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**BRITISH COLUMBIA
UTILITIES COMMISSION**

**ORDER
NUMBER** G-46-05

TELEPHONE: (604) 660-4700
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IN THE MATTER OF

the Insurance Corporation Amendment Act, 2003, SBC 2003, Chapter 35
and
the Insurance Corporation Act, RSBC 1996, Chapter 228
and
the Utilities Commission Act, RSBC 1996, Chapter 473
and

A Filing by the Insurance Corporation of British Columbia
Relating to Selected Financial Allocation Functions

BEFORE: L.F. Kelsey, Commissioner
and Panel Chair
N.F. Nicholls, Commissioner May 18, 2005
P.E. Vivian, Commissioner

O R D E R

WHEREAS:

- A. On March 10, 2005, the Insurance Corporation of British Columbia ("ICBC") submitted a filing ("Submission A") relating to seven selected financial allocation functions used in ICBC's allocation methodology. Submission A was in response to directions issued by the British Columbia Utilities Commission ("Commission") in its Decision dated January 19, 2005 ("Decision") and Letter No. L-13-05 ("Letter"); and
- B. The directions in the Decision required ICBC to undertake further analyses with respect to the seven allocation functions and convene a Workshop within 60 days of issuance of the Decision to review all details of the allocation process for these seven allocation functions; and
- C. The directions in the Letter required ICBC to file these further analyses and concomitant results by March 10, 2005 and also set down March 16, 2005 as the date for the Workshop; and
- D. At the Workshop ICBC presented the information in Submission A to Commission staff and Registered Intervenor; and
- E. Immediately following the Workshop, ICBC, Registered Intervenor and Commission staff commenced a Negotiated Settlement Process ("NSP") to seek agreement with respect to the seven allocation functions; and
- F. ICBC was asked to file supplemental information with respect to Regional Claim Centres Work Effort Allocation. ICBC filed the supplemental information ("Submission B") on March 31, 2005; and

**BRITISH COLUMBIA
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2

- G. All participants in the NSP resumed and completed negotiations on April 8, 2005; and
- H. A Negotiated Settlement Agreement was reached between ICBC and most of the participants. The Negotiated Settlement Agreement and the letters of comment (“NSA”) were circulated to all Negotiated Settlement Participants and the Commission Panel on April 27, 2005; and
- I. The NSA contained 12 letters of comment from the participants. Nine letters of comment from the participants, including ICBC, accepted the NSA. One letter of comment from a participant indicated that while they are prepared to accept the NSA, they have ongoing concerns regarding certain of the information brought forward by ICBC and the approach to certain of the allocators. Another letter of comment from a participant accepted the NSA in principle with the exception of the In-House Counsel (Provincial Litigation Services) allocation function, which they did not accept. One participant provided a letter of dissent dated May 2, 2005; and
- J. The Commission Panel has reviewed the NSA for the seven selected financial allocation functions and Submissions A and B, and finds that the NSA should be approved.

NOW THEREFORE the Commission approves for ICBC the NSA, as issued on April 27, 2005 and attached as Appendix A to this Order.

DATED at the City of Vancouver, in the Province of British Columbia, this 18th day of May 2005.

BY ORDER

Original signed by:

L.F. Kelsey
Commissioner and Panel Chair

Attachments



APPENDIX A
to Order No. G-46-05

WILLIAM J. GRANT
EXECUTIVE DIRECTOR,
REGULATORY AFFAIRS & PLANNING
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Log No. 9398

VIA E-Mail

By Courier – Mr. Russell Sykes only

April 22, 2005

To: Negotiated Settlement Participants

Re: Insurance Corporation of British Columbia ("ICBC")
FAMA Phase 2

Please find enclosed the final copy of the Negotiated Settlement Agreement. This copy reflects the changes proposed by participants in this Negotiated Settlement Process.

Please provide to me, written correspondence confirming your acceptance of this Negotiated Settlement Agreement (e-mail preferred) by the close of business on **Tuesday April 26, 2005**.

Subsequently, the Negotiated Settlement Agreement and letters of comment from the participants will be made public and forwarded to the Commission Panel for its review.

Yours truly,

A handwritten signature in black ink, appearing to be "WJG", written over a horizontal line.

William J. Grant

WJK/rt
Enclosure

**Insurance Corporation of British Columbia ("ICBC")
Selected Financial Allocation Functions
Negotiated Settlement Agreement**

CONFIDENTIAL

1. In its January 19, 2005 Decision (the "Decision") the British Columbia Utilities Commission ("Commission") directed ICBC to convene a workshop to review details of seven allocation functions used by ICBC in its financial allocation methodology.
2. As directed by the Commission, ICBC prepared and filed its March 10, 2005 Submission which presented information on the seven allocation functions. In that Filing ICBC revised its allocation percentages for two functions and provided a detailed explanation of the rationale for either retaining or modifying each allocation function. As suggested in the Decision, ICBC also renamed certain allocation functions to better reflect the nature of the costs being allocated. The March 10, 2005 Filing, as updated on March 16 and April 8, 2005, is attached as Schedule 2 to this Settlement Agreement.
3. On March 16, 2005 a Workshop was held to discuss the seven allocation functions identified in the Decision. During the Workshop ICBC made a presentation to Intervenor and Commission Staff. That presentation is attached as Schedule 3.
4. Following the Workshop on March 16, 2005 a Negotiated Settlement Process ("NSP") amongst ICBC, Intervenor and Commission Staff commenced. During the NSP the seven allocation functions were discussed. It was determined that ICBC should provide further information relating to its transaction costing and the allocation of work effort for ICBC's Regional Claim Centres and other issues. That further information was provided by ICBC in its March 31, 2005 Filing (the "Supplemental Filing"). The Supplemental Filing, as updated April 8, 2005, is attached as Schedule 4.
5. On April 8, 2005 a further NSP session was held. This document represents the agreement between ICBC and other parties respecting the seven allocation functions identified in the Decision and examined in the NSP. The persons participating in the NSP process are identified in the attached Schedule 1.

6. The seven allocation functions and the agreed allocation of each function are set out below.

Regional Claim Centres [renamed from Regional Operations]

7. The Regional Claim Centres cost category relates to the costs of the 41 claim centres and 3 claims handling departments that ICBC operates. The costs associated with the Regional Claim Centres are allocated using a Work Effort allocator.

8. In 2003 Regional Claim Centres operating costs were \$131,118,500. The allocation of these costs was discussed in ICBC's October 2004 hearing, and after adjustments made in that proceeding, the allocation of the Regional Claim Centres costs was 65.3% to Basic insurance and 34.7% to Optional insurance.

9. The Work Effort methodology used by ICBC for its Regional Claim Centres makes use of 10 claims transaction types. In preparing its Supplemental Filing, ICBC identified that the methodology for the MD Files-Customer Care transaction type and the methodology for the MD Files-Other transaction type should be refined. The MD Files-Customer Care transaction type was revised to treat files with transfer from Collision to Property Damage in a consistent manner with files with transfer from Collision to Property Damage in the MD Files-Collision/Property Damage transaction type. Unidentified Motorist (Hit and Run) and Uninsured Motorist claims had previously been allocated 100% to Basic insurance and the methodology was revised to include an allocation to Optional insurance. Both refinements resulted in a reduction of the allocation of costs to Basic insurance in the MD Files-Customer Care and MD Files-Other transaction types, which reduced the overall allocation of costs to Basic insurance in the Regional Claim Centres cost category.

10. It is agreed that the allocator for Regional Claim Centres is Work Effort and that with the adjustments made during the October 2004 hearing and the refinements in the Supplemental Filing the allocation of Regional Claim Centres costs is 62.9% to Basic insurance and 37.1% to Optional insurance (as set out in the Summary Table in Section 3.5 on page 23 (updated April 8, 2005) of the Supplemental Filing).

11. In 2007 ICBC will file with the Commission an updated work effort study relating to the Regional Claim Centres allocator (i.e. work effort). This filing will include revisions, if any, that ICBC proposes for the allocation of the costs of the Regional Claim Centres cost category. This filing relating to Regional Claim Centres will be reviewed in 2008 with the review including a process for the participation of Intervenor in the review.

In-House Counsel (Provincial Litigation Services) [renamed from Claims Litigation-Field Services]

12. This allocation function relates to the in-house defence counsel who are employed by ICBC to defend actions brought against ICBC and persons insured by ICBC. Supreme Court files with exposures over \$200,000 are not normally handled by In-House Counsel since they are handled by ICBC's Head Office Claims Department or Head Injury Department. The costs of this cost category were \$8.6 million in 2003.

13. Only 1% to 2% (on average) of bodily injury files handled by In-House Counsel exceed the \$200,000 Basic insurance indemnity limit with a further 0.5% to 1% (on average) of files relating to Part 9 claims. It was recognized that the 1% to 2% of files that exceeded the \$200,000 Basic insurance indemnity limit require a higher amount of work effort than do other files handled by In-House Counsel.

14. It is agreed that the allocator for In-House Counsel (Provincial Litigation Services) is Work Effort with 95% of the costs of this cost category being allocated to Basic insurance and 5% to Optional insurance.

Claims Systems Support

15. The Claims Systems Support cost category represents an allocated assessment from ICBC's Information Services Division ("ISD") for costs that relate to Claims Services. The costs in 2003 in this category were \$21.8 million. The majority of these costs were costs of \$19.3 million charged out in 2003 by ISD to Claims Services and which pertain to infrastructure equipment and maintenance used by Claims Services for telephone services, data network, hardware to the desktop, ICBC's major server environment for the mainframe, and servers.

16. These costs relate to corporate-wide services and not applications that are dedicated to Claims Services.

17. The allocator that had been used by ICBC to allocate Claims Systems Support costs to the Basic insurance and Optional insurance business segments was the weighted average of the costs within two other cost categories: Regional Operations [now renamed as Regional Claim Centres] (98% weighting), and Salvage Operations (2% weighting). During the further analysis of this allocator undertaken by ICBC in preparation for the March 16 workshop it was determined that the use of an allocator based on the weighted average of the Regional Claim Centres and Salvage Operations did not sufficiently take into account the ISD services provided to other areas of Claims Services, primarily the Call Centre Department. In the March 10, 2005 Filing it was proposed by ICBC that the Claims Division Average allocator, which does include the Call Centre Department, is a more equitable basis for the allocation of Claims System Costs.

18. It is agreed that the allocator for Claims System Support costs is the Claims Division Average allocator. The impact on 2003 Claims System Support costs is to reduce the allocations to Basic insurance by \$656,100, increase the allocation to Non-insurance by \$43,700 and increase the allocation to Optional insurance by \$612,400.

Claims General Support [renamed from General Support]

19. Claims General Support represents 9 (now 8) cost-centres whose general function is to provide support or record indirect costs related to Claims Services. The 2003 costs of this cost category were \$15.2 million.

20. The allocator that had been used by ICBC for the Claims General Support cost category was a weighted average of the allocation of the cost-centres included in the Claims General Support category. In its March 10, 2005 Filing ICBC proposed that the costs of the Claims General Support cost category be allocated using the Claims Division Average allocator. The use of this allocator recognizes that the Cost Centres in this cost category are providing services to Claims Services as a whole. The use of the Claims Division Average allocator also simplifies the allocation process. The use of the Claims Division Average allocator results in a small change to the allocation between Basic insurance, Non-insurance and Optional insurance.

21. It is agreed that the allocator for Claims General Support costs is the Claims Division Average allocator. The impact on 2003 Claims General Support costs is to increase the allocation to Basic insurance by \$105,000, reduce the allocation to Non-insurance by \$159,000 and increase the allocation to Optional insurance by \$54,000.

Insurance Systems Support [renamed from Insurance Allocations]

22. The Insurance Systems Support costs category represent an allocated assessment from ISD for infrastructure costs that relate to Insurance Services. The costs in this cost category in 2003 were \$7.2 million and pertain to infrastructure equipment and maintenance used by Insurance Services for mainframe insurance applications, servers, telephone services, data network and desktop hardware. These costs relate to corporate-wide ISD applications and services, and not applications that are dedicated to Insurance Services.

23. ICBC has used the Premiums Written ratio (as modified pursuant to directions from the Commission in the Decision) for this cost category and did not propose any change in the use of this allocator.

24. It is agreed that the allocator for Insurance Systems Support costs is the Premiums Written ratio as modified pursuant to directions from the Commission in the Decision dated January 19, 2005.

Bad Debts & Allowances

25. The Bad Debts & Allowances cost category is comprised of one cost-centre, which records the bad debt estimate based on prior years' experience of the outstanding debt owed to ICBC from "Autoplan defaulted premiums" and Driver Penalty Points ("DPP") Premiums. The costs in this category in 2003 were \$4.9 million.

26. "Autoplan defaulted premiums" are made up of defaulted payments under ICBC's Autoplan 12 financing program and dishonoured cheque payments and underpayments relating to premiums paid directly. Because ICBC collects its premiums for both Basic insurance and Optional insurance in a single transaction, when there is a default or dishonoured cheque the lack

of payment relates to both Basic insurance and Optional insurance. DPP Premiums are paid into a fund that provides third party liability insurance, accident benefits and underinsured motorist protection, all of which are Basic insurance coverages.

27. It is agreed that all the bad debts associated with “Autoplan defaulted premiums” should be allocated between Basic insurance and Optional insurance using the Premiums Written ratio as modified pursuant to directions from the Commission in the Decision dated January 19, 2005, and that bad debts associated with DPP Premiums should be allocated entirely to Basic insurance.

General Broker Support & Direct Sales [renamed from General Broker Support]

28. This cost category consists of three cost-centres, two of which relate to the Broker Enquiry Department and one of which relates to the Direct Sales cost-centre. The 2003 costs in this cost category were \$3.1 million.

29. The Broker Enquiry Department portion of this cost category provides telephone support to Brokers on complicated issues. These include inquiries on the effect of past claims on premiums, claims rated scale, systems difficulties, legislation, new vehicle license plates and persons moving to British Columbia and vehicle registration issues. However, since transactions with a customer typically start with either vehicle registration and licensing or the placing of the mandatory Basic insurance, there are many instances where a question related to Basic insurance needs to be referred to the Broker Enquiry Department and resolved before the parties can complete the Basic insurance transaction and move on to the Optional insurance transaction.

30. The Direct Sales portion of this cost category works similar to an Autoplan broker. The personnel in this area deal with fleet accounts, customers who are out of province, directly with customers off the street, selling Autoplan insurance and also fielding customer related inquiries.

31. It is agreed that the allocator for the General Broker Support & Direct Sales cost category is the Premiums Written ratio as modified pursuant to directions from the Commission in the Decision dated January 19, 2005.

Claims Division Average Allocator

32. The Claims Division Average allocator is a weighted average of Claims Division cost-centres. Since this allocator is a weighted average it will change as allocators for cost categories within the Claims Division are revised. As a result of the revisions to the Regional Claim Centres allocator, the Claims System Support allocator and the Claims General Support allocator, the Claims Division Average allocator has changed. The Claims Division Average allocator, based on 2004 data and with the revisions that have been made to other allocators, is Basic insurance 60.2%, Non-insurance 0.3% and Optional insurance 39.5% (as set out in the Summary Table in Section 3.5 on page 23 (as reissued April 8, 2005) of the Supplemental Filing.

