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**BRITISH COLUMBIA
UTILITIES COMMISSION**

**ORDER
NUMBER** G-85-05

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IN THE MATTER OF

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

the Utilities Commission Act, RSBC 1996, Chapter 473, as amended
and

An application by the Insurance Corporation of British Columbia
for approval of the 2006 Revenue Requirements for Universal Compulsory Automobile Insurance

and

A filing relating to the Insurance Corporation of British Columbia's Universal Compulsory Automobile Insurance
Capital Management Plan

and

An application for approval of refinements to certain performance measures

and

A filing of information on seven financial allocation functions

and

An application for approval of changes to certain allocation functions

BEFORE: L. F. Kelsey, Commissioner and Panel Chair
P.E. Vivian, Commissioner

September 12, 2005

O R D E R

WHEREAS:

- A. In a letter to the staff of the British Columbia Utilities Commission ("BCUC", "Commission") dated June 3, 2005 the Insurance Corporation of British Columbia ("ICBC") proposed, among other matters, that a full revenue requirements review is not warranted; and
- B. In a letter dated June 8, 2005, the Commission expressed concern that the lack of a full revenue requirements filing is inconsistent with the determinations of the Commission in its last ICBC Decision dated January 19, 2005. The Commission, however, also expressed concern that it not initiate any unwarranted proceedings, which would be costly, time consuming or inappropriate. As a result, the Commission sought the views of Registered Intervenor in the last ICBC regulatory proceeding, with respect to ICBC's proposals; and
- C. Between June 13 and 15, 2005, Registered Intervenor in the last ICBC regulatory proceeding provided written responses indicating they did not support ICBC's position that a full revenue requirements review is not warranted; and

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- D. The Commission issued Letter No. L-40-05 dated June 15, 2005, wherein it determined that a comprehensive revenue requirements application for 2006 Universal Compulsory Automobile Insurance (“Basic Insurance”) premiums is to be filed with the Commission no later than August 22, 2005; and
- E. On August 22, 2005, ICBC submitted an application for approval of the 2006 Revenue Requirements for Basic Insurance, a filing relating to ICBC’s Basic Insurance Capital Management Plan, an application for approval of refinements to certain performance measures, a filing of information on seven financial allocation functions and an application for approval of changes to certain allocation functions (the “Application”). The Application is in response to the directive in Letter No. L-40-05 and directives issued by the Commission in its Decision dated January 19, 2005 and includes additional information and applications; and
- F. In the Application, ICBC advised that it is not applying for a change to Universal Compulsory Automobile Insurance rates.
- G. As per Order G-78-05, a Pre-hearing Conference was held on September 8, 2005 in Vancouver, B.C. to discuss the major issues to be examined, and the steps and timetable for the Oral Public Hearing process. Registered Intervenors and ICBC made their submissions for consideration by the Commission Panel.

NOW THEREFORE the Commission orders as follows:

- 1. The Application and related materials will be examined in an Oral Public Hearing in accordance with the Regulatory Agenda and Timetable, attached as Appendix A.
- 2. The list of issues for the Oral Public Hearing is attached as Appendix B.

DATED at the City of Vancouver, in the Province of British Columbia, this 12th day of September 2005.

BY ORDER

Original signed by:

L.F. Kelsey
Commissioner and Panel Chair

Attachments



REGULATORY AGENDA AND TIMETABLE

An application by the Insurance Corporation of British Columbia
for approval of the 2006 Revenue Requirements for Universal Compulsory Automobile Insurance
and

A filing relating to the Insurance Corporation of British Columbia's Universal Compulsory Automobile Insurance
Capital Management Plan
and

An application for approval of refinements to certain performance measures
and

A filing of information on seven financial allocation functions
and

An application for approval of changes to certain allocation functions

DATE:

ACTION:

Wednesday, September 14, 2005

BCUC Information Request ("IR") No. 1 to ICBC

Thursday, October 6, 2005

IR No. 1 Responses to BCUC

Friday, October 14, 2005

BCUC IR No. 2 and Intervenor IR No. 1 to ICBC

Friday, November 4, 2005

BCUC IR No. 2 Responses and Intervenor IR No. 1
Responses to BCUC and Intervenors

Monday, November 14, 2005

Intervenor Evidence

Friday, November 18, 2005

ICBC IR's to Intervenors

Monday, November 28, 2005

Intervenor IR responses to ICBC

**Monday to Monday
December 12 to 19, 2005**

ORAL PUBLIC HEARING

Friday, January 13, 2006

ICBC Final Submission

Friday, January 20, 2006

Intervenor Final Submission

Friday, January 27, 2006

ICBC Final Reply

Friday, March 31, 2006

BCUC Decision



LIST OF HEARING ISSUES

An application by the Insurance Corporation of British Columbia
for approval of the 2006 Revenue Requirements for Universal Compulsory Automobile Insurance
and

A filing relating to the Insurance Corporation of British Columbia's Universal Compulsory Automobile Insurance
Capital Management Plan
and

An application for approval of refinements to certain performance measures
and

A filing of information on seven financial allocation functions
and

An application for approval of changes to certain allocation functions

1. The adequacy and prudence of all the elements comprising the 2006 Revenue Requirements, including for example, claims costs and actuarial assumptions, operating costs, investment income, etc.
2. Financial Allocation Methodology
 - application of the approved methodology to forecast 2006 amounts.
 - review of information on seven financial allocation functions
 - proposed changes to certain allocation functions
3. Capital Management Plan for Basic Insurance
4. Performance Measures
 - proposed refinements
 - actual results for 2004
 - adequacy of targets for 2006
5. Road Safety & Loss Management programs
 - review of associated 2006 costs
 - definition of Road Safety and Loss Management programs
 - outstanding allocation issues

6. Financial governance
7. Forecast vs. Actual/Outlook results
 - historical experience for the years 2004 and 2005
8. Alternatives to broker distribution
9. Any outstanding matters arising from the January 19, 2005 Commission Decision, Order G-46-05 (Negotiated Settlement Agreement, as issued on April 27, 2005) and Order No. G-49-04 (Negotiated Settlement Agreement with respect to Performance Measures for ICBC and the Sharing of Information with respect to Basic Insurance)
10. Consequence of a rate change for Basic Insurance, if applicable.