believe that the proposals
15 we've put forward improve upon the current system
16 we've got and address a number of the limitations that
17 we believe are inherent in the current design.
18 MR. WEISBERG: The next slide I'm going to refer to is
19 27. I guess it's 27 and 28 and then in the earlier
20 comments as you went through the presentation. I
21 understood from Ms. Aimers that looking at crash
22 history, considering crash history, will go back only
23 as far as March 1st, 2017, and that was, as I
24 understood her remarks, because ICBC does not want to
25 surprise drivers when they go for renewal with a
26 larger jump. Is that a fair characterization of what

1 you said?
2 MS. AIMERS: Yes. The March 1st, 2017 is outlined in the
3 tariff and it's used as a transition mechanism going
4 from the current to the new rate design.
5 MR. WEISBERG: Okay. Then is it correct to say that
6 the objective then of weighting any surprise, doing
7 quotes around "surprise", increases in premiums for
8 drivers with a history of at-fault crashes will
9 necessarily shift premium impacts to better drivers
10 because of the government directive requiring ICBC to
11 achieve revenue neutrality?
12 MS. AIMERS: By transitioning the scan period, that
13 contributed to the off-balance factor. That was the
14 1.15 and that was applied to all customers.
15 MR. WEISBERG: But when we look at this specifically of
16 avoiding surprise increases, that generally will be a
17 category of both inexperienced drivers, but perhaps
18 even more so, those with a history of at-fault
19 crashes, correct?
20 **Proceeding Time 1:30 p.m. T47**
21 MS. AIMERS: Sorry, can you repeat that?
22 MR. WEISBERG: I'm not sure I can but I'll try.
23 Perhaps rephrasing will be the best way.
24 MS. AIMERS: Sure.
25 MR. WEISBERG: The surprise increases in premiums that
26 are sought to be avoided would apply primarily to

1 inexperienced drivers and those with the most at-fault
2 crashes in their recent history, and what I'm trying
3 to get at is that that sort of grace provided to that
4 two categories of drivers, by the transition softening
5 what might otherwise be a sharper increase, that comes
6 at a cost to better drivers because we have to achieve
7 revenue neutrality. So we can't lift this group's
8 premiums and they're capped, then the other group's
9 must necessarily rise to keep revenue neutrality, is
10 that right?
11 MS. AIMERS: That is the general use of the off-balance
12 factors. I would -- you're speaking to the transition
13 of the scan period specifically?
14 MR. WEISBERG: Mm-hmm.
15 MS. AIMERS: I believe you mentioned that the majority of
16 people that would be impacted by the transition were
17 inexperienced drivers, and I don't think I can confirm
18 that. And these are crashes that have occurred prior
19 to 2017. So that could hit an inexperience driver or
20 an experienced driver equally. Probably actually more
21 so to an experienced driver given that they have more
22 experience and they could have a crash eight years
23 ago, where an inexperienced driver would just be
24 starting out their driving history today.
25 MR. WEISBERG: Okay, thank you. I'm going to move
26 then to the ICBC responses to intervener questions. I

1 have only a few within that document. You probably
2 won't be surprised that I will start with the first
3 one from TREAD, which is page 78.
4 And Mr. Chair, once you're there, let me
5 explain that I propose to ask the first four
6 questions, 1.1 through 1.4, because I consider the
7 response to not have answered the question.
8 THE CHAIRPERSON: Okay.
9 MR. WEISBERG: Normally I might make an application but
10 because this is all expedited, I'm going to seek a
11 more expeditious --
12 THE CHAIRPERSON: That's fine, Mr. Weisberg.
13 MR. WEISBERG: Thank you.
14 So if you have that, panel, on page 78, in
15 the first set of boxes, TREAD 1.1 to 1.4. Can I ask
16 you then, 1.1: "In ICBC's opinion, for what period of
17 years did the current rate design work well?"
18 MR. JIMENEZ: The challenge with being very precise about
19 answering your question is that there probably isn't a
20 precise answer to your question. There's no
21 inflection point where it suddenly became untenable,
22 the current system. Remember the current system is
23 made up of a bunch of different features. You know,
24 for example, rate class and territory adjustments were
25 made in 2010 based on 2007 data. So for a period of
26 time that was adequate and only recently has that

1 become more and more of an issue because we are that
2 much farther away from 2007.
3 So I can't say it was 1992 or 1997 or 2003
4 or 2010. What we can say is over the accumulation of
5 time -- and remember that there were adjustments made
6 to the rating scheme, not large, but adjustments
7 nonetheless, from when it was originally put into --
8 you know, the recent past. So we're here now because
9 we're making changes to reflect the fact that there
10 are some pretty fundamentally challenging features in
11 the system. We have an opportunity to fix it, and
12 that's what we're doing. But it's very difficult to
13 give you a precise date on which we found that it was
14 largely not working for us.
15 MR. WEISBERG: Without being precise, can we agree that
16 it was before 2018?
17 MR. JIMENEZ: We can agree that it was before 2018.
18 MR. WEISBERG: From an actuarial perspective, was there
19 an inflection point?
20 MS. AIMERS: No, I would mimic Mr. Jimenez's answer
21 that, you know, when we are looking at it from a pure
22 actuarial basis, we're looking at it from a risk
23 perspective and I mean, I showed you the graph of CRS
24 and there's clearly a big discrepancy between actual
25 risk and what CRS achieves.
26 **Proceeding Time 1:36 p.m. T48**

1 MR. WEISBERG: Thank you. Can you turn to page 83,
2 please? And I'm looking at this set of boxes on the
3 left, or label question number TREAD 5.1. And then on
4 the far right, and the response box. That paragraph
5 ends with the statement, "And payment on a claim will
6 not be denied if a registered owner chooses not to
7 list all drivers."
8 I just want to clarify. If an unlisted
9 driver is at fault in a crash, that claim will still
10 be paid by ICBC?
11 MS. AIMERS: Yes.
12 MR. WEISBERG: But that would attract the 15 times
13 charge? Because they were unlisted?
14 MS. AIMERS: Yes.
15 MR. WEISBERG: Okay. And there is no other consequence
16 that flows from that than the 15 times charges.
17 MS. AIMERS: The crash would follow the at-fault driver
18 for ten years.
19 MR. WEISBERG: Okay. Okay.
20 THE CHAIRPERSON: Sorry, if I could -- could I ask --
21 MR. WEISBERG: Of course, sir.
22 THE CHAIRPERSON: And then, so that 15 times charge would
23 be in effect for 10 years, then?
24 MS. AIMERS: No, that is a one-time --
25 THE CHAIRPERSON: That's a one-time charge.
26 MS. AIMERS: Yes, to the registered owner of the vehicle.

1 THE CHAIRPERSON: Okay. Okay. Sorry. And that's a one-
2 time charge whether they renew their insurance or not,
3 if they --
4 MS. AIMERS: Yes. I would be --
5 THE CHAIRPERSON: It's not upon renewal that they place
6 the one-time charge.
7 MS. AIMERS: Correct. Correct.
8 THE CHAIRPERSON: Okay.
9 MR. WEISBERG: Then on page 88, please, of the ICBC
10 responses. And I'm looking at the top row of boxes.
11 There's another question number indicated there, but
12 it follows from the previous page. I'm looking at the
13 response. 9.2. And the part I'm interested in, the
14 charge, and this is for high -- what are they called?
15 High value vehicle charge factor. The charge does not
16 increase proportionately with the value of the
17 vehicle. And so by that, and I think I'm -- I just
18 want to confirm my understanding, really, of the
19 response given.
20 Whether it's a $150 vehicle or a $3,000,000
21 vehicle, that charge will be the same?
22 MS. AIMERS: Yes. The high value of that vehicle is
23 based on a definition.
24 MR. WEISBERG: Yeah.
25 MS. AIMERS: And the two times factor applies to all
26 high-value vehicles.

1 MR. WEISBERG: Doesn't the potential claim, though, for
2 at least the vehicle damage on a $3,000,000 vehicle
3 far, far, far outstrip that exposure for $150,000
4 vehicle? And why is that not reflected in the charge?
5 MS. AIMERS: The high value vehicle factor was the
6 government direction, I believe, last winter.
7 MR. WEISBERG: Mm-hmm. And in your opinion, is that
8 approach consistent with accepted actuarial practice?
9 I understand why there is limitation for ICBC in that
10 respect. But I would like your actuarial opinion of
11 that.
12 MS. AIMERS: I'd have to look at the frequency of crashes
13 as well. Perhaps the higher value vehicles aren't on
14 the road as often. So you'd have to look at not only
15 severity but the probability that the car will have a
16 crash as well.
17 MR. WEISBERG: If you found those things were equal,
18 wouldn't the $3 million vehicle create a far greater
19 claim exposure?
20 MS. AIMERS: I mean, that's a hypothetical scenario,
21 saying that they're the same, but of course the
22 severity likely would be higher for the $3 million
23 vehicle, then the $150,000 vehicle.
24 But we're looking at bodily injury and
25 property damage within the basic context. You're
26 speaking to more of an optional coverage, which is

1 covering that vehicle, not the vehicle that caused the
2 crash to the expensive vehicle.
3 **Proceeding Time 1:42 p.m. T49**
4 MR. WEISBERG: Okay. And would ICBC consider the high
5 value vehicle charge factor to be one of those things
6 that perhaps ICBC should keep an eye on the data as
7 you collect it, and perhaps revisit it in any future
8 rate design file?
9 MR. JIMENEZ: I guess what I would say is just
10 reiterating what Kelly said earlier, which is, you
11 know, the high value vehicle surcharge was a
12 government direction. So, you know, we're focussed
13 right now, and I'm going to repeat myself, on getting
14 this rate design complete and put to bed, so to speak.
15 Anything we would undertake in the future, it's very
16 hard for us to say today, "Yes, there's a long list of
17 things we'll do and here's the time frame in which
18 we'll do them," because we are primarily focused with
19 150 percent of our energies on getting this thing
20 ready for implementation September 1st. So it's
21 premature for me to say today, "Here's the catalogue
22 of 20 things we're going to look at and here's the
23 time frame in which we're going to get them done."
24 MR. WEISBERG: One hundred a fifty percent is a lot of
25 energy.
26 MR. JIMENEZ: It's a lot of work.

MR. WEISBERG: I'm glad you're bringing that to your rate design.

My last question is on page 94 of the responses. It's one of the ones where the format goes back to what old guys like me like, which is just up and down, a regular page layout. This is a letter from ICBC dated June 30th, 2016 to the Commission, to the BCUC. And I'm looking at the last paragraph that says:

> "ICBC will continue to keep the Commission appraised of its rate design plans by providing further information and updates."

And my question is, has ICBC provided any further updates to the Commission since June 30th, 2016, other than any filings in connection with this proceeding?

MS. AIMERS: Yes, Mr. Weisberg, if we can get back to you on that.

Information Request

MR. WEISBERG: Okay. If there have been, I would request that you produce copies of those or an explanation of why they would not be available, if they were privileged or confidential like a Cabinet discussion or something like that. I wouldn't expect that, but you'll let me know.

Thank you for putting up with my slow talking. Thank you.

