British Columbia Utilities Commission

IN THE MATTER OF

Insurance Corporation of British Columbia
2015 Revenue Requirements

DECISION

and Order G-74-16

May 27, 2016

Before:
B. A. Magnan, Commissioner/Panel Chair
H. G. Harowitz, Commissioner
I. F. MacPhail, Commissioner

TABLE OF CONTENTS

Page No.

TABLE OF CONTENTS

Page No.

EXECUTIVE SUMMARY

On August 31, 2015 and October 15, 2015, the Insurance Corporation of British Columbia (ICBC) filed, in two parts, with the British Columbia Utilities Commission (Commission) its 2015 Revenue Requirements Application for Universal Compulsory Automobile Insurance (Basic insurance). ICBC requests a 5.5 percent increase in Basic insurance rates for the policy year (PY) commencing November 1, 2015 (PY 2015), among other requests (Application).

By Order G-169-15 dated October 21, 2015, the Commission approved ICBC's requested 5.5 percent Basic insurance rate increase on an interim basis for implementation for all new or renewal policies following the issuance of Order G-169-15 with an effective date on or after November 1, 2015. The Commission noted that it will determine the manner by which any variance between the approved interim rate and the approved permanent rate will be refunded or collected at the time the Commission renders its Decision on the Application.

This decision relates to setting the Basic insurance rate on a permanent basis, whether any adjustments are to be made to the margins in the Basic Capital Management Plan and a request to discontinue the New Driver Comparative Crash Rate. The decision also addresses costs transferred out of the Transformation Program.

By Orders G-169-15 and G-212-15, the Commission established a regulatory timetable for review of the Application. The Application was reviewed by way of a written public hearing process with two rounds of information requests.

ICBC filed the Application pursuant to sections 59 to 61 of the *Utilities Commission Act*, R.S.B.C. 1996 c. 473, and the *Insurance Corporation Act*, R.S.B.C. 1996, c.228. The Decision was also rendered in accordance with *Special Direction IC2* as amended by Order in Council 597/15 on October 14, 2015.

The Panel accepts the actuarial analysis prepared by ICBC in support of its Application of the requested 11.2 percent increase to cover Basic Costs, as required by *Special Direction IC2* as amended (October 2015). The Panel excludes the full 5.8 percent Loss Cost Forecast Variance from PY 2014 to set Basic insurance rates for PY 2015. Apart from the non-actuarial adjustments in other sections of this decision, the Panel accepts the analysis that results in the 5.5 percent Basic insurance rate increase for PY 2015.

With regards to costs transferred out of the Transformation Program, the Panel finds that Claims Data Migration costs are within the scope of Transformation Program and therefore directs that the $2.756 million corporate operating expenses are not to be allocated into the PY 2015 Basic rate and cannot be taken out of Basic capital, provided that the cumulative Transformation Program costs have not already exceeded $400 million or exceeded the annual budget approved by the Treasury Board as per OIC 222/10. The Panel allows ICBC to defer the applicable adjustments to the next rate change application.

The Panel acknowledges that the 2015 Office of the Superintendent of Financial Institutions Guidelines changes have affected the way in which ICBC calculates the Minimum Capital Test ratio. However, the Panel rejects ICBC's suggested adjustments to the Minimum Capital Test margin thresholds in order to maintain the same dollar values of the margins.

The Panel rejects ICBC's request to remove the New Driver Comparative Crash Rate measure at this time.

1.0 INTRODUCTION

On August 31, 2015 and October 15, 2015, the Insurance Corporation of British Columbia (ICBC) filed, in two parts, with the British Columbia Utilities Commission (Commission) its 2015 Revenue Requirements Application for Universal Compulsory Automobile Insurance (Basic insurance). ICBC requests a 5.5 percent increase in Basic insurance rates for the policy year commencing November 1, 2015 (PY 2015), among other requests (Application).

This decision relates to:

(i) setting the Basic insurance rate on a permanent basis for PY 2015;

(ii) whether any adjustments are to be made to the margins in the Basic Capital Management Plan (CMP); and

(iii) a request to discontinue the New Driver Comparative Crash Rate (NDCCR). The Panel will also comment on various aspects of the Application in this decision.

1.1 The application and approvals sought

ICBC filed the Application pursuant to sections 59 to 61 of the *Utilities Commission Act*, R.S.B.C. 1996 c. 473,[1] and the *Insurance Corporation Act*, R.S.B.C. 1996, c.228. In the Application, ICBC seeks Commission approval for a 5.5 percent increase in Basic insurance rates to apply as follows:

- Pursuant to section 89 of the *Utilities Commission Act* and section 15 of the *Administrative Tribunals Act*, the rate increase to apply on an interim basis for all policies with an effective date on or after November 1, 2015; and
- The Basic insurance rate increase to be made permanent on or after the first day of the first month that is at least 60 days following the Commission's final decision on the Application.

Effective January 1, 2015, the Office of the Superintendent of Financial Institutions (OSFI) amended its guideline (2015 OSFI Guideline) for calculating the Minimum Capital Test (MCT) ratio. ICBC is of the view that it must adjust the percentage value of the minimum capital required to ensure that the dollar amount of the margin for adverse events is preserved. Similarly, ICBC views that the margin for relatively smooth and predictable rates and the margin for excess capital should be adjusted to ensure the preservation of the dollar amounts of the margins.[2]

With regard to performance measures, ICBC requests to discontinue the New Driver Comparative Crash Rate in advance of the overall performance measures review which is to be filed as part of the 2017 Revenue Requirements Application.[3]

---

[1] Section 44 of the *Insurance Corporation Act* limits the sections of the *Utilities Commission Act* that apply to ICBC. Section 44(2) of the *Insurance Corporation Act* provides that ICBC is not a public utility.
[2] Exhibit B-1-1, p. 3-1.
[3] Ibid., p. ii.

By Order G-169-15 dated October 21, 2015, the Commission approved ICBC's requested 5.5 percent Basic insurance rate increase on an interim basis for implementation for all new or renewal policies following the issuance of Order G-169-15 with an effective date on or after November 1, 2015. The Commission noted that it will determine the manner by which any variance between the approved interim rate and the approved permanent rate will be refunded or collected at the time the Commission renders its Decision on the Application.

The Commission ordered that Basic insurance policyholders that have already renewed policies effective November 1, 2015 at the Basic insurance rate prior to Order G-169-15 would not be subject to a mid-term adjustment to reflect the interim rate change.

1.2 Participants

By Orders G-169-15 and G-212-15, the Commission established a regulatory timetable for review of the Application. The Application was reviewed by way of a written public hearing process with two rounds of information requests (IR).

There were eight registered interveners in this proceeding:

- Mr. Richard Landale (Mr. Landale)
- Mr. Richard McCandless (Mr. McCandless)
- Movement of United Professionals (Move UP)[4]
- British Columbia Old Age Pensioners' Organization *et al.* (BCOAPO)
- Toward Responsible Educated Attentive Driving (TREAD)
- Mr. Kent Martin (Mr. Martin)
- Canadian Direct Insurance Inc. (CDI)
- Mr. Gordon Adair (Mr. Adair)

One intervener (Mr. Landale) filed evidence. The Commission also received submissions from interested parties by way of letters of comment.

1.3 Decision context

As with previous decisions related to Basic insurance, the Commission provides the following definitions of specific insurance industry terms as an aid to the general reader of this decision:

- Accident Year, Policy Year (PY) – Insurance premiums and costs can be accounted for in various ways. Accident Year refers to the compilation of insurance premiums and costs based on when the automobile accident occurred. For example, the Accident Year spanning November 1, 2015 – October 31, 2016 includes all losses associated with automobile accidents occurring between November 1, 2015 and

[4] Formerly known as Canadian Office and Professional Employees' Union, Local 378 (COPE 378).

October 31, 2016. Policy Year refers to the compilation of premiums and costs based on when insurance policies are issued. For example, the Policy Year spanning November 1, 2015 – October 31, 2016, includes all losses associated with insurance policies issued between November 1, 2015 and October 31, 2016.

- Loss Costs – The average amount of claims cost per Basic insurance policy on an annualized basis, determined on the basis of accepted actuarial practice. Loss costs are comprised of two components: claim frequency (incidence rate) and claim severity (the average cost per claim). ICBC actuaries forecast frequency and severity separately to arrive at the total losses to be reflected in the revenue requirements application (RRA).
- Loss Trend – The annual rate of change in loss costs. ICBC actuaries separately analyze claim frequency trends and claim severity trends.
- Loss Costs Forecast Variance (LCFV) – The difference, expressed in percentage points of a rate change fixed in a general rate change order, between the loss costs provision reflected in existing rates, and the loss costs that have emerged.

2.0 REVIEW OF LEGISLATIVE AND REGULATORY FRAMEWORK

ICBC is governed by the *Insurance Corporation Act* and Regulations. ICBC is also subject to specific sections of the *Utilities Commission Act* for the purposes of Basic Insurance regulation. *Special Direction IC2 to the BC Utilities Commission, BC Regulation 307/2004, as amended (Special Direction IC2)* is particularly relevant as it sets out the Commission's requirements for Basic insurance regulation.

2.1 Special Direction IC2

Special Direction IC2 provides direction to the Commission with respect to Basic insurance regulation and includes the following key clauses:

- section 3(1)(c) provides that for each year that the Commission fixes Basic insurance rates, the Commission must fix those rates on the basis of accepted actuarial practice so that the rates allow ICBC to collect sufficient revenue to pay certain identified costs (subject to sections 3(1)(c.1) and 3(1)(e)).
- section 3 (1)(c.1) provides that the Commission must, when regulating Basic insurance rates, regulate and fix those rates in a manner that recognizes and accepts actions taken by ICBC in compliance with government directives issued to ICBC.
- section 3(1)(e) provides that the Commission must ensure increases or decreases in Basic insurance rates are phased in in such a way that those rates remain relatively stable and predictable.

In 2013, *Special Direction IC2* was amended by Order in Council 152/13, March 18, 2013, to promote greater stability and predictability in Basic insurance rates (OIC 152/13). The amendments provide that the Commission must follow certain directives including (collectively, the Rate Smoothing Framework):

- section 3(1)(c.2)(i) – for 2013, the loss costs forecast variance must not be reflected in the general rate change order

- section 3(1)(c.2)(ii) – for 2014 and each following year for which rates are set,
  - (A) the commission may exclude some or all of that year's loss costs forecast variance from the rate fixed by a general rate change order in accordance with a capital management plan approved by the Commission, and
  - (B) the percentage number of a rate change fixed by a general rate change order must differ from the percentage number of a rate change fixed by the previous general change order by no more than 1.5, and must not decrease existing rates.

2.1.1 *Special Direction IC2* amendments in 2015

In 2015, *Special Direction IC2* was further amended by Order in Council 597/15, October 14, 2015, (OIC 597/15) which includes the following directives:

- the capital available used in the determination of the applicable MCT must be increased by $450 million for the purpose of determining the PY 2015 rate change;[5]
- for 2015, the loss cost forecast variance must not be reflected in the general rate change order.

The Commission must comply with all the sections set out in *Special Direction IC2* as they apply to the permanent rate setting for PY 2015.

2.2 Previous decisions and the 2013 Rate Smoothing Framework

The following table provides the Basic rate changes in the last three Basic rate applications and the proposed change for 2015. The PY 2013 Basic rate change was the first year where the 2013 Rate Smoothing Framework applied.

Table 1 – PY 2012 - PY 2014 Rate Changes and Proposed 2015 Basic Rate Change

	PY 2012	PY 2013	PY 2014	PY 2015 (Proposed)
Rate to cover cost	+11.2%	+11.5%	-1.4%*	+11.2%
Rate exclusion	Not applicable	+6.6%	0%	+5.8%
Proposed Basic rate change	+11.2%	+4.9%	+5.2%	+5.5%
Approved Basic rate change	+11.2%	+5.2%	+5.2%	To be determined
Approval Order	G-109-12 and August 16, 2012 Decision	G-63-14 and May 14, 2014 Decision	G-81-15 and May 19, 2015 Decision	

*excluding PY 2013 rate exclusion of 6.6%

The Commission in this decision will establish the permanent Basic insurance rate for PY 2015, conforming with *Special Direction IC2* and guided by the CMP that was established in the May 2014 Decision.

[5] By Order in Council 596/15, October 14, 2015 (OIC 596/15), ICBC was directed to transfer $450 million from Optional insurance capital to Basic capital.

3.0 COMPONENTS OF POLICY YEAR 2015 INDICATED RATE CHANGE

The indicated rate change to fully cover costs is 11.2 percent which reflects the change in Basic insurance revenue, as forecast by ICBC's actuaries, that ICBC requires to pay for expected future costs in the 2015 policy year.[6] This 11.2 percent is equivalent to approximately $302 million of required premium change that ICBC needs to collect in PY 2015 to fully recover costs.[7]

By OIC 597/15, the Commission is required to exclude the PY 2015 LCFV in establishing the PY 2015 Basic insurance rate change. As shown in the overview of the impact on PY 2015 Indicated Rate Change below, ICBC estimates that the PY 2015 LCFV is estimated to be 5.8 percent. Therefore, ICBC requests Commission approval for a 5.5 percent Basic insurance rate increase for PY 2015 which is the percentage change from a full rate change of 11.2 percent less the LCFV of 5.8 percent, subject to rounding. The 5.8 percent rate exclusion for PY 2015 means that $155 million of Basic capital will be used to cover a portion of the costs of providing Basic insurance.[8]

Figure 2.2 – Overview of Impact on PY 2015 Indicated Rate Change

Line No.	Components	Impact before Expense Reclassification	Impact of Expense Reclassification	Impact after Expense Reclassification
		(Percentage Points of PY 2015 Rate Change)		
1	PY 2015 Loss Cost Forecast Variance	5.8		5.8
2	Loss Trend to PY 2015	4.2		4.2
3	Investment Income	0.1	-0.4	-0.3
4a	Controllable Operating Expense	0.0	1.4	1.4
4b	Impact of Pension Expense	0.7		0.7
5	Capital Maintenance	0.1		0.1
6	Change in Average Premium	0.2		0.2
7	Other	0.1	-1.0	-0.9
8	**PY 2015 Rate Change to Cover Costs**	**11.2**		**11.2**
9	Capital Provision	-5.8		-5.8
10	**PY 2015 Indicated Rate Change***	**5.5**	**0.0**	**5.5**

* The numbers shown in this table do not add to the total of 5.5% as a result of rounding. The actual components are rounded to three decimal points; however, only one decimal is provided throughout this Chapter.

In the Application, ICBC explains that it continues to experience increasing bodily injury claims costs, and this is the primary driver of the increase in Basic insurance rates through the PY 2015 LCFV and loss trend to PY 2015.

In the following sections, the Panel will first focus on the actuarial component of the rate indication, which makes up the majority of the costs of providing Basic insurance related to processing and paying out claims. As mentioned above in the definition of Loss Costs (or claims costs), ICBC actuaries forecast frequency and severity separately to arrive at the total losses to be reflected in the Revenue Requirements Application (RRA). The Panel will also comment on the weather adjustment as it was a focus of one intervener's evidence.

---

[6] Exhibit B-1-1, p. ii.
[7] Ibid., p. 2-2.
[8] Ibid., p. ii.

3.1 Personal Bodily Injury claim frequency

Since the ICBC 2010 RRA proceedings, ICBC has forecasted that Personal bodily injury (BI) claim frequency would decline, citing factors such as safer vehicles, safer roads, and a growing proportion of drivers in their safest driving years. All else being equal, the declining frequency trend rate assumed by ICBC resulted in a lower rate change to cover costs than would have been the case had ICBC assumed a flat or increasing frequency trend rate.