A Filing by the Insurance Corporation of British Columbia for a Workshop relating to
Selected Financial Allocation Functions
Used in its Financial Allocation Methodology

[illegible]

A Filing by the Insurance Corporation of British Columbia for a Workshop relating to
Selected Financial Allocation Functions
Used in its Financial Allocation Methodology

[illegible]



IN THE MATTER OF THE *UTILITIES COMMISSION ACT*
R.S.B.C. 1996, Chapter 473
and the
INSURANCE CORPORATION ACT
R.S.B.C. 1996, Chapter 228

**A Filing by the Insurance Corporation of British Columbia
for a Workshop relating to**

SELECTED FINANCIAL ALLOCATION FUNCTIONS
USED IN ITS FINANCIAL ALLOCATION METHODOLOGY

March 10, 2005

Table of Contents

A.	FILING.....	1
B.	GUIDING PRINCIPLES OF ALLOCATION....	3
C.	OVERVIEW OF THE FINANCIAL ALLOCATION METHODOLOGY.....	4
D.	ALLOCATION FUNCTIONS FOR CLAIMS SERVICES.....	6
I	REGIONAL CLAIM CENTRES (RENAMED FROM REGIONAL OPERATIONS).....	6
II	IN-HOUSE COUNSEL (PROVINCIAL LITIGATION SERVICES) [RENAMED FROM CLAIMS LITIGATION – FIELD SERVICES].....	15
III	CLAIMS SYSTEMS SUPPORT.....	17
IV	CLAIMS GENERAL SUPPORT (RENAMED FROM GENERAL SUPPORT).....	19
E.	ALLOCATION FUNCTIONS FOR INSURANCE SERVICES.....	23
I	INSURANCE SYSTEMS SUPPORT (RENAMED FROM INSURANCE ALLOCATIONS).....	24
II	BAD DEBTS & ALLOWANCES.....	25
III	GENERAL BROKER SUPPORT & DIRECT SALES (RENAMED FROM GENERAL BROKER SUPPORT).....	28
F.	CONCLUSION.....	31
	APPENDIX 1A GLOSSARY OF ALLOCATORS.....	32
	APPENDIX 1B ALLOCATION FUNCTIONS.....	35
	APPENDIX 2 REGIONAL CLAIM CENTRES AND CLAIMS HANDLING DEPARTMENTS (RENAMED FROM REGIONAL OPERATIONS).....	41
	APPENDIX 3 REGIONAL CLAIM CENTRES CLAIMS REPORTED.....	42
	APPENDIX 4 TRANSACTION COSTING METHODOLOGY.....	43
	APPENDIX 5 EXHIBIT B-27 FROM OCTOBER 2004 HEARING	49
	APPENDIX 6 IN-HOUSE COUNSEL (PROVINCIAL LITIGATION SERVICES)[RENAMED FROM CLAIMS LITIGATION FIELD SERVICES].....	50
	APPENDIX 7 CLAIMS SYSTEM SUPPORT.....	55



APPENDIX 8 INSURANCE SYSTEM SUPPORT (RENAMED FROM INSURANCE ALLOCATIONS).....	56
APPENDIX 9 BAD DEBTS & ALLOWANCES.....	57
APPENDIX 10 GENERAL BROKER SUPPORT & DIRECT SALES (RENAMED FROM GENERAL BROKER SUPPORT).....	59

In The Matter Of
The *INSURANCE CORPORATION ACT*
R.S.B.C. 1996, Chapter 228

and

The *UTILITIES COMMISSION ACT*
R.S.B.C. 1996, Chapter 473

and

**A Filing by the Insurance Corporation of British Columbia for a Workshop relating to
Selected Financial Allocation Functions used in its Financial Allocation Methodology**

To: British Columbia Utilities Commission
Sixth Floor, 900 Howe Street
Vancouver, BC V6Z 2N3

A. FILING

1. In July 2004 the Insurance Corporation of British Columbia ("ICBC" or the "Corporation") filed an application with the British Columbia Utilities Commission ("BCUC" or "Commission") seeking approval of a financial allocation methodology for the allocation of costs and revenue among its Basic insurance, Optional insurance and Non-insurance lines of business. The Commission issued its Decision on January 19, 2005 (the "Decision").

2. In the Decision the Commission stated that it accepted "the submissions of ICBC and most of the Intervenor that a fully allocated costing, or pro-rata, methodology is the most appropriate methodology for allocating costs amount the three business lines of Basic insurance, Optional insurance and Non-insurance, and commends ICBC for the improvements made to the allocation methodology since 2003." ¹

3. In the Decision the Commission identified its objective "to finalize as many allocators and allocation percentages as possible so that they need not be analyzed from first principles each year" ² The Commission also said that it "wishes to finalize as many allocators and allocation

¹ Decision, page 25

² Decision, page 32

percentages as possible before ICBC files its 2006 Revenue Requirements Application”³ and ICBC was directed to hold a workshop within 60 days of the Decision in order to address seven allocation functions used in its allocation methodology.⁴ The seven allocation functions identified (employing the names used in the July 2004 Application and the Decision) were: Regional Operations, Claims System Support, General Support, Claims Litigation-Field Service, Insurance Allocations, Bad Debts & Allowances, and General Broker Support.

4. The Commission also suggested ICBC might give more appropriate titles to allocation functions and explain why certain allocators were chosen.⁵ The Commission said that it “is directing further due diligence with respect to certain allocation functions and their underlying cost centres”.⁶

5. As directed by the Commission, ICBC has undertaken due diligence with respect to the seven allocation functions identified in the Decision, along with the underlying cost-centres. ICBC has approached these seven allocation functions with an open mind, and with a willingness to make changes where appropriate. ICBC’s due diligence supports the original allocation functions and percentages derived for all of the seven allocation functions, but improved the allocations for two functions. In those two instances, ICBC has revised its allocation percentages to reflect ICBC’s reassessment of either the particular allocation function involved, or the underlying cost-centre data. ICBC has provided in this Filing a detailed explanation of the rationale for either retaining or modifying each allocation function. The allocation functions have also been amended to include changes resulting from the October 2004 hearing and the Decision, namely changing the Premiums Written ratio allocator as directed by the Commission and incorporating an allocation ratio used in the Regional Claim Centres (renamed from Regional Operations) analysis in accordance with Exhibit B-27 as filed in the October 2004 hearing.

6. As suggested, ICBC has also renamed certain allocation functions to better reflect the nature of the costs being allocated.

7. ICBC looks forward to engaging Intervenors and Commission Staff in productive discussion at the workshop. ICBC shares the Commission’s desire to finalize as many

³ Decision, page 38

⁴ Decision, pages 38 and 41

⁵ Decision, pages 26-27

⁶ Decision, page 31

allocators and allocation percentages as possible before submitting its 2006 Revenue Requirement Application. ICBC believes that the allocators presented in this Filing are appropriate allocators to be used in that Application.

B. GUIDING PRINCIPLES OF ALLOCATION

8. ICBC's operations consist of three business segments. The Basic insurance segment is engaged in the provision of universal compulsory automobile insurance to all drivers in British Columbia. The Optional insurance segment provides British Columbia drivers with optional insurance coverage. Optional insurance coverage is not mandatory and private insurers also provide optional insurance coverage to BC motorists. The Non-insurance segment provides services on behalf of the provincial government, including vehicle registration and licensing, driver licensing and government fines collection and remittance. ICBC recovers the cost of these Non-insurance services through Basic insurance premiums.

9. ICBC operates its Basic insurance, Optional insurance and Non-insurance activities on a fully integrated basis to achieve economies of scale and scope. The primary purpose of ICBC's financial allocation methodology is to identify the costs associated with each of the Basic insurance, Optional insurance and Non-insurance business segments in order for Basic insurance premiums to be properly quantified.

10. ICBC's pro-rata methodology is a fully allocated cost study that allocates the actual costs and revenues in accordance with the principles of cost causality. This approach is consistent with the generally accepted approach for cost of service studies used in a wide range of industries to avoid cross-subsidization. The approach used by ICBC ensures that Basic insurance and Optional insurance are treated fairly and reasonably, in that each of those business segments will contribute in an equitable and symmetric manner to the recovery of the costs of ICBC's integrated operations.

11. The essence of the fully allocated costing approved by the Commission is: (i) categories of costs that are associated exclusively with a single business segment (direct costs) are assigned directly to the appropriate business segment (Basic insurance, Optional insurance and Non-insurance); and (ii) the remaining cost categories (indirect costs), which are incurred in support of the business segments, are allocated in a manner that reflects the principles of cost causality. Where the causal relationship may be unclear, costs are allocated in an equitable, balanced and symmetric manner.

12. ICBC's main cost areas are claims incurred, claims services, operating costs, Road Safety and Loss Management costs, premium taxes, and commissions. Most of the costs of an insurance company such as ICBC relate to claims, which are directly attributable to coverages and business segments. ICBC is able to directly allocate approximately 84% of its costs to Basic insurance, Optional insurance or Non-insurance. It is only the remaining 16% of ICBC's costs (i.e. the indirect costs) that ICBC has had to allocate to the business segments on the basis that reflects the degree to which the business segments caused the activity to take place. Through its financial allocation methodology and the development of appropriate allocators, ICBC is ensuring that costs have been allocated in a balanced, equitable and symmetric manner between business segments.

13. ICBC hired John Todd of Elenchus Research Associates for expert assistance respecting the financial allocation report in the July 2004 Application. Mr. Todd has also assisted in the further review of the seven allocation functions that has been undertaken for the preparation of this Filing.

C. OVERVIEW OF THE FINANCIAL ALLOCATION METHODOLOGY

14. As noted above, the purpose of ICBC's financial allocation methodology is to allocate all of ICBC's costs to its three business segments: Basic insurance, Optional insurance and Non-insurance. The starting point of the financial allocation methodology is therefore the system of accounts that ICBC has developed over the years for tracking its revenues and costs.

15. ICBC's financial allocation is based on its review of each cost-centre to determine the allocation method that provides the measure of the share of each cost-centre's costs that are caused by each of the three business segments.

16. The costs of many cost-centres can be directly allocated to a single business segment because the relevant costs were clearly associated exclusively with Basic insurance, Optional insurance or Non-insurance activities. These directly allocated costs accounted for 84% of ICBC total costs in 2003.

17. The costs of the remaining cost-centres were allocated indirectly to the three business segments. In many cases this indirect allocation could be accomplished through a direct measure of the extent to which the cost-centres costs are caused by each business segment.

For example, many cost-centres consist of staff whose work breaks down into periods during which their "work effort" can be clearly identified as being associated with Basic insurance, Optional insurance or Non-insurance activities. By estimating the amount of time spent on activities associated with each business segment, the staff time can be allocated appropriately to the three business segments.

18. Some costs centres that are indirectly allocated rely on second order indicators of cost causality. For example, the allocation of certain office space reflects the allocation of the work performed by the staff (i.e., cost-centre) housed in that space.

19. Finally, there are some cost-centres that serve general support functions. In these cases, the extent to which the costs are "caused" by each business segment cannot be measured objectively. The costs associated with these cost-centres must be allocated in a manner that is fair and equitable in terms of the proportion of costs attributable to each business segment. In these cases, judgment must be exercised to achieve what ICBC refers to as a balanced, equitable and symmetric allocation.

20. In preparing the material for the July 2004 Application, ICBC and Mr. Todd were of the view that the explanation of the financial allocation methodology at the cost-centre level was complex and could be confusing. Furthermore, it necessitated burdensome repetition to present separately the numerous costs-centres that were allocated in a similar manner.

21. It was therefore determined that it would assist the parties if ICBC aggregated cost-centres that are allocated in a similar manner into "allocation functions". For purposes of the July 2004 Application, ICBC defined 104 allocation functions (see Appendix 1). Because a single allocator was used to allocate the cost-centres that were included in each allocation function, the presentation of the financial allocation methodology was streamlined.

22. The allocators used for the costs-centres (and 104 allocation functions) were allocated as shown in Appendix 1A & B of the July 2004 Application, which for ease of reference is included as Appendix 1.

23. The Commission has directed ICBC to present further information about seven allocation functions. Four of the seven relate to "Claims Services" costs, and are addressed in Part D of this Filing. The remaining three allocation functions relate to "Insurance Services" costs, and are addressed in Part E of this Filing.

D. ALLOCATION FUNCTIONS FOR CLAIMS SERVICES

24. Claims Services is responsible for handling claims under both Basic insurance and Optional insurance coverages, negotiating claim settlements and managing claim costs. Claims Services costs represent the costs associated with various claims adjusting and settlement processes, and includes compensation, operating expenses, information service costs, and building operating costs.

25. As the Commission observed in its Decision,⁷ Claims Services comprises the largest amount of indirect costs that must be allocated between Basic and Optional insurance. ICBC believes it has used the most suitable allocator for each cost category to fairly and equitably allocate Claims Services costs between the Basic insurance and Optional insurance business segments, and in a small amount to Non-insurance.

26. ICBC has used 23 allocation functions within Claims Services for the purpose of arriving at a fair and equitable allocation of Claims Services costs.⁸ Four of those allocation functions are addressed in this section of the Filing: Regional Claim Centres (renamed from Regional Operations), Claims Systems Support, Claims General Support (renamed from General Support), and In-House Counsel (Provincial Litigation Services) (renamed from Claims Litigation – Field Services).

27. Each of these four Claims Services cost categories is addressed below.

I. Regional Claim Centres (renamed from Regional Operations)

28. The Regional Claim Centres (formerly Regional Operations) cost category relates to the costs in the claim centres that ICBC operates throughout the province. The costs associated with the Regional Claim Centres are allocated using a Work Effort allocator. The Work Effort allocator recognizes four key factors:

- the types of claims,
- different types of claims require differing amounts of work effort,


⁷ Decision, page 35

⁸ See Appendix 1 to this Filing for a list of the 23 allocation functions comprising Claims Services. That list also appeared as Appendix 1B of the July 2004 Application.

- compensation levels differ for personnel having different qualifications, and
- staffing requirements for the volume of claims.

A bodily injury claim requires much more time to resolve than does a claim involving a damaged windshield or damage to a vehicle, and different personnel deal with those different types of claims.

29. The following chart summarizes the allocation between Basic insurance and Optional insurance for Regional Claim Centres costs as initially presented in ICBC's July 2004 Application and as amended by Exhibit B-27 in the October 2004 hearing. The allocation is based on work effort, and as per the July 2004 Application had a Basic insurance/Optional insurance split of 66.8%/33.2%.

 Regional Claim Centres - Basic / Optional Percent Allocation						
Reference	Basic (\$ thousands)		Optional (\$ thousands)		Total (\$ thousands)	
July 5, 2004 Filing	\$87,597	66.8%	\$43,521	33.2%	\$131,118	100%
October 4, 2004 Amendment (Exhibit B-27)	\$85,620	65.3%	\$45,498	34.7%	\$131,118	100%

30. There should be no issue that different types of claims will have different costs associated with them. For example, a bodily injury claim requires much more time to resolve than does a claim involving a damaged windshield or damage to a vehicle, and different personnel deal with those different types of claims.

Description of Cost Category

31. The Regional Claim Centres cost category encompasses the claims-related activities carried out in ICBC's 41 claim centres and three claims handling departments. Please refer to Appendix 2 for a listing of the Regional Claim Centres. Claims handled within Regional Claim Centres include both bodily injury (below the \$200,000 compulsory insurance limit⁹) and property damage claims under the Basic insurance coverage and collision and comprehensive claims under the Optional coverage.

⁹ There are a small number of bodily injury claims that are handled in a regional claim centre that may settle in excess of the \$200,000 limit.