1 THE CHAIRPERSON: Thank you, Mr. Weisberg.
2 Mr. McCandless.
3 MR. McCANDLESS: Yes, good afternoon, panel and the
4 other members in the room. It's quite interesting
5 listening to the presentations.
6 I wanted to start by -- sorry, can you hear
7 me?
8 THE CHAIRPERSON: Yes, we can hear fine, thank you.
9 MR. McCANDLESS: Okay, good. I want to start by
10 thanking Mr. Jimenez and Lindsay Matthews and others
11 who have helped me with issues around, not only rate
12 design but some of the other matters that have come
13 relating to ICBC. So it seems, I guess, to indicate,
14 at least in my view -- and I want to compliment what
15 Jim Quail said about new attitude at ICBC. I think
16 that's good. I think it's good that Mr. Jimenez is
17 attending this meeting, which his predecessor did not
18 attend Utilities Commission hearings. All that is to
19 the good.
20 Moving on, given the constraints imposed by
21 the government and the Commission, I'll try to be
22 brief and I'll welcome any advice and direction
23 respecting what the boundaries of acceptability are
24 from ICBC or the Commission.
25 I've got to ask the indulgence of ICBC
26 staff regarding my understanding of the new model, in

case it misses the mark, as I'm sure it will in a few cases. It's obviously much more complex than the existing model. This has been pointed out, and that to my mind is one of the drawbacks.

It produces a much more personalized, and that's a word that the president used when he was being interviewed by Linda Steele, and I think it's a good summary. It's far more personalized than actuary. I supposed that's a good thing. In terms of public understanding it's not such a good thing.

Proceeding Time 1:47 a.m. T50

So because of the detail here my questions are going to be limited to numbers and level of detail, at least I hope to be fairly limited. And I want to thank ICBC for sending out the answers. I got them, you know, 8:40 last night. I looked at them this morning. I need to have more time to analyze the answers, plus the answers given to the other interveners, but I appreciate the fact that ICBC did respond in writing because as I read the rules of the Commission, they didn't have to. So thank you.

So one final general comment. I want to state for the record my objection to the 45-day limitation. Any other restrictions imposed by the government on the Commission, and these actions reflect the attitude of the previous administration

1 where the review by the nominally independent
2 regulator representing the public interest was seen as
3 a necessary but less than useful burden.
4 So I'm going to go on to talk about -- or
5 ask questions in regard to two broad areas, which when
6 I was in government and responsible for policy
7 analysis I tried to use a model that talks about
8 "necessary and sufficient". Necessary has to do with
9 the justification, "Why are we doing this? What's the
10 problem we're trying to solve?" And sufficient is, is
11 the proposal going to solve the problem or is it going
12 to create other problems?
13 Starting with the justification -- and I'm
14 going to try and go very quickly on this. And I'm
15 trying to juggle between questions I'd prepared prior
16 to receiving the answers and glancing at the answers
17 as I go along, so I'll try to not sound too confused.
18 So these are the most -- I'm just going to skip some
19 of my words and go straight to the issue.
20 As has been stated, this is the most
21 significant change in 30 years. I take that to mean
22 that 1981, '82 changes when the government at the time
23 -- all of ICBC has stopped rating based on age, sex
24 and marital status, and instead they bought in the
25 bonus-malus system and is -- am I correct in that
26 understanding?

1 MR. JIMENEZ: Well, without a history book of rate design
2 changes in front of me, I would say that that was a
3 significant change. Whether it's the most significant
4 change I think at this point would be pretty hard for
5 me to say. I think rate class and territory in 2010
6 was also significant, so. But yes, it was one of the
7 significant changes in the last number of years.
8 MR. McCANDLESS: Thanks. Again, the government's main
9 justification was that the current system wasn't fair,
10 stating that the good drivers and low-risk drivers are
11 paying too much compared to bad drivers or high-risk
12 drivers. And as I said in my question, the example
13 most often cited was that 80 percent of private
14 vehicle policy holders are qualifying for the full 43
15 percent discount, and in essence they're saying that
16 it's unfair that 80 percent are getting the full
17 discount.
18 We'll take that as a given because if that
19 isn't true, then 80 percent are getting the full
20 discount. The question is -- and as you said in the
21 last three or four hours, it's a question of what is
22 fair. And the president, Mr. Jimenez, has just said
23 fairness is a relative concept. So we won't relate
24 what's fair and what's not fair. The government's
25 laid out a bunch of directives for ICBC. ICBC's
26 developed a new model that they say achieves those

1 objectives and that's what's in front of us.
2 The rate design principles, the -- it's
3 just a general question, but it would have been
4 helpful had ICBC in this submission included that some
5 of the discussion around rate design principles which
6 were in the 2007 rate design request. Was there a
7 reason why that was excluded?
8 **Proceeding Time 1:47 p.m. T51**
9 MR. JIMENEZ: Mr. McCandless, we're just taking a quick
10 second to caucus so we can make sure we answer your
11 question appropriately.
12 MR. McCANDLESS: Thank you.
13 MR. GHIKAS: I think you're looking for McCandless 1.7.
14 MR. JIMENEZ: 1.7, we've just found it.
15 MR. GHIKAS: Page 62, Mr. Chairman, of the IR responses,
16 McCandless 1.7 deals with this question.
17 THE CHAIRPERSON: Thank you.
18 MS. AIMERS: Okay, sorry for the delay, Mr. McCandless.
19 We're referring to your question 1.7 where we list the
20 principles that were used in the 2007 analysis. We
21 did not include these in the current rate design
22 application because we applied the same principles as
23 we developed this application. So while it may have
24 been helpful to include it, we did not, and we listed
25 them in the answer to 1.7.
26 MR. McCANDLESS: All right, thank you. The emphasis on

1 the new model seems a little different than the 2007.
2 particularly the far greater complexity, which just as
3 an aside, I was asked in a radio interview about
4 whether a policy holder could be expected to
5 understand this premium, and my response was very few
6 people understand the current model and there's just
7 going to be a handful at ICBC in the future who will
8 understand the new model. That doesn't bode, in my
9 view, too well for future understanding and acceptance
10 of why people are going to be charged what they are
11 going to be charged under the premium. Public
12 acceptance -- I don't like the term "social licence"
13 but it is public understanding acceptance, and I'm
14 afraid in the future it's going to be lacking here,
15 but that's okay. That's where we're at. That might
16 not bode well though for people's belief or support of
17 ICBC, which I think is sad because I certainly support
18 the public insurance model.
19 Moving on to section 2 of my questions,
20 impact analysis. We're looking at the 2.2. I think
21 it's -- I'm sorry, I'm hearing a lot of paper
22 shuffling so I don't know if you're hearing me, but my
23 question 2.2, thank you for the answer. I mean, I
24 thought that was the case but I'm glad you confirmed
25 it, that the experience factor is really purely the
26 actuarial look at things. And then the other factors

1 adjust that up and down.
2 When we went into 2.21 though, by
3 separating the experience factor and experience
4 adjustment factor, perhaps it answers transparently,
5 but I think it adds to more factors and more confusion
6 as to somebody trying to figure out how they -- why
7 they are paying the price they are going to pay after
8 2019.
9 I highlighted the answer to — sorry, I've
10 just got to back up a page here, to question 2.4.
11 ICBC admits that developing the rate design inherently
12 involves trade-offs between the principles, and thank
13 you for confirming that because there's been a lot of
14 policy holders currently are going to -- starting in
15 September 2019 when they go to renew they're going to
16 be shocked by the prices even with your 20 percent
17 maximum.
18 **Proceeding Time 1:57 p.m. T52**
19 I don't know if that was explained to the
20 politicians, and I know you can't answer that. But I
21 think they're going to be uncomfortable when -- well,
22 maybe each month they're going to be complaining about
23 their ICBC rates.
24 Moving quickly here, I want to go to
25 revenue neutrality. My questions are starting at 3.2,
26 yes, page 7. And I -- the issue here is, it's revenue

1 neutral in year 1. And year 1 incorporates -- well,
2 by the end of year 1, which would be, what, August
3 2020, would incorporate about three and a half years
4 of the scan period for the crashes. And therefore,
5 year 2 and out will not be revenue neutral. If all
6 else being equal, it will not be revenue neutral
7 because you're going to have more policy holders
8 losing their -- I don't know. Let's call it in simple
9 terms their bonus under bonus now. If they're going
10 to lose their claim-free status if they're deemed at
11 fault in crashes, and start their ten years in the
12 penalty box. And that's going to occur each year
13 until what I call steady state, and I think you agree
14 with that terminology, which will come some time
15 around, what? Year 7 and a half.
16 So there will be, all else being equal,
17 there will be new or extra premium money coming in to
18 ICBC, and I know there is experience factors and
19 everything else worked into here, but in simplistic
20 terms, because it's easier to think that way, there
21 will be more premium revenue. ICBC, if I understand
22 the answer correctly, is saying "Yes, but that will be
23 adjusted in the annual rate request." One of the line
24 items, as we know, is average price. So it's going to
25 be buried in there. Am I correct in that
26 understanding, in simplistic terms?

1 MS. AIMERS: Mr. McCandless, if I can refer you to the
2 answer to your question 3.4, we tried to explain how
3 years 2 and 3 are handled with respect to the increase
4 in crash scan. And that's the way that the minimum
5 CDF was calculated for years 2 and 3, is it also
6 accounts for that increasing crash scan. Now, after
7 three years we do not do any adjustments for revenue
8 neutrality. And that's where our answer refers back
9 to the revenue requirements application.
10 And not only with the crash scan, but as we
11 talked about, it's very hard to forecast out beyond
12 year one which was a government direction, was we are
13 to achieve revenue neutrality for 12 months. Anything
14 beyond that, it's very difficult to do, given the
15 unknown of how people are going to react to this rate
16 design. So any other changes with respect to that, as
17 well as an increasing scan period after the third
18 years would be picked up through revenue requirements
19 if necessary.
20 MR. McCANDLESS: Yeah, I mean, there's various caveats
21 about forecasting. Which is why it's handy to say,
22 "all else being equal". But seems to me -- I'm just
23 questioning, and this is more for the benefit of the
24 Commission, I guess, that whether or not rate design
25 is the appropriate approach for this, because we're --
26 all else being equal, there's going to be an inherent

increase in revenue, and whether or not there should be an annual rate design adjustment to keep that revenue neutral as opposed to burying it in the rate request. It's just a process question. Again, I'm trying to keep things in the right boxes so we can figure this out in the future. Otherwise it gets totally confusing.

And just to dump it all into the rate request, I don't think is the correct approach.

Proceeding Time 2:02 p.m. T53

Moving on, because we're not going to resolve that today. The next item is -- well, it's a kind of a follow-up to the question about the rate design. I'm sorry, a late request. If the adjustments are going to be made in the rate request, particularly on this one that I think is the largest impact financially, I think it's been agreed that crashes, at-fault crashes are going to be one of the major impacts on anyone's premium. As an experience factor, because you spread it over 40 years doesn't have the same impact as spreading the 43 percent over nine years. So clearly the at-fault crash is going to be the main factor.