In the 2012 RRA, ICBC indicated that it did not believe there was sufficient evidence to conclude that the frequency trend has leveled off from its long-term downward trend.[9] In the 2013 RRA, despite higher than expected emergence of BI claim frequency, ICBC assumed that BI frequency would resume a downward trend after 2013, at half the pre-recession negative trend rate.[10] In the 2014 RRA, ICBC maintained its assumption that BI claim frequency would decline at half the long-term pre-recession trend rate (-1.7% per year) and stated "… favourable influences are expected to outweigh the upward pressures, and a downward frequency trend is expected going forward."[11]

In the 2015, RRA ICBC changed its assumption about the Personal BI frequency trend and forecasts that BI frequency trend will be flat absent this adjustment to the frequency trend assumption. Sensitivity analysis performed by ICBC indicates that the rate change to cover costs would be lower by 2.2 percentage points than the last filing assumption, all else being equal.[12] ICBC provides the Personal BI frequency by accident year as follows:

Table 2 - BI Frequency – Personal[13]

Accident Year	Estimated Frequency
2009	1.43%
2010	1.46%
2011	1.48%
2012	1.50%
2013	1.43%[14]
2014	1.49%

To support ICBC's assumption, it states: "The BI frequency experience during the June through October 2015 period is in line with ICBC's flat frequency trend assumption. There is no evidence in the recent data that supports a deviation from that trend." [15] As additional support for its change in assumption, ICBC states that the BI frequency pattern being experienced by BC (a downward trend leading up to the recession, followed by a flattening of the trend following the recession) is similar to that experienced in Alberta, New Brunswick, Oregon, and particularly Washington.[16]

---

[9] ICBC 2012 RRA, Exhibit B-1, p. 3-15.
[10] ICBC 2013 RRA, Exhibit B-1, p. 2-4.
[11] ICBC 2014 RRA, Exhibit B-3, Exhibit D.0., p. 4.
[12] Exhibit B-1-1, p. 2-33.
[13] Exhibit B-1-1, Chapter 2, Exhibit D.1.1.
[14] ICBC estimated the Personal BI Frequency to be 1.43% in 2013 before a weather adjustment.
[15] Exhibit B-5, 2015.1 RR BCUC.7.3.
[16] Ibid., 2015.1 RR BCUC.7.6.

3.1.1 Parties' positions

No interveners oppose ICBC's change in forecast to a flat BI frequency trend. CDI noted ICBC's change in forecast but did not specifically comment. While BCOAPO did not comment on the frequency trend specifically, it stated:

> Having examined the alternatives, we agree with ICBC that their actuaries have recommended scenarios likely representing the best estimates possible, given the available information. BCOAPO supports the scenario proposed by ICBC, and the underlying figures used in the Application. [17]

Mr. Landale in his intervener evidence requested that the Commission review ICBC's actuarial calculations and methodology to set the Basic rate consistent with all directions from *Special Direction IC2*.[18] Mr. Landale in his Final Argument expressed concerns regarding the transparency of ICBC's actuarial analysis.[19]

Commission determination

The Panel reviewed ICBC's Personal BI claim frequency projection and accepts them as being reasonable and conforming to accepted actuarial practice.

The Panel considers the evidence and analysis presented to be sufficiently thorough and compelling to suggest that there is ample reason to move away from forecasts calling for a resumption in the downward trend in frequency, to a flat trend forecast. The Panel notes that the BI frequency experience during June through October 2015 supports the flat trend forecast, as reported by ICBC.

The Panel also observes that whereas the prior view offered some comfort that declining frequency rates would at least moderate the upward pressures on future Basic rates, with a flattening of the frequency, this will no longer be the case holding all else equal.

3.2 Personal Bodily Injury claim severity

In the Application, ICBC forecasts that Personal BI claim severity will increase at a rate of 5.4 percent per year. The 5.4 percent per year forecast is slightly lower than the trend rate of +5.7 percent per year presented in ICBC's 2014 RRA.[20]

Based on the actuarial analysis that it performed, ICBC provides the Personal BI severities by accident year as follows:

---

[17] BCOAPO Final Argument, p. 5.
[18] Exhibit C1-5, pp. 28-30, 50.
[19] Landale Final Argument, p. 7.
[20] Exhibit B-5, 2015.1 RR BCUC.11.1-2.

Table 3 - BI Severity – Personal[21]

Accident Year	Estimated Severity
2009	$28,988
2010	$30,632
2011	$32,453
2012	$32,775
2013	$36,554
2014	$37,639

As has been the case in recent RRAs, there continue to be a number of factors that make it difficult for ICBC to accurately estimate BI claim severities and measure how severities have changed (trended) over time. ICBC notes that the Claims Transformation Program implemented substantial changes to its claims processes, and during the stabilization and coexistence periods a number of claims statistics will exhibit unusual patterns. ICBC expects new and stable patterns for claims recording, case reserving,[22] and closure[23] will emerge once the new system and business processes reach stabilization.[24] Furthermore, there have been pressures on BI claim costs, most notably an increase in legal representation. [25] See Section 5.4 of this decision for further discussion of the legal representation rate.

3.2.1 Parties' positions

Interveners did not specifically oppose ICBC's actuarial assumption of BI severity rising at a rate of 5.4 percent per year. However, Mr. Landale in his intervener evidence did compare the rate of seniors' fixed income to ICBC's rise in BI severity.[26] CDI notes that ICBC may have to enhance the Transformation Program (TP)[27] to reduce the severity trend in order to stabilize further premium increases.[28] BCOAPO's submission is noted above in Section 3.1.1 and it did not comment on the severity trend specifically.

Commission determination

The Panel reviewed ICBC's personal BI claim severity projection and accepts it as being reasonable and conforming to accepted actuarial practice. The Panel is satisfied that the range of assumptions and methods used to develop the severity estimates are acceptable and produce a reasonable trend forecast.

The Panel takes note of the uncertainty factors brought to light in terms of ICBC's claims TP that have affected claim reporting, reserving, and closing practices, and the potential impacts these may have on the accuracy of

---

[21] Exhibit B-1-1, Chapter 2, Exhibit D.1.1.
[22] Case Reserving refers to the manner in which ICBC's claims adjusters estimate the amount still to be paid on individual claims that have been reported to ICBC.
[23] Closure refers to how quickly claims that are reported to ICBC are settled and closed.
[24] Exhibit B-1-1, Chapter 2, Exhibit C.0.5, p. 1.
[25] Ibid., p. 2-15.
[26] Exhibit C1-5, p. 36.
[27] The TP involves the transformation of ICBC's service delivery model, including the provision of replacement and new systems, technology and processes to support the Claims and Insurance operations.
[28] CDI Final Argument, p. 3.

the severity projections. While it is reasonable to expect ICBC's initiatives will, to some extent, moderate the effects of an increase in the legal representation rate, it is still too early to say with a high degree of certainty the extent to which they will do so.

3.3 Accuracy of ICBC's claim cost estimates

In the IR process, ICBC was asked to self-assess the quality and accuracy of its actuarial projections of BI frequency and BI severity. ICBC states:

> The actuarial projections of BI frequency and BI severity represent the actuaries' unbiased best estimates based on the information available as at the time of the Application and are the result of a high quality process that follows accepted actuarial practice. Forecasting of loss trends uses in-depth analysis and judgment based on consideration of statistical modeling results, input from subject matter experts, and knowledge of the business and of relevant economic and social influences. ICBC employs several qualified actuaries and ensures that all work is appropriately peer reviewed and the assumptions and results are communicated and understood by ICBC's executives. The Application is also reviewed by ICBC's external actuary to ensure that the rate indication is calculated in accordance with accepted actuarial practice. In addition, ICBC's year-end estimates are reviewed by the actuaries of its external auditor, PwC, to ensure the estimates are reasonable.
>
> ICBC is likewise satisfied that its estimates are reasonable. Any estimate of future claim activity, particularly for bodily injury, is necessarily subject to a substantial amount of uncertainty due to the potential for changes in driving behaviour, inflation, weather, and claims handling, among other variables. In accepting that an actuarial estimate is reasonable, it is to be expected that the actual claim experience will differ from the original estimate and could turn out to be higher or lower than that estimate. [29]

ICBC provided the following comparison of the BI frequency, severity, and loss costs underlying the original RRAs for PY 2010, PY 2012, PY 2013 and PY 2014 to their most recent estimate as at the 2015 Application:[30]

Table 4 - Policy Year BI Estimates for 2010 to 2014 – Personal[31]

	Policy Year 2010		Policy Year 2012		Policy Year 2013		Policy Year 2014	
BI Basic	Original Estimate	Current Estimate	Original Estimate	Current Estimate	Original Estimate	Current Estimate	Original Estimate	Current Estimate
Frequency	1.33%	1.48%	1.35%	1.46%	1.44%	1.48%	1.39%	1.47%
Severity ($)	$32,331	$32,529	$35,036	$34,970	$38,312	$38,090	$39,959	$40,439
Loss Cost ($)	$431	$483	$474	$510	$552	$565	$554	$595
% Change in Loss Cost Estimate*		+12.1%		+7.6%		+2.4%		+7.4%

*Calculated by dividing the Claim Cost Current Estimate by the Claim Cost Original Estimate

[29] Exhibit B-5, 2015.1 RR BCUC.6.1-2.
[30] Exhibit B-11, 2015.2 RR BCUC.67.1.
[31] Policy Year 2011 is not included in the table as there was no Basic insurance rate increase that year.

3.3.1 Parties' positions

Interveners did not raise specific issues regarding ICBC's accuracy of estimating claims costs in their final arguments.

3.3.2 Commission discussion

The comparison table as noted above shows that ICBC's original PY claim cost estimates in each year have been too low by an average of 7.4 percent[32] as evidence showed in the last four RRAs. The Panel recognizes that the most significant contributor to past inaccuracies had to do with under forecasting BI frequency, and hence the adjustment to now a flat BI frequency trend line gives cause for optimism that this source of past error has been addressed. That said, given the Panel's expressed uncertainty vis-à-vis the accuracy of the severity projections, the Panel raises a cautionary note that ICBC may again see significant loss cost forecast variances in the future.

3.4 Weather adjustment

In the 2014 RRA, ICBC made an adjustment to the 2013 BI and Accident Benefit frequencies to reflect normal average precipitation levels at the Vancouver International Airport. In the ICBC 2014 RRA Decision, the Commission stated: "In the event that ICBC intends to include a weather adjustment in future RRAs, the Panel directs ICBC to conduct additional levels reported by research into the availability, quality and usefulness of incorporating precipitation other weather data stations as part of the actuarial analysis." [33]

In this Application, ICBC has not applied a weather adjustment in calculating the Rate Change to Cover Costs. ICBC states:

> ICBC has updated this variable in this Application to consider the weather throughout the province. A "BC Precipitation" index was constructed based on 10 weather stations distributed throughout the province. "BC precipitation" was considered in the development of the frequency forecast models for this Application, but was ultimately not selected as an explanatory variable for frequency. In addition there was no longer a need to adjust the 2013 BI and Personal AB frequency points to reflect the unusually dry weather experienced that year.[34]

3.4.1 Parties' positions

Although ICBC has not proposed a weather adjustment to its BI frequency forecast, Mr. Landale undertook considerable investigation of precipitation data throughout B.C. and presented as evidence in Exhibit C1-5. Mr. Landale concludes that "[l]ooking forward the Commission Panel could direct ICBC to cease and desist their weather actuarial methodology adjustments in any form in future RRAs."[35]

In response to an IR regarding why Mr. Landale was presenting evidence on weather adjustments, he states that: "ICBC in recent RRAs has made such a big issue of establishing weather as a *[sic]* influence on BI Severity

---

[32] average of 12.1%, 7.6%, 2.4% and 7.4%.
[33] ICBC 2014 RRA Decision, p. 13.
[34] Exhibit B-1-1, Chapter 2, p. 2-18.
[35] Exhibit C1-5, p. 9.

and Frequency using outdated [and incomplete] 30 year… Environment Canada data for YVR, and… [t]otal Precipitation recorded at the Vancouver International airport Weather Station by Quarter- which cannot be reproduced from Environment Canada data."[36]

ICBC provided rebuttal evidence in Exhibit B-14 and explains that the Commission's directive only applies if ICBC intends to include a weather adjustment in future RRAs but that it has not included a weather adjustment in this 2015 RRA. Furthermore, ICBC states that the use of the "BC Precipitation" index has minimal impact on the rate indication for the 2015 policy year. ICBC believes that the body of evidence it has presented in its responses to information requests is sufficient in this context."[37]

Commission determination

The Panel is cognizant of the directive made in the ICBC 2014 Decision, in that "[i]n the event that ICBC intends to include a weather adjustment in future RRAs, the Panel directs ICBC to conduct additional research…" In this Application, ICBC has considered weather adjustments but did not include them in the rate indication. Therefore, the 2014 RRA directive does not apply to this Application.

As determined earlier in Section 3.1.2 of this decision, **the Panel accepts that Personal BI frequency projection to be reasonable and conforming to accepted actuarial practice. The Panel accepts ICBC's position that no weather adjustment is needed for this Application due to the return to a regular weather pattern.** The Panel recognizes Mr. Landale's contributions regarding his weather data research. In the Panel's view, if ICBC determines there to be a need for a weather adjustment in a future RRA, the information provided by Mr. Landale may prove useful.

3.5 Operating expense and allocation

In the Application, ICBC reclassified certain financial information to conform to International Financial Report Standards presentation. This results in a one-time increase to both the Operating Expense and Other Revenue rate components, with no net impact to the overall rate change to cover costs.[38]

As shown in Figure 2.2 above in Section 3.0, before expense reclassification, ICBC's controllable operating expense and the impact of pension expense, make up about +0.0 and +0.7 percentage points in the PY 2015 indicated rate change, respectively. After expense reclassification, the two expense components make up +2.1 percentage points of the PY 2015 indicated rate change, offset -0.9 percentage points from other components.[39]

The review process of the Application explored several topics related to operating expense, including the TP and cost allocation. In this section, the Panel will discuss two TP related issues: (i) cost related to TP that is transferred into corporate expenses and (ii) the format of future reporting of the TP benefits. With respect to cost allocation, the Panel will also comment on the Customer and Injury Services Operations Detailed Work Effort Study.

---

[36] Exhibit C1-6, p. 4.
[37] Exhibit B-14, p. 6.
[38] Exhibit B-1-1, p. 2-19.
[39] Ibid., pp. 2-3 to 2-4.

3.5.1 Transformation Project costs transferred into corporate expenses

The TP involves the transformation of ICBC's service delivery model, including the provision of replacement and new systems, technology and processes to support the Claims and Insurance operations.

By Order in Council 222/10, April 19, 2010 (OIC 222/10), ICBC was authorized to undertake the TP at a cost of $400 million. In the absence of this OIC, all of the costs associated with the TP would be allocated between Basic and Optional insurance. However, the OIC directs ICBC to use Optional insurance capital only for costs associated with the TP that meet the following criteria:

- operational costs and depreciation expense for project capital costs related to the TP [the scope of the TP is set out in a schedule attached to the OIC (Scope of TP Schedule)]
- costs included in the annual TP budget as approved by the Treasury Board (TB)

But specifically excluding the following:

- Post-implementation costs and ongoing operating cost
- Future upgrade costs
- Costs not included in the approved TB budget
- Costs in excess of $400 million.

In the Application, ICBC describes that "the scope of the TP is defined as 'foundational tools, technology, licenses and processes essential for transformation and does not include extensions and leveraging new tools.'"[40] ICBC further states that the "key principle used is that delivery of the essential program is considered "foundation tools" and is funded by TP. Enhancements and extensions that go beyond foundation, and the leveraging of new tools for the purposes that have a wider corporate benefit, are funded outside of TP."[41]

ICBC states that "In December 2014, ICBC management completed a review of the TP scope to ensure that the remaining projects only included core work and that the key elements and original projected financial benefits of the TP will be delivered within the $400 million Optional funding limit authorized by government."[42] As a result of this analysis, certain costs that were originally earmarked to be included in the TP have subsequently been reassessed and shifted out of the TP into Corporate Operating Expenses and allocated between Basic and Optional Insurance. To address this, in the 2014 RRA Decision, the Commission directed as follows:

> …In future RRAs, the Panel directs ICBC to identify all costs that will be shifted out of TP to corporate operating expenses as separate line items. For each item ICBC is to justify why the costs are out of the scope of the TP by way of measuring them against the criteria set out in the Government Directive regarding TP.[43]

[40] Exhibit B-1-1, p. 4E-2.
[41] Ibid.
[42] Ibid.
[43] ICBC 2014 RRA Decision, p. 19.

In the 2014 RRA Decision, the Panel agreed that one cost, Parallel Processing Cost, could be moved out of the TP and into Corporate Operating Expense.

In this Application, ICBC forecasts $5.666 million of costs in fiscal 2016 that were originally earmarked to be included in the TP but were subsequently shifted out to Corporate Operating Expense and allocated to Basic insurance. $2.756 million of these costs relate to the Claim Data Migration Project.