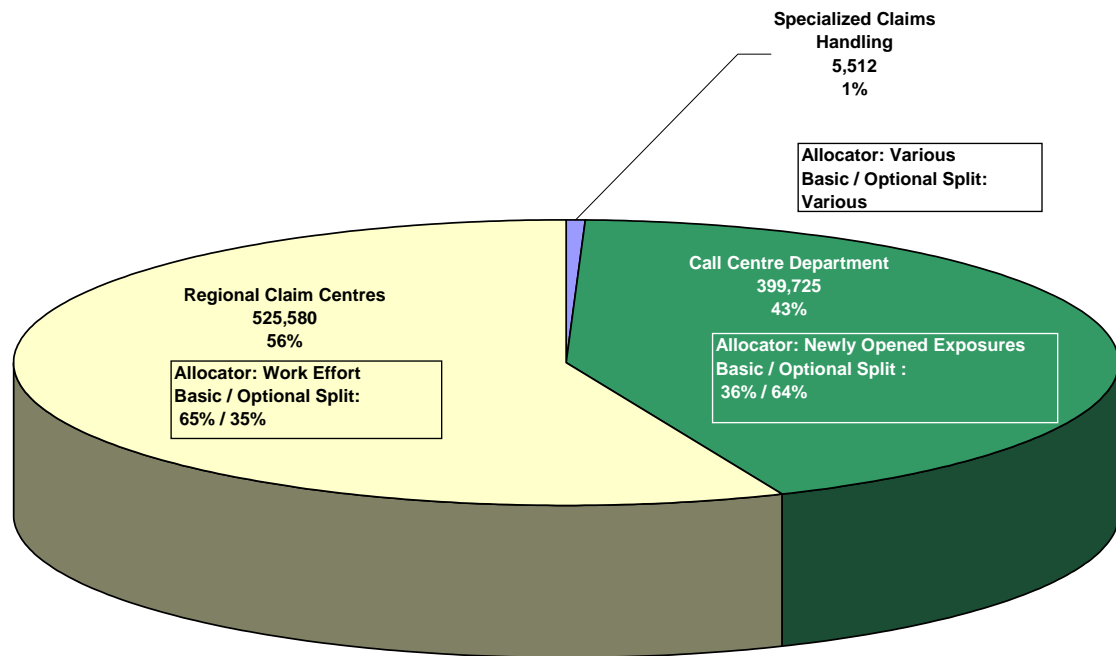
32. ICBC believes that Work Effort is the appropriate allocator for the Regional Claim Centre cost category. A measure such as claims volume would not recognize the varying amount of work effort that is required for different types of claims, particularly the large work effort involved in most bodily injury claims. A claims volume measure would also fail to recognize the variance in compensation levels between the ICBC employees who deal with the different types of claims. ICBC's Work Effort allocator does recognize these differences. Bodily injury claims in Regional Claim Centres are open on average 376 days while a comprehensive claim is only open 42 days and a windshield claim is only opened on average two days. The significantly longer open times for bodily injury claims are indicative of the different work effort requirements involved. Please see Appendix 3 which contains data on the 'average open days' for each of the coverage types.

33. Claims handled in the Call Centre Department are relatively straightforward and non-contentious and are primarily material damage claims with a very small percentage of simple bodily injury claims. Newly opened exposures (which yielded an allocation of 36% to Basic insurance and 64% to Optional insurance) is an appropriate allocator for the Call Centre Department in that all the claims are relatively homogenous and require a similar work effort.

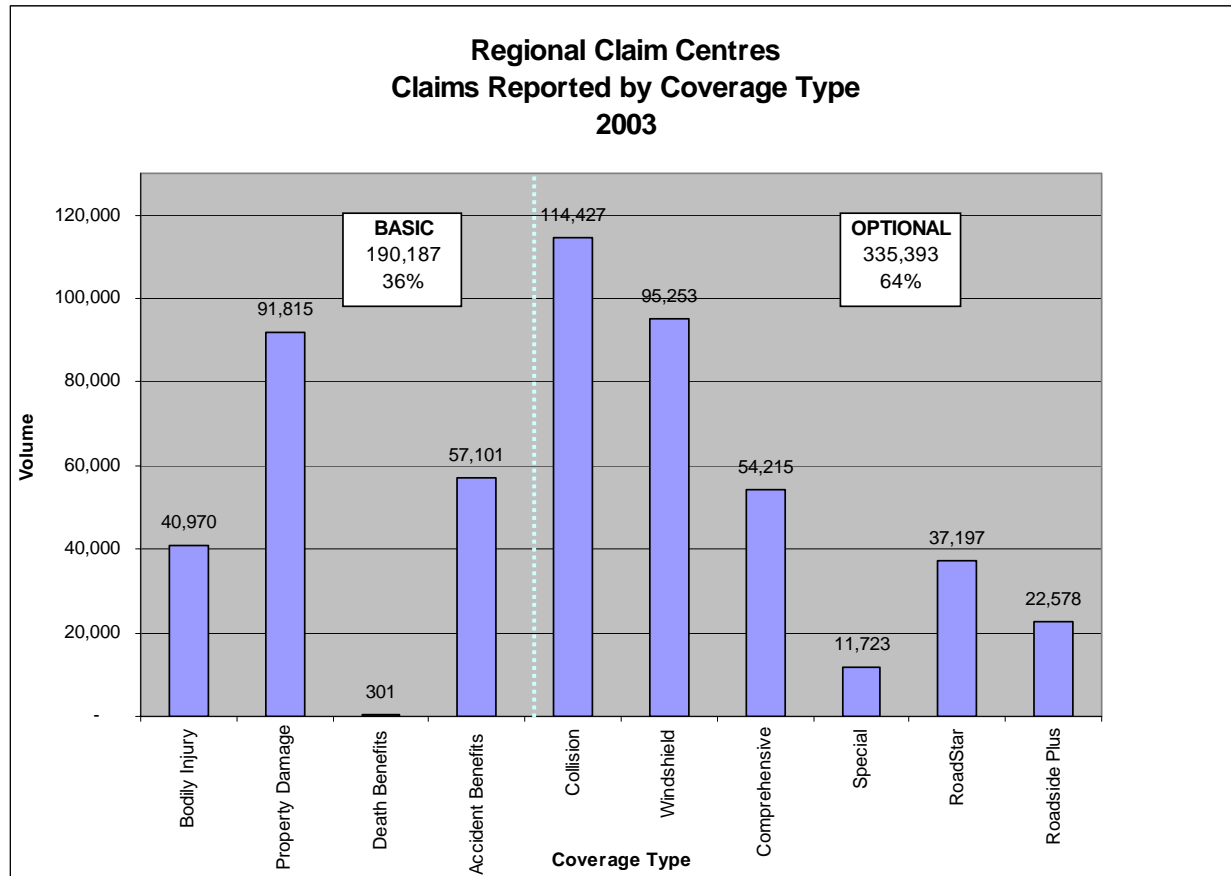
34. The claims handled by Specialized Claims encompass both unique and/or complex bodily injury claims and material damage claims. The Specialized Claims cost categories are not part of Regional Claim Centres. Various allocators are applied to each of the different specialized claims departments based on the nature and claims handling activities of that department.

35. In 2003, there were 930,817 claims reported to ICBC. Of that total, a number of specialized claims handling departments (referred to as Specialized Claims) handled 5,512 claims or 1%, the Call Centre Department (also referred to as TCD) handled 399,725 claims or 43%, and Regional Claim Centres handled 525,580 or 56%.

36. The break down of claims by handling area is shown in the chart below. This chart shows what portion (56%) of the claims reported to ICBC are handled in the Regional Claim Centres as compared to the portions handled by the Call Centre Department and Specialized Claims:



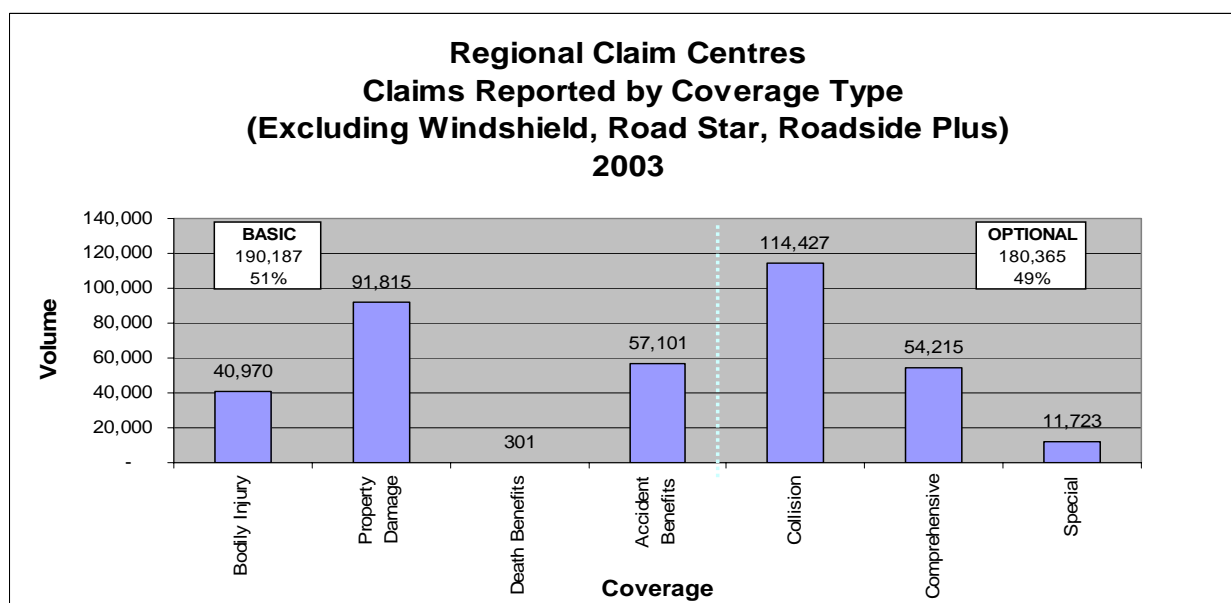
37. The following chart breaks down the 525,580 claims adjusted by Regional Claim Centres by coverage type. This chart above clearly shows what portion (56%) of the claims reported to ICBC are handled in the Regional Claim Centres versus those claims handled by the Call Centre Department and Specialized Claims Handling. The claims handled by the Regional Claims Centres are more varied and complex than those handled in the Call Centre Department.



38. Within the Optional coverage types, Windshield, RoadStar, and Roadside Plus¹⁰ claims involve very little work effort on the part of ICBC personnel. The claims handling procedures underlying these claims are very streamlined and involve limited contact with a claim centre. Customers with a windshield claim can go through the Express Glass program which allows a claimant to go directly to a glass repair facility and by-pass a claim centre completely.

39. The following chart re-states the number of reported claims after excluding Windshield, RoadStar, and RoadSide Plus claims given that there is a minimal amount of work effort required within the Regional Claims Centres on claims of that type.

¹⁰ RoadStar and Roadside Plus are optional coverage only available to qualified purchasers. The RoadStar package includes coverage for loss of use, rental vehicle insurance, vehicle travel protection and lock re-keying while Roadside Plus also includes additional coverage for theft deductible waiver, travel expenses for immediate family members and emergency roadside expense repayment. In the Regional Claim Centres, there is a minimal work effort requirement on these claims and usually only involves reimbursement for submitted expenses.



Total Claims excluding Windshield, RoadStar, and RoadSide Plus: 370,552

40. Even excluding the most simplistic types of claims, that have the lowest work effort, ICBC does not feel that an allocation by volume of claims is appropriate. This is because volume of claims does not take into account the Work Effort involved in different claim types, and in particular the significant work effort involved in Bodily Injury Claims.

41. In 2003, Regional Claim Centres operating costs were \$131,118,500, broken down into the following main cost groups.

Regional Claim Centres - Total 2003 Compensation & Operating Costs		
	Total Costs	% of Total Costs
Compensation	\$ 112,728,493	86%
Facilities Costs	\$ 13,298,112	10%
Other Operating Costs	\$ 5,091,895	4%
Total Compensation & Operating Costs	\$ 131,118,500	100%

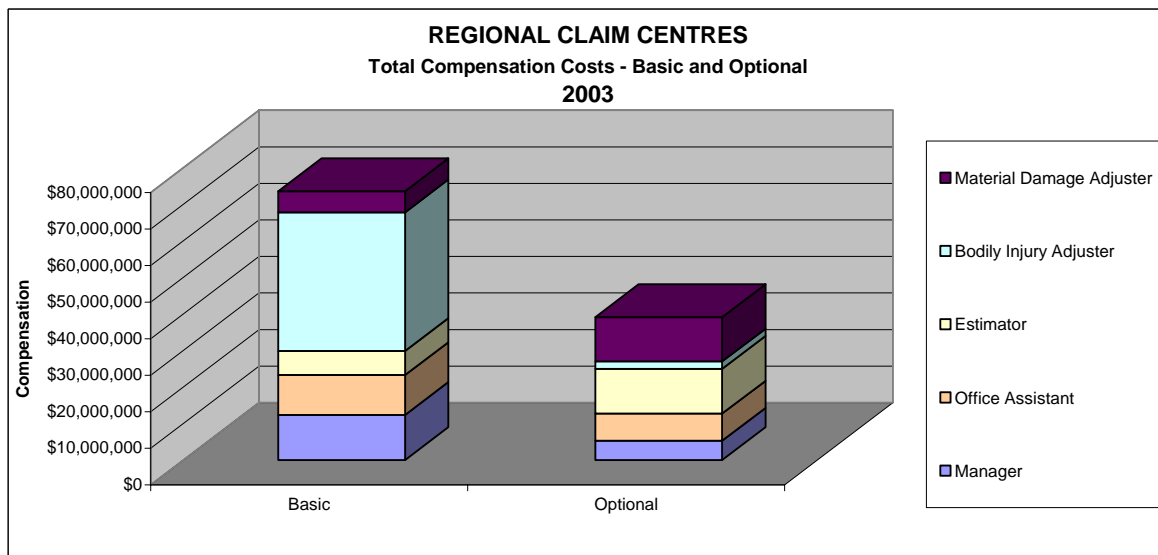
The allocation of these costs was discussed in the October 2004 hearing and after adjustments made in that proceeding, the allocation of the Regional Claim Centres costs was 65.3% to Basic insurance and 34.7% to Optional insurance. The allocation is based on Work Effort, which refers to the underlying claims handling activities or work performed in each of the Regional Claim Centres, grouped according to 10 claims transaction types and 5 different job categories.

Development of a Functional Allocator and ICBC's Allocation

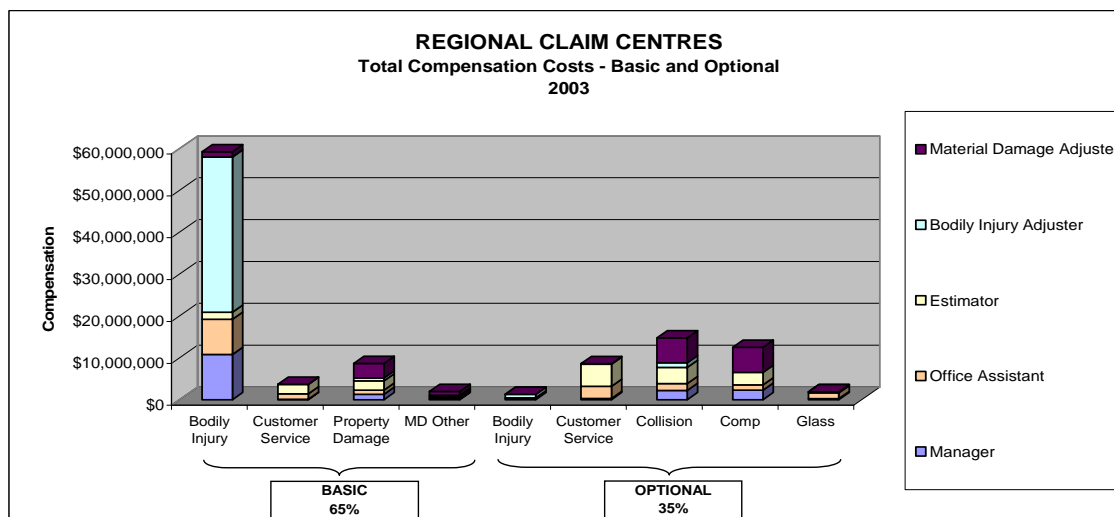
42. As noted in the July 2004 Application and the October 2004 hearing, ICBC believes that Work Effort is the appropriate allocator for Regional Claim Centres. A transaction costing approach was used to assign a work effort percentage for each job category within the Regional Claim Centres (such as a bodily injury adjuster) and to the various claims transaction types (such as a comprehensive claim). At a regional level, total compensation costs were then allocated to the various claims transaction types based on these work effort percentages. An allocation between Basic insurance and Optional insurance was then determined for each of the claims transaction types and these were used to determine the total compensation costs that should be allocated to Basic insurance and Optional Insurance. The regional allocations were then aggregated, and for Regional Claim Centres as a whole, the allocation of operating costs between Basic insurance and Optional Insurance was determined.

43. It should be noted that the original design and objectives of the transactional costing work, using activity based/transactional costing and cost management accounting principles, were undertaken by ICBC to determine the costs of dealing with different types of claims for management decision-making purposes. This was done in early 2002, before ICBC became a regulated entity. The original design and objectives were not undertaken for the Financial Allocation study filed with the Commission. Because this analysis determined the claims handling costs by transaction type (which could be allocated between Basic insurance and Optional insurance), it was considered appropriate as the basis for allocation of the Regional Claim Centres costs between Basic insurance and Optional insurance and accordingly was adapted for ICBC's first filing with the Commission in 2003. Please refer to Appendix 4 for a description of the Transaction Costing Methodology.