I'm just going to pass on that question anyways. I don't want to spend a lot of time today on the details of the model because the Commission really

1 can't do much about that. I'm just trying to
2 highlight some of the policy, what I would call policy
3 issues about who pays. And that was talked about by a
4 couple of the earlier interveners as well.
5 One of the things that was of concern,
6 however, in the responses was I asked if ICBC could
7 show, for each of the major factors in the new rating
8 algorithm if they could say which ones are going to
9 be, you know, on their own produce additional revenue
10 or result in less premium revenue and ICBC basically
11 said they are all mixed up together and we can't
12 isolate any one in particular. And I'm paraphrasing
13 and simplifying, but is that -- am I correct, and is
14 that the general response to my reference to show each
15 -- the costs, winners and losers of each of the
16 factors in financial terms.
17 MR. WEILAND: Mr. McCandless, this is Bill Weiland. In
18 the answer to your question 3.2 it talks about us not
19 being able to conduct the exercise that you requested
20 because when we do what you were suggesting we end up
21 changing the model that had been designed. So that
22 would require us to consider the aggregate premium
23 changes that accompanied having a different model. So
24 the exercise isn't something that we can do, and give
25 information that would be accurate.
26 So in terms of the impacts, those have been

1 illustrated through examples and through the 65
2 pictures that have been shown in the filing.
3 MR. McCANDLESS: I see that in the response that complex
4 interactions, and yes, it's a very complex model
5 that's being proposed, but I'm not -- it goes on to
6 say in order to isolate and remove just one, well, I'm
7 not suggesting it needs to be removed, what I was
8 asking, I thought, was a fairly -- certainly if I was
9 a treasury board staff, or if I was looking at this on
10 the government side, I would say, "Okay, well, which
11 one of these ones are going to really cost ICBC money
12 and which ones are going to make ICBC money in terms
13 of the premium versus the status quo?" I would have
14 thought that that would have been a pretty standard
15 question and then you'd have a pretty standard
16 response to it, not that it's too complex to give an
17 answer.
18 But I'm not going to argue it. I'm not
19 going to argue, I'm just pointing out that I find that
20 very surprising that there isn't an answer to that
21 question.
22 MR. WEILAND: Well, there wouldn't be an answer that
23 would provide accurate information for the Commission.
24 That's what I'm trying to tell you. It would be a
25 different model. If you are prescribing certain
26 factors in the model to be changed, either the final

1 rating factors or the use of the variable itself, then
2 by conducting that exercise we're changing the model,
3 which means we have to look at how all the other
4 variables are affected by the decision to remove that
5 one, because there are all of these interactions
6 through the different parts of the models.
7 **Proceeding Time 2:08 p.m. T54**
8 So, we're -- in part we're saying we can't
9 provide it because we don't want to provide
10 information that wouldn’t represent a model that ICBC
11 could say is according to accepted actuarial practice.
12 MR. McCANDLESS: I've just got a couple of more questions
13 on -- or let me see if I do, actually. I had asked at
14 371 about why 40 years was chosen. The answer seems
15 to be, that's what the government told you to do. The
16 impact of that, I believe -- I think you would agree
17 that you're -- it's going to take more years for an
18 experienced and low-risk driver, no claims driver, to
19 get their discount, certainly to get 43, it's going to
20 take longer than it does under the current model.
21 The answer seems to be that, yeah, but you
22 can get more than 43 percent if you -- if you're good.
23 But I haven't studied the -- I haven't done enough
24 analysis, because the data's not there to say what --
25 what that is going to do for your cost profile. Or
26 your revenue -- let's call it revenue profile.

1 In answer to 3.8, in terms of the changes,
2 I focused on your information system. It's obviously
3 at the heart of your operation. And the answer is,
4 you will be able to complete the changes within the
5 existing budget. These seem like they're going to be
6 fairly extensive, but I have no idea. I take that --
7 or as you've written it, but it leads me to a
8 question, or to a series of questions, that came up
9 after I had submitted my first questions, around the
10 incremental cost of these changes.
11 And Mr. Landale talked about this earlier,
12 and I thought I might intervene then, but I thought
13 I'll just leave it till now. We go back to OIC 84-18,
14 which you've already discussed. That gives a blank
15 cheque on the optional budget to fund incremental
16 costs associated with rate design changes as well as
17 coverage changes and all the other changes that go
18 into what's being called the affordability package.
19 The issue I've got, it strikes me that -- and it's an
20 approach that was used to fund the transformation
21 program. I think that started 2012. There was -- at
22 that time -- well, let me back up one second.
23 There was some objection to talking about
24 matters related to 84-18 because it leads to optional
25 on the basis -- the Utilities Commission has no
26 jurisdiction there. Having said that, it's just --

it's the same methodology used back in the transformation program. At that time when there's a budget of 400 million set. This one, there's in the OIC no budget set, so I take it as a blank cheque on the optional.

Back in 2007, even though it violated the principles of cross-subsidization, there's lots of money in the optional reserve, capital reserve, to fund it. Today, 2018, there isn't any money in the optional reserve. Last fiscal year ended with about $160 million less than -- within a few months, that's going to be gone. And they'll be drawing down on the basic equity capital reserve.

Proceeding Time 2:13 p.m. T55

Therefore it becomes an issue for the Commission in my submission, my view, because the Commission, I believe, is still concerned about the financial viability of the basic program. So that's my logic for talking about 84-18.

MR. GHIKAS: Mr. Chairman. Excuse Mr. McCandless, it's Matt Ghikas here. As I understand the exercise that we're going through here, it's an opportunity to ask questions of the panel about the rate design, and I think perhaps I should have jumped in even sooner, but there's a few problems with Mr. McCandless's line of questions. The first being that there are no

1 questions. And the second is that it's straying well
2 beyond, you know, the scope of the proceeding and now
3 we're getting into, you know, a revenue requirements
4 issue about the costs of these things and not to
5 mention the fact that these costs are even being
6 picked up by the optional business.
7 So there's several compounding levels of
8 objection that I have here. I've tried to be patient,
9 and I appreciate Mr. McCandless is having to go
10 through his materials as he goes, and so I'm trying to
11 be patient about that, but I think, you know, really
12 he should be trying to formulate questions for the
13 panel that they are capable of responding to, is my
14 main point at this point.
15 THE CHAIRPERSON: Thank you, Mr. Ghikas.
16 Mr. McCandless, do you have a question or
17 is this going to lead to a question or does this lead
18 to a question that's within the scope of this
19 proceeding today?
20 MR. McCANDLESS: I had two more questions, specific
21 questions about the limitation costs and they related
22 to Ernst Young and Accenture and whether those
23 contracts were tendered.
24 THE CHAIRPERSON: As Mr. Ghikas has just pointed out,
25 implementation costs would be a revenue requirement
26 issue and are not really before the Commission at this

1 point.
2 MR. McCANDLESS: That's fine. I accept that. And
3 certainly from what I have read it sounds like they
4 were not tendered, but I'll just leave it at that.
5 THE CHAIRPERSON: Thank you.
6 MR. McCANDLESS: The other general area, when I went
7 through the numbers in detail, and I said that -- I'll
8 paraphrase it here for simplicity's sake, but when I
9 crunched the numbers, an experienced driver who gets
10 an at-fault penalty is going to, over time, pay more
11 than the inexperienced driver for that same one at-
12 fault penalty, and ICBC agreed. I don't quite follow
13 the logic. Could you explain that logic a bit more
14 please?
15 MS. AIMERS: Sure, Mr. McCandless. This is in response
16 to question 4.4, I believe. That's on page 74. Your
17 question asked what is the ten-year impact of a crash
18 for somebody that has more than 15 years of experience
19 versus someone that has less, and you were correct in
20 your calculation that if you're just looking at the
21 crash impact alone, that there is potential for an
22 inexperienced driver to pay more that, just the impact
23 of the crash itself. And the reason for that is that
24 when look at an inexperienced premium, it's high to
25 begin with, because it reflects the fact that they are
26 a higher risk of having a future crash. So they are

1 already paying for that risk in their original premium
2 before they've had the crash. Whereas an experienced
3 driver is paying less premium because based on the
4 risk, we do not anticipate them having a crash. So
5 when they do, the impact is greater.
6 So it comes back to their current premium
7 before that crash occurs when you're looking at an
8 inexperienced versus an experienced driver.
9 **Proceeding Time 2:17 p.m. T56**
10 MR. McCANDLESS: Well, thank you, but what's driving
11 that? Is that driven by actuarial considerations or
12 is it driven by experience adjustment factor which is
13 more of a policy consideration?
14 MS. AIMERS: That is driven by actuarial analysis, so
15 that is data driven.
16 MR. McCANDLESS: So what you are saying is that you have
17 data that show that people with less driving
18 experience who are at fault in a crash in future will
19 have less crashes than people with more experience who
20 are at fault in a crash?
21 MS. AIMERS: No. We're trying to -- what we're doing is
22 we're measuring risk and what it's looking at is we're
23 associating premium that reflects that risk going
24 forward. So what I'm trying to explain is before that
25 crash has occurred, an inexperienced driver is paying
26 more because they have a higher probability of having

1 a crash in the future year. So when they do have that
2 crash, they've already paid for it essentially in
3 their initial premium.
4 MR. WEILAND: I guess I might say that it's already
5 expected in the premium that they are paying. So sure
6 its costs are forward looking. So when an
7 inexperienced driver has an accident, it doesn't give
8 us that much more additional information relative to
9 an experienced driver who is crash free. Now, when
10 they have an accident that gives a lot more
11 information about what their expected costs are going
12 forward. Because after those events occur, we're then
13 taking all of that information and saying, "Okay, now,
14 given these additional crashes, now what do we think
15 the expected costs should be going forward to have a
16 fair balancing of the risk they are bearing to the
17 system?" So that's what is going on here, and the
18 arithmetic works out exactly as Ms. Aimers has
19 described.
20 MS. AIMERS: And also I'd like to add, if you were to
21 look at the total premium, the crash impact as well as
22 the initial premium without the crash combined with an
23 inexperienced driver over ten years, if you were to
24 look at the overall premium paid, is more than the
25 experienced driver over that ten-year period. Your
26 question is isolating just that crash impact itself.