Claims Data Migration Project costs

ICBC states that "in the planning phase of Claims Transformation it was believed that migration of historical data would be required to process claims. During the stabilization period, it became apparent that work on data migration could be ceased as it was not required to support the handling of claims that were in process and stored in the legacy system. In fact, a year after full implementation, the Claims Division has been able to handle claims concurrently in both systems."[44]

Specifically, ICBC states that it decided in March 2015 to remove data migration costs out of the TP and into corporate operating expense[45] because it determined that the Claims Data Migration Project was not core to the objectives of TP,[46] was not essential to complete the transformation,[47] and its removal did not compromise OIC 222/10 as the OIC does not provide any specific direction to include claims data migration costs.[48] Further, ICBC states that excluding data migration costs out of the TP is consistent with many other companies' practices.[49]

ICBC explains that "currently, all new claims at ICBC are managed in the new claims management system; however, some "long-tailed" claims continue to be managed in legacy systems. Claims that remain open in legacy systems will reduce over time as they are resolved, and eventually very few, or no claims, will be left in these legacy systems. This could result in completion of Claims Transformation without migration of claims data.[50]

ICBC summarizes the benefits of the Claims Data Migration Project as follows:

- Enable decommissioning of legacy claims system;
- Improve value of analytical and operational insights into claims data;
- Reduce system integration complexity by having single source for claims history versus various legacy sources. [51]

[44] Exhibit B-5, 2015.1 RR BCUC.40.1-1.1.
[45] Ibid.
[46] Exhibit B-5, BCUC IR 40.1.1.
[47] Exhibit B-11, 2015.2 RR BCUC.77.3.
[48] Ibid.
[49] Exhibit B-5, 2015.1 RR BCUC.40.1-1.1, Attachment A.
[50] Exhibit B-11, 2015.2 RR BCUC.77.3 [Emphasis added].
[51] Exhibit B-5, 2015.1 RR BCUC.40.3.2

3.5.2 Parties' positions

In its Final Argument, ICBC states:

> Core principles are used to consistently evaluate if the elements are foundational to TP. Elements that are foundational to TP are the minimum set of activities that permit TP capability to be established as described in the schedule to Directive 'Scope of Transformation Program' in the Government Direction letter. Within the scope of TP, this generally means base tools, technology, licenses and processes essential for transformation...[52]
>
> In assessing core versus non-core work, management considered information provided by its TP Business Advisor on practices of public sector large transformation projects for delineating standard operating expense versus transformation scope.[53]

Interveners did not make submissions specifically on the costs that are transferred out of TP including the Claims Data Migration costs.

Commission determination

The Panel finds that Claims Data Migration costs are within the scope of the TP and therefore directs that the $2.756 million corporate operating expenses are not to be allocated into the PY 2015 Basic rate and cannot be taken out of Basic capital, provided that the cumulative TP costs have not already exceeded $400 million or exceeded the annual budget approved by the Treasury Board as per OIC 222/10. The Panel allows ICBC to defer the applicable adjustments to the next rate change application. ICBC must show the applicable adjustments related the Claims Data Migration costs in the next rate change application.

The Panel takes note of ICBC's argument that data migration is not critical to the handling of individual claims. However, we view this as an unduly narrow interpretation of the situation. Claim data migration costs were initially considered part of TP. And if one takes ICBC's summary of the benefits of data migration and states them in the opposite manner, failure to complete data migration would: preclude the decommissioning of the legacy claims system; reduce the value of analytical and operational insights into claims data; and increase system integration complexity by having multiple sources for claims history.

The Panel finds that the first impact of not completing claim data migration (i.e. inability to decommission the legacy system) provides sufficient grounds to conclude that these costs are part of TP. The first stated criterion in OIC 222/10 for what is in TP scope stipulates "the provision of replacement and new systems, technology and processes to support claims and insurance operations." The Panel considers taking down the old system is an intrinsic part of successfully putting in place the new one.

Further, ICBC's use of terminology such as "foundational tools" and "core costs" is not found in OIC 222/10, but rather reflects ICBC's interpretation of the OIC. The Panel's interpretation includes the notion that the TP project cannot be considered complete if it impedes ICBC's ability to derive insights into claims data and/or increases (avoidable) system integration complexity, let alone if it precludes the decommissioning of the legacy system.

---

[52] ICBC Final Argument, p. 27.
[53] Ibid., p. 28.

In summary, it was appropriate to include data migration in scope of TP in the first place, and ICBC has not convinced the Panel of the merits for its subsequent removal whether or not any data migration takes place.

3.5.3 Transformation Program reporting

In the 2014 ICBC RRA Decision, the Commission requested that ICBC track the TP savings and report on them starting in 2017, specifically the Commission requested that: ICBC tracks these [TP] projected savings and report on the results starting with the 2017 RRA in a format that would allow for sufficient evaluation of the benefits to Basic Policyholders.[54]

The savings from the TP project are primarily related to a reduction in the number of full-time equivalents (FTE) and therefore are reflected in compensation savings in the RRA filings annually. ICBC forecasts expected TP savings to Basic insurance in 2016 to be approximately $21.4 million when taking into consideration both actual reductions and avoided costs reductions.[55] ICBC stated that the benefits of the TP are expected to be fully realized by 2020.

In response to IRs, ICBC provided the following reporting format that it is currently using to track project savings associated with TP and believes that this format will allow for sufficient evaluation of the quantitative benefits.

		Year
Full-time equivalent (FTE)		
FTE reductions realized by year end		
FTE reductions cost avoidance		
Cumulative FTE Reduction		
Annual Compensation Savings (from FTE reduction)		
Annual Compensation Savings Realized ($ millions)		
Annual Compensation Cost Avoidance ($ millions)		
Cumulative Compensation Savings	A	
Operating Expenses Impacted by Claims Transformation Program	B	
Claims Cost Savings ($ million)	C	
Net Corporate TP Claims Benefits	A-B+C = D	
Basic portion of Net TP Claims Benefits	Basic portion of D	

ICBC proposes to use this format in the 2017 RRA.

[54] ICBC 2014 RRA Decision, pp. 17–18.
[55] Exhibit B-5, 2015.1 RR BCUC.39.1-2.

3.5.4 Parties' positions

ICBC and interveners did not make submissions regarding the reporting format of the TP.

Commission determination

The Panel notes that ICBC will report on the projected savings that ICBC tracks starting in the 2017 RRA. Upon review of the evidence, the Panel considers that ICBC's suggested template is acceptable as a starting point for TP reporting. In the Panel's view, ICBC should file additional information for the Commission to sufficiently evaluate the benefits of TP to Basic policyholders. **The Panel directs the following to be included in future TP reporting:**

- **a column that reports the original 2010 forecast savings, in order to assess/compare forecasted savings with actual;**
- **a column for each year of the TP starting in 2010 to report forecast and actual savings, in order to assist in understanding the variances; and**
- **a row that shows the total actual number of FTEs each year, in order to provide a baseline for assessing the FTE reduction realized due to the TP.**

In addition, ICBC should provide additional information/details on:

- **criteria used to determine FTE reductions;**
- **criteria used to quantify operating expense savings;**
- **criteria used to quantify the claims cost savings; and**
- **how ICBC determined that the reductions are the direct result of the TP.**

3.6 Customer and Injury Services Operations Detailed Work Effort Study

On December 31, 2014, ICBC filed the Customer and Injury Services Operations Detailed Work Effort Study (2014 Detailed WES) in accordance with Order G-63-13 dated April 25, 2013.[56] The review of the 2014 Detailed WES in this 2015 RRA proceeding was triggered by Letter L-7-15 when the Commission stated that "ICBC is to include the 2014 Detailed WES for review in the 2015 RRA."

At the end of 2011, ICBC's Claims Division underwent a significant organizational change, moving from a geographic-centric model to a functional-centric model, and introduced a new Claims job hierarchy.[57] With the oversight of an independent third party reviewer, the 2014 Detailed WES reports on allocation changes as a result of the reorganization within the Claims Division.

ICBC in the 2014 Detailed WES reports that the overall Basic/Optional split for the Customer and Injury Services Operations allocation function to be 63.5% for Basic and 36.5% for Optional. After adjustments to include

---

[56] Order G-63-13: http://www.ordersdecisions.bcuc.com/bcuc/orders/en/item/118889/index.do?r=AAAAAQAHZy02My0xMwE.
[57] Exhibit B-1, p. 4D-1.

additional claims business area operating costs, to make the 2011 Detailed WES directly comparable to the 2014 Detailed WES, the impact to Basic insurance is approximately $400,000. A change of $400,000 has less than a 0.02 percentage point impact on the PY 2015 rate.[58]

In terms of administrative cost and process, it takes approximately six months from initial planning to the completion of the WES. The total cost for the Detailed WES was $211,000 and $209,000, respectively, for 2011 and 2014. An update to the WES is estimated to cost approximately $54,000. Further, ICBC states:

> The previous Update in 2007 and the 2011 and 2014 Detailed WESs have shown that there is very little change in the allocation of Claims operating costs year over year, even when there has been significant business changes such as those that occurred through Claims Transformation.[59]
>
> ICBC believes the results of the 2014 Detailed WES should be accepted by the Commission without further direction. As encouraged by the Commission in Letter L-7-15, ICBC has already incorporated the 2014 Detailed WES in the 2015 Revenue Requirements Application. Regarding future reporting of the WES, ICBC is of the view that, in the absence of any Claims business change that would significantly affect the underlying transaction costing methodology, the 2014 work effort percentages should continue to be used at least until ICBC files an application to simplify the allocation methodology.[60]
>
> With the completion of TP in Q4 2016 and a 2-year stabilization period, a realistic timeframe to bring forward an application to simplify the allocation methodology is 2019 or later.[61]

3.6.1 Parties' positions

CDI asked questions regarding the allocation for material damage files regarding Collision and Property Damage Allocation and Customer Care Allocation[62] but did not make any submissions in its final arguments.

Interveners did not raise specific issues regarding the 2014 Detailed WES.

Commission determination

The Panel accepts the 2014 Detailed WES and acknowledges that ICBC will bring forward an application to simplify the WES allocation methodology in 2019 or in the event that significant business change occurs.

The Panel reviewed the 2014 Detailed WES and notes that the independent third party reviewer stated that the 2014 Detailed WES was conducted in a proper and consistent manner. ICBC has fulfilled the directives set out in Order G-63-13 and as requested in Letter L-7-15. As noted by ICBC, despite the significant organizational change near the end of 2011, the cost allocation of Claims operating costs found in the 2014 Detailed WES is not substantially different than in 2011. The Panel expects that the allocation of claims operating costs should remain relatively similar given the stabilization period between 2017 through 2019 after the completion of TP.

---

[58] Exhibit B-1, Appendix 4D, pp. 28-29; 2014 Detailed WES, Appendix I; Exhibit B-5, 2015.1 RR BCUC.52.2.
[59] Exhibit B-5, 2015.1 RR BCUC.51.3.
[60] Exhibit B-11, 2015.2 RR BCUC.80.1.
[61] Ibid., 2015.2 RR BCUC.80.2.
[62] Ibid., 2015.2 RR CDI.7.1.

3.7 Permanent Basic rate change for PY 2015

In compliance with the government directive set out in OIC 597/15 to fully exclude the LCFV in 2015, the Panel approves the requested 5.5 percent increase in Basic insurance rates for the policy year commencing November 1, 2015 on a permanent basis.

In the sections above, the Panel discussed and made determinations on actuarial matters and non-actuarial matters in the Application. ICBC's actuaries estimate that the rate change to cover costs in PY 2015 is 11.2 percent, of which 10 percent is to adjust for the loss costs that have emerged since the last rate change (LCFV of 5.8 percent) and the loss trend going forward (Loss Trend to PY 2015 of 4.2 percent). As stated in Sections 3.1 and 3.2 of this decision, the Panel found ICBC's assumptions to be reasonable and accepts that they are within accepted actuarial practice. Therefore, the Panel approves the actuarial rate level indication analysis in the Application and accepts the 11.2 percent PY 2015 rate change to cover costs, including the PY 2015 LCFV of 5.8 percent.

With respect to the non-actuarial components of the Basic insurance rate request, the Panel found that the Claims Data Migration costs to be within the scope of the TP. The Panel's reasoning is provided in Section 3.5.3 of this decision.

4.0 CAPITAL MANAGEMENT PLAN AND MINIMUM CAPITAL

The MCT ratio is the capital available divided by the minimum capital required. Capital available is the Basic equity (sum of the retained earnings and other components of equity) minus assets with a capital requirement of 100%. Capital required is a risk-based formula which is the sum of risk factors related to items on the balance sheet including balance sheet assets, premium liabilities, and unpaid claims.[63]

In accordance with section 1 of *Special Direction IC2*, MCT means the term that is described in the Guideline for MCT for Federally Regulated Property and Casualty Insurance Companies issued by Office of Superintendent of Financial Institutions (OSFI) as that guideline is amended or replaced from time to time.

As part of the ICBC 2013 RRA Decision, the Commission established a CMP which included the following:

- The Panel considers that the 100% MCT ratio is the statutory minimum as per section 3(1)(b) of *Special Direction IC2*.
- The Panel approved the continuation of the 30% MCT ratio margin for adverse events on top of the 100% statutory minimum MCT ratio level as a component in the new Basic Capital Management Plan.
- Given the 130% MCT initial target level is there to help absorb some of the adverse conditions potentially faced by ICBC, the Panel found the requested 20% addition to the MCT ratio for rate smoothing to be excessive and should be reduced to one half of the 30% MCT current margin for adverse events over the minimum MCT ratio, or 15%. Therefore, with the initial 30% MCT ratio margin

[63] Exhibit B-1-1, p. 3-3.

for adverse events, and an additional 15% MCT ratio margin for relatively stable and predictable rates, the Panel determined that the new Capital Management Target is set at 145% MCT.

- Based on the 145% MCT new Capital Management Target, the Panel found that a 160% MCT ratio level meets the 'well in excess' capital available requirement for the provision for determining the possibility of a Customer Renewal Credit (CRC).[64]

The CMP as established by the Commission in its ICBC 2013 RRA Decision applies to this 2015 RRA.

As directed in OIC 596/15, the $450 million capital transfer from Optional insurance to Basic insurance increases the 2015 year-end Outlook MCT ratio for determining the rate indication to 144%. In the absence of the capital transfer, the 2015 year-end Outlook MCT ratio would have been 108%.[65]

4.1 Changes to the Capital Management Plan margins due to OSFI Guideline changes

Effective January 1, 2015, OSFI amended its guideline (2015 OSFI Guideline) for calculating the MCT ratio. The most significant impact of the 2015 OSFI guideline on Basic insurance is the reduction of the capital required, which is the denominator of the MCT ratio. The reduced capital required results in a higher MCT ratio using the 2015 OSFI guideline in comparison to using the 2013 OSFI guideline. The new OSFI guideline requires that the amended guidelines be phased-in on a straight-line basis over the 12 quarters of the next 3 years, ending in 2017. 2015 is the first year of this 3-year phase-in period.[66]

The introduction of the 2015 OSFI Guideline has resulted in a decrease of about $100 million in minimum capital required from $1.209 billion to $1.097 billion, which has the consequence that the regulatory 100% MCT ratio represents a lower level of Basic capital. The phase-in of the 2015 OSFI guideline over the next three years will result in the proportionate reduction of the regulatory minimum every quarter.[67] Figure 3.1 in the Application shows the difference in the 2014 Year-end MCT ratio using the old and new OSFI Guidelines.