44. The following chart shows the allocation of total compensation costs between Basic insurance and Optional insurance with the underlying coverage types aggregated.



45. The following chart shows the allocation ratio of total compensation costs between Basic insurance and Optional insurance with the underlying coverage types broken out.



46. The allocation between Basic insurance and Optional insurance is approximately 65% /35% when the Work Effort of the Regional Claim Centres personnel is used as the basis for the allocation of costs.

47. In its July 2004 Application ICBC supported the use of a Claims Incurred allocator to allocate the costs of Claims Services other than amounts to be allocated to Non-insurance pursuant to the agreement with the Ministry of Public Safety and Solicitor General. The Claims Incurred allocator as presented in that Application allocated 62% of costs to Basic insurance and 38% to Optional insurance. ICBC continues to believe that an allocation of all Claims Services costs through the use of the Claims Incurred allocator would be appropriate, and would simplify the overall allocation methodology. While ICBC believes a Claims Incurred allocator would be appropriate for all Claims Services costs (i.e. Regional Claim Centres, Call Centre Department, etc.), it would be inappropriate to use that broad allocator for selected allocation functions (such as the Regional Claim Centres) while using more specific allocators for other cost-centres or allocation functions (such as the Call Centre Department).

48. ICBC believes that Work Effort is the appropriate allocator for the Regional Claim Centre cost category as the Work Effort recognizes all four key factors:

- the types of claims,
- different types require differing amounts of work effort,
- compensations levels differ for personnel having different qualifications, and
- staffing requirements for the volume of claims.

49. Recognition of the Work Effort within the Regional Claim Centres resulted in an allocation between Basic insurance and Optional insurance of approximate 67%/33% as set out in the July 2004 Application, which has been changed to an approximately 65%/35% (with reference to Exhibit B-27, included in Appendix 5) allocation of the Regional Claim Centres costs between Basic and Optional insurance.

50. For further information on Regional Claim Centres please see Appendix 2.

II. In-House Counsel (Provincial Litigation Services) [renamed from Claims Litigation – Field Services]

51. This allocation function relates to the in-house ICBC defence counsel who are employed by ICBC to defend actions brought against ICBC and persons insured by ICBC. Other than in very limited circumstances (e.g. fraud recovery files) the in-house counsel only defend ICBC and ICBC insureds in litigation.

52. Below please find the costs category allocation of In-House Counsel (Provincial Litigation Services) [formerly, Claims Litigation – Field Services] as included in the July 2004 Application.

		\$ in thousands				Allocation %			
Operating Costs Claim Services	Allocator	Basic Insurance	Non Insurance	Optional Insurance	Total	Basic Insurance	Non Insurance	Optional Insurance	Total
In-House Counsel (Provincial Litigation Services)	Work Effort	8,215		432	8,647	95.0%	0.0%	5.0%	100.0%

Description of Cost Category

53. The In-house Counsel (Provincial Litigation Services) cost category encompass the 44 in-house defence counsel, managers and support staff in the seven in-house counsel departments located throughout the province (Vancouver, New Westminster, Nanaimo, Victoria, Kelowna, Kamloops and Courtenay). On average, 97-98% of the files handled by in-house counsel relate to bodily injury files that settle below the \$200,000 compulsory insurance limit and accident benefit files related to those bodily injury files. The remaining 2-3% are comprised of claims pursuant to Part 9 of the *Insurance (Motor Vehicle) Act Revised Regulations* ("Part 9 Claims")¹¹ and bodily injury claims that settle above the \$200,000 compulsory insurance limit.

54. ICBC believes that Work Effort is the appropriate allocator for the In-house Counsel (Provincial Litigation Services) cost category given that 90% of the costs captured by the In-house Counsel (Provincial Litigation Services) cost category related to staff (i.e. lawyers, managers, and administrative staff) compensation.

55. Claimants who wish to sue for injuries caused in a motor vehicle accident can initiate their law suit through either the Provincial Court (Small Claims jurisdiction) or Supreme Court. Provincial Court and Supreme Court files with exposures less than \$200,000 are handled at the

¹¹ Part 9 deals with claims under the Optional insurance for cost of repair, replacement and depreciation of a vehicle.

Regional Claim Centres. Supreme Court files with exposures over \$200,000 are handled by ICBC's Head Office Claims Department or Head Injury Department.

56. After ICBC has been served with a Writ of Summons and a legal file has been opened, it is then assigned to either in-house counsel (Provincial Litigation Services) or to external counsel. Generally, in-house counsel receives approximately 18-20% of the total defence assignments, with the remaining 80-82% being assigned to external counsel (the percentage fluctuates depending on the number of actions commenced and the number of in-house counsel employed). Of the 18-20% of defence assignment that go to in-house counsel, approximately 95% of them relate to bodily injury claims and related accident benefit claims that are handled by Regional Claim Centres, while the remaining 5% are mostly related to claims that are handled by the Head Office Claims Department and Head Injury Department. A small percentage are assignments on Part 9 (Optional insurance) claims which are also handled by the Regional Claim Centres. Of those that are handled by the Head Office Claims Department and the Head Injury Department, the file assigned to the in-house counsel often involves the defence of person insured by ICBC who is not expected to be found to be primarily liable. The majority of files assigned to in-house counsel are files with potential exposures less than \$200,000.

Development of a Functional Allocator and ICBC's Allocator

57. In order to determine the allocator based on work effort, ICBC looked at the number of file assignments to in-house counsel. As 95% were from the Regional Claim Centres, the allocation was made at 95%/5% as the Regional Claim Centres predominantly work on files below \$200,000. Upon further analysis (undertaken for this workshop) it was realized that the exposure on a file may change from the date of assignment to when the file closes. Therefore, ICBC reviewed data on closed litigated in-house files. Closed files were used since it can only be determined if the amount paid out on the file exceeds the \$200,000 Basic insurance indemnity limit upon file closure.

58. This data, set out below, indicated that in the years 2002 to 2004 only 1% to 2% (on average) of bodily injury files exceeded the \$200,000 Basic insurance indemnity limit. A further .5 to 1% (on average) of closed files related to Part 9 claims.

	Total File Count	Part 9	% of Files that are Part 9	Files > \$200,000	% of Files > \$200,000
2002	2387	21	0.9%	26	1.1%
2003	1766	9	0.5%	25	1.4%
2004	1992	16	0.8%	43	2.2%

59. ICBC personnel assessed that the 1-2% of closed files that exceeded the \$200,000 Basic insurance indemnity limit does not take in to account the fact that those files require a higher amount of work effort. Although the in-house legal department does not track time on a file by file basis, it was estimated that approximately 5% of the counsel, staff, management and administrative time within the department work is related to the 1–2% of the files that exceed \$200,000 and the Part 9 claims. As a result of this information, ICBC determined to allocate 95% of the costs of the In-House Counsel (Provincial Litigation Services) department to Basic insurance and 5% to Optional insurance.

60. The allocation of 95%/5% does not take into account the need for a pro-rata allocation of costs when the payment (settlement or judgment) made on an action exceeds the Basic insurance indemnity limit. As explained in the response to BCUC Information Request 6.1 in the July 2004 Application proceedings, if a claim is settled for \$300,000 then two thirds of the defence costs should be allocated to Basic insurance and one third to Optional insurance. Nor does the 95%/5% allocation take into account the fact that the Basic insurance indemnity limit is not limited to \$200,000, but also includes an obligation under section 69 of the *Insurance (Motor Vehicle) Act Regulation* to pay party and party costs and court ordered interest in addition to the \$200,000 coverage for property damage and bodily injury, making the Basic insurance indemnity limit greater than \$200,000.

61. ICBC believes that the allocator used for In-House Counsel (Provincial Litigation Services) results in a fair and equitable allocation of the costs of this cost category.

62. For further information on In-House Counsel (Provincial Litigation Services) please see Appendix 6.

III. Claims Systems Support

63. The third allocation function within Claims Services is Claims Systems Support.

Description of Cost Category

64. The Claims Systems Support cost category represents a monthly allocated assessment from ICBC's Information Services Division ("ISD")¹² for infrastructure costs that relate to Claims Services. The costs charged out in 2003 by ISD to Claims Services amounted to \$19.3 million and pertain to corporate-wide infrastructure equipment and maintenance used by Claims Services for telephone services, data network, hardware to the desktop, ICBC's major server environment for the mainframe, and servers. These costs relate to corporate-wide services, typically referred to as infrastructure costs, and not applications that are dedicated to Claims Services. The remaining \$2.5 million of costs in this cost-centre are other costs explained more fully in Appendix 7.

65. The Claims Service Support cost category is in effect an account in which the Claims Services portion of corporate-wide ISD costs are recorded; the cost category does not represent particular individuals or a particular function.

Development of a Functional Allocator and ICBC's Allocation

66. The allocator that has been used to allocate Claims Systems Support costs (the IT infrastructure costs associated with Claims Services) to the Basic insurance and Optional insurance business segments is the weighted average of the costs within two other cost categories: Regional Operations (now renamed as Regional Claim Centres) (98% weighting) and Salvage Operations (2% weighting). The types of information system transactions performed by the Regional Claim Centres and Salvage Operations were deemed to be representative of the information system transactions performed by all of Claims Services as it was considered that the majority of the transactions related to the systems costs are performed in the Regional Claim Centres. The use of that allocator resulted in 66% of the Claims System Support costs being allocated to Basic insurance and 34% to Optional insurance.

67. The underlying rationale for the allocator to be used for Claims System Support is that the ISD charges to Claims Services that are recorded in the Claims Systems Support cost category should be allocated on the same basis as the operational areas that are supported by these ISD services.

¹² The Information Services Division manages ICBC's computer software, hardware, internet, telephone and email systems. It also designs, develops, implements and maintains computer programs that perform tasks for various ICBC computer users. When required, ISD adapts software purchased from external vendors to best suit ICBC's business needs.

68. During the further analysis undertaken for this workshop it was determined that the use of an allocator based on the weighted average of Regional Claim Centres and Salvage Operations did not sufficiently take into account the ISD services provided to other areas of Claims Services, primarily the Call Centre Department. Therefore, it has been concluded that the allocator Claims Division Average, which does include the Call Centre Department, is a more equitable basis for the allocation of Claims System costs between the three business segments of Basic insurance, Optional insurance and Non-insurance. The use of that allocator is depicted in the following chart:

	2003 Division	Cost Centre	Allocator Description	Dollars in \$000			
				Sum of Basic Ins \$	Sum of NI \$	Sum of Opt Ins \$	Sum of total \$
Claims System Support	OPERATIONS	Claims System and Other Costs	Claims Division Average	13,780	44	8,049	21,873
Percentage Allocation				63.0%	0.2%	36.8%	100.0%

Using the revised Claims Division Average allocator would decrease 2003 Claims System Support costs allocated to Basic insurance by \$656,100, increase the allocation to Non-Insurance by \$43,700, and increase the allocation to Optional insurance by \$612,400.

69. For further information on Claims System Support please see Appendix 7.

IV. Claims General Support (renamed from General Support)

70. The fourth allocation function within Claims Services is Claims General Support (formerly General Support).

Description of Cost Category

71. Claims General Support represents nine cost-centres whose general function is to provide support or record indirect costs related to the Claims Services. The cost-centres can be divided into five sub-functions:

- Information Systems Division applications support dedicated to Claims Services
- Claims process review and business analysis
- Preparation and maintenance of Claims procedural manuals
- Project management of Claims Services projects
- Compensation accrual (gainsharing, performance bonus and pension expenses) related to employees in Claims Services.

Development of a Functional Allocator and ICBC's Allocation

72. The cost-centres have been grouped as one functional group because:

- They all share the common function of supporting Claims Services;
- They are miscellaneous cost-centres. They are grouped to avoid an even longer list of functional grouping that has been presented in Appendix 1;
- The compensation accrual (gainsharing, performance bonus and pension expense) cost-centre that is included relates to such costs of Claims Services; and
- The allocators are based on substantially similar drivers (mostly Regional Claim Centres) with some slight variations only, therefore, in terms of cost causality, they are similar.

73. The allocator that has been used for the Claims General Support cost category has been a Weighted Average of the Cost-Centres included in the allocation function.

74. The table below lists the nine cost-centres and provides the details of the allocation summary presented in Appendix 1B of ICBC's July 2004 Application. The information included relates to 2003.

The following is a cost centre breakdown of Claims General Support found on page 1-84 of Appendix 1B of the July 2004 submission

General Support	Allocator	\$ in thousands				Allocation %			
		Basic Insurance	Non Insurance	Optional Insurance	Total	Basic Insurance	Non Insurance	Optional Insurance	Total
1 Claims Application B	claims division average	608	2	356	966	63.0%	0.2%	36.8%	0.0%
2 Claims Application A	claims division average	635	2	371	1,008	63.0%	0.2%	36.8%	0.0%
3 Sales & Service	claims division average	34		20	54	63.0%	0.2%	36.8%	0.0%
Total Information Systems Related		1,277	5	747	2,028	63.0%	0.2%	36.8%	100.0%
4 Claims Bus Analysis	claims general support	616	-	317	933	66.0%	0.0%	34.0%	100.0%
5 Best Practices	regional operations average	345	77	172	595	58.0%	13.0%	29.0%	100.0%
Total Process Review and Business Analysis		960	77	490	1,527	62.9%	5.1%	32.1%	100.0%
6 Operations Procedures	work effort estimate and divisional average	259	86	230	575	45.0%	15.0%	40.0%	100.0%
Total Procedural Manuals		259	86	230	575	45.0%	15.0%	40.0%	100.0%
7 Claims Proj. Set.(larger scale projects)	claims division average	1,728	6	1,010	2,744	63.0%	0.2%	36.8%	100.0%
8 Claims Enh. Prj. Set (smaller scale projects)	claims division average	381	1	223	606	63.0%	0.2%	36.8%	100.0%
Total Projects		2,109	8	1,233	3,350	63.0%	0.2%	36.8%	100.0%
9 Project Op - Claims (Compensation accrual)	claims division average	4,883	17	2,855	7,755	63.0%	0.2%	36.8%	0.0%
Total Compensation Accrual		4,883	17	2,855	7,755	63.0%	0.2%	36.8%	100.0%
Total General Support		9,488	193	5,554	15,236	62.3%	1.3%	36.5%	100.0%

75. As can be seen in the table above, 6 of the 9 cost-centres made use of the Claims Division Average allocator since the cost-centres provided general support for, or related to general costs of, the whole of the Claims area. The other three cost-centres used other allocators, with the allocator for the Claims General Support cost category being a weighted average of the nine.

76. The Claims Application A and Claims Application B cost-centres represent primarily compensation costs of information systems that are dedicated to Claims Services. These cost-centres differ from the functional group "Claims System Support", which essentially represents Claims Services' share of the corporate-wide mainframe and telecommunication infrastructure costs. Sales & Service cost-centre records the compensation costs for the senior manager responsible for both the Claims Application A and Claims Application B cost-centres.

77. The personnel in the Claims Business Analysis cost-centre provide support to systems and processes to all areas in Claims Services. The costs in this cost-centre had been allocated using an allocator that was the weighted average of the allocation of costs of Regional Operations (now Regional Claim Centres) and Salvage Operations. The allocator used in the July 2004 Application did not fully reflect Claims areas outside of Regional Claim Centres and Salvage Operations which this cost-centre supports. It is therefore proposed that the costs of this cost-centre be allocated using the Claims Division Average allocator to reflect the full spectrum of areas which this cost centre supports.

78. In 2002 the personnel in the Operations Procedural Manual cost-centre worked on procedural manuals for both the Claims and Insurance areas. Their functions have been revised and the personnel in that cost-centre no longer work on Insurance related manuals. Accordingly, the allocation of the costs in that cost-centre should be revised. It is proposed that the Claims Division Average allocator now be used for this cost-centre since the manuals prepared and maintained by personnel in this area can relate to all of the operational areas within Claims Services.