1 MR. McCANDLESS: All right, well, I'll take that as best
2 I understand it. If the question ever came up to Mr.
3 Ebby, I don't know how he's going to explain it, but
4 that's okay.
5 Moving on to 5.1 and the discount. Again,
6 I think I understand -- I think I know what your
7 answer is going to be but I just want to ask the
8 question. The 25 percent discount for handicap
9 remains, but the 25 percent discount for seniors is
10 going to be reduced to 15 and we've had that
11 discussion. First question I guess is, why was the
12 handicap left at 25 but the senior was reduced to 15?
13 MS. AIMERS: These were set out in the government
14 directive letter.
15 MR. McCANDLESS: Yeah, I thought that would be the
16 answer. The seniors obviously represent a huge number
17 of policy holders compared to handicap, so I'm sure --
18 and I have written in the past that I didn't think
19 that senior discount was handled correctly. I
20 personally think the government should be paying ICBC
21 for that cost that you incur to have a discount.
22 Leaving that aside, however, the discount
23 for seniors was put in back, I believe it was 1975 or
24 '76 and it was similar, I think, to the discount for
25 ferry passenger seniors based on the economics issue
26 of the seniors having a less income. Now, under the

1 new model here it's going to be adapted or changed to
2 be based on a kind of remaining experience. So you
3 can keep your 15 but if you have an at-fault crash
4 you're going to lose half or all of that, so it's now
5 just treated as part of your experience factor,
6 another kind of experience factor. Am I correct in
7 that general statement?
8 **Proceeding Time 2:23 p.m. T57**
9 MR. JIMENEZ: I'm not sure that I heard the question, but
10 what I would say to remember when you're referring to
11 the seniors' discount -- and Kelly went over this I
12 think in pretty good detail -- overall a majority of
13 the seniors will be better off in the new model than
14 they are today. The design incorporates an additional
15 accountability measure for people who are causing
16 repeated at-fault crashes and that's what I think you
17 referenced in terms of those who will be impacted.
18 MR. McCANDLESS: But the purpose of the discount is
19 changing from an economic one to an experience one.
20 That's the point I'm making, that's all. Yeah, some
21 are going to be better off, but they would've been
22 even more better off had the factor not been changed.
23 So anyway, not to belabour, I'm just asking the
24 question.
25 I had a question to do with the number
26 qualifying for -- let's see. Yeah, okay, the other

1 new two discounts, the 5,000 kilometres and the anti-
2 braking system. And I think you've answered those in
3 your responses and I thank you for that.
4 But I'll just proceed to the final
5 questions around measuring success. And I guess here
6 we get to this hierarchy for the considerations with
7 the top level hierarchy of I'll call the political
8 considerations. Is it more fair? You didn't want to
9 comment on that, you just -- in terms of measuring
10 success you focused on what I'll call the more
11 technical considerations aimed at the Commission to
12 approve your request and be that you implement it
13 without too many problems.
14 That's okay at the technical level, but my
15 questions are more around the policy considerations
16 around affordability. What measures are you going to
17 be putting in place to see if it's even possible to
18 measure this? What kind of drop-offs this new model
19 is going to mean for -- we will call it inexperienced,
20 but I agree it's primary young drivers that are going
21 to be paying more. And those with even one claim are
22 going to be paying more and paying longer. So that's
23 clearly affordability issue for potentially a
24 significant number of current policy holders.
25 What measure are you going to put in place
26 to monitor whether there's an increasing incidence of

1 driving without insurance, or related to that, the
2 vast majority of basic policy owners that buy
3 optional, if they're going to buy less optional
4 because they only have so much money to spend on
5 insurance? How can you measure that? Are you
6 intending to measure that?
7 MR. JIMENEZ: Yeah, it's Nicolas. Here's what I would
8 say. For uninsured drivers we're going to continue to
9 do what we do today. And we measure the incidence of
10 uninsured driving by virtue or the information we have
11 on uninsured claims. So that will be something we
12 continue to measure and monitor, no change.
13 In terms of your second question around,
14 you know, behaviour changes associated with optional
15 insurance -- and I think Kelly addressed this earlier
16 around not necessarily referring to optional
17 specifically, but trying to conclude or make
18 observations about consumer behaviour by virtue of a
19 rate design is a very difficult thing.
20 So I mean what we'll do in the future is
21 what we do today, which is we look at the
22 profitability of our respective products, we look at
23 the amount we're selling, we have market assessments
24 about what's going on insofar as it relates to the
25 competitive product, but also too on the basic, and
26 we'll continue to manage the business tomorrow as we

1 do today. We're just doing it with a different frame
2 for how we approach basic rate design.
3 MR. McCANDLESS: All right. Thank you. And I -- that
4 concludes my questions. Thank you, Mr. Chair.
5 THE CHAIRPERSON: Thank you, Mr. McCandless.
6 Before staff have their turn I suggest we
7 take a ten minute break, come back at twenty to.
8 Thank you.
9 **(PROCEEDINGS ADJOURNED AT 2:29 P.M.)**
10 **(PROCEEDINGS RESUMED AT 2:42 P.M.) T58**
11 THE CHAIRPERSON: All right, are we ready to go? Okay.
12 Before Staff asks their questions, I'm just
13 going to invite Mr. Litman -- I know we said that we'd
14 give you an opportunity to read over the OICs. And if
15 you have -- would like to reframe your questions,
16 please go ahead.
17 MR. LITMAN: Well, I'm not sure what I can add that won't
18 make me sound facetious and challenging.
19 THE CHAIRPERSON: Okay.
20 MR. LITMAN: So let me start by simply saying that in
21 reviewing the letter from the government and the press
22 release from the government, they consistently use the
23 terms -- this rate change that we're -- that is being
24 reviewed in this hearing is intended to increase
25 affordability and fairness. So they use those terms
26 very consistently and, you know, I can read the press

1 release and the documents, the letter and the document
2 that was accompanying the proposal, and all of those
3 use those terms.
4 So, the rate changes are clearly intended
5 to achieve those goals. Those are the justification.
6 Now, the government did specify in order -- in its
7 government directive, that certain features in the
8 rate structure should be -- certain adjustments --
9 certain factors should be included in the new rate
10 structure, and that includes the 10 percent reduction
11 for vehicles that have this new technology, and other
12 things like that.
13 So, clearly those changes are intended to
14 achieve those stated goals, or they wouldn't be
15 included. So here's the uncomfortable thing. I have
16 to ask you, what is the purpose of the B.C. Utilities
17 Commission? Is it intended to hold, for example,
18 governments accountable for actually basing their
19 decisions on -- or yeah, basing their decisions on the
20 technical -- on technical research that validates that
21 that decision is going to achieve its stated goal? Or
22 does the Utility Commission have the obligation of
23 approving a government Order in Council even if there
24 is no, in this case, actuarial justification for that
25 decision?
26 And I don't know. I don't want to -- I

1 don't know enough about the mandate, the official
2 mandate of the B.C. Utilities Commission. But it does
3 seem to me that there is an intent to hold the
4 government accountable and there -- what we have heard
5 is that there is no technical actuarial basis for
6 those -- for those rate design features. So it's up
7 to you, I guess, to interpret whether the government
8 Order in Council, the government direction, is within
9 scope or without scope.
10 THE CHAIRPERSON: Well, sir, we operate, as the
11 expression goes, we're a creature of statute. So we
12 only -- our only authority, and our only jurisdiction,
13 comes from that that's given to us by statute. So
14 when there's an Order in Council we have to operate
15 within the scope of that Order, and it's not within
16 our jurisdiction to question it or find it to not be a
17 reasonable direction.
18 So, whether -- the question about whether
19 these proposals have an actuarial basis or not, it
20 depends on the wording of the Order in Council. And
21 if you've read the letter, you would see that that
22 wording is in there, with regard to some of the
23 objectives of this Order.
24 So, the purpose of this proceeding is in
25 part to determine what our authority and jurisdiction
26 is in this matter. And anything that you have that

1 can contribute to that, and help us understand that,
2 that would be helpful. But it's not our purpose here
3 to question the Order in Council.
4 **Proceeding Time 2:47 p.m. T59**
5 MR. LITMAN: Yeah, so I have nothing to add then. Thank
6 you for the opportunity.
7 THE CHAIRPERSON: Thank you.
8 MR. CHEUNG: Good afternoon. My name is Leon Cheung
9 and I'll have some questions more for clarification
10 and my colleagues will have questions of their own as
11 well.
12 So I want to first deal with your Errata,
13 the tariff page that was filed as Exhibit B-1-1. And
14 I'll let you flip to that page. Okay, so on the
15 tariff page, Schedule D Combined Driver Factor, page
16 11, can ICBC confirm that this errata page is
17 different than what the government has included in the
18 OIC 458/18?
19 MS. AIMERS: Mr. Cheung, you're just asking about the
20 table itself or the heading?
21 MR. CHEUNG: The entire tariff page. Are there any
22 differences?
23 MS. AIMERS: The errata is calling out the labelling of
24 the table.
25 MR. CHEUNG: Right, so which -- the government directive
26 tariff page says in the table number of CCPs aged

1 three or more whole years, as well as number of CCPH
2 less than three whole years.
3 MS. AIMERS: Right.
4 MR. CHEUNG: And ICBC is submitting that this label has
5 been mislabeled?
6 MS. AIMERS: Yes, the table itself reflects a division
7 between two years. But the labelling is incorrect.
8 MR. CHEUNG: Okay, so my next question is should the BCUC
9 look into the actuarial analysis behind the two year
10 versus three year or is that something that the BCUC
11 is directed to approve because it's a prescribed
12 undertaking in accordance to the OIC?
13 MR. GHIKAS: Perhaps, Mr. Chairman, I can address that.
14 So just to build on what I was articulating earlier
15 when I used this as an example, the cover letter to
16 the erratum articulates that the mismatch --
17 essentially what it is articulating is that the
18 mismatch between the typographical error and the
19 content of the table, there would be a disconnect
20 between approving that and the application of accepted
21 actuarial practice.
22 So what ICBC's submission is that the
23 Commission does not need to simply approve the tariff
24 page, and indeed, with that, the benefit of the
25 evidence saying that you need to make the change to
26 have it consistent with accepted actuarial practice,

1 that the Commission should -- it could, and in ICBC's
2 submission should make that change when it's approving
3 the tariff page.
4 So to specifically address the question,
5 the Commission could examine, probe the evidence with
6 respect to whether or not it would be consistent with
7 accepted actuarial practice to have that read three
8 rather than two. That would be within your purview to
9 explore with the witness panel.
10 THE CHAIRPERSON: But as I understood it, your earlier
11 discussion about the tariff pages and the fact that
12 the tariff pages are part of the order in council,
13 then it would seem that we wouldn't be entitled to not
14 approve them as submitted.
15 **Proceeding Time 2:51 p.m. T60**
16 MR. GHIKAS: Well, I think perhaps the best way to do
17 this is to maybe go to Appendix B of the application,
18 which is the letter, the directive letter. Where this
19 directive differs from the past directive, for
20 example, the Commission considered the high value
21 vehicle application just recently.
22 THE CHAIRPERSON: Right.
23 MR. GHIKAS: And I believe you were on that. The tariff
24 pages were attached, and the Commission approved the
25 tariff pages as they were. If you examine the
26 difference between that directive and this one, what

1 the difference is effectively is that this one has
2 listed a number of bulleted objectives in it,
3 effectively. And if you look -- if you read carefully
4 what the direction is in the second paragraph there,
5 what it's saying, and these are the words that I'm
6 emphasizing, is the words, "In order to achieve the
7 following".
8 And so whereas in the normal circumstance,
9 if you were directed to approve pages that were
10 attached in the absence of those words --
11 THE CHAIRPERSON: Right.
12 MR. GHIKAS: -- my submission would be, you wouldn't have
13 any discretion. ICBC's submission is that in the
14 circumstances -- in the way it's written, ICBC was
15 interpreting the directive as providing some residual
16 discretion to essentially ensure internal consistency
17 between the pages and the objectives that are set out
18 there.
19 So, if the pages achieve the following,
20 they're fine. If the pages do not achieve the
21 following, they're not fine. And this is a
22 circumstance where, because the typographical error
23 would result in a disconnect from accepted actuarial
24 practice, and that the applicable -- why don't I take
25 you to the applicable bullet, which is the top one on
26 -- the top one on the second page. I think -- yes.