Figure 3.1 – Difference in 2014 Year-End MCT Ratio Using Old and New OSFI Guidelines

In $millions	**2014 MCT (2015 rules)**	**2014 MCT (2013 rules)**	**Difference**
Total Capital Available (line 1)	1,610	1,633	(23)
Total Minimum Capital Required (line 2)	1,097	1,209	(112)
Excess of Capital Available over Required	**513**	**424**	**89**
MCT Ratio	**146.8%**	**135.1%**	**11.7%**

---

64 ICBC 2013 RRA Decision, p. ii.
65 Exhibit B-1-1, p. 3-3.
66 Ibid., p. 3-1.
67 Ibid., p. 3-5.

In the Application, ICBC is of the view that:

> In order to maintain the same dollar values of the margins, the MCT target levels in the current Basic Capital Management Plan must be increased to account for the reduced minimum capital required using the 2015 OSFI guideline as compared to using the 2013 OSFI guideline. A lower minimum capital required amount will result in a higher MCT ratio because the minimum capital required is the denominator of the MCT calculation. Failing to make this adjustment will result in the erosion of the dollar value of these margins over the next three years as the minimum capital required decreases.[68]

In Figure 3.2 of the Application, ICBC provides details to show that the risk management target should be increased from 130% MCT to 133% over the three year phase-in period. The additional margin for rate smoothing would lead to a combined MCT target moving from 145% to 150%. The trigger for ICBC issuing a CRC would move from 160% MCT to 167% MCT.[69]

ICBC further explains its rationale for seeking an increase in the MCT targets as:

> The original 30 percentage point margin for adverse events, which is based on the 2013 OSFI MCT Guideline, reflects the risk profile for ICBC's Basic insurance business and equates to a dollar value of $363 million as of year-end 2014, based on the 2013 OSFI MCT Guideline. This 30 percentage point margin for adverse events was approved by the Commission in 2013. However, as discussed in the Application, Chapter 3, Section D, the introduction of the 2015 OSFI MCT Guideline has resulted in a decrease of about $100 million in minimum capital required. This affects the denominator of the MCT, which changes the amount of capital each MCT ratio represents. This means that a 30 percentage point margin for adverse events no longer represents the same amount of capital needed to withstand a one in ten year plausible adverse scenario.
>
> To reiterate, as of year-end 2014, $363 million is the amount of additional capital needed to protect against a one in ten year plausible adverse scenario. In order to continue to protect against a one in ten year plausible adverse scenario under the 2015 OSFI MCT Guideline, the risk management target must be increased to account for the reduced minimum capital required. Figure 3.2 in the Application, Chapter 3, Section D, is effectively saying that under the 2015 OSFI MCT Guideline and all else equal, 133% is the new 130%. Failing to make this adjustment will expose ICBC to a progressively greater risk of falling below a 100% minimum MCT level over the next three years as the minimum capital required decreases.[70]

With respect to risk analysis, ICBC indicated that the results of its 2015 risk adequacy analysis indicated that the current dollar margin for adverse events is still appropriate and it provides preliminary results. ICBC states:

> The most recent risk adequacy analysis (Dynamic Capital Adequacy Testing (DCAT) analysis) is largely completed based on data as of Q1 2015. However, the report is not yet finalized. For the most recent finalized risk adequacy analysis report (DCAT report), please see the response to information request 2014.1 RR RM.3.a, which provided the 2013 DCAT report. ICBC has

[68] Exhibit B-1-1, p. 3-6.
[69] Ibid., p. 3-7.
[70] Exhibit B-5, 2015.1 RR BCUC 36.3.

> provided a summary of the 2015 preliminary risk adequacy analysis results as they compare to the 2013 analysis in Figures 1 and 2 below. The results of the 2015 risk adequacy analysis indicate a risk management target of about 135% and a capital management target of about 150%, which are not significantly different from the results of the 2013 risk adequacy analysis.[71]

ICBC states that the 2015 risk adequacy report is not yet finalized. ICBC expects the report to be finalized by the end of February 2016 once ICBC's year-end financial reporting work is complete. It will be filed as part of the 2016 Revenue Requirements Application.[72] ICBC explains that it made two changes to its 2015 risk adequacy analysis to account for the inclusion of high yield bonds in its investment portfolio (Asset Decline) and a reduced likelihood of a significant, rapid, and sustained four year increase in inflation (Unanticipated Inflation).[73] ICBC states that other investment assets such as government bonds, mortgages and real estate are not expected to decline in the 2015 Risk Adequacy Analysis (RAA) but it will revisit this assumption in the 2016 RAA.[74]

In response to a related query from Mr. McCandless, ICBC states:

> ICBC agrees that a finalized risk adequacy analysis report would provide additional information beyond the summary of preliminary results. However, given that ICBC is not recommending a change to the capital target dollar amounts, and the capital targets have a negligible impact on the requested policy year 2015 rate change, ICBC submits that the information provided is sufficient.[75]

4.1.1 Parties' positions

In its Final Argument, ICBC concludes that:

> There is ample evidence on the record to support maintaining the current dollar margins. In preparing the 2015 analysis, ICBC modelled the same scenarios as in the 2013 risk adequacy analysis, has used the same probability levels in showing results, and has provided those results versus the results from the 2013 risk adequacy analysis for comparative purposes. Even the assumptions used in the modelling remain largely unchanged, with the two notable changes being explained by changes in ICBC's investment portfolio and the reduced likelihood of significant inflation in the near term.[76]

BCOAPO supports ICBC's position that, for the margin for adverse events, it is the dollar value that matters; the applicable MCT ratio is merely a by-product. However, BCOAPO views that proposed Capital Management Target adjustments should be deferred until the 2016 Revenue Requirements Application proceeding. BCOAPO notes ICBC's submission that "…The results of the 2015 risk adequacy analysis indicate a risk management target of about 135% and a capital management target of about 150%, which are not significantly different from the results of the 2013 risk adequacy analysis." There being no significant difference, and with DCAT update figures not having been officially available as of the Application filing date, BCOAPO considers it appropriate to address any consequential adjustments as part of the next Revenue Requirements proceeding.[77]

[71] Exhibit B-5, 2015.1 RR BCUC.36.12-14.
[72] Exhibit B-11, 2015.2 RR BCUC.73.1.
[73] Ibid., 2015.2 RR BCUC.73.2.
[74]Ibid., 2015.2 RR BCUC.75.1.
[75] Ibid., 2015.2 RR RM.1.6.
[76] ICBC Final Argument, p. 46.
[77] BCOAPO Final Argument, p. 7.

CDI submits that the preservation of the dollar amount for margin is a new concept and is not a regulatory requirement. It is a choice made by ICBC. CDI suggests that that the ICBC "dollar value" argument should be rejected and CDI provides a schedule intended to show the benefit to policyholders from implementation of the new OSFI Guidelines.[78] Further, CDI states that "ICBC is essentially ignoring the OSFI Guidelines, which allow the additional MCT surplus to be released over time. Instead of using this capital to ease rate increases, ICBC wants to instead an artificial surplus."[79]

In his Final Argument, Mr. McCandless repeated his position that indicated "In my 12 March 2015 submission, I recommended that the BCUC focus on the capital management targets and reduce the MCT management target to 100%."[80]

In its Reply Argument to CDI and Mr. McCandless, ICBC states:

> … its approach is sound and reflects the spirit and intent of the current capital management framework… With no corresponding reduction in the risks ICBC faces, an unchanged risk management target would expose ICBC to greater risk of the Basic capital falling below the regulatory minimum of 100% MCT. Mr. McCandless and CDI are, in effect, suggesting that the dollar value of the margin for adverse events should be reduced to below that indicated by a 1 in 10 year plausible adverse event.[81]

Later in the Reply Argument, ICBC states:

> Although the 2015 RAA **report** was not yet finalized, the updated figures provided during this proceeding contain the final information to be included in the report. It is unnecessary to defer the adjustments to the capital management target percentages to the 2016 RRA, since ICBC is only reflecting the new 2015 OSFI MCT Guideline.
>
> The level of information provided in response to 2015.1 RR BCUC.36.12-14 is sufficient to enable the Commission to make an informed decision on the PY 2015 rate indication, particularly since ICBC is not recommending a change to the capital margin dollar amounts. ICBC will include the supporting RAA when proposing any future changes to the Basic CMP. [82]

Commission determination

The Panel acknowledges that the 2015 OSFI Guideline changes have affected the way in which ICBC calculates the MCT ratio. However, the Panel rejects ICBC's suggested adjustments to the MCT margin thresholds in order to maintain the same dollar values of the margins.

The Panel reviewed the evidence presented and the submissions received by interveners. Under *Special Direction IC2*, ICBC is directed to use the OSFI Guidelines to calculate the MCT ratio both in OSFI's initial issuance and as amended from time to time. The Panel agrees with CDI in that fixing a dollar amount to a margin is not a requirement under *Special Direction IC2*. In the Panel's view, a risk adequacy analysis (DCAT) is used to set

---

[78] CDI Final Argument, pp. 10–12, 16.
[79] Ibid., p. 11.
[80] McCandless Final Argument, p. 7.
[81] ICBC Reply Argument, pp. 9–10.
[82] ICBC Reply Argument, p. 13.

appropriate minimum capital targets for a particular organization based on the various risks faced by that organization. The assessment of the possible financial impact each of those risks helps to select the risk management minimum capital target (stated as a percentage of the MCT) needed to match any existing and projected liabilities associated with those risks.

ICBC's evidence and arguments focused on the dollar value of the base MCT and the various MCT targets set by the Commission in its 2013 RRA Decision. The Commission in the 2013 RRA Decision approved MCT levels based on including additional percentage margins to establish targets to deal with risk (30%), rate stabilization (15%) and CRC (15%). The Commission in that Decision was "persuaded that ICBC should continue to use the existing capital management target MCT ratio of 130% as the initial level of the MCT ratio, as it seems to continue to reflect ICBC's risk profile in Basic Insurance."[83]

It is this Panel's view that the Commission only established the percentage of MCT for the CMP, and did not reference a possible dollar amounts associated with these CMP targets, as the dollar amounts could vary from year to year. The purpose of the CMP is to provide guidance and steps to be taken when the MCT percentage is below or above certain thresholds.

The Panel notes the submissions by BCOAPO and Mr. McCandless in the 2015 RRA proceeding with preliminary results does not provide compelling evidence to make adjustments to the existing CMP. Also, the Panel is not of the view that ICBC in this Application is seeking approval to update all parameters of the existing CMP without support of a fully detailed risk analysis. However, the Panel is not opposed to ICBC requesting an update to the CMP if the risk analysis indicates a change to the risk levels.

5.0 PERFORMANCE, ROAD SAFETY, FRAUD, LEGAL REPRESENTATION

5.1 Performance measures and New Driver Comparative Crash Rate

ICBC's performance measures are categorized into four general areas: Service, Financial, Efficiency, and Directional. ICBC sets the forecast for most of its performance measures at the beginning of each year and then assesses the actual performance at the beginning of the following year. Most performance measures presented in the Application are for the entire company including Basic and Optional insurance. It is intended that a detailed review of all Performance Measures is to be done in 2017. However, ICBC requests to discontinue the New Driver Comparative Crash Rate (NDCCR) in advance of the overall performance measures review which will be filed as part of the 2017 RRA.[84]

In Figure 5.1 of the Application, ICBC shows the forecast or target performance for 2015 and the actual performance of the previous 3 years.

[83] ICBC 2013 RRA Decision, p. 31.
[84] Exhibit B-1, p. 5-1.

Figure 5.1 – Performance Measures Results and 2015

	PERFORMANCE MEASURES	2012 Actual	2013 Actual	2014 Actual	2015[1]
Service	Insurance Services Satisfaction	97%	96%	96%	≥95%
	Driver Licensing Satisfaction	95%	94%	94%	≥95%
	Claims Services Satisfaction (BCUC) Accident Benefit Only (BCUC)	86% 81%	88% 82%	86% 75%	not available not available
	New Claims Initiation Calls answered in 100 seconds	68%	53%	33%	60%
	Customer Contact Service Level Calls answered in 90 seconds	79%	75%	65%	55%
	Customer Approval Index	62%	59%	63%	not applicable
	Legal Representation Rate	45%	48%	46%	48%
	Complaints Heard by the Fairness Commissioner	221	198	234	not applicable
Financial	Basic Loss Ratio[2, 6]	103.5%	102.2%	106.5%	113%
	Basic Insurance Expense Ratio[2, 6] Basic Administrative Cost Ratio Basic Premium Tax Ratio Basic Commissions Ratio Basic Insurance Expense Ratio	 3.8% 4.4% 2.5% 10.7%	 3.7% 4.4% 2.4% 10.5%	 4.7% 4.4% 2.2% 11.3%	 4.6% 4.4% 2.2% 11.2%
	Basic Non-recurring Expenses – Restructuring Costs Expense Ratio[3]	0.7%	-	-	-
	Basic Non-insurance Expense Ratio[2, 6]	5.4%	5.1%	5.2%	5.1%
	Investment Return	Benchmark +0.21%	Benchmark +0.34%	Benchmark +0.21%	Policy Market Benchmark Return
	Injury Paid Severity Bodily Injury Paid Severity Below $40,000 Above $40,000 Accident Benefit Paid Severity[4]	 $32,681 $9,842 $145,168 $2,156	 $29,871 $10,349 $134,681 $2,133	 $34,515 $11,308 $130,297 $2,494	 $36,935 not applicable not applicable $2,490
	Bodily Injury Reported Frequency[5]	n/a	n/a	1.48%	1.54%
Efficiency	Cost Per Policy In Force[2, 6]	$337	$352	$347	$376
	Claims Efficiency Ratio[2, 6]	19.0%	19.2%	18.3%	17.2 %
Directional	Injured Person Rate	294	304	not available	not applicable
	Crash Rate	927	922	not available	not applicable
	New Driver Comparative Crash Rate	1.01	0.98	not available	not applicable

1 This column represents the 2015 forecast, outlook, or target... Not applicable is used for metrics where ICBC does not set targets.
2 The Basic insurance financial ratios and the efficiency performance measures exclude Transformation Program costs and government initiatives, which are cost recoverable.
3 In 2012, ICBC incurred a one-time non-recurring expense of $25 million associated with restructuring the organization and reducing staff positions.
4 Net of the impact of purchased structured settlements.
5 Since 2014 was the first year that Bodily Injury Reported Frequency was introduced as a performance measure, no prior year actual results are being provided. The 2014 forecast was 1.48%.
6 The 2014 actual has been restated for comparative purposes with 2015 outlook. To conform to International Financial Reporting Standards (IFRS) presentation for the financial statements in 2015 and beyond, miscellaneous revenues and recoveries previously netted in corporate operating expenses and costs previously netting in revenues have been reclassified to the appropriate revenue and expense categories respectively. This reclassification has no impact on net income or the rate indication, but does impact the performance ratios…[85]

[85] Exhibit B-1, p. 5-2.

With respect to the Service indicators, ICBC explains that it saw significant improvement since fall 2014. ICBC is of the view that the 2015 forecast of 60 percent calls answered in 100 seconds reflects increased user familiarity with the new claims systems and business processes.[86] In terms of the 2015 target being at 55 percent, it reflects planned implementation of the insurance system and associated change management. Staff in training will have longer call handle times.[87] ICBC states that it will resume the claims satisfaction survey in 2016 and the data will be provided in the 2016 RRA.[88]

The legal representation rate remains at around 48 percent, which the Panel will discuss in Section 5.4 of this decision.

With respect to the Financial indicators, the Basic loss ratio in 2015 is higher than previous years. ICBC is collecting insufficient premiums to cover costs.[89]

As directed in the ICBC 2014 RRA Decision,[90] ICBC provided performance metrics in the transitional period to show the progression of the Claims Transformation, including claims cost savings and transitional impacts, data on claims calls, and litigation costs.

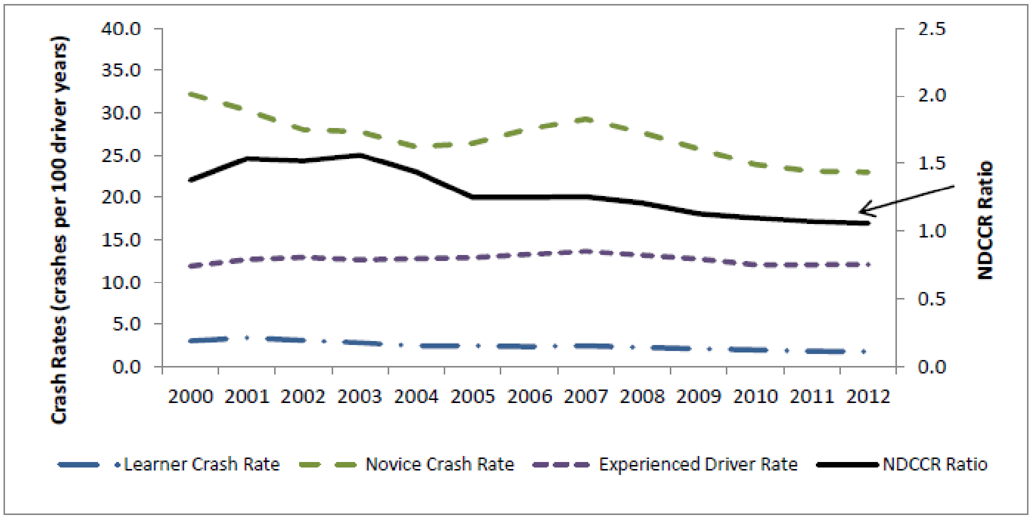
New Driver Comparative Crash Rate

As mentioned above, ICBC requests to discontinue the NDCCR in advance of the overall performance measures review which will be filed as part of the 2017 RRA.

The NDCCR is the ratio of the crash rate for crashes involving a Graduated Licensing Program (GLP) new driver to the crash rate for crashes involving an experienced driver. A driver is considered a “GLP new driver” for four years from the issue date of their first GLP learner license, regardless of other licenses (novice or full privilege) obtained during that 4-year period. All other drivers are considered “experienced drivers.” ICBC states that a NDCCR of 1 implies that the crash rate for a new driver is equal to that of an experienced driver.[91] Figure 5C.1 of the Application shows the NDCCR ratio from 2000 to 2012.