79. The Best Practices cost-centre primarily provides support to Claims field operations. The functions performed by the personnel in that cost-centre have been further reviewed and it has been determined that their functions relate more closely to the overall Claims area than to the Regional Claim Centres, which was the basis of the allocator for that cost centre in the July 2004 Application. It is proposed that the allocator for this cost-centre also be the Claims

Division Average, again since the functions performed by personnel in this area can relate to all of the operational areas within the Claims area.

80. Claims Projects (larger scale projects) and Claims Enhancement Projects (smaller scale projects) represent the compensation and operating costs related to management of Claims projects. Claims projects are generally initiatives for business process, system and operational changes.

81. The Project Operations cost-centre records the compensation accrual for gainsharing, performance bonuses accrual, net of pension expense for employees in Claims Services.

82. The personnel in the Claims Business Analysis cost-centre provide support to claims systems and processes. The costs in this cost-centre had been allocated using an allocator that was the weighted average of the allocation of costs of Regional Operations (now Regional Claim Centres) and Salvage Operations (as used for Claims Systems Support). It is proposed that the costs of this cost-centre be allocated using the Claims Division Average allocator.

83. If the proposed amendments to the allocators used in the Claims General Support cost category are adopted then all nine of the cost-centres in this cost category would make use of the Claims Division Average allocator.

84. Compared to the current allocators, the use of proposed allocators would result (based on 2003 costs) in approximately \$105,000 more being allocated to Basic insurance, \$159,000 less to Non-insurance and \$54,000 more to Optional insurance. The following table shows the difference between the current and proposed allocators.

	General Support	Proposed Allocator	Incr (Decr) in Basic Expense \$ in thousands				Incr(Decr) in Basic Allocation %			
			Basic Insurance	Non Insurance	Optional Insurance	Total	Basic Insurance	Non Insurance	Optional Insurance	Total
1	Claims Application B	claims division average	-	-	-	-	0.0%	0.0%	0.0%	0.0%
2	Claims Application A	claims division average	-	-	-	-	0.0%	0.0%	0.0%	0.0%
3	Sales & Service	claims division average	-	-	-	-	0.0%	0.0%	0.0%	0.0%
	Total Information Systems Related		-	-	-	-	0.0%	0.0%	0.0%	0.0%
4	Claims Bus Analysis	claims division average	(28)	2	26	()	-3.0%	0.2%	2.8%	0.0%
5	Best Practices	claims division average	30	(76)	46	-	5.0%	-12.8%	7.8%	0.0%
	Total Process Review and Business Analysis		2	(74)	72	()	2.0%	-12.6%	10.6%	100.0%
6	Operations Procedures	claims division average	103	(85)	(18)	-	18.0%	-14.8%	-3.2%	0.0%
	Total Procedural Manuals		103	(85)	(18)	-	18.0%	-14.8%	-3.2%	100.0%
7	Claims Proj. Set.(larger scale projects)	claims division average	-	-	-	-	0.0%	0.0%	0.0%	0.0%
8	Claims Enh. Prj. Set (smaller scale projects)	claims division average	-	-	-	-	0.0%	0.0%	0.0%	0.0%
	Total Projects		-	-	-	-	0.0%	0.0%	0.0%	0.0%
9	Project Op - Claims (Compensation accrual)	claims division average	-	-	-	-	0.0%	0.0%	0.0%	0.0%
	Total Compensation Accrual		-	-	-	-	0.0%	0.0%	0.0%	0.0%
	Total General Support		105	(159)	54	()	0.6%	-1.0%	0.4%	0.0%

85. The Sales and Service cost-centre (number 3 above) has been closed and the costs were subsequently moved to another cost-centre outside of the Claims Services. As such, this cost-centre will not be included under the Claims General Support functional grouping. As none of the other cost centres' allocation is dependent on this cost-centre, this move does not change any of the allocators or their percentage in the Claims General Support functional grouping.

E. ALLOCATION FUNCTIONS FOR INSURANCE SERVICES

86. Insurance Services represents internal operating costs relating to the various business areas that support the sale of the Basic insurance and Optional insurance products. Examples of the types of business functions include the development and distribution of the Notice to Renew to each insured annually, risk underwriting for Basic insurance (verification that proper declarations of principal operator or territory, for example, have been made or that entitlements to discounts based on out of province driving records have been appropriately established, and that correct premium has been paid), garage and fleet underwriting for Basic insurance, underwriting for Optional insurance, and development and maintenance of Autoplan Manuals for brokers. Operating costs relating to vehicle registration and licensing transactions are also included since they are an integrated transaction with the Basic insurance transaction. The

most suitable allocator has been selected for each functional area in an effort to allocate costs to the Basic and Optional Insurance lines of business in an appropriate manner.

87. The three cost categories within Insurance Services that the Commission has directed should be examined in this workshop are Insurance Systems Support (formerly Insurance Allocations), Bad Debts & Allowances, and General Broker Support. Those cost categories are discussed below.

88. Certain of the costs discussed below make use of the Premiums Written ratio. In the July 2004 Application the premiums written ratio was calculated (based on 2003 data) to result in an allocation of 55.9% to Basic insurance and 44.1% to Optional insurance. In the Decision, ICBC was instructed to recalculate the Premiums Written ratio by removing the Non-insurance costs before calculating the Premiums Written ratio as between Basic insurance and Optional insurance.¹³ Removing the Non-insurance costs results in an allocation of 54.3% to Basic insurance and 45.7% to Optional insurance (based on 2003 data).

I. Insurance Systems Support (renamed from Insurance Allocations)

Description of Cost Category

89. The Insurance Systems Support (formerly Insurance Allocations) cost category represents a monthly allocated assessment from ICBC's Information Services Division for infrastructure costs that relate to Insurance Services. The costs charged out in 2003 by ISD to Insurance Services amounted to \$7.2 million and pertain to corporate-wide infrastructure equipment and maintenance used by Insurance Services for mainframe applications, servers, telephone services, data network, and desktop hardware. These costs relate to corporate-wide ISD applications and services, and not applications that are dedicated to Insurance Services.

90. The cost category as included in the July 2004 Application, is shown below:

				Dollars in \$000			
	2003 Division	Cost Centre	Input Code Description	Sum of Basic Ins \$	Sum of NI \$	Sum of Opt Ins \$	Sum of total \$
Insurance Allocations	Insurance	300000 Ins Ops. BC	Premiums Written Ratio	(6)		(5)	(11)
		170005 Ins IT Allocations		4,051		3,196	7,246
		170005 Other Costs		28		22	50
				4,073		3,213	7,286
Percentage Allocation			Total Centre	55.9%	0.0%	44.1%	100.0%

¹³ Decision, page 40

As discussed above, the Premiums Written ratio was amended to 54.3% Basic insurance and 45.7% Optional insurance in accordance with the Decision.

91. The Insurance Systems Support cost category is the same as the Claims Systems Support cost category, only for the Insurance Services.

Development of a Functional Allocator and ICBC's Allocation

92. The allocator used to allocate Insurance Systems Support costs as between the Basic insurance and Optional insurance business segments is the Premiums Written ratio.

93. The Premiums Written ratio was selected as the cost allocator for Insurance Systems Support because ICBC's systems access, computer network lines, and telephones are all used to either sell, answer queries about, investigate, or make corrections to, the vehicle insurance Basic insurance and Optional insurance products. The allocator is considered proper because the Insurance systems are used by Insurance Services similarly to capture and process insurance transactions, of which the Premiums Written ratio are considered the most appropriate surrogate.

94. For further information on Insurance Systems Support please see Appendix 8.

II. Bad Debts & Allowances

Description of Cost Category

95. The cost category as included in the July 2004 Application is shown below:

Operating Costs Insurance Services	Allocator	\$ in thousands				Allocation%			
		Basic Insurance	Non Insurance	Optional Insurance	Total	Basic Insurance	Non Insurance	Optional Insurance	Total
Bad Debts & Allowances	Weighted Average- Income	3,246		1,666	4,911	66.1%	0.0%	33.9%	100.0%

96. Bad Debts & Allowances is comprised of one cost-centre, which records the bad debt estimate based on prior year's experience of the outstanding debt owed to ICBC from "Autoplan defaulted premiums" and Driver Penalty Points ("DPP") Premiums.

97. "Autoplan defaulted premiums" are made up of defaulted payments under ICBC's Autoplan12 ("AP12") financing program and dishonoured cheque payments and underpayments

relating to ICBC insurance premiums paid directly ("Autoplan Miscellaneous"). Because ICBC collects its premium for both Basic insurance and Optional insurance in a single transaction, AP12 financing is for both the Basic insurance and Optional insurance premium amounts, and where the customer purchases only Basic insurance, just the Basic insurance premium amount (ICBC does not finance the Optional insurance premium amount alone). When there is a default under AP12, that default affects both the Basic insurance and Optional insurance premium amount and the outstanding amount become a single debt owing to ICBC. Similarly, if a cheque is dishonoured, the lack of payment relates to the total amount payable to ICBC, not only to Optional insurance if both Optional insurance and Basic insurance coverages are purchased. Any payments made on the debt reduce the total debt amount, and are not applied to reduce the amount owing to one line of business in advance of the other.

98. In BC, if a driver commits an offence under the *Motor Vehicle Act* or its regulations or under specified sections of the *Criminal Code of Canada*, points are recorded on the driving record. DPP Premiums refer to an annual amount billed to holders of BC driver's licenses, based on the number of points recorded against their driving record. The DPP premiums are used to provide all holders of valid BC driver's licenses, whether or not they own a vehicle, with third party liability insurance, accident benefits and underinsured motorist protection.

99. Any collection over and above the bad debt allowance is called recovery, and is recorded in the same account to reduce the expense. The only costs in the Bad Debt and Allowances category are the bad debts costs; there are no personnel or other costs included.

Development of a Functional Allocator and ICBC's Allocation

100. The allocator used for the Bad Debts & Allowances cost category is the weighted average of the allocations determined for each of the three receivables comprising Bad Debts & Allowances (i.e. AP12, Autoplan Miscellaneous, and DPP Premiums).

101. AP12 and Autoplan Miscellaneous transactions make up approximately 80% of the transactions within Bad Debts & Allowances and are allocated using the Premiums Written ratio. The Premiums Written ratio was chosen for the AP12 and Autoplan Miscellaneous bad debts because those bad debts are directly linked to revenue from premiums, which is incurred in the same Basic insurance/Optional insurance ratio as the premiums sold, i.e. the Premiums Written ratio.

102. The Premiums Written ratio is the most appropriate ratio for defaults on AP12 financing since the customer finances both the Basic insurance and Optional insurance components of the premiums due to ICBC (if both Basic insurance and Optional insurance is purchased) or the Basic insurance premiums if only Basic insurance is purchased. In either circumstance, the amount of Basic insurance and Optional insurance premiums financed is directly related to the premiums written for the transaction with that customer. If the customer then defaults (fails to pay) on the financing arrangement, the bad debt experienced for each of Basic insurance and Optional insurance is related directed to the premiums for each of Basic insurance and Optional insurance that were financed. Basic insurance will benefit from the current allocator of Premiums Written ratio.

103. The Premiums Written ratio is also the most appropriate ratio to use for dishonoured cheques or underpayments for premiums that are not financed (Autoplan Miscellaneous). If only Basic insurance coverage is purchased and the payment cheque is dishonoured then the bad debt relates to Basic insurance. If both Basic insurance and Optional insurance is purchased, and the payment cheque is dishonoured, then the bad debt relates to both Basic insurance and Optional insurance. In either circumstance the relevant bad debt to each of Basic insurance and Optional insurance will be reflected in the Premiums Written ratio.

104. If a customer defaults on AP12 payments, or if a premium payment cheque is dishonoured, ICBC attempts to recover the amount due. If initial attempts to recover are not successful ICBC will cancel the Optional insurance coverages but cannot cancel the Basic insurance coverages unless the vehicle license plate with the current coverage decal is recovered. When Optional insurance coverage is cancelled the premiums associated with the cancelled portion of the Optional insurance coverage is credited to the Bad Debts & Allowances cost-centre as a recovery. That recovery will, because it reduces the overall bad debts, be credited to each of Basic insurance and Optional insurance on the Premium Written ratio. The effect of such a credit is that Optional insurance is receiving part of the credit even though the Optional insurance coverage has been cancelled. The effect is that more costs are being allocated to Optional insurance than would be the case if the crediting procedure recognized that the credit should only apply to the Optional insurance coverages.

105. The other 20% of the transactions within the Bad Debt & Allowances cost-centre are DPP premium transactions. They are allocated 100% to Basic insurance because the DPP premiums are paid into a fund that provides third party liability insurance, accident benefits and

underinsured motorist protection, all of which are Basic insurance coverages. Pursuant to section 3(3) of Special Direction IC2 the Commission must treat any premiums levied under section 34 (1.1)(e) of the *Insurance (Motor Vehicle) Act* as revenue for Basic insurance.

106. The weighted average calculation of AP12, Autoplan Miscellaneous and DPP premiums yields an allocator for the Bad Debts & Allowances cost-centre as a whole.

107. For further information on Bad Debts & Allowance please see Appendix 9.

III. General Broker Support & Direct Sales (renamed from General Broker Support)

Description of Cost Category

108. The General Broker Support & Direct Sales cost category (formerly General Broker Support) is comprised of three cost-centres from two departments. Two of the cost-centres are in the Broker Enquiry Department and the third is in the Customer Contact Department. One cost-centre represents the day shift employees, the number of whom fluctuates around an average of approximately 34. The other cost-centre represents the afternoon shift employees, the number of whom fluctuates around an average of approximately eight.

109. The table below sets the allocation of the General Broker Support & Direct Sales cost category as included in the July 2004 Application and the allocation using the Premiums Written ratio as directed by the Commission.

Operating Costs Insurance Services Allocator		\$ in thousands				Allocation %			
		Basic Insurance	Non Insurance	Optional Insurance	Total	Basic Insurance	Non Insurance	Optional Insurance	Total
General Broker Support & Direct Sales	Premiums Written Ratio	1754		1384	3138	55.9%	0.0%	44.1%	100.0%
General Broker Support & Direct Sales	BCUC Premiums Written Ratio	1704		1434	3138	54.3%	0.0%	45.7%	100.0%
Difference		50		(50)					

110. The Broker Enquiries Department is located at the North Vancouver Head Office and is responsible for providing telephone support to brokers (agents) on complicated issues. The personnel in this area respond to all manner of inquiries from brokers (agents) related to the automobile insurance issues. These include inquiries on the effect of past claims on premiums, claims rated scale, systems difficulties, legislation, new vehicle license plates, persons moving to British Columbia and vehicle registration issues. However, since transactions with a customer typically start with either vehicle registration and licensing or the placing of the mandatory Basic

insurance, there are many instances where a question related to Basic insurance needs to be referred to the Broker Enquiry Department and resolved before the parties can complete the Basic insurance transaction and move on to the Optional insurance transaction. For example, if debt exists, the customer will not be eligible for the mandatory Basic insurance and the issue will need to be resolved in order to proceed.

111. Reviewing the Broker Enquiry Logging System indicates that in the case of each of the top six reasons that Brokers call in to the Broker Enquiry Department, resolution is required before the Basic insurance transaction can be completed. The top six reasons are :

- ADC (Autoplan Data Capture – transaction processing)
- New Plate, BC resident
- Claims Rated Scale (CRS) Information on renewal
- Interprovincial Records Exchange (IPRE) Confirmation
- Debt Information (all types)
- Vehicle registration issues

112. The complexity of the type of inquiries answered is reflected in the relatively low percentage of calls that the Broker Enquiry Department answers in comparison to the total number of broker transactions: approximately 10% of transactions carried out by brokers involve a call to the Brokers Enquiry Department. Brokers can deal with all normal issues on insurance coverage (including questions about the optional coverages available and the cost thereof) on-line and without a call to the Broker Enquiry Department. Many of these transactions are not specifically 'Basic' or 'Optional' transactions, and a large portion of the transactions, e.g. "New BC Resident" transactions, involves sorting out registration issues firstly, before any insurance coverage issues can be addressed.