1 So this multiple crash factor is related to
2 that first bullet at the top, where it's talking about
3 data-driven and accepted actuarial practice. And then
4 the third sub-bullet is at-fault crashes within the
5 most recent ten years. So this table that you're
6 looking at in the errata is an at-fault crash table.
7 And that's where the table is looking at, in the
8 context of that bulleted objective.
9 So ICBC's submission is that there is
10 residual discretion, and it's an important role, where
11 the Commission is in a position of assessing the
12 evidence.
13 THE CHAIRPERSON: So, then, if I look at the bullet above
14 that, where it says, "The number of years licensed to
15 a maximum of 40 years," 35 years would be -- would
16 satisfy the requirements of the policy objectives.
17 And could we then look at the tariff and say, "We
18 don't agree with 40, we think it should be 35"?
19 MR. GHIKAS: No. No. And that's -- I'm glad you asked
20 that, because it's -- what I'm saying and what ICBC's
21 submission is, is that the direction is to -- well,
22 the direction to the Commission is to recognize and
23 accept ICBC's actions in furtherance of a government
24 directive. That's what we're dealing with here, and
25 under Special Direction IC-2.
26 The other aspect of this special direction

1 to the Commission is the new subparagraph (o), which
2 is to approve the rate design.
3 And my submission is that the wording of
4 the preamble is authorizing an examination of whether
5 the tariff pages meet those objectives, but not
6 whether or not some other tariff pages or provisions
7 in the tariff could also meet those objectives.
8 Because as you've highlighted, there would be other
9 ways to meet that particular objective.
10 THE CHAIRPERSON: I just wonder if we could just stop
11 here and back up a little bit.
12 MR. GHIKAS: Sure.
13 THE CHAIRPERSON: So, the wording of (o) is not -- as I
14 see it, it's not that we have to approve a particular
15 rate design. It's we have to apply in accordance with
16 the government directive for a redesign of rates,
17 regulate and fix the rates using the factors,
18 criteria, and guidelines set out in the directive. It
19 doesn’t say anything about the tariff pages at all.
20 It says the guidelines. And as I would see it, the
21 bulk of the letter lays out guidelines, including the
22 bullet points. So the guideline is number of years
23 licensed, is to a maximum of 40 years. So, section
24 (o), could that be interpreted as having to apply that
25 as a guideline?
26 MR. GHIKAS: The -- sorry. Could -- the last bit I

1 missed.
2 **Proceeding Time 2:57 p.m. T61**
3 THE CHAIRPERSON: So the new section (o), the new
4 paragraph (o) says:
5 "To regulate and fix the rates using the factors,
6 criteria and guidelines."
7 So the factors, criterial and guidelines laid out in
8 the letter include the statement that the number of
9 years licensed to a maximum of 40 years.
10 MR. GHIKAS: Yes.
11 THE CHAIRPERSON: So to apply that guideline would seem
12 to me that you could use any number between zero and
13 40.
14 MR. GHIKAS: But there's also indications throughout the
15 government directive, the letter -- what you're
16 interpreting it as factors, criteria and guidelines
17 applied only to the cover letter effectively. And if
18 you read the letter, and I can take you through it now
19 or I can deal with it on Thursday, but if you -- there
20 are a number of elements of that letter that make it
21 clear that the tariff pages are part and parcel of the
22 directive. So the way -- so that's the first point.
23 THE CHAIRPERSON: But they are not part and parcel when
24 it comes to this difference between a two and a three.
25 MR. GHIKAS: No. Let me back up. I may not be
26 articulating myself.

1 THE CHAIRPERSON: Sorry. Sorry.
2 MR. GHIKAS: No, no, this is fine. We absolutely have
3 to get to the heart of it, so I'm happy to deal with
4 it now. Absolutely, and I can expand on it on
5 Thursday after we've ruminated on it a little further.
6 So the first thing is that the words "the
7 factors, criteria and guidelines", those are words.
8 That's just tracking the legislation that deal with
9 the Commission being subject to direction in the
10 *Insurance Corporation Act*. So that effectively is
11 Special Direction IC-2. That's what that is doing.
12 And one of the aspects of Special Direction
13 IC-2 is the subsection that say the Commission must
14 recognize and accept actions that ICBC takes in
15 furtherance of a government directive, which is what
16 that letter is. And so what -- I don't read the
17 wording of (o) as making a material change to the
18 interpretation of the directive itself. I'm saying,
19 if you look at the directive and read it in its
20 entirety within its own scope, it's providing you with
21 more discretion than simply having to approve the
22 tariff pages. And the only -- but it's only
23 authorizing a departure from the tariff pages in the
24 event that you conclude that it's inconsistent with
25 those objectives.
26 So it's not authorizing an examination

1 where you could pick and choose elements of a tariff
2 that you wanted and substitute other tariff pages that
3 might also achieve one of those objectives, or even
4 all of them. It's only empowering or retaining the
5 discretion over assessing whether the tariff pages
6 meet the objective and if the Commission concludes
7 that the tariff pages meet the objective, then they
8 should be approved, full stop.
9 And the question with respect to this
10 erratum is, the issue that you would have to decide is
11 is the tariff page in its unfixed form consistent with
12 that directive. And because the evidence is that it
13 is not, it is within the scope of the Commission's
14 jurisdiction to fix it.
15 THE CHAIRPERSON: Okay.
16 MR. GHIKAS: So I believe it all hangs together and to
17 the extent that you ruminate on it more, I'm happy to
18 speak to it again, and I should probably speak to it
19 again on Thursday.
20 THE CHAIRPERSON: I'm sure you will.
21 MR. GHIKAS: All right.
22 THE CHAIRPERSON: Okay, thank you.
23 Sorry, Leon.
24 **Proceeding Time 3:01 p.m. T62**
25 MR. CHEUNG: No, that was good.
26 As Commission Staff I need to cover both

1 bases. So suppose that the panel would like to look
2 at the actuarial support in the mislabeling or the
3 supporting actuarial analysis behind this, is that
4 something ICBC can provide quickly or is that
5 something -- it'll take a long time?
6 MS. AIMERS: Are you asking from where we develop the
7 two-year split?
8 MR. CHEUNG: Yeah.
9 MS. AIMERS: We could provide it, I'm just not sure how
10 fast we could provide it. If you don't mind if we can
11 just consult with our colleagues who actually have
12 conducted the analysis as how soon we could provide
13 it. We can get to you on the timeline.
14 MR. CHEUNG: Okay. I think tomorrow would be close of
15 evidence because oral argument is on Thursday.
16 MS. AIMERS: Yes.
17 MR. CHEUNG: But --
18 MS. AIMERS: We'll do our best.
19 MR. CHEUNG: Okay. So the other side is with the tariff
20 page in the errata, does ICBC view that the BCUC has
21 45 days to make a decision on this or is that
22 something that could be done separately in a separate
23 process?
24 MR. GHIKAS: So I may be best to handle that one, again.
25 So to the extent that the Commission in engaging in
26 the analysis that I was going through dealing -- if I

1 can call it residual discretion, to ensure the
2 alignment of the tariff pages with the objective, that
3 could be done as part of this proceeding. There is an
4 ability in the directive as well that contemplates
5 subsequent changes to achieve the intent.
6 And so, to the extent that the Commission
7 determines that it doesn't -- it's not appropriate to
8 make the change now, ICBC's recourse in that case
9 would be to make an application in that context, bring
10 it forward and, you know, support it with saying "this
11 was the intent".
12 MR. CHEUNG: Okay. And since we're on circumstances
13 where ICBC might have other changes in the future, in
14 the letter dated August 3rd, 2018 -- yes, the directive
15 letter on page 4, and I'll let people flip to that.
16 So in paragraph -- in the second last paragraph near
17 the middle it says:
18 "It should be recognized that unforeseen
19 circumstances can arise that may necessitate
20 changes to the tariff language to ensure the
21 original intent is achieved. In the event that
22 ICBC identifies, after approval of the attached
23 amended and new pages to the tariff, that
24 further changes are necessary to achieve the
25 original intent, then ICBC should bring those
26 changes forward to the BCUC for approval after

1 consultation with the ministry responsible."
2 What I'd like to clarify is does the ministry
3 responsible, are they notified of this errata tariff
4 page?
5 MR. JIMENEZ: I would say yes.
6 MS. AIMERS: Yes.
7 MR. CHEUNG: Okay.
8 COMMISSIONER FUNG: Mr. Cheung, I think that question is
9 probably not correct in the sense that we have not
10 approved those tariff pages yet, so the question is
11 mute.
12 MR. JIMENEZ: Okay. The way I understood the question
13 was did we advise government, and particularly our
14 ministry responsible, that we were filing an errata?
15 Is that --
16 MR. CHEUNG: Yeah.
17 MR. JIMENEZ: Yeah. Okay. And I think the answer -- our
18 answer was in reference to that understanding of that
19 question.
20 COMMISSIONER FUNG: Okay, thank you.
21 MR. CHEUNG: Okay. And since there are many tariff pages
22 in the OIC, what would ICBC propose if ICBC in the
23 future finds that there are other mislabeling or typos
24 or anything that would have other revisions to the
25 tariff page that is different from the government OIC?
26 THE CHAIRPERSON: I'm looking at my Commission Counsel

1 for guidance on process.
2 MR. GHIKAS: I fell asleep there for a moment. The
3 application -- it would be an application in the
4 normal course where we'd file pages, errata pages,
5 confirming that the ministry responsible had been
6 consulted, and the basis for needing to make the
7 changes, submit it to the commission for their
8 consideration.
9 **Proceeding Time 3:06 p.m. T63**
10 MR. CHEUNG: And there wouldn't be any difficulties in
11 terms of changing the original government directive?
12 For example, BCUC overriding the original tariff page?
13 MR. GHIKAS: The fact that the directive already
14 contemplates the potential to make these changes
15 wouldn't -- means that there wouldn't have to be
16 another government directive to make such changes. In
17 my submission.
18 MR. CHEUNG: Okay. So that's all I have for the errata.
19 Moving on to Exhibit B-2, ICBC's response to the IRs,
20 on page 4 -- this is a simple clarification question.
21 On page 4, ICBC provided a table in response to BCUC
22 3.1. And I just want to make sure that the sum of
23 number of policies would be the number of policies for
24 all ICBC basic insurance policies. Is that correct?
25 So that would be around 3 million policies?
26 MS. AIMERS: I believe it's a subset. We did not include

1 new policies, because you're looking at the effect of
2 the change. And we don't include trailers, fleets --
3 I must be missing something. Essentially, though, it
4 is a subset of the 3 million policies that we have,
5 and at a high level we tried to exclude those that
6 aren't going to be -- that are in the beginning or the
7 end. So it would be cancellations or new policies.
8 MR. CHEUNG: Okay.
9 COMMISSIONER MAGNAN: If I may, a follow-up question to
10 that. On that -- in the table that you provided, the
11 table, the very first line says, "less than minus
12 700". Should not that be "greater than minus 700"?
13 Now, there's a discount bigger than 700.
14 MS. AIMERS: Right. Potentially what the intent is --
15 COMMISSIONER MAGNAN: So the sign should be the other way
16 around.
17 MS. AIMERS: It's more than a minus 700 decrease.
18 COMMISSIONER MAGNAN: Yeah. So the sign is really the
19 reverse of what it is in the table.
20 MS. AIMERS: I think the way it's meant to say is that
21 the change is less than minus 700, which would be more
22 negative. But the intent, I think you understand.
23 It's --
24 COMMISSIONER MAGNAN: Yeah. Well, it's just the way I
25 read it. Thank you.
26 MR. CHEUNG: Okay. Moving on to -- or continuing with