[86] Exhibit B-1, p. 5-7.
[87] Ibid., p. 5-8.
[88] Exhibit B-5, 2015.1 RR BCUC.54.3; Exhibit B-11, 2015.2 RR MoveUP.17.1.
[89] Ibid., 2015.1 RR BCUC.55.1.
[90] ICBC 2014 RRA Decision, pp. 41–44.
[91] Exhibit B-1, p. 5-19.

Figure 5C.1 – Learner, Novice, and Experienced* Driver Crash Rates (per 100 Driver Years) Plus NDCCR Ratio



Source: ICBC Business Information Warehouse as of May 31, 2013.

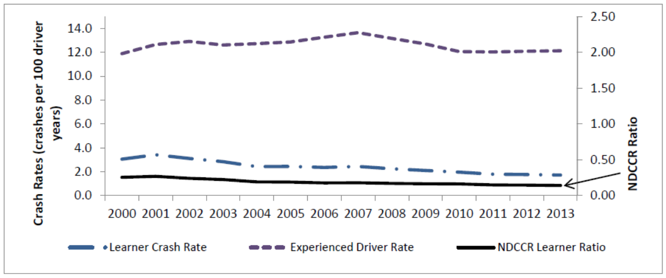
* Crash rates shown in this figure are based on the number of Learner, Novice, or Experienced driver crashes accumulated each year, divided by the number of Learner, Novice, or Experienced driver years accumulated during the same period (times 100).

ICBC explains that there are two main factors that, in combination, appear to be contributing to the finding that the NDCCR ratio is nearing a value of 1.00: (i) increasing proportion of low-risk Learner drivers in the New Driver group and (ii) declining Novice driver crash rates. ICBC states that "The NDCCR ratio is no longer informative for understanding changes in the crash rates of new drivers and may lead to a misinterpretation of important underlying collision trends."[92]

The proceeding explored whether the NDCCR ratio of 1.0 is a data collection error or measurement error. ICBC is not aware of any errors in the data collection or calculation that is used in preparing the ratio.[93] ICBC agrees that it is reasonable to say that because of the restrictions on a learner's license, a learner usually has less opportunity to drive than individuals with non-restricted licenses.[94] The two graphs below show separate NDCCR ratios for each (i) Learner and (ii) Novice licenses.[95]

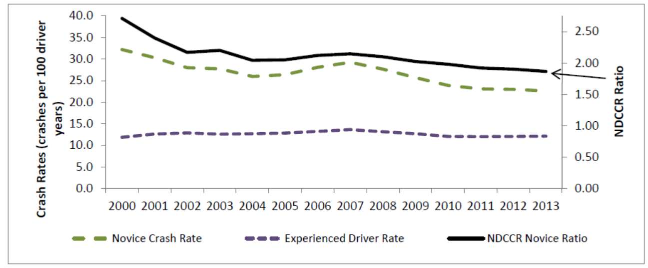
[92] Exhibit B-1, p. 5-1.
[93] Exhibit B-5, 2015.1 RR BCUC.59.3.
[94] Ibid., 2015.1 RR BCUC.59.2.
[95] Ibid., 2015.1 RR BCUC.59.4.

Figure 1 – Learner and Experienced Driver Crash Rates (per 100 Driver Years) plus NDCCR Learner Ratio



Source: ICBC Business Information Warehouse as of October 31, 2015.
Note: 2013 crash rates do not include data from the new claims system as the data is not yet available. It is expected that the trends are not significantly impacted as only the Claims northern region was using the new claims system beginning November 2013.

Figure 2 – Novice and Experienced Driver Crash Rates (per 100 Driver Years) plus NDCCR Novice Ratio



Source: ICBC Business Information Warehouse as of October 31, 2015.
Note: 2013 crash rates do not include data from the new claims system as the data is not yet available. It is expected that the trends are not significantly impacted as only the Claims northern region was using the new claims system beginning November 2013.

ICBC has previously advised the Commission that it no longer uses the NDCCR. ICBC states that it will take significant resources to generate a report for this metric based on the new claims system.[96] ICBC will be reviewing the GLP in 2016/2017 as part of its response to the BC Coroner's Report of 2014 and will review metrics for the program at that time.[97] The 2016/2017 GLP review process will inform the design of any new metrics to monitor the GLP effectiveness.[98]

If ICBC is to continue reporting on NDCCR, then it will need to combine data sets from the legacy system and the new claims management system. ICBC has established that it will take significant resources to generate a report for this metric based on the new claims systems[99] but the estimated cost was updated to $5,200 per year to produce 2014 and 2015 data, and $32,000 in 2016 to build a recurring permanent solution.[100]

In its 2013 RRA, ICBC proposed to remove some performance measures, including the NDCCR. In light of administrative efficiency and to adapt to operational changes, the Commission removed the New Claims Initiative to answer calls in 120 and 210 seconds. The Panel recognized that other performance measures could be added or removed, but found no compelling reason to remove the NDCCR at the time of the 2013 RRA Decision.[101]

5.1.1 Parties' positions

BCOAPO is the only intervener who addressed performance measures. In its Final Argument, BCOAPO submits that it is encouraged by improvements shown in the Application to address long wait times and high abandoned call rates that were of concern in the 2014 RRA. BCOAPO also submits that the current performance measure regarding customer complaints provides limited information as only complaints heard by the Fairness Commissioner are reported. BCOAPO is of the view that it is important to report on other complaint

---

[96] Exhibit B-1, p. 5-19.
[97] Exhibit B-5, 2015.1 RR BCUC.59.5.
[98] Exhibit B-11, 2015.2 RR BCUC.84.1.
[99] Exhibit B-1, p. 5-19
[100] Exhibit B-5, 2015.1 RR BCUC.59.6.
[101] ICBC 2013 RRA Decision, pp. 49–50.

mechanisms, for example, complaints to the manager or the Customer Relations Department. It would be useful to know not only the number of complaints but also the subject matter category of the complaint.[102]

BCOAPO supports ICBC's application to discontinue the NDCCR and submits that ICBC has provided adequate support that "this measure is not only not useful but that the publication of the measure is misleading."[103]

ICBC replies to BCOAPO with general comments and concludes that "ICBC submits that, apart from the current proposal to discontinue the New Driver Comparative Crash Rate, the consideration of changes to the current Commission-approved suite of performance measures should await the comprehensive review to be included with the 2017 RRA."[104]

Commission determination

The Panel reviewed ICBC's performance measures and notes that the results are mixed in the claims customer service area. The new claims indicator appears to be rebounding to 55 percent from the 33 percent low in 2014. On the other hand, the customer contact service level indicator is expected to decrease from 65 percent in 2014 to 55 percent in 2015.

As for BCOAPO's submissions regarding the measures in place to monitor complaints performance, the Panel takes note from previous decisions in the 2013 and 2014 RRAs that ICBC has committed to file a full review of its performance measures as part of the 2017 RRA after the completion of the TP. Participants will have the opportunity to provide input on the performance metrics when a comprehensive review takes place. The Panel acknowledges that ICBC has provided the transitional period performance metrics as directed in the ICBC 2014 RRA Decision and expects ICBC to do the same until such time new performance measures are established.

The Panel acknowledges that ICBC will resume the claims satisfaction survey in 2016 and the survey results will be provided in the 2016 RRA.

<u>New Driver Comparative Crash Rate</u>

The Panel agrees with ICBC that the existing NDCCR measure provides misleading results but is not persuaded that the NDCCR should be removed altogether. **Therefore, the Panel rejects ICBC's request to remove the NDCCR measure at this time.** The Panel finds that the NDCCR could be a valuable performance metric as it presents an evidence-based approach in looking at crash rates between new drivers and experienced drivers**.**

The Panel views that the NDCCR could be improved to distinguish the disparity between Learner, Novice, and experienced drivers. The evidence in Figure 1 above shows that the Learner NDCCR is well below 1.0 because the Learner crash rate is low. In contrast, in Figure 2 the Novice NDCCR is at well above 2.0 because the Novice crash rate is higher than the experienced driver crash rate. The low Learner crash rate and the high Novice crash rate seem to offset each other, arriving at a NDCCR close to 1.0, which appears to support ICBC's view that new

[102] BCOAPO Final Argument, pp. 8–9.
[103] Ibid., p. 10.
[104] ICBC Reply Argument, p. 9.

drivers are no different than experienced drivers. However, as the evidence shows, the NDCCR is not close to 1.0 when new drivers are reported separately at the Learner and Novice levels. Therefore, the Panel is not persuaded that the NDCCR should be discontinued in advance of the overall performance measures review.

The updated cost estimate of reporting the NDCCR is also much lower than originally estimated. In addition to the prior directive and, given the potential improvement to develop a more informative NDCCR and the relatively low cost of reporting, the Panel encourages ICBC to report on the Novice NDCCR ratio as it is more indicative of new drivers on the road versus experienced drivers. ICBC may examine the value of reporting on a Learner NDCCR as there are more restrictions Learners licensees must follow than experienced drivers. ICBC should also consider if a new driver being enrolled in GLP affects this performance metric and if so, amending the "new driver" definition accordingly.

5.2 Road Safety

ICBC's Road Safety program is focused on supporting the corporate objective of maintaining financial stability by helping control claims costs, and particularly helping to manage BI costs. Measures of success of the Road Safety program are reductions in the number of crashes and reductions in the number of injuries. The metrics used are the crash rate and the BI Reported Frequency, respectively.

The Panel in the ICBC 2014 RRA Decision acknowledged ICBC's work in progress on distracted driving and ICBC's commitment to provide such reporting in this 2015 RRA. That Panel also noted that the updated monitoring and evaluation framework will expand to broader road safety priorities in 2016.

ICBC states that "distracted driving is the top contributing factor in police reported injury crashes and second leading contributing factor in fatal crashes."[105] ICBC is focusing its road safety efforts on distracted driving through:

- Alignment of education and awareness advertising with police enforcement campaigns.
- Supporting government's current public consultation and review of penalties for distracted driving.
- Partnering with stakeholders including WorkSafeBC and the BC Trucking Association to discourage distracted driving while working.
- Helping to re-establish and co-chair the Distracted Driving Working Group of the Canadian Council of Motor Transport Administrators where ICBC will work collaboratively with other Canadian jurisdictions to develop a national distracted driving action plan.[106]

ICBC's Road Improvement Program engineers utilize ICBC and police data, and partner with road authorities such as municipalities and the Ministry of Transportation and Infrastructure, to prioritize investments in projects that will provide a claims cost reduction benefit. The Road Improvement Program partnership includes contributions from both the road authority and from ICBC, and typically involves the following tasks:

[105] Exhibit B-1, p. 8-3.
[106] Ibid.

- Identify locations that may be suitable candidates for improvement.
- Investigate the causal factors of the safety problem(s) at the site.
- Develop the road improvement strategies/improvements.
- Calculate the level of ICBC investment for the project based on investment criteria and internal rate of return.

In the Application, ICBC provides the most recent Road Improvement Program evaluation study that was completed in 2015. The study examined over 100 locations that had safety engineering improvements between 2008 and 2010. ICBC reported a 24 percent reduction in severe crashes (fatal and injury collisions combined) and a 15 percent reduction in property damage only crash, after the implementation of road improvements. ICBC reported that for every $1 ICBC invested in road improvements, there was a benefit of $4.70 in crash cost savings.

The following table shows the Road Safety expenditures from 2012 to 2015:[107]

Expanded Figure 8.2

Road Safety Department Expenses ($000s)	2012 Plan	2012 Actual	2013 Plan	2013 Actual	2014 Plan	2014 Actual	2015 Plan
Enhanced road safety enforcement	23,933	24,028	23,650	22,952	24,123	24,190	24,241
Road improvements	7,900	7,977	8,052	8,475	8,212	8,118	8,148
Education & Awareness							
Distracted driving[1]	515	503	326	303	1,035	1,139	910
High-risk driving/Speeding	1,877	1,767	891	820	428	276	593
Vulnerable road users	-	-	-	-	250	161	375
Commercial vehicles[2]	200	-	195	184	165	131	120
Safer vehicles	280	257	285	148	30	31	-
Impaired driving[3]	1,392	1,264	834	753	609	503	374
Occupant protection	174	134	105	52	39	18	39
Auto crime	275	200	275	187	225	196	225
Research & measurement, community	308	207	276	79	195	106	196
Subtotal Education and Awareness	5,021	4,332	3,187	2,526	2,976	2,561	2,832
Total Direct Expenses	**36,854**	**36,337**	**34,889**	**33,953**	**35,311**	**34,869**	**35,221**
Compensation[4]	4,385	4,070	3,556	3,439	3,598	3,449	3,271
General expenses[4]	2,941	2,483	3,018	2,852	1,969	2,371	2,412
Total Road Safety Expenses	**44,180**	**42,890**	**41,463**	**40,244**	**40,878**	**40,689**	**40,904**
Total Road Safety FTEs[4]	44.6	41.0	35.3	34.1	34.6	33.0	29.8

In response to an IR on whether the budget for Road Safety should be increased, ICBC states:

> Increasing the budget and FTEs in Road Safety would require ICBC to absorb these increases from other operational area budgets in order for ICBC to maintain its commitment to hold controllable operating expense flat to the 2014 budget set out in ICBC's 2014 – 2016 Service Plan to government, with inflationary increases fully absorbed through 2017.
>
> ICBC believes that the current level of investment in Road Safety is appropriate, and that it is unnecessary to make an overall increase in the Road Safety budget and FTEs at this time because ICBC's Road Safety department is focusing its priority investments in areas with the greatest potential for reduction in injuries and fatalities.

[107] Exhibit B-5, 2015.1 RR BCUC 65.1 – Attachment A – Expanded Figure 8.2.

In addition, ICBC is just one of several organizations in the province partnering in road safety.

Through collaboration, ICBC and its road safety partners bring their individual strengths together and ultimately are able to leverage the investments contributed by each partner. [108]

5.2.1 Parties' positions

In its Final Argument, ICBC identifies that its Road Safety priorities are on distracted driving, high-risk driving, commercial vehicles, and vulnerable road users.[109]

BCOAPO continues to support ICBC's focus on combating distracted driving.[110] CDI submits that distracted driving has had negligible impact on LCFV because the trend line for distracted driving violations flattened between 2013 and 2014.[111]

In its Reply Argument, ICBC believes that CDI has misread the ICBC evidence. LCFV is a product of a change in the observed data. ICBC did not consider any impact from distracted driving in calculating the required rate indication. In the past, ICBC had used indirect evidence about the use of personal electronic devices as a potential explanation for the flattening trend in BI frequency. However, the impact of distracted driving on BI frequency is currently unclear. [112]

Commission determination

The Panel continues to support ICBC's Road Safety programs, including the initiatives taken towards distracted driving and road improvements among others. In particular, the Road Improvement Program evaluation indicated that there is a $4.70 in crash cost savings for every $1 spent. Although the Panel recognizes that ICBC is committed to hold controllable expenses flat to the 2014 budget, in light of the 4.7:1 payoff ratio of existing programs, it would appear to be in the best interests of both ICBC and the ratepayer for ICBC to spend more funds in this area. The Panel encourages ICBC to continue to find ways to effectively use Road Safety initiatives for the benefit of Basic policyholders.

5.3 Fraud

In the Application, ICBC provides a section on the estimated scope of fraud and its approach to addressing it. ICBC estimates that 10 to 15 percent of claims contain an element of fraud, including exaggeration, which is consistent with industry estimates. Deterring instances of fraud is a key element of ICBC's approach to addressing fraud.[113]

ICBC states that its Special Investigation Unit (SIU) has the skills and abilities to detect, investigate, and prevent many fraudulent and exaggerated claims and criminal offences against ICBC and its policyholders. In addition to traditional investigations, ICBC maintains a specialized unit called the Intelligence and Cyber Unit within its SIU

[108] Exhibit B-5, 2015.1 RR BCUC.65.2.
[109] ICBC Final Argument, p. 40.
[110] BCOAPO Final Argument, p. 10.
[111] CDI Final Argument, p. 13.
[112] ICBC Reply Argument, pp. 4–5.
[113] Exhibit B 1-1, pp. 6-8, 6-9

(Cyber Unit), which is tasked with investigating publicly available information online that may suggest fraudulent activity. ICBC explains that this work helps combat exaggerated and fraudulent claims and provides deterrent value. In recent years ICBC has shifted a greater proportion of its investigative effort into intelligence and cyber investigations believing that his form of investigation is particularly beneficial in combatting exaggerated claims.