113. The third cost-centre is the Direct Sales cost-centre. This area is located on the main floor at the North Vancouver Head Office. The Direct Sales cost-centre works similar to an Autoplan Insurance Broker in that the personnel deal with fleet accounts, customers who are out of province and customers off the street, selling Autoplan insurance and also fielding any customer related inquiries. The number of employees in this cost-centre fluctuates around an average of approximately 6 employees.

Development of a Functional Allocator and ICBC's Allocation

114. ICBC has allocated General Broker Support (now renamed General Broker Support & Direct Sales) costs on the basis of premiums written (i.e. utilizing the Premiums Written ratio), primarily for two reasons. First, the Broker Enquiry Department provides support for the Autoplan Insurance Brokers who have a complicated issue that must be dealt with. The issues handled by this group are not solely related to Basic insurance or Optional insurance, and often are issues that relate to both Basic insurance and Optional insurance (such as questions on the claims rated scale of a customer). In many Broker Enquiry Department transactions there is an element related to Basic insurance that must be resolved before Optional insurance can be purchased. Second, the Direct Sales cost-centre personnel within Head Office sell ICBC insurance policies directly to customers and also provide back up to the Broker Enquiry Department. These employees are directly involved in obtaining premiums for ICBC. ICBC believes that the Premium Written ratio allocator is appropriate for the three cost-centres, as the functional grouping supports both Basic insurance and Optional insurance products.

115. ICBC has undertaken an analysis of Broker Enquiry Department costs on the basis of work effort. An analysis of telephone calls was conducted using the Broker Enquiry Logging System. Data was analyzed based on two years of telephone calls to the Broker Enquiry Department. Each call was allocated to Basic insurance or Optional insurance based on call topic and average call time. This analysis indicated that based on the work effort information, 2003 costs allocated to Basic insurance should have been increased by approximately \$300,000, the allocation to Optional insurance should have decreased by approximately \$580,000 and there should have been approximately \$280,000 of costs allocated to Non-insurance.

116. ICBC is not recommending a change in the use of Premiums Written ratio as the allocator for this cost category.

117. For further information on the General Broker Support & Direct Sales functional grouping please see Appendix 10.



F. CONCLUSION

118. Following the directions in the Decision ICBC has reviewed the seven allocation functions identified for consideration in this Workshop. ICBC believes that the allocators presented in this Filing are the appropriate allocators to be used for those seven allocation functions.

A summary of the changes, excluding changes resulting from the Decision, as contained in this Filing, with reference to 2003 costs are shown below:

Summary of Changes	Increase (Decrease) in Expense \$ in thousands		
	Basic	Non Ins	Optional
Claims System Support	(656)	44	612
Claims General Support	105	(159)	54
Net Total	(551)	(115)	666

Appendix 1
Appendix 1A & 1B from the July 2004 Application

Appendix 1A: Glossary of Allocators

The following allocators and their respective percentages were used in the tables of Appendix 1B of the July 2004 Application to allocate costs between Basic insurance, Non-insurance and Optional insurance lines of business.

Allocator	Description	Basic Insurance %	Non-Insurance %	Optional Insurance %
Directly Attributable				
Directly attributable to Basic	Directly attributable to Basic insurance	100.0%	0.0%	0.0%
Directly attributable to Non-Insurance	Directly attributable to Non-insurance	0.0%	100.0%	0.0%
Directly attributable to Optional	Directly attributable to Optional insurance	0.0%	0.0%	100.0%
Work Effort				
Work Effort	Ratio based on analysis of underlying work activities within the cost centre	various	various	Various
Work Effort - Provincial Litigation	Based on volume of low value Bodily Injury files	95.0%	0.0%	5.0%
Work Effort - Provincial Litigation – Modified	Based on volume of low value Bodily Injury files but slightly lower Basic percentage than Provincial Litigation because it also supports Head Office Claims (which handles extended Third Party Liability claims)	80.0%	0.0%	20.0%
Averages				
Claims Division Average	Weighted average of Claims division cost centres	63.0%	0.2%	36.8%
Insurance Division Average	Weighted average of Insurance line of business cost centres in the Insurance and Claims Operations Division (Non-ins charged to Basic)	60.1%	0.0%	39.9%
Road Safety Division Average	Road Safety and Loss Management line of business average	93.1%	0.0%	6.9%
Square Footage	Average of each line of business weighted by square footage	59.1%	5.7%	35.2%
Average FTE & Advertising Expense	Marketing uses an average of the FTE and Advertising Expense functions	60.0%	0.0%	40.0%

**Financial Allocation Workshop Filing**

Weighted Average – Projects	Market Research uses a weighted average based on projects	11.7%	0.0%	88.3%
Weighted Average – Cost Centres	Weighted average of cost centres that it supports	various	various	various
Weighted Average – Transactions	Weighted average based on transactions processed	various	various	various
Weighted Average – Income	Weighted average of income components supported	various	various	various
Weighted Average – Expense	Weighted average of the expense components	various	various	various
Weighted Average – Special Coverages	Weighted average based on special coverage premiums	various	various	various
Weighted Average – FTE	Weighted average based on FTE function	various	various	various
Premiums				
Premiums Written	Premium Written ratio	55.9%	0.0%	44.1%
Premiums Written – HO Support	Premium ratio except for certain expenses which are 100% Optional	53.5%	0.0%	46.5%
Premiums Written – Product Development	Premium ratio except for certain expenses which are 100% Optional	50.1%	0.0%	49.9%
Premiums Written – Insurance Processing	Non-insurance percentage based on error log of licensing transactions, the balance uses the premium written ratio	38.0%	35.0%	27.0%
Commercial Vehicle Premiums Written	Commercial Vehicle Premium Written Ratio	60.2%	0.0%	39.8%
Premiums Written – Proxy	Proxy for Premiums Written ratio	Various	Various	Various
Premiums Earned	Premium Earned ratio	57.1%	0.0%	42.9%
Claims				
Newly Opened Exposures - TCD	Newly opened exposures in Telephone Claims Department	36.0%	0.0%	64.0%
Net Claims Costs – OOP MD	Allocated based on Out of Province MD net claims costs	46.0%	0.0%	54.0%
Net Claims Costs – HOC	Allocated based on average of Head Office Claims incurred costs	43.0%	0.0%	57.0%
Net Claims Costs – MD	Allocated based on corporate net MD claims costs	39.0%	0.0%	61.0%
Net Claims Costs – HE	Allocated based on net claims costs of Heavy Equipment department	25.0%	0.0%	75.0%
Shared Services				
Finance Shared Services Ratio	Weighted average of Claims Operations and Insurance Divisions, with Non-insurance	63.0%	0.0%	37.0%



Financial Allocation Workshop Filing

	portion prorated between Basic and Optional			
Corporate Shared Services Ratio	Weighted average of Claims Operations and Insurance Divisions	54.9%	12.8%	32.3%
Others				
Investment Income Ratio	Ratio calculated based on sources of funds i.e., Unpaid Claims, Unearned premiums and retained earnings	66.2%	0.0%	33.8%

Appendix 1B: Allocation Functions

Claims Services

The following is a functional breakdown of the Claims Services expenses found in Section 4.2.2 of the July 5th 2004 filing. Explanation of the allocators may be found in Appendix 1A.

Claims Services	Allocator	\$ in thousands				Allocation %			
		Basic Insurance	Non Insurance	Optional Insurance	Total	Basic Insurance	Non Insurance	Optional Insurance	Total
Regional Operations	Work Effort	87,597	-	43,522	131,119	66.8%	0.0%	33.2%	100.0%
Claims System Support	Weighted Average - Cost Centres	14,436	-	7,437	21,873	66.0%	0.0%	34.0%	100.0%
Call Centre Department	Newly Opened Exposures - TCD	6,700	-	11,912	18,612	36.0%	0.0%	64.0%	100.0%
General Support	Weighted Average - Cost Centres	9,488	193	5,554	15,236	62.3%	1.3%	36.455%	100.0%
Claims Litigation Field Service	Work Effort - Provincial Litigation	8,215	-	432	8,648	95.0%	0.0%	5.0%	100.0%
Centralized Estimating Facilities	Net Claims Cost - MD	2,610	-	4,082	6,692	39.0%	0.0%	61.0%	100.0%
Material Damage Support	Net Claims Cost - MD	2,056	-	3,215	5,271	39.0%	0.0%	61.0%	100.0%
Head Office Claims	Net Claims Cost - HOC	1,937	-	2,567	4,504	43.0%	0.0%	57.0%	100.0%
Ongoing Claim Services	Net Claims Cost - OOP MD	1,990	-	2,336	4,326	46.0%	0.0%	54.0%	100.0%
Rehabilitation	Directly attributable to Basic	3,475	-	-	3,475	100.0%	0.0%	0.0%	100.0%
Salvage	Net Claims Cost - MD	1,209	-	1,891	3,099	39.0%	0.0%	61.0%	100.0%
Call Centre Support	Weighted Average - Cost Centres	1,309	280	1,424	3,013	43.4%	9.3%	47.3%	100.0%
Heavy Equipment	Net Claim Cost - HE	467	-	1,401	1,869	25.0%	0.0%	75.0%	100.0%
Out of Province BI	Directly attributable to Basic	1,405	-	-	1,405	100.0%	0.0%	0.0%	100.0%
Claims Litigation Support	Work Effort - Provincial Litigation - Modified	1,105	-	276	1,381	80.0%	0.0%	20.0%	100.0%
Customer Service (liability resolution)	Directly attributable to Basic	1,373	-	-	1,373	100.0%	0.0%	0.0%	100.0%
Customer Service (low value BI)	Directly attributable to Basic	1,036	-	-	1,036	100.0%	0.0%	0.0%	100.0%
Customer Service (Call Centre)	Weighted Average - Cost Centres	572	56	391	1,019	56.1%	5.5%	38.3%	100.0%

Financial Allocation Workshop Filing

Claims Services	Allocator	\$ in thousands				Allocation %			
		Basic Insurance	Non Insurance	Optional Insurance	Total	Basic Insurance	Non Insurance	Optional Insurance	Total
Head Injury	Work Effort	762	-	191	953	80.0%	0.0%	20.0%	100.0%
BI Support	Work effort	812	-	43	855	95.0%	0.0%	5.0%	100.0%
Structured Settlement	Directly attributable to Optional	-	-	161	161	0.0%	0.0%	100.0%	100.0%
Provincial Claims Ops	Net Claims Cost - HOC	67	-	89	157	43.0%	0.0%	57.0%	100.0%
Customer Service (litigation)	Work Effort - Provincial Litigation	65	-	3	69	95.0%	0.0%	5.0%	100.0%
Total Claims Services		148,686	529	86,928	236,143	63.0%	0.2%	36.8%	100.0%

Disclosure on Statement of Operations				
Claim Services	148,686		86,928	235,614
Included in Non Insurance		529		529
	148,686	529	86,928	236,143

Road Safety and Loss Management

The following is a functional breakdown of the Road Safety and Loss Management expenses found in Section 4.2.3 of the July 5th 2004 filing. Explanation of the allocators may be found in Appendix 1A.

Road Safety and Loss Management	Allocator	\$ in thousands				Allocation %			
		Basic Insurance	Non Insurance	Optional Insurance	Total	Basic Insurance	Non Insurance	Optional Insurance	Total
Road Safety Initiatives	Directly attributable to Basic	30,020	-	-	30,020	100.0%	0.0%	0.0%	100.0%
Road Safety Project Ops	Road Safety Division Average	461	-	34	495	93.1%	0.0%	6.9%	100.0%
Fraud Management	Weighted Average - Cost Centres	4,996	-	2,574	7,570	66.0%	0.0%	34.0%	100.0%
Road Safety and Loss Management		35,478	-	2,608	38,086	93.2%	0.0%	6.8%	100.0%



Financial Allocation Workshop Filing

Operating Costs

The following is a functional breakdown of Operating Costs found in Section 4.2.4 of the July 5th 2004 filing. Explanation of allocators may be found in Appendix 1A.

Operating Costs	Allocator	\$ in thousands				Allocation %			
		Basic Insurance	Non Insurance	Optional Insurance	Total	Basic Insurance	Non Insurance	Optional Insurance	Total
Insurance Services									
Registration and Licensing	Directly attributable to Non-insurance except for some minor costs that are allocated based on transaction volume		7,380	47	7,426	0.0%	99.4%	0.6%	100.0%
Insurance Allocations	Premiums Written	4,073		3,213	7,286	55.9%	0.0%	44.1%	100.0%
Field Broker support	Work Effort	2,233	558	2,791	5,582	40.0%	10.0%	50.0%	100.0%
Bad Debts & Allowances	Weighted Average - Income	3,246	-	1,666	4,911	66.1%	0.0%	33.9%	100.0%
General broker support	Premiums Written	1,754		1,384	3,138	55.9%	0.0%	44.1%	100.0%
Chief Underwriter	Premiums Written - Product Development	1,331	-	1,325	2,657	50.1%	0.0%	49.9%	100.0%
Insurance Project Expenses	Insurance Division Average	1,376		915	2,291	60.1%	0.0%	39.9%	100.0%
Marketing	Average of FTE & Advertising Expense	898	-	599	1,497	60.0%	0.0%	40.0%	100.0%
Customer Accounting	Weighted Average - Income	1,007	345	86	1,438	70.0%	24.0%	6.0%	100.0%
Garage & Fleet	Weighted Average - FTE	894	57	468	1,418	63.0%	4.0%	33.0%	100.0%
Insurance Corporate Cost	Finance Shared Services Ratio	688		405	1,093	63.0%	0.0%	37.0%	100.0%
Ins. Business Analysis	Weighted Average - Cost Centres	412	247	417	1,075	38.3%	22.9%	38.8%	100.0%
Insurance Broker Team	Directly attributable to Basic	996	-	-	996	100.0%	0.0%	0.0%	100.0%
Specialty Lic & Ins	Weighted Average - Special Coverages	227	339	414	980	23.2%	34.6%	42.2%	100.0%
Head Office support	Premiums Written - HO Support	490		426	917	53.5%	0.0%	46.5%	100.0%
Actuarial	Weighted Average - FTE	360	-	540	901	40.0%	0.0%	60.0%	100.0%
Product Development	Premiums Written	500	-	395	895	55.9%	0.0%	44.1%	100.0%
Market Research	Weighted Average - Projects	101		765	867	11.7%	0.0%	88.3%	100.0%
Marketing and Underwriting applications	Insurance Division Average	500	-	332	832	60.1%	0.0%	39.9%	100.0%
Insurance Planning	Work Effort	260	260	260	781	33.3%	33.3%	33.3%	100.0%
Insurance Processing	Premiums Written - Insurance Processing	274	252	195	721	38.0%	35.0%	27.0%	100.0%
Regional Marketing	Work Effort	168		505	673	25.0%	0.0%	75.0%	100.0%
Internet Services	Premiums Written - Proxy	327		284	611	53.5%	0.0%	46.5%	100.0%
Competitive Products	Directly attributable to Optional	-	-	491	491	0.0%	0.0%	100.0%	100.0%
ADP Technical	Premiums Written	263	-	207	470	55.9%	0.0%	44.1%	100.0%
Insurance Support	Weighted Average - Cost Centres	68	332	56	456	14.9%	72.9%	12.2%	100.0%
Insurance Business Support	Weighted Average - Cost Centres	35	95	32	162	21.6%	58.5%	19.8%	100.0%



Financial Allocation Workshop Filing

Operating Costs Insurance Services	Allocator	\$ in thousands				Allocation %			
		Basic Insurance	Non Insurance	Optional Insurance	Total	Basic Insurance	Non Insurance	Optional Insurance	Total
Funds Management	Premiums Written - Proxy	88	-	58	146	60.0%	0.0%	40.0%	100.0%
Premium Financing Plan Operations	Premiums Written	70	-	55	125	55.9%	0.0%	44.1%	100.0%
Product Research	Premiums Written	63	-	50	113	55.9%	0.0%	44.1%	100.0%
Mgr. of Comm. Lines	Commercial Vehicle Premiums Written	58	-	38	96	60.2%	0.0%	39.8%	100.0%
Collector Vehicle Program	Weighted Average - FTE	6	28	23	57	10.0%	50.0%	40.0%	100.0%
Total Insurance Services		22,765	9,893	18,442	51,100	44.5%	19.4%	36.1%	100.0%