1 overall customer impact, BCUC 3.3, the question asked
2 about profiles of drivers and how they are affected
3 with a rate increase. So is my understanding correct
4 that under 5(a) and 5(b) in the first table that
5 people would see the biggest rate increase if they
6 have to list -- and list the drivers?
7 MS. AIMERS: So this example is listing a driver that has
8 a recent crash. And so that's the reason for the
9 increase in this particular customer.
10 MR. CHEUNG: I'm referring to 5(a) and 5(b).
11 MS. AIMERS: Right. So 5(b), there's a zero under year
12 since last crash. That means that it just occurred.
13 It's just within that first year.
14 MR. CHEUNG: Okay. And which one of those would see the
15 biggest rate increase? From the existing system to a
16 new system.
17 MS. AIMERS: Of the five examples that are provided?
18 MR. CHEUNG: Yeah.
19 MS. AIMERS: It looks like it is the fifth example that
20 was provided.
21 MR. CHEUNG: Right, okay.
22 MS. AIMERS: Now, these are the uncapped premiums, of
23 course.
24 MR. CHEUNG: Right. Yes, yeah. And what if the unlisted
25 driver has their own insurance policy? Would this
26 profile be the same, or would that increase drop down

1 to less of an increase?
2 MS. AIMERS: Well, keep in mind this driver has zero
3 years of experience. So they wouldn't have had a
4 prior policy to compare to.
5 **Proceeding Time 3:12 a.m. T64**
6 MR. CHEUNG: Okay. Okay. I'd like to go to BCUC 5.2 on
7 page 14. That speaks to claim repayment. So Ms.
8 Aimers, in your presentation earlier this morning you
9 talked about there's no distinction between physical
10 damage versus BI for the claims repayment under
11 $2,000.
12 MS. AIMERS: Right. That $2,000 includes payments that
13 are related to bodily injury.
14 MR. CHEUNG: Right. And is this a change from the
15 existing system?
16 MS. AIMERS: No.
17 MR. CHEUNG: No? Okay. And you said that about 16,000
18 claims are repaid every year.
19 MS. AIMERS: Yes.
20 MR. CHEUNG: Can you tell us how many claims there are in
21 each year?
22 MS. AIMERS: That are repaid?
23 MR. CHEUNG: No, in total.
24 MS. AIMERS: In total.
25 MR. CHEUNG: Yeah.
26 MS. AIMERS: If we're just looking at basic crashes, it's

1 between 170 and 180 thousand.
2 MR. CHEUNG: And the 1600 that you spoke to earlier this
3 morning, is that basic only, or is that basic and
4 optional?
5 MS. AIMERS: These are crashes but they have a basic
6 portion to it.
7 MR. CHEUNG: Okay. Page 16, BCUC 6.2, about the advance
8 safety technology factor. So ICBC said in the first
9 paragraph in the last sentence:
10 "ICBC will submit an application to the
11 Commission for a modification for the tariff
12 if data suggests that it's appropriate to do
13 so."
14 So similar to the errata conversation, would that be
15 possible since there is a government directive that
16 prescribed the advanced safety technology factor in
17 terms of like in the future if ICBC thinks that
18 application is warranted, a change is warranted, what
19 would be the process and how would that review process
20 be played out?
21 MS. AIMERS: So the changes that are in the tariff
22 reflect as of September 1, 2019, implementation date.
23 So if after that date there was additional technology
24 that could be considered, it would be something that
25 we could look into and then apply to the Commission
26 for approval.

1 THE CHAIRPERSON: Excuse me. I wonder if I could just
2 ask a follow-up question here. So the changes that in
3 that regard that in the current tariff or the tariff
4 that you're currently applying to have approved, are
5 they only the autonomous emergency braking systems and
6 that's it?
7 MS. AIMERS: Yes.
8 THE CHAIRPERSON: There are no other advance technology
9 devices that would qualify for the discount?
10 MS. AIMERS: That's correct.
11 THE CHAIRPERSON: Okay, thank you.
12 COMMISSIONER MAGNAN: So I have a question as well. In
13 the directive it says that you are looking at
14 manufacture installed. So if there is an accident and
15 that system is compromised and it needs to be
16 replaced, would it be covered as well, or would it
17 still be eligible under this? Because it would not be
18 factory installed, it would installed by a repair
19 shop. So --
20 MS. AIMERS: I don't have an answer to that question. If
21 I was just to look at the tariff the way it's written,
22 I would say no, but that's a good question.
23 COMMISSIONER MAGNAN: So then potentially the person who
24 had that would potentially lose that ten percent
25 discount.
26 MS. AIMERS: If you were to read the tariff verbatim,

1 yes.
2 COMMISSIONER MAGNAN: Based on a verbatim reading of the
3 tariff.
4 MS. AIMERS: Yes.
5 THE CHAIRPERSON: Would you consider a revision to the
6 tariff?
7 MR. GHIKAS: From a legal perspective, perhaps I can be
8 in a position to answer that on Thursday. That might
9 be the easiest thing to do.
10 THE CHAIRPERSON: Thank you.
11 MR. GHIKAS: If there's a non-legal answer that they
12 want to provide that's fine.
13 MR. CHEUNG: Okay. Still on page 16 but a different
14 topic now. The unlisted driver protection premium.
15 In the response after S, J & K lists, ICBC says:
16 "Effective September 1, 2019, the Insurance
17 Vehicle Regulation will provide in Section
18 15.41 that the Corporation may assess a premium
19 following an accident if the driver of the
20 vehicle is not named on the certificate as a
21 driver."
22 **Proceeding Time 3:17 p.m. T65**
23 Just for clarification, has that change
24 been implemented? Or is that an anticipated change in
25 the IVR?
26 MR. JIMENEZ: Could you give me the number again? The

1 question -- I think we're just -- again, so we don't
2 misstate, we'll come back to you on that. So we get
3 you the right answer.
4 MR. CHEUNG: Okay.
5 MR. JIMENEZ: We just need to clarify it.
6 MR. CHEUNG: Right. Because that specific insurance
7 vehicle regulation would enable the BCUC's
8 jurisdiction to approve the UDPP. Am I correct?
9 MR. GHIKAS: So, this may be another one that we have to
10 speak to on Thursday, but the Order in Council 460,
11 which deals with the changes to the *Insurance Vehicle*
12 *Regulations*, provides for an effective date of
13 September 1st, 2019. So it would be -- it would
14 coincide with the effective date of the tariff
15 approved by the Commission here.
16 MR. CHEUNG: Okay. Okay. So -- okay. Same topic in
17 terms of listed -- or, sorry, unlisted driver
18 protection premium, BCUC 7.2, ICBC submits that it
19 will not amend the UDPP premium table as part of a
20 revenue requirements application. I would like to
21 clarify, is that a government direction or is that a
22 choice that ICBC has undertaken?
23 MS. AIMERS: It is part of the tariff pages.
24 MR. CHEUNG: Okay.
25 MS. AIMERS: Yeah, as Mr. Ghikas explained, it is part of
26 the government direction letter, because it's amended.

1 I mean, because it's attached to the letter.
2 MR. CHEUNG: Okay. And the government directives
3 specifically say that those rates will not be impacted
4 by RRAs in the future?
5 MS. AIMERS: The tariff doesn't include any changes to
6 that table with respect to revenue requirements.
7 MR. CHEUNG: Okay.
8 MR. GHIKAS: Just for clarification, perhaps, and Mr.
9 Cheung, is your question related to today, or is it
10 related to a potential future change two years or
11 something down the road?
12 MR. CHEUNG: It will be in the future, two, three years
13 down the road.
14 MR. GHIKAS: Okay. So, in that circumstance, ICBC's
15 submission is that the direct -- what the direction is
16 doing is requiring that the tariff give effect to what
17 we've described as of September 1st, 2019. And
18 thereafter, subject to some limitations where there
19 are certain aspects of the tariff that don't have
20 effective dates until later, rate class territory and
21 the like, that the Commission has jurisdiction over
22 rate design changes thereafter. So, you know, there
23 are certain limitations which I can get into on
24 Thursday, like stable and predictable rates and the
25 other things that are built into Special Direction IC-
26 2 already. But as a general principle, once the

1 tariff pages are effective the Commission has its
2 standard jurisdiction subject to those caveats.
3 MR. CHEUNG: Okay, thank you. Moving on to revenue
4 neutrality, page 23. BCUC question 8.4. And Mr.
5 Jimenez, this morning you talked about the timeline
6 for an assessment is, I guess, not -- can't be
7 established at this point, because there are, I guess,
8 uncertainties and other variables at play here.
9 Can you talk about what would be the
10 trigger points where ICBC would see that, okay, now is
11 the time that we could make an assessment?
12 **Proceeding Time 3:22 p.m. T66**
13 MR. JIMENEZ: I can begin and Kelly might want to add.
14 I think what we said was, you know, at a bare minimum
15 it's going to take a year to migrate customers from
16 the old to the new, and then we would need more time
17 after that in order to establish patterns that we can
18 lean on reliably for insight in terms of what's
19 actually going on vis-à-vis the new system relative to
20 the old. So it's not a matter of months, it's more a
21 matter of years.
22 Whether it's two years and three months,
23 one year and nine months, that's what I was kind of
24 alluding to this morning saying it's difficult to be
25 precise as to when will be the exact moment, but it's
26 certainly not within twelve months.

1 MR. CHEUNG: Then I appreciate that. In BCUC 7.4 about
2 the unlisted driver premium, ICBC talked about a
3 timeline of year 2021 to make assessment as to whether
4 this rate design is appropriate or not. So can you
5 talk about whether 2021 is something that is
6 achievable or something that maybe is totally
7 different because the analysis is different?
8 MR. JIMENEZ: Yes, it's actually a good example of
9 showing the variability of the types of changes that
10 we'll be able to measure that those that will be
11 harder to discern in terms of the changes in rate
12 design and consumer behaviour thereafter. But in this
13 case, this would be a more readily measurable variable
14 than others. So within the context of this particular
15 item and that time frame, I think that's realistic.
16 But I don't think that's necessarily true for
17 everything. Some might be earlier, some might be
18 later.
19 MR. CHEUNG: When you say "this" you mean the UPDD.
20 MR. JIMENEZ: Correct.
21 MR. CHEUNG: Or UDPP.
22 MR. JIMENEZ: Correct. Correct.
23 MR. CHEUNG: Okay. In the interim, does ICBC have any
24 internal metrics that the Corporation is tracking?
25 For example, crash metrics, financial performance or
26 liquidity metrics when thinking about whether the rate

1 design is working or not? Or assessing rate design?
2 MR. JIMENEZ: Yeah, so I think this goes back to the
3 comments I made earlier about the fact that we're in
4 the process of developing the right monitoring regime
5 — you know, today we don't have that — within a
6 period of time. I can't give you whether it's three,
7 six months, but before implementation we'll have a
8 much more precise view of the metrics. We'll measure
9 how -- we'll measure the cadence and then what we'll
10 be doing internally to kind of monitor that
11 information.
12 MR. CHEUNG: That's all I have and my colleagues will
13 come up. Thank you.
14 MR. PLAHA: Good afternoon. My name is Amit Plaha from
15 BCUC staff. I have a few clarifying questions
16 regarding ICBC's responses to the BCUC questions. The
17 first one will be on page 28 regarding BCUC question
18 12.1. And ICBC's response, it states "the initial
19 renewal reminder will provide limited premium
20 details", at the bottom of the page. I was just
21 wondering if ICBC can elaborate on this, on what this
22 includes?
23 MS. AIMERS: We're just starting to talk about what would
24 be on the renewal reminder coming in on July of 2019,
25 and the thought is, is because we don't know how a
26 customer will list their drivers, giving them an