In the ICBC 2013 RRA Decision, the Commission requested ICBC, starting in the 2014 RRA, to include information on fraud investigation efforts such as the number of investigations undertaken by operational units. ICBC was also requested to provide an update, as the new claims system becomes functional, on how the new claims system informs ICBC's prioritization on fraud investigation resources and how it may inform the Corporation about the level of claims costs savings in future RRAs.[114]

In accordance with the Commission's direction, Figure 6.2 below provides the total number of actual injury claim investigations undertaken in the last five years.[115]

Figure 6.2 – Number of Injury Claim Fraud Investigations

Year	SIU	Cyber Unit	Total
2010	807	410	1,217
2011	830	782	1,612
2012	886	1,690	2,576
2013	729	2,142	2,871
2014	645	2,534	3,179

ICBC was asked to provide statistics on the number of criminal charges and civil recoveries undertaken by ICBC in the last 5 years. It provides the following information updated to include 2015:[116]

	2010*	2011	2012	2013	2014	2015
Charges Laid	269	93	29	38	46	51
Civil Recoveries**	6	3	1	2	8	2

* Data for 2010 includes both Claims and Driver Licensing charges laid; the remaining years reflect Claims investigation charges only.
** It is not necessary to initiate a legal action in civil court in order to recover money from a claimant who has committed a breach of their contract of insurance.
Note: Data may vary over time due to changes in the timing of criminal charge reporting. Estimates are refreshed periodically in order to account for current information.

ICBC also provided the number of convictions but cautions "the total number of convictions depends on the number of ICBC cases that Crown Counsel elects to prosecute and on the determination of the judge or jury as to whether the charge has been proven. There may be a number of legitimate reasons for not proceeding with charges which is not reflective of the merits of the case. As a result, the number of convictions is not a reliable measure of the success of its anti-fraud programs."[117]

---

[114] ICBC 2013 Decision, p. 44.
[115] Exhibit B-1, p. 6-8.
[116] Exhibit B-11, 2015.2 RR BCUC.86.1-3.
[117] Ibid.

	2010*	2011*	2012*	2013	2014	2015
Number of convictions	125	106	74	31	26	23

* Data for 2010, 2011, and 2012 includes both Claims and Driver Licensing related convictions; the remaining years reflect Claims Investigation convictions only.

Furthermore, in response to an IR on what actions ICBC is undertaking to address the Basic Loss Ratio, ICBC indicates that it is in the process of refining and updating its fraud strategy, including:

- Procuring a fraud analytics tool. Vendor selection is planned for December 2015 with a planned implementation in mid-2016. The tool will use data, algorithms, and statistical methods to detect and further enhance investigational methods when fraud is suspected. The tool will help flag fraud patterns. ICBC will also enhance adjuster training on fraud detection to assist staff in understanding how to utilize the information gained through the new tool.
- Procuring a fraud case management solution to allow for better capturing of fraud investigation data and outcomes.
- Enhancing communication with customers surrounding issues related to fraud and its impact on rates[118].

5.3.1 Parties' positions

In its Final Arguments, ICBC concludes that it is devoting appropriate resources to combating fraud.[119]

BCOAPO submits that it is encouraged by the focus on addressing fraud that is set out in the Application.[120]

5.3.2 Commission discussion

The Panel acknowledges ICBC's effort to address fraud resulting in benefits to policyholders. Since 2010 the total number of injury claim fraud investigations has increased from 1,217 to 3,179 cases in 2015. However, the number of charges laid, civil recoveries, and number of convictions do not appear to have a corresponding increasing trend. While the Panel views that ICBC's initiatives to address fraud also serve as a deterrent, the disparity between increases in the number of cases investigated and the number of favourable reported outcomes lead to the question of what other outcomes or benefits may have resulted from ICBC's investigations. The Panel considers that more detailed reporting of outcomes will be helpful to understand the contributions the SIU and Cyber Unit have made to prevent fraudulent activities. To enhance fraud analysis and reporting in the next RRAs, ICBC is requested to provide information and identify whether ICBC's investigations have led to a range of positive outcomes including: reduced or denied payout; abandonment of the case, or other outcomes as appropriate. ICBC should also quantify, to the extent possible, the amount of savings to policyholders and the impact on rates as a result of ICBC's efforts to address fraud.

[118] Exhibit B-5, 2015.1 RR BCUC.55.1
[119] ICBC Final Argument, pp. 37–38.
[120] BCOAPO Final Argument, p. 10.

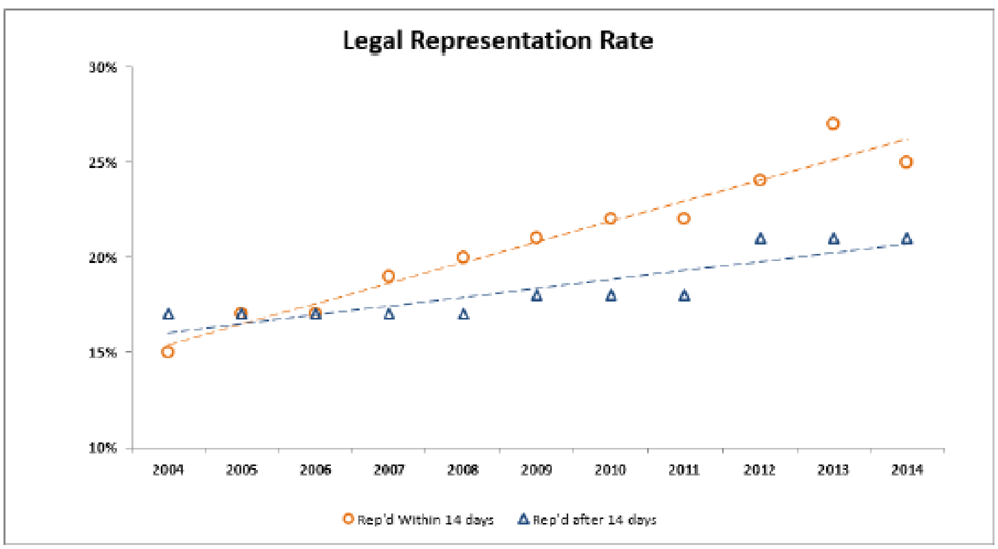
5.4 Legal Representation Rate

In the 2014 RRA Decision, the Commission made observations and requested specific information regarding the Legal Representation Rate (LRR) for ICBC to address in this 2015 RRA. In the 2014 RRA Decision, the Commission stated:

> In the 2013 RRA Decision, the Commission requested that ICBC provide an action plan. Consistent with that decision, ICBC is requested to show how it has used the Customer Attitude Survey results to develop current and future strategies to address rising legal representation rate. ICBC should demonstrate how these strategies are linked to specific reasons that customers are seeking legal representation. The action plan should include metrics used to measure the effectiveness of claims management changes and measureable outcomes including any indications of a decline in the level of legal representation. ICBC is requested to provide this action plan in the 2015 RRA. If the information is not available by the 2015 RRA, ICBC is requested to provide a status update at that time.[121]

In the Application, ICBC reports that the LRR has slightly decreased from 48% in 2013 to 46% in 2014.[122] ICBC forecast the 2015 LRR to be 48%.[123] ICBC's current forecast for the LRR is that it will continue to increase, consistent with its historical trend rate.[124]

Additionally, ICBC provides the following graph showing the LRR separated into "represented within 14 days" vs. "represented after 14 days:"



Please refer to the Application, Chapter 5, for the 2015 forecast for the overall Legal Representation Rate.
ICBC does not forecast the Legal Representation Rate in the detailed view presented in the graph above.

[121] ICBC 2014 RRA Decision, p. 35.
[122] Exhibit B-5, 2015.1 RR BCUC.53.1 – Attachment A – Figure 5.1 Expanded.
[123] Exhibit B-1, p. 5-2.
[124] Exhibit B-5, 2015.1 RR BCOAPO.39.1.

A Customer Attitudes Survey was last completed in the Fall and Winter 2013/14.[125] In response to the Commission's ICBC 2014 RRA Decision, ICBC provided the following table which shows how ICBC's strategies are addressing specific reasons that customers seek legal representation, and how ICBC is measuring outcomes.[126]

Table 5 – Customer Attitudes re Legal Representation

Rank	Reason	ICBC's view of controllable and/or influence	Action plan or program in place	Measurable outcome
1	Perceived Lawyer Benefits	Low	Claims information campaigns	Customer ratings of ICBC's delivery of benefits normally associated with lawyers (e.g., sense of control, focus on recovery, help with claims process)
2	Tolerance of Lawyer Detriments	None		
3	Deserving Attitude	None		
4	Expect Difficult Process	Some	Language lines Ease of access to benefits	
5	Expect Unfair Compensation	Low	Claims information campaign Adjuster training and refinements of procedures	Improved perceptions of process and adjusters on Claims Customer Satisfaction surveys
6	Economic Motivation	None		
7	Expect Unfair Treatment	Some	Claims information campaign Adjuster training and refinements of procedures	Improved perceptions of process and adjusters on Claims Customer Satisfaction surveys
7	Expect Biased Adjusters	Some		

5.4.1 Parties' positions

ICBC submits that the evidence demonstrates it is taking appropriate steps and will continue to do so. ICBC expects to conduct a follow-up customer attitudes survey in 2016. The measured outcomes from the follow-up survey will further inform ICBC on ways to adapt and modify existing initiatives and whether to consider new initiatives.[127]

BCOAPO remains concerned with the forecasted increase in the legal representation rate. BCOAPO views that given the trend that is being forecast and the significant costs associated with this trend, the action plan that has been provided remains too vague. BCOAPO also takes issue with ICBC's interpretation that the "factors exerting the most influence" on the legal representation rate are "external to ICBC." ICBC uses the examples of

[125] ICBC 2014 RRA, p. 6A-1.
[126] Exhibit B-5, 2015.1 RR BCUC.60.2.
[127] Exhibit B-5, 2015.1 RR BCUC.60.2; ICBC Final Argument, p. 37.

"perceived lawyer benefits" and a "deserving attitude" as factors that are external to ICBC. These factors necessarily would also relate to what these customers would perceive they would receive from ICBC. BCOAPO states that the action plan relates to information campaigns and training of adjusters and refinements of procedures. Discussion about the specifics of adjuster training and refinements of procedures were not provided. It remains unclear what specific steps ICBC is planning to take in order to address this serious issue.[128]

In its Reply Argument, ICBC submits that it filed significant evidence in the 2014 RRA regarding initiatives designed to address the legal representation rate. ICBC views that the evidence demonstrates that ICBC is using findings from the survey and other research to develop and refine its strategies. ICBC further states:

> ICBC's overall strategy to address legal representation extends beyond the campaigns and training that are the focus of BCOAPO's comments. Claims handling initiatives are intended to improve access to benefits, help customers have more control over the process and help them focus on their recovery, and, over time, have a favourable impact on the rate of legal representation. Examples of such initiatives include implementing more streamlined determination of coverage and faster access to benefits, enhancing efficiency in the delivery of accident benefits, and expansion of language translations services.[129]

5.4.2 Commission discussion

The Panel notes the ICBC 2014 RRA Decision where ICBC was requested to show it has used the Customer Attitude Survey results to develop current and future strategies to address the rising legal representation rate. In this 2015 RRA, ICBC provides a description of various strategies being employed in the form of staff training, informational campaigns, and language services that aim to address the reasons found in the Customer Attitudes Survey in 2013-14 for claimants to seek legal representation. Despite the action plan and programs in place, the high LRR continues to put upward pressure on claims costs.

The Panel is not persuaded by the way in which ICBC characterizes factors that affect LRR as controllable versus external (and by inference, beyond the corporation's ability to influence). For example, we view "perceived lawyer benefits" as at least in part a function of the treatment that claimants believe they are likely to receive at the hands of ICBC in the absence of legal representation. The Panel encourages ICBC to explore all possible ways to address controllable as well as external factors that may lead claimants to seek legal representation. The outcome of a successful action plan and program could be that the LRR returns to pre-2011 levels before the acceleration began in 2012.

The Panel also notes that ICBC is expected to conduct a follow-up customer attitudes survey in 2016. ICBC should include the survey population, questions and statistics, as well as full explanation of the survey findings in its next RRA.

---

[128] BCOAPO Final Argument, pp. 9-10.
[129] ICBC Reply Argument, p. 7.

6.0 INVESTMENTS

6.1 Presentation of investment information

In past RRAs, ICBC has dedicated one separate chapter on investments to provide information regarding the New Money Rate, Yield on Basic Equity, historical investment performance, and the Statement of Investment Policy and Procedures. In this 2015 RRA, ICBC has consolidated investment information that relates to the actuarial rate indication with the actuarial chapter, and investment information that relates to investment performance with the performance measures chapter. ICBC states that it is organized more effectively to improve readability.[130]

Commission determination

While the Panel reviewed the investments related information in the Application and has no comments on the estimates or reported results, the Panel finds that ICBC's new way of organizing the investment information is less helpful to the reader than was the prior format. ICBC invests its insurance premiums on behalf of policyholders. The Panel views that the investment information should be organized in such a way that the reviewer does not have to search for information related to investments in multiple places. **The Panel directs ICBC to reconsider the approach in which ICBC organizes the investment related information, and preferably present it in a separate chapter or alternatively present the information in both formats.**

7.0 SUMMARY OF DIRECTIVES

This summary is provided for the convenience of readers. In the event of any difference between the Directions in this summary and those in the body of the decision, the wording in the decision shall prevail.

	Directive	Page
1.	The Panel reviewed ICBC's Personal BI claim frequency projection and accepts them as being reasonable and conforming to accepted actuarial practice.	7
2.	The Panel reviewed ICBC's personal BI claim severity projection and accepts it as being reasonable and conforming to accepted actuarial practice.	8
3.	The Panel accepts that Personal BI frequency projection to be reasonable and conforming to accepted actuarial practice. The Panel accepts ICBC's position that no weather adjustment is needed for this Application due to the return to a regular weather pattern.	11

[130] Exhibit B-5, 2015.1 RR BCUC.32.1.

4.	The Panel finds that Claims Data Migration costs are within the scope of the TP and therefore directs that the $2.756 million corporate operating expenses are not to be allocated into the PY 2015 Basic rate and cannot be taken out of Basic capital, provided that the cumulative TP costs have not already exceeded $400 million or exceeded the annual budget approved by the Treasury Board as per OIC 222/10. The Panel allows ICBC to defer the applicable adjustments to the next rate change application. ICBC must show the applicable adjustments related the Claims Data Migration costs in the next rate change application.	14
5.	The Panel directs the following to be included in future TP reporting: • a column that reports the original 2010 forecast savings, in order to assess/compare forecasted savings with actual; • a column for each year of the TP starting in 2010 to report forecast and actual savings, in order to assist in understanding the variances; and • a row that shows the total actual number of FTEs each year, in order to provide a baseline for assessing the FTE reduction realized due to the TP. In addition, ICBC should provide additional information/details on: • criteria used to determine FTE reductions; • criteria used to quantify operating expense savings; • criteria used to quantify the claims cost savings; and • how ICBC determined that the reductions are the direct result of the TP.	16
6.	The Panel accepts the 2014 Detailed WES and acknowledges that ICBC will bring forward an application to simplify the WES allocation methodology in 2019 or in the event that significant business change occurs.	17
7.	In compliance with the government directive set out in OIC 597/15 to fully exclude the LCFV in 2015, the Panel approves the requested 5.5 percent increase in Basic insurance rates for the policy year commencing November 1, 2015 on a permanent basis.	18
8.	The Panel acknowledges that the 2015 OSFI Guideline changes have affected the way in which ICBC calculates the MCT ratio. However, the Panel rejects ICBC's suggested adjustments to the MCT margin thresholds in order to maintain the same dollar values of the margins.	22
9.	The Panel rejects ICBC's request to remove the NDCCR measure at this time.	28
10.	The Panel directs ICBC to reconsider the approach in which ICBC organizes the investment related information, and preferably present it in a separate chapter or alternatively present the information in both formats.	37

DATED at the City of Vancouver, in the Province of British Columbia, this 27th day of May 2016.