Operating Costs Admin & Other Services	Allocator	\$ in thousands				Allocation %			
		Basic Insurance	Non Insurance	Optional Insurance	Total	Basic Insurance	Non Insurance	Optional Insurance	Total
ISD Shared Services: Insurance, Claims, Non Insurance	Corporate Shared Services Ratio	15,045	3,511	8,848	27,404	54.9%	12.8%	32.3%	100.0%
Facilities Management	Square Footage	6,772	655	4,033	11,460	59.1%	5.7%	35.2%	100.0%
Corporate Costs	Finance Shared Services except for some costs that are directly attributable	6,578	(45)	4,370	10,903	60.3%	-0.4%	40.1%	100.0%
Human Resources Division	Corporate Shared Services Ratio	4,268	996	2,510	7,773	54.9%	12.8%	32.3%	100.0%
Infrastructure Expenditure	Finance Shared Services Ratio	4,615	-	2,714	7,329	63.0%	0.0%	37.0%	100.0%
Regional Claims, Road Safety and Licensing Administration	Weighted Average - Cost Centres	3,345	442	1,539	5,327	62.8%	8.3%	28.9%	100.0%
Finance Shared Services - Insurance Operations	Finance Shared Services Ratio	3,342	-	1,966	5,308	63.0%	0.0%	37.0%	100.0%
Customer Contact Call Centre	Premiums Written	2,962	-	2,337	5,299	55.9%	0.0%	44.1%	100.0%
Customer Collections	Weighted Average - Transactions	2,556	1,022	1,534	5,112	50.0%	20.0%	30.0%	100.0%
ISD Non-Insurance Vehicle Application	Directly attributable to Non-insurance	-	4,534	-	4,534	0.0%	100.0%	0.0%	100.0%
Facilities Management (Victoria)	Work effort	171	3,254	-	3,425	5.0%	95.0%	0.0%	100.0%
Supply Management Department	Work effort	2,551	193	576	3,320	76.8%	5.8%	17.4%	100.0%
Document Services	Square Footage	1,941	188	1,156	3,285	59.1%	5.7%	35.2%	100.0%
Executive Office	Finance Shared Services Ratio	1,817	-	1,068	2,885	63.0%	0.0%	37.0%	100.0%
Freedom Of Information Department	Work effort	1,794	-	769	2,563	70.0%	0.0%	30.0%	100.0%
General Counsel	Work effort	1,483	314	449	2,246	66.0%	14.0%	20.0%	100.0%
Finance Division Banking Operations	Work effort	1,249	-	833	2,082	60.0%	0.0%	40.0%	100.0%
Investment Portfolio Mgmt	Investment Income Ratio	1,077	-	550	1,626	66.2%	0.0%	33.8%	100.0%
Corporate Management Reporting	Work effort	737	-	737	1,474	50.0%	0.0%	50.0%	100.0%
Government Revenue Administration	Directly attributable to Non-insurance	-	1,465	-	1,465	0.0%	100.0%	0.0%	100.0%
External Corporate Communications	Work effort	499	130	341	969	51.5%	13.4%	35.2%	100.0%
Claims Training	Claims Division Average	575	2	336	913	63.0%	0.2%	36.8%	100.0%
Regulator Costs	Directly attributable to Basic	798	-	-	798	100.0%	0.0%	0.0%	100.0%
Claims General Support	Weighted Average - Cost Centres	450	101	225	775	58.0%	13.0%	29.0%	100.0%



Financial Allocation Workshop Filing

Operating Costs		\$ in thousands				Allocation %			
Admin & Other Services	Allocator	Basic Insurance	Non Insurance	Optional Insurance	Total	Basic Insurance	Non Insurance	Optional Insurance	Total
Communication - Government relations	Work effort	243	160	236	639	38.0%	25.0%	37.0%	100.0%
Project Management Services costs	Finance Shared Services Ratio	386	-	227	613	63.0%	0.0%	37.0%	100.0%
ISD Insurance Systems Support	Insurance Division Average	360	-	240	600	60.1%	0.0%	39.9%	100.0%
Vehicle Records	Directly attributable to Non-insurance	-	466	-	466	0.0%	100.0%	0.0%	100.0%
Material Damage telephone claims training	Net Claims Costs - MD	174		271	445	39.0%	0.0%	61.0%	100.0%
Corporate Strategic Services	Corporate Shared Services Ratio	235	55	138	428	54.9%	12.8%	32.3%	100.0%
Insurance & Telephone Claims Training	Insurance Division Average	257		171	428	60.1%	0.0%	39.9%	100.0%
Insurance Support	Weighted Average - Cost Centres	62	129	54	245	25.5%	52.6%	21.9%	100.0%
Fair Practices Review	Work Effort - Provincial Litigation	187	-	10	197	95.0%	0.0%	5.0%	100.0%
Non-Insurance (Victoria) Telephone Education	Directly attributable to Non-insurance		163		163	0.0%	100.0%	0.0%	100.0%
Distribution Services	Directly attributable to Non-insurance	-	24	-	24	0.0%	100.0%	0.0%	100.0%
Material Damage Fees	Net Claims Costs - MD	(1,494)	-	(2,338)	(3,832)	39.0%	0.0%	61.0%	100.0%
Interest on Receivables	Weighted Average - Income	(4,612)	-	(1,956)	(6,569)	70.2%	0.0%	29.8%	100.0%
Total Admin and Other Services		60,421	17,758	33,944	112,123	53.9%	15.8%	30.3%	100.0%

Operating Costs		\$ in thousands				Allocation %			
Premium Financing Plan Recoveries	Allocator	Basic Insurance	Non Insurance	Optional Insurance	Total	Basic Insurance	Non Insurance	Optional Insurance	Total
Premium Financing Plan Recoveries	Premiums Written	(14,819)		(11,690)	(26,509)	55.9%	0.0%	44.1%	100.0%
Total Premium Financing Plan Recoveries		(14,819)	-	(11,690)	(26,509)	55.9%	0.0%	44.1%	100.0%

Total Operating Costs	68,367	27,651	40,696	136,714	50.0%	20.2%	29.8%	100.0%
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Disclosure on Statement of Operations				
Operating Costs	68,367		40,696	109,063
Included in Non Insurance		27,651		27,651
	68,367	27,651	40,696	136,714

Premium Taxes and Commissions

The following is a functional breakdown of Premium Taxes and Commissions found in Section 4.2.5 of the July 5th 2004 filing. Explanation of allocators may be found in Appendix 1A.

Commissions & Premium Taxes	Allocator	\$ in thousands				Allocation %			
		Basic Insurance	Non Insurance	Optional Insurance	Total	Basic Insurance	Non Insurance	Optional Insurance	Total
Commission	Direct except for allocation between Basic and Non-insurance.	32,353	16,085	162,962	211,400	15.3%	7.6%	77.1%	100.0%
Premium Taxes	Premiums earned	63,968	-	47,982	111,950	57.1%	0.0%	42.9%	100.0%
DPAC Adjustment		(1,364)	-	(31,062)	(32,426)	4.2%	0.0%	95.8%	100.0%
Total Commissions & Premium Taxes		94,957	16,085	179,882	290,924	32.6%	5.5%	61.8%	100.0%

Disclosure on Statement of Operations: Section 4				
Premium and Commission Expenses	94,957	-	179,882	274,839
Included in Non Insurance		16,085	-	16,085
	94,957	16,085	179,882	290,924

Non-Insurance Costs

The following is a functional breakdown of Non-insurance Costs found in Section 4.4. Explanation of allocators may be found in Appendix 1

Non-Insurance Costs	Allocator	\$ in thousands				Allocation %			
		Basic Insurance	Non Insurance	Optional Insurance	Total	Basic Insurance	Non Insurance	Optional Insurance	Total
Claims Services & Operating Costs	87% Directly attributable/ 13% Allocated to Non-insurance	-	28,180	-	28,180	0.0%	100.0%	0.0%	100.0%
Commercial Vehicle Services	Directly attributable to Non-insurance	-	5,783	-	5,783	0.0%	100.0%	0.0%	100.0%
Payment to the Province for Compliance Operations	Directly attributable to Non-insurance	-	16,888	-	16,888	0.0%	100.0%	0.0%	100.0%
Driver Services	Directly attributable to Non-insurance	-	35,665	-	35,665	0.0%	100.0%	0.0%	100.0%
Non-Insurance Operating Costs		-	86,516	-	86,516	0.0%	100.0%	0.0%	100.0%
Commission		-	16,085	-	16,085	0.0%	100.0%	0.0%	100.0%
Total Non-Insurance Costs		-	102,601	-	102,601	0.0%	100.0%	0.0%	100.0%

Appendix 2

Regional Claim Centres and Claims Handling Departments (renamed from Regional Operations)

Regional Claim Centres & Claim Handling Departments (2003)		
Region	Cost Centre	Claim Centre Name
Fraser Valley	171318	Richmond Claim Centre
	171319	Surrey Claim Centre
	171320	Newton Claim Centre
	171322	Abbotsford Claim Centre
	171323	Langley Claim Centre
	171324	Chilliwack Claim Centre
	177200	Centralized Express Repair *
Greater Vancouver	171310	Burnaby Claim Centre
	171314	East Vancouver Claim Centre
	171316	Kingsway Claim Centre
	171317	South Vancouver Claim Centre
	171321	Coquitlam Claim Centre
	171327	Lake City Claim Centre
	171337	Specialty Vehicle Appraisal **
	171358	Squamish Claim Centre
	171367	5th & Cambie Claim Centre
	171411	Capilano Claim Centre
	171412	Sechelt Resident Office
	173621	New Westminster Claim Centre
Northern Interior	175600	Maple Ridge Claim Centre
	171354	Smithers Claim Centre
	171355	Prince Rupert Claim Centre
	171357	Powell River Claim Centre
	171540	Dawson Creek Claim Centre
	171541	Terrace Claim Centre
	171542	Prince George Claim Centre
	171543	Williams Lake Claim Centre
	171550	Frt. St. John Claim Centre
	171553	Quesnel Claim Centre
Southern Interior	126000	S. Interior Examiner ***
	171352	Nelson Claim Centre
	171544	Kamloops Claim Centre
	171545	Kelowna Claim Centre
	171546	Penticton Claim Centre
	171547	Trail Claim Centre
	171548	Cranbrook Claim Centre
	171549	Vernon Claim Centre
	171558	Salmon Arm Claim Centre
Vancouver Island	171431	Nanaimo Claim Centre
	171432	Campbell River Claim Centre
	171434	Duncan Claim Centre
	171435	Victoria Claim Centre
	171437	Courtenay Claim Centre
	171439	Port Alberni Claim Centre
Total	44	
<p>* Centralized Express Repair: Perform all follow-up or supplemental estimates as required under the Express Repair program, for the Fraser Valley Region only,</p> <p>** Specialty Vehicle Appraisal: This department prepares vehicle damage estimates on 'high-end' vehicles such as BMW and Mercedes that are to be repaired at any of 6 designated repair facilities.</p> <p>*** S. Interior Examiner: This is a group of senior BI Adjusters/Examiners who perform the same function that a BI Adjuster/Examiner in any other claim centre performs.</p>		

Appendix 3 Regional Claim Centres Claims Reported

REGIONAL CLAIM CENTRES CLAIMS REPORTED AND AVERAGE OPEN DAYS 2003					
			<div><div>ICBC</div><div>Total Claims Reported</div><div>930,817</div><div>100%</div></div>		
<div><div>CALL CENTRE DEPARTMENT</div><div>Includes Telephone Claims Department and Others</div><div>Total Claims Reported</div><div>399,725</div><div>43%</div></div>			<div><div>SPECIALIZED CLAIMS</div><div>Includes Head Office Claims, Heavy Equipment and Others)</div><div>Total Claims Reported</div><div>5,512</div><div>1%</div></div>		
			<div><div>REGIONAL CLAIM CENTRES</div><div>Includes 41 Claims Centres and 3 Specialized Claims Handling Units</div><div>Total Claims Reported</div><div>525,580</div><div>56%</div></div>		
REGIONAL CLAIM CENTRES					
Total Claims Reported and Average # Days Open by Coverage Type (2003)					
BASIC COVERAGE			OPTIONAL COVERAGE		
Coverage Type	Claims Reported	Avg. # of Days Open	Coverage Type	Claims Reported	Avg. # of Days Open
Accident Benefits	57,101	267	Collision	114,427	53
Bodily Injury	40,970	376	Comprehensive	54,215	42
Death Benefits	301	167	Glass	95,253	2
Property Damage	91,815	64	Roadside Plus	22,578	47
			RoadStar	37,197	58
			Special Cov.	11,723	88

Appendix 4 Transaction Costing Methodology

OVERVIEW

The Corporation uses a fully allocated (or “pro-rata”) costing model for the assignment of indirect costs. The assignment of costs are based on the principle of cost causality; in other words, the costs are assigned to the functional area based on the extent to which that functional area caused or was responsible for driving the respective costs. The basis on which cost causality was determined for the Regional Claim Centre component of Claims Services costs was Work Effort.

ALLOCATOR

Work Effort refers to the underlying claims handling activities within the respective claims centres, grouped by claims transaction type and job category. Work Effort encompasses those work activities an employee performs within a claim centre to properly adjust a claim. Please refer to Appendix 3, Claims Handling Procedures, for a detailed explanation of the respective claims handling procedures, grouped by claims transaction type.

The claims transaction types, job categories and work effort percentages per claims transaction type were determined by a representative group of experienced claims personnel and were based on direct input from the claims personnel in the field.

The process involved in both selecting and defining the parameters within which Work Effort would be applied was very rigorous, un-biased and fair. The respective experienced claims personnel defined each of the component parts through an examination of the underlying claims handling processes.

The Work-Effort percentages, determined by the experienced claims personnel as mentioned above, were applied to compensation per job category, at a regional level, to determine the estimated cost per transaction type. See below for a more detailed description of the Transaction Costing Analysis.

CLAIMS TRANSACTION TYPES AND JOB CATEGORIES

The following is a description of the claims transaction types and job categories.

CLAIMS TRANSACTION TYPES

1) Material Damage (MD) Claims Transaction Types:	
<ul style="list-style-type: none"> MD Files – Glass 	Customers may report a glass claim either directly through an ICBC claim centre or through an Express Glass Repair business partner (who are authorized by ICBC to initiate and estimate non-contentious glass claims).
<ul style="list-style-type: none"> MD Files – Customer Service 	Refers to those claims handled through the Telephone Claims Department requiring the assistance of a claims centre (as an example, to estimate a vehicle).
<ul style="list-style-type: none"> MD Files – Collision & Property Damage (PD) 	Claims for both single and multi - vehicle collision and third-party property damage claims.
<ul style="list-style-type: none"> MD Files – Comprehensive Total Theft 	Comprehensive claims involving the total theft of a vehicle.
<ul style="list-style-type: none"> MD Files – Comprehensive Other 	Comprehensive claims for vehicle damage caused by fire, animal collision, vandalism and theft from a vehicle.
<ul style="list-style-type: none"> MD Files - Other 	Includes claims under third-party liability (property damage only) and claims under both the Uninsured and Unidentified sections of the <i>Insurance (Motor Vehicle) Act</i> (PD only).

2) Bodily Injury (BI) Claim Transaction Types:	
<ul style="list-style-type: none"> BI Exposures – Low Velocity Impact (LVI) 	Low Velocity Impact claims refer to those injury claims presented where the vehicle impact was minimal or where there was minimal or no damage to the vehicle.
<ul style="list-style-type: none"> BI Exposures – Non Represented 	Injury claims under the \$200,000 compulsory coverage limit where the claimant is dealing directly with an ICBC adjuster and not represented by legal counsel.
<ul style="list-style-type: none"> BI Exposures – Represented 	Files under 24 months old and under the \$200,000 compulsory insurance limit where the injured claimant is represented by legal counsel.
<ul style="list-style-type: none"> BI Exposures - Litigated 	Files over 24 months old and under the \$200,000 compulsory insurance limit where the injured claimant is represented by legal counsel and legal proceedings have commenced.