1 initial premium on their renewal reminder may be
2 misleading, and so the thought is that the renewal
3 reminder will have more information on what the
4 upcoming design is and different information that they
5 may have to bring now to the broker, including their
6 list of drivers and their driver licences, what
7 factors are now going to be impacting their premium.
8 So it will be more informational rather than giving
9 them a specific premium number.
10 **Proceeding Time 3:27 p.m. T67**
11 MR. PLAHA: My next question is on page 32 regarding BCUC
12 question 13.12. To the extent possible can ICBC
13 describe what issues were raised by broker task force
14 and how these issues have been addressed?
15 MR. JIMENEZ: Again I can start. Kelly may want to add
16 further. So we've engaged brokers in a task force,
17 again similar in ways that we've done in the past,
18 when we've thought through large changes. I haven't
19 attended those meeting specifically. I know generally
20 we've talked through implementation issues. So what
21 would the point of sale experience look like. What
22 kind training would be most effective for brokers?
23 When capturing odometer information, what's
24 the most seamless and effective way to do that? Is it
25 a self-declaration or is it screen shot of your
26 odometer in your vehicle? So brokers have been pretty

1 useful in providing us with guidance on, you know, the
2 tactical elements of how we're going to deploy this at
3 point of sale.
4 MR. PLAHA: My next question is regarding -- on page 33,
5 13.3. And it mentions that ICBC brokers were engaged
6 during the public engagement process. Can you
7 estimate the number of brokers that were engaged out
8 of the 32,000?
9 MS. AIMERS: No, we don't have that kind of information.
10 MR. PLAHA: Oh, so they didn't identify themselves in the
11 survey?
12 MR. JIMENEZ: Yeah, I mean the way that the survey worked
13 it didn't provide personal identifiers. This was a
14 survey run by government through a public engagement
15 process on a government-hosted website. So, you know,
16 it essentially solicited -- asked people questions,
17 they gave answers, but it didn't necessary ask you to
18 flag are you an ICBC employee? Are you a broker? Are
19 you a general citizen? It didn't get to that level of
20 specificity.
21 MR. PLAHA: So outside of the broker task force, were
22 brokers engaged in any other way?
23 MR. JIMENEZ: Well, I think, and I mentioned in some of
24 my earlier remarks that there's a series of tactics
25 that we're going to be using. So the broker task
26 force is one and a very important one. Obviously

1 that's a small group of people, typically frontline
2 staff who are, you know, selected to help provide very
3 kind of real and visceral experience and guidance for
4 implementation.
5 At the same time, you know, over the course
6 of the year we're going to be activating a network of
7 onsite coordinators. So we have about 900 plus broker
8 offices, something in the order of 6,000 or more front
9 line brokers who actually are involved in the sale of
10 Autoplan. So we are trying to identify, as we have
11 done in other large deployments like this, one person
12 from each office or a group of offices to serve as the
13 key contact point. That they can then develop a bit
14 of an expertise and been seen as an internal leader
15 for either their office or their group of offices. So
16 there will be those kind of engagements. We'd be
17 doing webcasts over the course of the change.
18 Now, it's important to remember too you
19 have to time your communications. So telling somebody
20 something a year before the actual implementation
21 probably isn't the most effective way to help ensure
22 that they actually remember come day one, so. So we
23 have to have to be really, really thoughtful about
24 what we say and when we say it and then we've got an
25 array of channels through which we can communicate.
26 We've already set up a separate site or I

1 guess series of pages on the broker portal that we
2 have with ICBC.com. It's something the brokers use on
3 a day-to-day basis. We have a separate part of that
4 portal that provides information for brokers around
5 specifically this rate design change but also to the
6 product change that I referenced earlier.
7 **Proceeding Time 3:32 p.m. T68**
8 MR. PLAHA: Great, thank you. My next question is on
9 page 34 regarding BCUC question 13.5. Here in ICBC's
10 response it provides an outline of the skills and
11 knowledge base initiatives for brokers. Are you able
12 to specify what skills and knowledge based initiatives
13 took place by brokers regarding the collection of
14 odometers' readings which I believe was mentioned been
15 active since August 23rd?
16 MR. JIMENEZ: I know -- and I can give you a high level
17 answer and then if required we can follow it with more
18 detail. I know that there was training deployed, but
19 there was also I believe a video that brokers could
20 watch. We find that tends to be a pretty useful way
21 to communicate these kinds of changes. But if you
22 want sort of delineation of all the specific, you
23 know, artifacts that we develop, whether that be
24 emails or updates to the, you know, the training and
25 procedures manual, I'd have to make that an
26 undertaking.

1 MR. PLAHA: Can you describe how the collection of
2 odometer readings is being communicated to current
3 customers?
4 MR. JIMENEZ: One of the primary channels is through
5 ICBC.com -- sorry, the renewal reminder which points
6 customers in the direction of IUCBC.com, where we have
7 a page or sort of a microsite set up to communicate
8 this information. There are tent cards that I know
9 that have been produced. And I also know that a
10 brokerage will be engaging customers in this
11 conversation.
12 It's not a difficult thing for people to --
13 especially if they're driven to a broker office,
14 that's not always the case mind you, but certainly if
15 they have -- in the conversation that they have with
16 their broker comes -- well, I guess come now, since
17 August 23rd they can ask for this information. And
18 they can always go -- if they don't know it offhand
19 because they haven't, you know, brought that
20 information with them, they can go to their vehicle or
21 they can follow-up with the broker after the fact. So
22 there's a number of ways in which people are aware of
23 this.
24 MR. PLAHA: How does ICBC enforce the odometer readings
25 are accurate and how will they prevent fraud?
26 MR. JIMENEZ: So at the moment it's a self-declaration

1 model, but that's accompanied with an image of the
2 odometer at the point of sale. I think we would
3 potentially look to other potential forms of data
4 collection in the future. Certainly if that customer
5 has a claim we can verify odometer readings with the
6 repair shop and we can look to leverage some of that
7 information in that process. We haven't kind of
8 developed that just yet, but we know that in the
9 future there may well be other ways to improve upon
10 the data collection.
11 THE CHAIRPERSON: Excuse me. Have you looked at other
12 jurisdictions and looked at practices there around
13 collecting odometer data?
14 MS. AIMERS: Yeah. In California I believe it's all
15 self-declared, but on the flip side they've recognized
16 that there's not a lot of differentiation between when
17 you list that odometer -- there's a lot of fraud
18 happening. And so when it's purely self-declared
19 you're not getting good data.
20 And then there's to the other extreme where
21 you have the telematics devices where they're
22 installed in your vehicle and it automatically
23 collects the odometer information. So there is a wide
24 range to be used.
25 THE CHAIRPERSON: Right. So the odometer data is only
26 for -- would only be used for people that -- to

1 qualify them for the 5,000 or less per year?
2 MS. AIMERS: That's correct. If you don't think you're
3 going to drive less than 5,000, you wouldn't provide
4 your odometer.
5 THE CHAIRPERSON: There's no requirement to provide it,
6 then?
7 MS. AIMERS: That's correct.
8 THE CHAIRPERSON: Thanks.
9 **Proceeding Time 3:32 p.m. T69**
10 MR. JIMENEZ: I think the important thing to recognize
11 too is there's a lot of self-declaration in the
12 current model that will continue in the future model.
13 The risk of providing false information or misleading
14 information obviously is a potential breach. So I
15 think there is a fairly serious consequence associated
16 with whether it's odometer reading or whether it's
17 principal operators or any information that you're
18 putting forward in the context of setting up a policy.
19 THE CHAIRPERSON: Thank you.
20 MR. PLAHA: Thank you. So my last question would be on
21 page 37, question 15.1. Here ICBC lists a IT project
22 plan that includes start and end dates. Can you
23 please describe what contingencies are in place if the
24 timelines are not met for the proposed IT changes?
25 MR. JIMENEZ: One of the things we've done in choosing
26 September 1st was to pick a date where we knew we'd

have enough time to implement with a healthy buffer for testing. So it's the current plan to have development work that's the actual physical act of defining requirements and then putting it into code. By the end of the year, which would give us a fair amount of time to conduct testing, both system testing and regression testing. So we have, like I said, in the development -- sorry, in the project plan, a healthy buffer between when we intend to have the project completed in terms of testing and deployment. So we feel comfortable that the time frames are going to work.

The bigger challenge for us quite frankly will be on the change side. And we've talked about that before. I think that will be a more complicated piece to this deployment.

MR. PLAHA: Thank you very much.

MS. GUZMAN: Hi, I'm Bonnie Guzman and I'll be last to ask some questions on behalf of Commission Staff. My questions are mainly for clarification purposes and I have some other ones at the end. But I'll begin with the clarification questions regarding some of the new rate design rating factors, and the implementation of those factors.

So I'll start with slide 33 of the presentation where ICBC has gone through the new

1 resident driver factor and you've explained that this
2 essentially is a factor where the person can transfer
3 up to 15 years of driving experience from outside of
4 B.C. and I believe in the application it's noted that
5 valid proof of that experience would be required.
6 Can you please provide some examples of
7 what would be considered valid proof of experience and
8 how ICBC would evaluate that?
9 MS. AIMERS: Even in today's date, when you go in to get
10 a B.C. driver's licence and you have other -- an out-
11 of-province driver's licence, you have to at least
12 prove two years of experience to not be a learner.
13 And so there's current processes done now which are
14 not going to change in the new rate design and how we
15 validate that.
16 Now, examples would be just your other
17 driver's licence. And so there would a last since
18 issued date, and that date could be used.
19 MS. GUZMAN: I see, okay. And are there currently or
20 planned to be any restriction or limitations in terms
21 of the type of experience that would qualify? For
22 example, if a driver is not only from outside of B.C.
23 but perhaps they drove in the U.K., they drive on the
24 other side of the road, is that considered experience
25 that could transfer or not?
26 MS. AIMERS: Yes. We don't make any restrictions on the

1 country. It's just as long as you can bring in valid
2 proof of that driver licence experience.
3 MS. GUZMAN: Okay.
4 **Proceeding Time 3:41 p.m. T70**
5 COMMISSIONER MAGNAN: May I just interject a question
6 here? So you mentioned as proof of having had at
7 least two years of driving experience, you look at
8 their out-of-province driver's licence and based on
9 date of issue. Is there -- what if a brand new one
10 was issued six months ago so it shows six months. How
11 do you -- how do they provide evidence that they have
12 more than that six months' driving experience?
13 MS. AIMERS: I may have to confer with my colleagues on
14 all of the intricacies of accepting other driver's
15 licensing. But what you could do is go back to your
16 country of residence and ask for a driver abstract
17 that would have the first date of issuance.
18 THE CHAIRPERSON: But are there no changes from the
19 current system?
20 MS. AIMERS: Right, the same process is involved and with
21 the types of information that we would have received
22 to validate that.
23 MR. LANDALE: Can I ask a question just as a follow up.
24 I will speak loudly.
25 COMMISSIONER FUNG: Please come to the microphone.
26 MR. LANDALE: What happens if a relative has an