Original signed by:

B. A. MAGNAN
PANEL CHAIR / COMMISSIONER

Original signed by:

H. G. Harowitz
COMMISSIONER

Original signed by:

I. F. MACPHAIL
COMMISSIONER

British Columbia Utilities Commission

Sixth floor, 900 Howe Street
Vancouver, BC Canada V6Z 2N3
TEL: (604) 660-4700
BC Toll Free: 1-800-663-1385
FAX: (604) 660-1102

ORDER NUMBER
G-74-16

IN THE MATTER OF
the *Utilities Commission Act*, RSBC 1996, Chapter 473

and

the *Insurance Corporation Act*, RSBC 1996, Chapter 228, as amended

an Application by the Insurance Corporation of British Columbia
for Approval of the Revenue Requirements for Universal Compulsory Automobile Insurance
for the Policy Year Commencing November 1, 2015

BEFORE:
B. A. Magnan, Panel Chair/Commissioner
H. G. Harowitz, Commissioner
I. F. MacPhail, Commissioner

on May 27, 2016

ORDER

WHEREAS:

A. On August 31, 2015 the Insurance Corporation of British Columbia (ICBC) filed a partial application to the British Columbia Utilities Commission (Commission) for the 2015 Revenue Requirements for Universal Compulsory Automobile Insurance (Basic insurance), and proposed that ICBC be allowed to submit certain sections of the filing, including actuarial analysis and operating expenses, by October 30, 2015;

B. On October 15, 2015, ICBC submitted outstanding materials and applied for, among other requests, a 5.5 percent increase in Basic insurance rates (Application) to apply as follows:

    a. Pursuant to section 89 of the *Utilities Commission Act* and section 15 of the *Administrative Tribunals Act*, the rate increase to apply on an interim basis for all policies with an effective date on or after November 1, 2015; and

    b. The Basic insurance rate increase to be made permanent on or after the first day of the first month that is at least 60 days following the Commission's final decision on the Application;

C. By Order G-169-15 dated October 21, 2015, the Commission approved ICBC's requested 5.5 percent Basic insurance rate increase on an interim basis for implementation with an effective date on or after November 1, 2015. The Commission noted that it will determine the manner by which any variance between the approved interim rate and the approved permanent rate, will be refunded or collected at the time it renders its decision on the Application and that Basic insurance policyholders that had already renewed policies effective November 1, 2015 at the Basic insurance rate prior to the issuance of order G-169-15 would not be subject to a mid-term adjustment to reflect the interim rate change;

D. By Orders G-169-15 dated October 21, 2015, and G-212-15 dated December 23, 2015, the Commission established the regulatory timetable for the proceeding and set out a written hearing process with two rounds of information requests and an intervener evidence process for the review of the Application;

E. ICBC filed its Final Argument on March 8, 2016. Registered interveners filed their Final Arguments by March 22, 2016. ICBC filed its Reply Argument on March 31, 2016;

F. The Panel reviewed and considered all evidence on record for the Application; and

G. The jurisdiction of the Commission with respect to the regulation of ICBC's revenue requirements and rates is restricted by legislation to Basic insurance. The Commission has no jurisdiction over ICBC's Optional insurance business.

NOW THEREFORE for the reasons set out in the Decision that is issued concurrently with this order, the British Columbia Utilities Commission orders as follows:

1. A 5.5 percent Basic insurance permanent rate increase for Policy Year 2015 is approved.

2. Claims Migration Costs are within the scope of the Transformation Program and the costs associated are therefore not to be allocated into the Policy Year 2015 Basic insurance rate. Applicable adjustments may be deferred to Insurance Corporation of British Columbia's (ICBC) next rate change application to the Commission.

3. ICBC's requested adjustments to the Minimum Capital Test margin thresholds are not approved.

4. The Panel rejects ICBC's request to remove the New Driver Comparative Crash Rate measure. The Commission will accept, subject to timely filing and if applicable, amended Basic insurance rate schedules in accordance with the terms of this order.

5. ICBC is directed to comply with all determinations and directives set out in the Decision that is issued concurrently with this order.

DATED at the City of Vancouver, in the Province of British Columbia, this 27th day of May 2016.

BY ORDER

Original signed by:

B. A. Magnan
Panel Chair / Commissioner

LIST OF ACRONYMS AND ABBREVIATIONS

2014 Detailed WES	Customer and Injury Services Operations (CISO) Detailed Work Effort Study
2015 OSFI Guideline	Office of the Superintendent of Financial Institutions (OSFI) guidelines amended January 1, 2015
Application	Revenue Requirements for Universal Compulsory Automobile Insurance for the Policy Year Commencing November 1, 2015
AY	Accident Year
Basic insurance	Universal Compulsory Automobile Insurance
BCOAPO	British Columbia Old Age Pensioners' Organization *et al.*
BCUC, or Commission	British Columbia Utilities Commission
BI	Bodily Injury
CDI	Canadian Direct Insurance
CISO	Customer and Injury Services Operations
CRC	Customer Renewal Credit
Cyber Unit	Intelligence and Cyber Unit
DCAT	Dynamic Capital Adequacy Testing
FTE	Full-time equivalent
GLP	Graduated Licensing Program
ICA	*Insurance Corporation Act*
ICBC, or Corporation	Insurance Corporation of British Columbia
IR	Information Request(s)
LCFV	Loss Costs Forecast Variance
LRR	Legal Representation Rate
MCT	Minimum Capital Test
Move UP	Movement of United Professionals
NDCCR	New Driver Comparative Crash Rate
OIC	Order in Council
OIC 152/13	Order in Council 152/13 which amended *Special Direction IC2* on March 18, 2013, to promote greater stability and predictability in Basic insurance Rates
OIC 153/13	Government directive of March 19, 2013 with respect to Rate Smoothing approved by Order in Council 153/13, March 18, 2013
OIC 597/15	Order in Council 597/15, which amended *Special Direction IC2* on October 14, 2015, with specific rate setting directives.
OIC 222/10	The Government Directive regarding Transformation Program

OSFI	Office of Superintendent of Financial Institutions
PED	Personal Electronic Device
PY	Policy Year
PY 2012	Policy Year Commencing November 1, 2012
PY 2013	Policy Year Commencing November 1, 2013
PY 2014	Policy Year Commencing November 1, 2014
PY 2015	Policy Year Commencing November 1, 2015
RRA	Revenue Requirements Application
RAA	Risk Adequacy Analysis
SIU	Special Investigations Unit
Special Direction IC2	Special Direction IC2 to the BC Utilities Commission, BC Regulation 307/2004
TP	Transformation Program
TREAD	Towards Responsible and Attentive Driving
TB	Treasury Board
UCA	*Utilities Commission Act*
WEP	Work Effort Percentages

B.C. Reg. 307/2004 Deposited June 30, 2004
O.C. 647/2004

Insurance Corporation Act;
Utilities Commission Act

SPECIAL DIRECTION IC2 TO THE BRITISH COLUMBIA UTILITIES COMMISSION

Note: Check the Cumulative Regulation Bulletin 2015 and 2016
for any non-consolidated amendments to this regulation that may be in effect.

[includes amendments up to B.C. Reg. 192/2015, October 15, 2015]

Link to Point in Time

Contents

Definitions

1 In this Special Direction:

"Act" means the *Insurance Corporation Act*;

"capital available" means capital available as that term is described in the MCT guideline;

"capital management target" means the MCT target, determined in a capital management plan approved by the commission, that is the total of the following:

(a) the MCT required under section 3 (1) (b);

(b) the margin, expressed in percentage points of MCT, that reflects the corporation's risk profile in relation to the corporation's universal compulsory vehicle insurance business and its ability to respond to adverse events that arise from those risks;

(c) any additional margin, expressed in percentage points of MCT, consistent with relatively stable and predictable universal compulsory vehicle insurance rates;

"customer renewal credit" means a one-time, non-refundable, non -transferable credit that is

(a) available to an existing universal compulsory vehicle insurance policyholder,

(b) applied to reduce the universal compulsory vehicle insurance premium paid by the policyholder at the time of the policyholder's next renewal, and

(c) redeemable only within 12 months of the effective date of the order of the commission that approves the customer renewal credit;

"excess capital available" means universal compulsory vehicle insurance capital available in excess of the capital reflected in the capital management target specified in a capital management plan approved by the commission;

"existing rates" means the universal compulsory vehicle insurance rates in effect on the date the corporation files an application for a general rate change order;

"general rate change order" means a commission order that

(a) fixes rates, expressed as a percentage change from existing rates, for universal compulsory vehicle insurance to cover the overall revenue requirements of the corporation's universal compulsory vehicle insurance business, and

(b) does not include an order relating to rate design or customer renewal credit;

"loss costs" means the average amount of claims cost per universal compulsory vehicle insurance policy on an annualized basis, determined on the basis of accepted actuarial practice;

"loss costs forecast variance" means the difference, expressed in percentage points of a rate change fixed in a general rate change order, between

(a) the loss costs provision reflected in existing rates, and

(b) the loss costs that have emerged;

"MCT" means MCT as that term is described in the MCT guideline;

"MCT guideline" means the Guideline for Minimum Capital Test (MCT) for Federally Regulated Property and Casualty Insurance Companies issued by the Office of the Superintendent of Financial Institutions Canada as that guideline is amended or replaced from time to time.

[am. B.C. Regs. 229/2009, s. (a); 108/2010, s. 1; 115/2013, s. 1.]

MCT

1.1 Subject to section 1.2, for each year for which the commission fixes universal compulsory vehicle insurance rates, the MCT must be determined

(a) using data available from the most recent quarter at the time the corporation files a general rate change order, and

(b) as at the end of that year.

[en. B.C. Reg. 115/2013, s. 2; am. B.C. Reg. 192/2015, s. 1.]

MCT — 2015 rates

1.2 For rates effective November 1, 2015, despite any other provision of this Special Direction, the capital available used in the determination of the MCT under section 1.1 must be $450 million higher than the capital available set out in the data described in section 1.1 (a).

[en. B.C. Reg. 192/2015, s. 2.]

Application

2 This Special Direction is issued to the commission under section 47 of the Act and section 3 of the *Utilities Commission Act*.

Directions relating to the corporation generally

3 (1) With respect to the exercise of its powers and functions under the Act in relation to the corporation generally, the commission must do the following:

(a) Repealed. [B.C. Reg. 108/2010, s. 2 (a).]

(a.1) beginning in 2014, require the corporation to apply annually for a general rate change order by August 31 of the year of the application for rates effective November 1 of that year;

(b) set rates for the corporation's universal compulsory vehicle insurance business in a way that will allow the corporation to maintain, in relation to its universal compulsory vehicle insurance business, at least 100% of MCT;

(c) subject to paragraphs (c.1) and (e), for each year for which it fixes universal compulsory vehicle insurance rates, fix those rates on the basis of accepted actuarial practice so that those rates allow the corporation to collect sufficient revenue,

(i) for 2004, to achieve the net income target set for that year under paragraph (a),

(ii) for each following year for which rates are set, to pay the following:

(A) the costs that are to be incurred by the corporation in that year for road safety programs under section 7 (i) of the Act, including, without limitation, payments by the corporation to any level of government with respect to road safety;

(B) the costs that are to be incurred by the corporation in that year for vehicle licensing, driver licensing and other services and activities of the corporation under section 7 (g) and (h) of the Act that are to be undertaken in that year in accordance with the agreement, as amended from time to time, entitled "Service Agreement between The Ministry of Public Safety and Solicitor General and the Insurance Corporation of British Columbia" and dated as of September 1, 2003;

(C) the payments that the corporation is to make in that year under the agreement entitled "Memorandum of Understanding between B.C. Provincial Government and ICBC" and executed in February, 2003;

(D) the remuneration that the corporation is to pay in that year to persons appointed as agents by the corporation under section 9.2 of the *Insurance Corporation Act* for collecting government fees, fines and other amounts payable by the corporation to the government and for collecting premiums, fees, debts and other revenue on behalf of the corporation;

(E) up to and including 2008, the payments that the corporation is to make in that year under the agreement entitled "Traffic and Road Safety Law Enforcement Funding Memorandum of Understanding" made between the corporation and the government as represented by the Minister of Public Safety and Solicitor General and dated December 2, 2003,

(ii.1) for 2009, to make the payments that the corporation has agreed to make under the agreement dated for reference January 1, 2009, between the corporation and the government as represented by the Minister of Public Safety and Solicitor General entitled "Traffic and Road Safety Law Enforcement Funding Memorandum of Understanding",

(ii.2) for 2010 and subsequent years, to make the payments that the corporation has agreed to make under the agreement dated for reference January 1, 2010, between the corporation and the government as represented by the Minister of Public Safety and Solicitor General entitled "Traffic and Road Safety Law Enforcement Funding Memorandum of Understanding",

(ii.3) for 2012 and subsequent years, to make the payments that the corporation has agreed to make under the agreement dated for reference April 1, 2012, between the corporation and the government as represented by the Minister of Justice and Attorney General entitled "Traffic and Road Safety Law Enforcement Funding Memorandum of Understanding", including amendments and extensions to that agreement,

(iii) for 2005 and each following year for which rates are set, to achieve or maintain, as the case may be, the MCT requirement under paragraph (b), and

(iv) for 2013 and each following year, ensure that rates are set in accordance with a capital management plan approved by the commission that includes capital maintenance and build or release provisions;

(c.1) when regulating and fixing universal compulsory vehicle insurance rates, regulate and fix those rates in a manner that recognizes and accepts actions taken by the corporation in compliance with government directives issued to the corporation;

(c.2) despite paragraph (c),

(i) for 2013 and 2015, the loss costs forecast variance must not be reflected in the general rate change order, and

(ii) for 2014 and each following year, except 2015, for which rates are set,

(A) the commission may exclude some or all of that year's loss costs forecast variance from the rate fixed by a general rate change order in accordance with a capital management plan approved by the commission, and

(B) the percentage number of a rate change fixed by a general rate change order must differ from the percentage number of a rate change fixed by the previous general rate change order by no more than 1.5, and must not decrease existing rates;

(c.3) for 2014 and each following year for which the commission fixes universal compulsory vehicle insurance rates, approve a customer renewal credit if

(i) there is excess capital available,

(ii) the customer renewal credit will not result in the MCT falling below the capital management target specified in a capital management plan approved by the commission, and

(iii) the commission determines that rates fixed by general rate change orders will remain relatively stable and predictable despite the approval of the customer renewal credit;

(d) subject to subsection (2) of this section, ensure that universal compulsory vehicle insurance rates are not based on age, gender or marital status;

(e) ensure that increases or decreases in universal compulsory vehicle insurance rates are phased in in such a way that those rates remain relatively stable and predictable.

(2) The commission may approve universal compulsory vehicle insurance rates that provide discounts to or are otherwise preferential for

(a) persons who are at least 65 years of age, or

(b) persons with disabilities.

(3) In regulating and fixing rates for the corporation, the commission must treat any premiums levied under section 34 (1.1) (e) of the *Insurance (Vehicle) Act* as revenue for the corporation's universal compulsory vehicle insurance business.

(4) In this section, **"government directive"** means a directive in writing to the corporation

(a) given by the minister responsible for Part 1 of the Act, and

(b) approved by the Lieutenant Governor in Council.

[am. B.C. Regs. 313/2004, s. 1; 300/2005; 155/2007, s. 1; 229/2009, ss. (b) and (c); 108/2010, s. 2; 116/2012, ss. (a) and (b); 115/2013, s. 3; 20/2014; 192/2015, s. 3.]

Directions relating to the corporation's optional vehicle insurance business

4 (1) With respect to the exercise of its powers and functions under the Act in relation to the corporation's optional vehicle insurance business, the commission must not fix rates applicable to optional insurance.

(2) In determining, under section 12 of the *Utilities Commission Act*, whether disclosure of information with respect to the corporation's optional vehicle insurance business is necessary for the administration of the *Utilities Commission Act* as it applies to the corporation, the commission must consider the effect of disclosure of the information on the corporation's ability to compete in the optional vehicle insurance market on a basis similar to its competitors and the harm to the corporation's competitive position that may result from the disclosure of the information.

[am. B.C. Regs. 313/2004, s. 2; 155/2007, s. 2; 108/2010, s. 3.]

[Provisions relevant to the enactment of this regulation: *Insurance Corporation Act*, R.S.B.C. 1996, c. 228, section 47; *Utilities Commission Act*, R.S.B.C. 1996, c. 473, section 3]

PROVINCE OF BRITISH COLUMBIA

ORDER OF THE LIEUTENANT GOVERNOR IN COUNCIL

Order in Council No. 596 , *Approved and Ordered* October 14, 2015

Lieutenant Governor

Executive Council Chambers, Victoria

On the recommendation of the undersigned, the Lieutenant Governor, by and with the advice and consent of the Executive Council, orders that approval is given to the attached directive issued by the Minister of Transportation and Infrastructure to the corporation dated September 23, 2015.

Minister of Transportation and Infrastructure

Presiding Member of the Executive Council

(This part is for administrative purposes only and is not part of the Order.)

Authority under which Order is made:

Act and section: *Insurance Corporation Act*, R.S.B.C. 1996, c. 228, s. 47

Other: B.C. Reg. 307/2004, s. 3 (4)

September 23, 2015 2/O/739/2015/33

BRITISH
COLUMBIA

September 23, 2015

Walter Gray, Chair
Board of Directors
Insurance Corporation of British Columbia
Executive Office
151 West Esplanade, Room 517
North Vancouver BC V7M 3H9

Reference: 237778

Dear Chair Gray:

Re: Optional Capital Transfer – Insurance Corporation of British Columbia ("ICBC")

ICBC is hereby directed to transfer $450 million of optional vehicle insurance capital to its universal compulsory vehicle insurance business after December 31, 2015 and on or before January 15, 2016.