1 international driver's licence?
2 MS. AIMERS: With respect to listing them?
3 MR. LANDALE: Within the context of the original
4 question. You asked that -- you mentioned that they
5 would have to have an abstract. But if he has an
6 international driver's licence is that good enough?
7 MS. AIMERS: If there was a date of issuance we could use
8 that date to prove how many years of experience they
9 had.
10 MR. LANDALE: Thank you.
11 MS. GUZMAN: Thank you. I will move on to my next
12 question then. It's regarding slide 37 and the
13 advanced safety technology factor. So, I also
14 actually would refer to page 57 of ICBC responses to
15 questions in advance of the SRP. And this is Mr.
16 Liu's question number 6. In this question there were
17 some -- some clarification was asked as to how ICBC
18 would qualify whether a car has the appropriate semi
19 autonomism driving technology that is required? And
20 it's stated in ICBC's response that customers will
21 qualify for the discount by declaration.
22 Can you clarify or elaborate as to what you
23 mean by this statement? Is this -- specifically is
24 this referring to a declaration of the type of car
25 that they have and thereby ICBC then has some data as
26 to whether that car has the type of technology that is

1 require. Or, is this just a declaration from the
2 customer themselves, yes or no, to whether they have
3 the technology.
4 MS. AIMERS: They would simply tell the broker that they
5 have the technology and that it is manufacture
6 installed.
7 MS. GUZMAN: Okay. My next question is concerning slide
8 39 and the learner premium. So I understand that ICBC
9 has a graduated licensing program for new driver's,
10 where essentially to become a driver in B.C. first you
11 do a multiple choice test, and then there are two road
12 tests to complete. After the first written test you
13 get an L licence or letter and then following road
14 test you get an N.
15 So, I'm wondering if this learner premium
16 applies to a new driver that is -- or a learner driver
17 under any phase of the graduated licensing program?
18 Or if it's once you have an N then the premium
19 wouldn't apply?
20 **Proceeding Time 3:47 p.m. T71**
21 MS. AIMERS: I'm just going to refer you to the tariff,
22 section 2.0, which describes the definition of a
23 learner premium, and what a learner driver is. So
24 it's one or more persons who holds a B.C. Class 5-L,
25 6-L, 7-L, or 8-L. That's probably not very helpful.
26 MS. GUZMAN: But it's in there.

1 MS. AIMERS: But once they've received their N -- I would
2 have to get back to you on some of these other
3 details. Not my expertise. But I am just simply
4 reading the tariff.
5 MS. GUZMAN: Okay, thank you. My next question is on
6 page 76 of the ICBC responses. And it's a response to
7 Mr. McCandless's question 6.1. In that response, ICBC
8 states that one measure of success that it will be
9 using is how well the transition to the new rate
10 design is managed from a customer and stakeholder
11 perspective. Can you please just elaborate on what
12 you mean by this?
13 MR. JIMENEZ: One of the things we'll be doing on the way
14 is certainly with our brokers, but also customers, is
15 taking kind of readiness pulse checks. And we've done
16 this on other large projects in order to gauge where
17 people are at in advance of the change. Obviously the
18 trick is doing it at the right time, when you can get
19 meaningful insight. Because if we surveyed customers
20 today, obviously we'd have a pretty dismal result.
21 But if we do that next summer, you know, it
22 will look materially different. So, we'll be using,
23 you know, a carefully designed program for pulse
24 checks in order to gauge where people are at. And
25 obviously we'll be doing post-implementation surveys.
26 It's conceivable that we haven't planned for this,

1 that we could do more in terms of focus groups if we
2 feel that things are complicated. We get instant and
3 voluminous feedback from our brokers when we make
4 large changes at point of sale because they see so
5 many customers every single day. So we generally have
6 a very good read through brokers on what's working and
7 what's not working as well as it is intended.
8 MS. GUZMAN: Okay. To confirm that by "pulse checks" you
9 mean those conversations with brokers, or other --
10 MR. JIMENEZ: No, there would be -- certainly would be --
11 there would be surveys. So we would be doing a
12 readiness survey for staff, for brokers, et cetera,
13 and we would be deploying those again at sort of
14 targeted stages in advance, or in the run-up to
15 implementation next September.
16 MS. GUZMAN: Right. Okay, thank you.
17 MR. GHIKAS: Mr. Chairman, just before we go on, I am
18 advised that the -- with respect to Ms. Guzman's
19 previous question about the learner, the learner
20 premium applies when people have the L on their car
21 and once they have the N, it's no longer applicable.
22 THE CHAIRPERSON: Thank you for that clarification.
23 MS. GUZMAN: Thank you. So I just have one last
24 question, and it's for Mr. Weiland, and you can
25 correct me if I misheard. But I think during the
26 presentation, you were giving some input in terms of

1 your perspective from an actuarial practice
2 perspective. I think you might have indicated that
3 there are some small errors in the rate design
4 application. If that's correct, can you please
5 clarify what those errors are and what the long-term
6 impact is? And if not, can you please confirm that
7 that was misheard?
8 MR. WEILAND: So, I think you're referring to my comments
9 about the process that we were using to resolve
10 differences as we were replicating ICBC's models and
11 verifying the results that were coming out of those
12 models. We found differences. And the objective,
13 wherever possible, is to correct any problems. If the
14 problem was with the ICBC model, then it needed to be
15 corrected.
16 But there were three instances where that
17 wasn't done. One of them was not corrected because it
18 really made almost no difference. And so are you
19 asking could I describe about what that circumstance
20 was?
21 **Proceeding Time 3:52 p.m. T72**
22 MS. GUZMAN: Yes, please.
23 MR. WEILAND: Okay. Okay. So the first one was with
24 respect to the definition of — I'm bringing in some
25 specifics here — of dump trucks and during the process
26 of rate design, ICBC changed the definition of dump

trucks to go from a more granular definition — there are different kinds of dump trucks, you probably have observed — to combining them together. In that process they inadvertently neglected to combine landscape trucks with the others, and so that resulted in an additional variable showing up in their model.

So we examined the impact on the coefficients that would result from that, and you may recall I said it was in the fourth decimal place. So that was the one that could have been fixed but was decided not to be fixed because it was not very significant at all.

MS. GUZMAN: Okay.

MR. WEILAND: There were two other errors that were also not material but they weren't fixed because of the stage where the whole rate design process was at, and in terms of the number of important things that needed to be done in the rate design process and this application, it wasn't really possible to do that. It just would have been too onerous. Having said that, neither were they material. So even if we had had time, it wouldn't have made a significant difference to the factors.

I'll try not to get too technical here, but one of them involved an incorrect set of weights being used in a calculation, and the other one involved not

1 applying transition factors to certain rate classes.
2 And again, both of those impacts were not material and
3 were not changed. So.
4 In a perfect world with lots of time, all
5 three of these things would have been fixed but they
6 weren't, and the impacts were not significant, but we
7 mentioned them for the sake of full disclosure, and
8 you know, the process that we went through was very
9 thorough.
10 COMMISSIONER FUNG: Mr. Weiland, can I just follow up
11 with a question on that. When you say it's not
12 material, can you define what you mean by "not
13 material"?
14 MR. WEILAND: We have a definition of that. Actually
15 B.C. has a definition of that in the filing.
16 MR. GHIKAS: Page 3-30.
17 MR. WEILAND: Thank you, Mr. Ghikas. Just to make sure
18 I --
19 MR. GHIKAS: Chapter 3, paragraph 76.
20 MR. WEILAND: And the actual amounts of materiality are
21 stated in paragraph 79 on page 330. So for the rate
22 design, the impact on individual basic premiums is set
23 at the greater of 2 percent or $20. So that's the
24 amount that we'd be talking about.
25 In these cases these impacts would have
26 been less than that, sometimes quite a lot less than

1 the $20.
2 COMMISSIONER FUNG: Okay, thank you.
3 MS. GUZMAN: So just to clarify, that would be $20 per
4 customer? So not the aggregate impact then on ICBC.
5 MR. WEILAND: That's correct. Yes, that would be on an
6 individual certificate holder.
7 MS. GUZMAN: Okay, thank you. That's all I have.
8 Thank you.
9 THE CHAIRPERSON: Thank you. Unless there is anything
10 else from anyone, that brings us to the close of our
11 day and -- Mr. Ghikas. I was so close.
12 MR. GHIKAS: Sorry, I had one housekeeping matter. I
13 actually wanted to ask Mr. Weiland one follow-up
14 question on that myself if that's okay.
15 THE CHAIRPERSON: Please go ahead, yes.
16 MR. GHIKAS: Mr. Weiland, could you just explain how
17 this materiality standard interacts with accepted
18 actuarial practice.
19 **Proceeding Time 3:57 p.m. T73**
20 MR. WEILAND: Yes. So, normally it emerges in practice
21 when you discover that there has been an omission,
22 perhaps some data that was inadvertently excluded or
23 perhaps there was an error in calculations but
24 essentially the work has been completed. And so,
25 you're trying to decide at this point, well, we should
26 have done this differently, or we should have included

1 this but we didn't. What's the significance of it?
2 And so the materiality standard is there to
3 provide you with a guide as to whether or not you in
4 fact should make that change. So if something was
5 truly material, in spite of the fact that it may be
6 onerous for ICBC to have made the change, the
7 actuaries would have been recommending that we have to
8 go through that arduous process in any case in order
9 to fix this.
10 MR. GHIKAS: That's helpful. Thank you. Mr. Chairman,
11 the only other thing I had was a housekeeping matter
12 where earlier in the day Mr. Weisberg asked that if
13 any further correspondence regarding reporting or
14 updates on rate design be filed, and ICBC did identify
15 a couple of them. So, they've been stapled and we
16 will circulate them. We can do it after the close of
17 things.
18 THE CHAIRPERSON: Sure.
19 MR. GHIKAS: But the package of information regarding
20 anticipated regulatory filings would be Exhibit B-4.
21 (PACKAGE OF INFORMATION REGARDING ANTICIPATED
22 REGULATORY FILINGS MARKED EXHIBIT B-4)
23 THE CHAIRPERSON: Thank you, Mr. Ghikas. Anything else,
24 Mr. Ghikas?
25 MR. GHIKAS: Nothing for me, thank you.
26 THE CHAIRPERSON: Okay, great. So we will be reconvening

here on Thursday morning, 8:30 again, I believe. Yes. And ICBC will be leading with their final argument. Correct?

MR. GHIKAS: And just to clarify, Mr. Chairman, so this is -- the panel is being excused now, and the counsel are going to be doing the speaking.

THE CHAIRPERSON: They're welcome to return, but yes, that's essentially correct.

MR. GHIKAS: Okay. Thank you.

THE CHAIRPERSON: Okay. Thank you very much to the panel, and thank you also to everyone who participated. We appreciate everyone's interest in the proceeding. See you on Thursday.

(PROCEEDINGS ADJOURNED AT 4:00 P.M.)

I HEREBY CERTIFY THAT THE FORGOING is a true and accurate transcript of the proceedings herein, to the best of my skill and ability.

A.B. Lanigan, Court Reporter

September 4th, 2018