This letter of direction is a government directive within the meaning of that term as it may be defined in Special Direction IC2 to the British Columbia Utilities Commission (B.C. Reg. 307/2004).

Sincerely,

Todd G. Stone
Minister

Ministry of Transportation and Infrastructure

Office of the Minister

Mailing Address:
Parliament Buildings
Victoria BC V8V 1X4

PROVINCE OF BRITISH COLUMBIA

ORDER OF THE LIEUTENANT GOVERNOR IN COUNCIL

Order in Council No. 597 *, Approved and Ordered* October 14, 2015

Lieutenant Governor

Executive Council Chambers, Victoria

On the recommendation of the undersigned, the Lieutenant Governor, by and with the advice and consent of the Executive Council, orders that Special Direction IC2 to the British Columbia Utilities Commission, B.C. Reg. 307/2004, is amended as set out in the attached Schedule.

Minister of Transportation and Infrastructure

Presiding Member of the Executive Council

(This part is for administrative purposes only and is not part of the Order.)

Authority under which Order is made:

Act and section: *Insurance Corporation Act*, R.S.B.C. 1996, c. 228, s. 47;
Utilities Commission Act, R.S.B.C. 1996, c. 473, s. 3

Other: OIC 647/2004

September 18, 2015 R/740/2015/33

SCHEDULE

1 ***Section 1.1 of Special Direction IC2 to the British Columbia Utilities Commission, B.C. Reg. 307/2004, is amended by striking out*** "For each year" ***and substituting*** "Subject to section 1.2, for each year".

2 ***The following section is added:***

MCT – 2015 rates

1.2 For rates effective November 1, 2015, despite any other provision of this Special Direction, the capital available used in the determination of the MCT under section 1.1 must be $450 million higher than the capital available set out in the data described in section 1.1 (a).

3 ***Section 3 (1) (c.2) is amended***

(a) in subparagraph (i) by striking out "for 2013," ***and substituting*** "for 2013 and 2015,", ***and***

(b) in subparagraph (ii) by striking out "for 2014 and each following year" ***and substituting*** "for 2014 and each following year, except 2015,".

PROVINCE OF BRITISH COLUMBIA

ORDER OF THE LIEUTENANT GOVERNOR IN COUNCIL

Order in Council No. 222 *, Approved and Ordered* APR 2 9 2010

~~Lieutenant Governor~~
Administrator

Executive Council Chambers, Victoria

On the recommendation of the undersigned, the ~~Lieutenant Governor~~ *Administrator*, by and with the advice and consent of the Executive Council, orders that approval is given to the directive issued by the Minister of Public Safety and Solicitor General to the corporation dated April 19, 2010.

Minister of Finance and Deputy Premier

Presiding Member of the Executive Council

(This part is for administrative purposes only and is not part of the Order.)

Authority under which Order is made:

Act and section:- *Insurance Corporation Act*, R.S.B.C. 1996, c. 228, s. 47
Other (specify):-

April 19, 2010

O/281/2010/7

BRITISH
COLUMBIA

April 19, 2010

Mr. T. Richard Turner
Chair
Insurance Corporation of British Columbia
Room 517, 151 West Esplanade
North Vancouver BC V7M 3H9

Dear Mr. Turner:

The Insurance Corporation of British Columbia ("ICBC") has identified a need to embark on a significant program aimed at updating the systems and processes in place at the corporation, which is referred to as the Transformation Program. I am writing this letter of direction to ICBC about this Program.

Government recognizes the importance of ICBC re-investing sufficient capital in its business through the Transformation Program so as to permit ICBC to enhance the quality of service to all universal compulsory automobile insurance and optional automobile insurance ratepayers. Government also supports limiting the impact of ICBC's investment in the Transformation Program on universal compulsory automobile insurance rates.

ICBC is therefore authorized to undertake the Transformation Program which I understand to be estimated at a cost of $400 million. A description of the scope of this Program is included as in the Schedule to this letter.

In the absence of this directive, all of the costs associated with the Transformation Program would be allocated between optional automobile insurance and universal compulsory automobile insurance based on the methodology approved by the British Columbia Utilities Commission. However, with respect to certain costs associated with the Transformation Program that meet the criteria outlined below ("Optional-Funded Transformation Program Costs"), ICBC is directed to use optional automobile insurance capital available to also cover the portion of those costs that would otherwise be allocated to universal compulsory automobile insurance. ICBC is further directed not to seek recovery of any portion of these Optional-Funded Transformation Program Costs in universal compulsory automobile insurance rates.

.../2

Ministry of
Public Safety
and Solicitor General

Office of the
Minister

Mailing Address:
PO Box 9053 Stn Prov Govt
Victoria BC V8W 9E2

The use of optional automobile insurance capital available to pay for Optional-Funded Transformation Program Costs is warranted in these special circumstances. ICBC should not, in the absence of a government directive, use optional automobile insurance capital available to pay for costs appropriately allocated to universal compulsory automobile insurance in accordance with the cost allocation methodology approved by the British Columbia Utilities Commission from time to time.

It is therefore important to place clear parameters around the amount and types of Transformation Program costs that are to be considered Optional-Funded Transformation Program Costs as follows:

- Optional-Funded Transformation Program Costs can include only project operational costs and depreciation expense for project capital costs related to the Transformation Program.

- On an annual (calendar year) basis, Optional-Funded Transformation Program Costs will be limited to the total budgeted amount of Transformation Program project operational costs and depreciation expense for project capital costs for that year that is approved by Treasury Board.

Actual Optional-Funded Transformation Program Costs spent over the life of the Transformation Program will be limited to a cumulative total of $400 million. For clarity, Optional-Funded Transformation Program Costs are not to include any of the following:

- Post-implementation costs and ongoing operating costs associated with the systems and processes implemented as part of the Transformation Program.

- Costs associated with future upgrades and enhancements to the systems and processes that had been funded as Optional-Funded Transformation Program Costs.

- Actual Transformation Program costs expensed, in a given calendar year, that exceeds the budget approved by Treasury Board; or

- Actual costs associated with the Transformation Program in excess of the $400 million cumulative limit.

.../3

In order to ensure that Optional-Funded Transformation Program Costs are not recovered in universal compulsory automobile insurance rates, ICBC is directed to comply with the following requirements:

- Treasury Board will, for each calendar year, approve a deduction from any amount payable under an *Optional Capital Payment Order* issued by the Lieutenant Governor in Council pursuant to section 26 of the *Insurance Corporation Act* that authorizes such deductions. The amount of any deduction will be equal to at least $400 million, less the cumulative amount of Optional-Funded Transformation Program Costs expensed over the life of the Transformation Program to the end of the last calendar year. This deduction will be based on ICBC's update on the Transformation Program to be provided to Treasury Board within 30 days after the end of the previous calendar year.

- In determining its forecast revenue requirements for universal compulsory automobile insurance, ICBC will deduct the budgeted amount of Optional-Funded Transformation Program Costs approved by Treasury Board for the calendar year from ICBC's forecast corporate operating costs, before allocating the remaining forecast corporate operating costs as between universal compulsory automobile insurance and optional automobile insurance in accordance with the cost allocation methodology approved by the British Columbia Utilities Commission from time to time.

This letter of direction is a government directive within the meaning of that term as defined in Special Direction IC2 to the British Columbia Utilities Commission.

Yours truly,

Michael de Jong, Q.C.
Attorney General
Solicitor General
Government House Leader

Enclosure

Schedule to Directive
Scope of Transformation Program

The Transformation Program involves the transformation of ICBC's service delivery model, including:

(a) the provision of replacement and new systems, technology and processes to support the claims and insurance operations;

(b) the provision of enhanced product options and customer service functionality for purchasing insurance, vehicle licensing, and claims initiation and processing;

(c) the provision of processes, systems and technology to support a more direct link between premiums and driver risk;

(d) the provision of processes, systems and technology to support enhanced training and workforce mobility for corporation staff;

(e) the provision of processes, systems and technology to support employee collaboration and employee communication;

(f) the provision of processes, systems, technology and training to key business partners to support improved customer service; and

(g) the provision of program and project support, infrastructure, processes, systems, technology and training to enable ICBC to deliver on (a) to (f).

As previously indicated, actual Optional-Funded Transformation Program Costs spent over the life of the Transformation Program will be limited to a cumulative total of $400 million.

IN THE MATTER OF
the *Utilities Commission Act*, RSBC 1996, Chapter 473

and

Insurance Corporation of British Columbia
2015 Revenue Requirements Application

EXHIBIT LIST

EXHIBIT NO.	DESCRIPTION
COMMISSION DOCUMENTS	
A-1	Letter dated September 1, 2015 – Commission request for further information
A-2	Letter dated September 8, 2015 – Appointing the Panel for the review of the Insurance Corporation of British Columbia 2015 Revenue Requirements Application
A-3	Letter dated October 21, 2015 – Commission Order G-169-15 establishing a Regulatory Timetable for the review of the Application
A-4	Letter dated November 16, 2015 – Commission Information Request No. 1 to ICBC
A-5	Letter dated November 25, 2015 – Commission response to ICBC's comments regarding TREAD Intervener Standing
A-6	Letter dated December 1, 2015 – Request for submission from COPE regarding ICBC's objection to certain round 1 Information Requests
A-7	Letter dated December 14, 2015 – Commission Order G-201-15 with reasons for decision on ICBC and COPE 378's first round Information Request Dispute
A-8	Letter dated December 15, 2015 – Procedural Conference Agenda
A-9	Letter dated December 23, 2015 – Commission Order G-212-15 issuing Regulatory Timetable
A-10	Letter dated January 12, 2016 – Commission Information Request No. 2 to ICBC
A-11	Letter dated January 15, 2016 – BCUC Rules of Practice and Procedure to parties
A-12	Letter dated February 4, 2016 – Commission Panel accepts confidentiality request for ICBC's full response to IR No. 2015.2 RR BCUC.85.2C provided in Exhibit B-11-1
A-13	Letter dated February 11, 2016 – Commission Information Request No. 1 to Mr. Landale

A-14 Letter dated March 24, 2016 – BCUC response to Toward Responsible Educated Attentive Driving – PACA Complaint

APPLICANT DOCUMENTS

B-1 **INSURANCE CORPORATION OF BRITISH COLUMBIA (ICBC)** Letter dated August 31, 2015 - 2015 Revenue Requirements Application

B-1-1 Letter dated October 15, 2015 – ICBC Submitting revised Application and outstanding materials

B-2 Letter dated September 14, 2015 – ICBC response to Commission request for further Information Exhibit A-1

B-3 Letter dated November 23, 2015 – ICBC submitting comments regarding TREAD Intervener Standing

B-4 Letter dated November 27, 2015 – ICBC submitting comments regarding certain Round 1 Information Requests

B-5 Letter dated December 8, 2015 - ICBC submitting responses to Information Requests No. 1

B-5-1 **CONFIDENTIAL** Letter dated December 8, 2015 - ICBC submitting Confidential responses to Information Requests No. 1

B-6 Letter dated December 9, 2015 - ICBC submitting response to COPE

B-7 Letter dated December 16, 2015 - ICBC submitting response to Mr. Landale

B-8 Letter dated December 21, 2015 - ICBC submitting response to Landale BC Precipitation Index Excel Spreadsheet

B-9 Letter dated December 22, 2015 – ICBC submitting responses to MoveUp (formerly known as COPE378)

B-10 Letter dated January 11, 2016 – ICBC submitting Affidavit of Notice

B-11 Letter dated January 29, 2016 – ICBC submitting responses to IR No. 2

B-11-1 **CONFIDENTIAL** Letter dated January 29, 2016 – ICBC submitting Confidential responses to BCUC IR No. 2

B-12 Letter dated February 3, 2016 – ICBC submitting response to Mr. Landale

B-13 Letter dated February 22, 2016 – ICBC submitting Notice of Rebuttal Evidence

B-14 Letter dated February 25, 2016 – ICBC submitting Rebuttal Evidence

B-15 Letter dated February 25, 2016 – ICBC submitting update on planned Insurance Sales and Administration System testing and related freeze on system changes

INTERVENER DOCUMENTS

C1-1	**LANDALE, RICHARD (LANDALE)** Letter dated October 21, 2015 – Request for Intervener Status by Richard Landale
C1-2	Letter dated November 20, 2015 – Landale submitting IR No. 1
C1-2-1	Letter dated December 12, 2015 – Landale submitting Spreadsheet Request IR No. 1.11
C1-2-2	Letter dated December 16, 2015 – Landale submitting Request for Further Clarification IR No. 1.11
C1-3	Submitted at Procedural Conference December 17, 2015 - Letter from Mr. Landale dated December 16, 2015
C1-4	Letter dated January 12, 2016 – Landale submitting IR No. 2 to ICBC
C1-5	Letter dated February 3, 2016 – Landale submitting Evidence
C1-6	Letter dated February 12, 2016 – Landale submitting IR No. 1 Responses to Commission
C2-1	**MCCANDLESS, RICHARD (MCCANDLESS)** Letter dated November 12, 2015 - Request for Intervener Status by Richard McCandless
C2-2	Letter dated November 18, 2015 – McCandless submitting IR No. 1
C2-2-1	Letter dated November 19, 2015 – McCandless submitting additional IR
C2-3	Letter dated December 16, 2015 - McCandless submitting comments
C2-4	Letter dated January 12, 2015 – McCandless submitting IR No. 2 to ICBC
C3-1	**CANADIAN OFFICE AND PROFESSIONAL EMPLOYEES' UNION, LOCAL 378 (COPE 378)** Letter dated October 7, 2015 - Request for Intervener Status by Leigha Worth
C3-2	Letter dated November 20, 2015 – COPE 378 submitting IR No. 1 to ICBC
C3-3	Letter dated December 4, 2015 – COPE 378 submission on ICBC's objection (Exhibit B-4)
C3-4	Letter dated December 16, 2015 - COPE 378 submitting notice of name change to Movement of United Professionals (Move UP)
C3-5	Letter dated January 12, 2015 – MoveUP submitting IR No. 2 to ICBC
C4-1	**BRITISH COLUMBIA OLD AGE PENSIONERS' ORGANIZATION (BCOAPO ET AL.)** Letter dated November 16, 2015 - Request for Intervener Status by Lobat Sadrehashemi
C4-2	Letter dated November 20, 2015 – BCOAPO submitting IR No. 1 to ICBC

C4-3 Letter dated January 12, 2015 – BCOAPO submitting IR No. 2 to ICBC

C5-1 **TOWARD RESPONSIBLE EDUCATED ATTENTIVE DRIVING (TREAD)** Letter dated November 16, 2015 - Request for Intervener Status by Fred J. Weisberg

C5-2 Letter dated November 20, 2015 – TREAD submitting IR No. 1 to ICBC

C5-3 Submitted at Procedural Conference December 17, 2015 - TREAD'S proposed list of dates

C5-4 Letter dated January 12, 2015 – TREAD submitting IR No. 2 to ICBC

C6-1 **KENT, MARTIN** Letter dated November 16, 2015 - Request for Intervener Status by Martin Kent

C7-1 **CANADIAN DIRECT INSURANCE INC. (CDI)** Online registration dated November 13, 2015 and Letter - Request for Intervener Status by Karen Hopkins-Lee

C7-2 Letter dated January 12, 2015 – CDI submitting IR No. 2 to ICBC

C8-1 **ADAIR, GORDON (ADAIR)** Letter dated November 19, 2015 - Request for Late Intervener Status by Gordon Adair

INTERESTED PARTY DOCUMENTS

D-1 **Maximick, D** Letter dated November 5, 2015 – Comments and Request for Interested Party Status by Deborah Maximick

LETTERS OF COMMENT

E-1 **Samoil, E** Letter of Comment dated October 22, 2015 - Redacted version on web only

E-2 **Walters, D** – Letter of Comment dated October 25, 2015 – Redacted version on web only

E-3 **Connolly, M** – Letter of Comment dated November 4, 2015 – Redacted version on web only

E-4 **Picherack, T**– Letter of Comment dated October 25, 2015 – Redacted version on web only

E-5 **Linda -** Letter of Comment dated November 25, 2015 – Redacted version on web only

E-6 **Banks, A -** Letter of Comment dated November 26, 2015 – Redacted version on web only

E-7 **Ryan, J -** Letter of Comment dated December 7, 2015 – Redacted version on web only