JOB CATEGORIES

Job Categories and Descriptions:	
• Manager/Supervisor	Oversees the administration, training, development and performance of adjusting staff in the investigation, evaluation, negotiation, and settlement of claims.
• Office Assistant	Provides administrative support to the respective claim centre staff.
• Estimator	Provide material damage estimating services that focus on customer service, supplier support, problem solving and quality/cost control.
• Bodily Injury Adjuster/ Examiner	<p>A bodily injury adjuster investigates, evaluates, negotiates and settles all levels of bodily injury claims.</p> <p>An Examiner acts as a senior technical resource at a claim centre level by directing and monitoring bodily injury adjusters in the investigation, control and settlement of claims (and can include material damage claims).</p>
• Material Damage Adjuster	Investigates, evaluates and negotiates material damage and minor bodily injury claims.

TRANSACTION COST ANALYSIS

As noted, Work Effort was used as the basis to allocate Regional Claim Centres total operating costs, and was based on the different claims transaction types and job categories. Using the Greater Vancouver region as an example, the application of the financial allocation methodology is described below.

It should be noted that the original design and objectives of the transactional costing work, using activity based/transactional and costing cost management accounting principles, were undertaken by ICBC to determine the costs and trends of selected transactions. This was done in early 2002, before ICBC became a regulated entity: the original design and objectives were not undertaken for the Financial Allocation study filed with the Commission.

In order to satisfy the requirement for an allocation of costs in the August 2003 ICBC Application, and determine the allocation of regional operations costs between Basic and Optional insurance, it was decided to leverage off this valuable transaction costing analysis.

The point being made is that there was no bias in the transaction costing work, in determining the allocation of the Work Effort to the selected transactions. The only objective was to allocate the estimated time and cost of the respective job categories to the transactions.

In leveraging the work, the only significant addition was the allocation of selected transaction between Basic insurance and Optional insurance, as discussed in 2 below.

1. CLAIMS TRANSACTION TYPES AND WORK EFFORT PERCENTAGE DEFINED AND APPLIED TO COMPENSATION COSTS

The first step in the process was to define the respective claims transactions types. These were determined by a representative group of experienced claims personnel. The next step was to apply the work effort percentages to the individual claims transaction types in order to properly allocate compensation costs, both by job category, on a regional level and aggregated for total Regional Operations (now Regional Claim Centres). The work effort percentages were also defined by this same group of experienced claims personnel.


As an example, and for the Greater Vancouver Region, it was determined that for the claims transaction type, MD Files – Glass, a manager spent 1.5% of their time on this activity. Applying this work effort percentage resulted in \$101,909 of compensation costs being applied to this claims transaction type.

ICBC Regional Claim Centres - Greater Vancouver Allocation Matrix: Actual cost YTD (Dec 2002)												
Cost Elements												
	Mgr (a)	Mgr (a)	OA (b)	OA (b)	Estimator	Estimator	Adj - BI (Incl. Examiners)	Adj - BI (Incl. Examiners)	Adj - CA	Adj - CA		Total
Claims Transaction Type												
1 MD Files - Glass	1.5%	101,909	7.2%	512,321	1.0%	76,223	0.00%	-	0.0%	-		690,454
2 MD Files - Customer Care	2.0%	135,879	22.6%	1,608,118	40.0%	3,048,931	0.00%	-	1.0%	73,280		4,866,208
3 MD Files - Collision & P/ Damage	21.0%	1,426,732	15.4%	1,095,798	32.0%	2,439,145	4.60%	782,283	56.2%	4,118,308		9,862,266
4 MD Files - Comprehensive Theft	10.0%	679,396	5.1%	362,894	10.0%	762,233	0.00%	-	20.4%	1,494,902		3,299,425
5 MD Files - Comprehensive Other	4.5%	305,728	2.1%	149,427	5.0%	381,116	0.00%	-	10.3%	754,779		1,591,051
6 MD Files - Other	1.0%	67,940	1.5%	106,734	2.0%	152,447	0.50%	85,031	5.1%	373,725		785,876
7 BI Exposures - LVI	7.0%	475,577	1.0%	71,156	10.0%	762,233	15.40%	2,618,948	5.0%	366,398		4,294,311
8 BI Exposures - Non-Represented	28.0%	1,902,309	21.5%	1,529,847	-	-	35.70%	6,071,197	2.0%	146,559		9,649,912
9 BI Exposures - Represented	7.0%	475,577	8.2%	583,477	-	-	16.30%	2,772,003	0.0%	-		3,831,057
10 BI Exposures - Litigated	18.0%	1,222,913	15.4%	1,095,798	-	-	27.50%	4,676,692	0.0%	-		6,995,403
Total	100.0%	6,793,962	100.0%	7,115,568	100.0%	7,622,328	100.00%	17,006,154	100.0%	7,327,951		45,865,963

2. BASIC INSURANCE/OPTIONAL INSURANCE SPLIT BY CLAIMS TRANSACTION TYPE

Individual region total compensation costs were aggregated by claims transaction type and assigned to either Basic insurance or Optional insurance coverage, as shown for the Greater Vancouver Region, in the following table. Once the respective compensation costs were allocated, they were summarized at an individual regional level, and the overall Basic insurance/Optional insurance percentages were then used to allocate total operating costs. These allocations were then aggregated for total Regional Operations (now Regional Claim Centres).

Financial Allocation Workshop Filing

 Regional Claim Centres - Greater Vancouver Allocation Matrix: Actual cost YTD (Dec 2002)						
		Total	Basic	Optional	Basic	Optional
Claims Transaction Type			% Allocation		Cost Allocation	
1	MD Files - Glass	690,454	0%	100%	-	690,454
2	MD Files - Customer Care	4,866,208	30%	70%	1,459,863	3,406,346
3	MD Files - Collision & P/ Damage	9,862,266	37%	63%	3,649,038	6,213,228
4	MD Files - Comprehensive Theft	3,299,425	0%	100%	-	3,299,425
5	MD Files - Comprehensive Other	1,591,051	0%	100%	-	1,591,051
6	MD Files - Other	785,876	100%	0%	785,876	-
7	BI Exposures - LVI	4,294,311	100%	0%	4,294,311	-
8	BI Exposures - Non-Represented	9,649,912	100%	0%	9,649,912	-
9	BI Exposures - Represented	3,831,057	95%	5%	3,639,504	191,553
10	BI Exposures - Litigated	6,995,403	95%	5%	6,645,633	349,770
Total		45,865,963			30,124,137	15,741,826
					65.68%	34.32%

The table below provides a short description of the rationale for the Basic insurance/Optional insurance percent allocations, by claims transaction type, used in the above table:

	Claims Transaction Type	Basis for Allocation to Basic or Optional
1	MD Files - Glass	Optional coverage.
2	MD Files – Customer Service (Customer Care used above)	The allocation was based on input from experienced claims personnel with reference to the number of estimates completed in Regional Claim Centres on behalf of the Call Centre Department (Customer Service) (As a result of a review, it will be allocated 36:64).
3	MD Files – Collision & Property Damage	The allocation was based on an analysis of closed exposures and the ratio of purchased optional collision coverage and basic first-party coverage. See Exhibit B-27 Appendix 5.
4	MD Files – Comprehensive Theft	Optional coverage.
5	MD Files – Comprehensive Other	Optional coverage.
6	MD Files - Other	Basic coverage (e.g. Uninsured and unidentified claims coverage).
7	BI Exposures - LVI	Basic coverage Low value
8	BI Exposures – Non Represented	Basic coverage (e.g. under \$200,000 third-party compulsory limits).
9	BI Exposures – Represented	The allocation is based on an analysis of closed exposures that exceed the \$200,000 compulsory limit and work effort in handling those files.
10	BI Exposures - Litigated	The allocation is based on an analysis of closed exposures that exceed the \$200,000 compulsory limit and work effort in handling those files.

3. APPLICATION OF BASIC/OPTIONAL PERCENT TO TOTAL OPERATING COSTS

The respective percentage allocation to Basic insurance and Optional insurance, as described in the above table, is then applied to the regional total compensation costs, by claims transaction type, to arrive at the proper allocation of compensation costs as between Basic insurance and Optional insurance.

Given that compensation costs are fully representative of work effort, the basis on which these compensation costs were allocated is then used to allocate total operating costs, on both an individual regional level and aggregated for total Regional Operations.

Recognition of the work effort within the Regional Claim Centres resulted in an approximate 66.8%/33.2% allocation between Basic insurance and Optional insurance as per the July 2004 Application, which has been changed to approximately 65.3%/34.7% (with reference to Exhibit B-27, included in Appendix 5 allocation of the Regional Claim Centre costs between Basic insurance and Optional insurance.



Appendix 5
Exhibit B-27 from October 2004 Hearing

Allocation Methodology Update

ICBC has further reviewed its cost allocation methodology after receiving the filings of Intervenor which raise an issue regarding the allocation of claims service costs (ULAE) on collision and property damage claims.

This issue was raised as a subrogation issue by Intervenor. To put collision (Optional) and property damage (Basic) claims in perspective, in 2003 ICBC had \$323 million property damage claims and \$330 million collision claims.

ICBC has revisited the method used to allocate the costs for handling collision and property damage claims where liability is contentious and later resolved. These claims handling costs of \$22 million should be split appropriately. In keeping with the principles of cost causality, ICBC acknowledges that a component of the work effort relating to these types of claims needs to be reflected on both the collision and related property damage claims.

To reflect that there is work performed on the collision claim as well as the property damage claim, 50% of the work effort relating to these types of claims has been allocated to each of collision and property damage claims. Detailed information to precisely determine the proportion of work effort relating to the collision and property damage claims where liability is contentious and later resolved is not available.

After this change, the overall impact is \$2 million claims handling costs that have been reallocated from Basic insurance to Optional insurance. The collision portion is now \$14 million and the property damage portion is \$8 million.

This changes the allocation of Regional Operations as set out in Appendix 1B from 66.8% Basic/33.2% Optional to 65.3%/34.7%.

BRITISH COLUMBIA UTILITIES COMMISSION		
EXHIBIT B-27		
DAY	ENTERED BY	DATE
3	ICBC	Oct 7/04

Claims Cost Model - High-Level Overview



Accident Occurs

Customer Files Claim
With ICBC



ICBC Adjusts Customer Claim

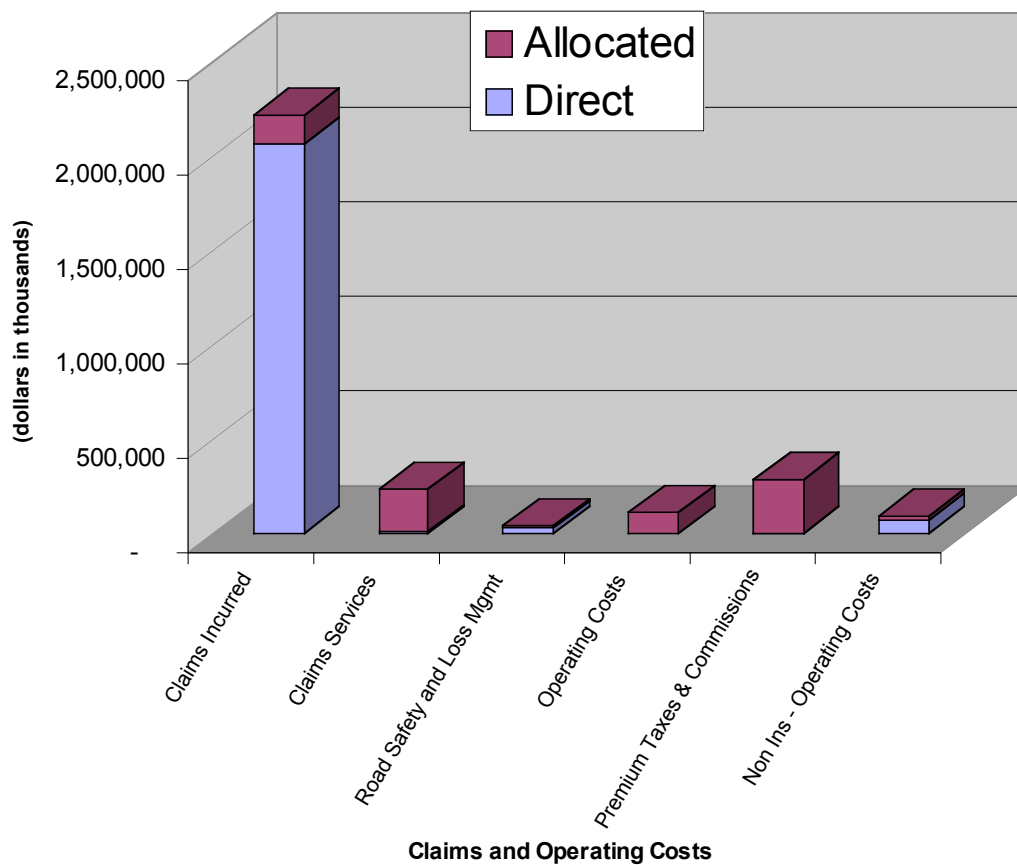
Allocate
Claims
and
Operating
Costs

Serve Customer



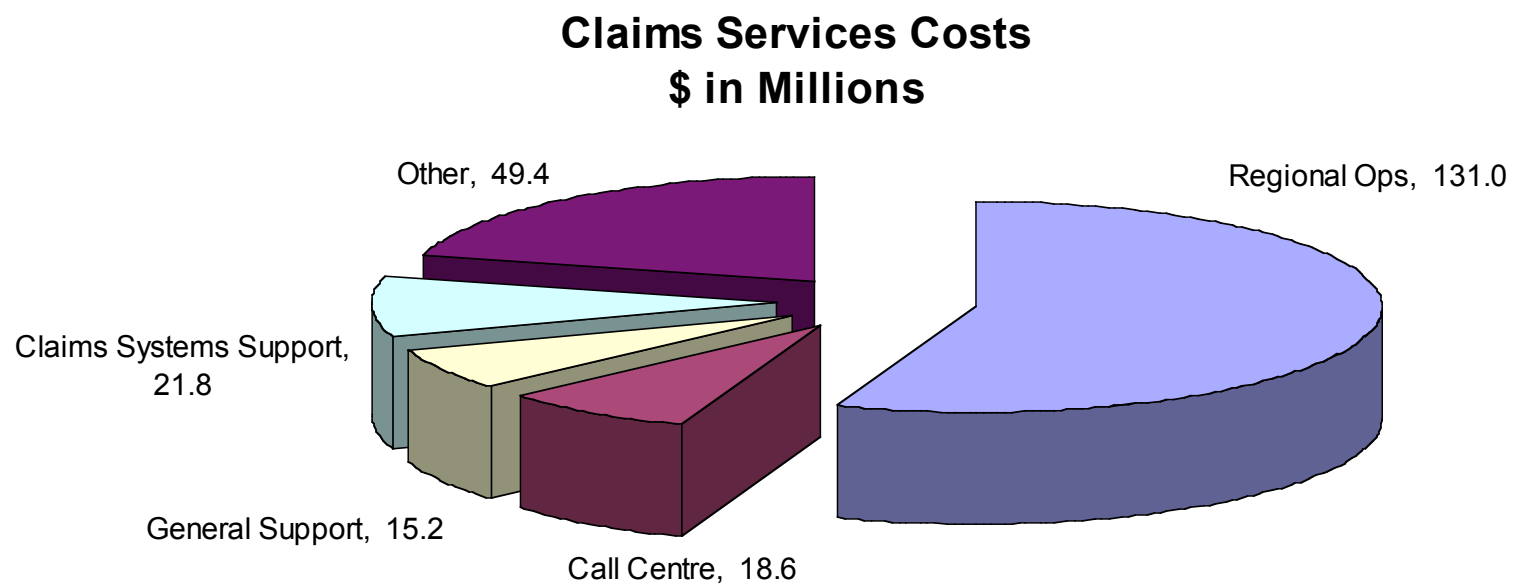
Satisfied
Customer

Direct and Allocated assignment of Costs

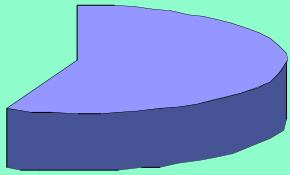


Claims Services Costs - High-Level Overview

Total Claims Services Costs: \$ 236 M

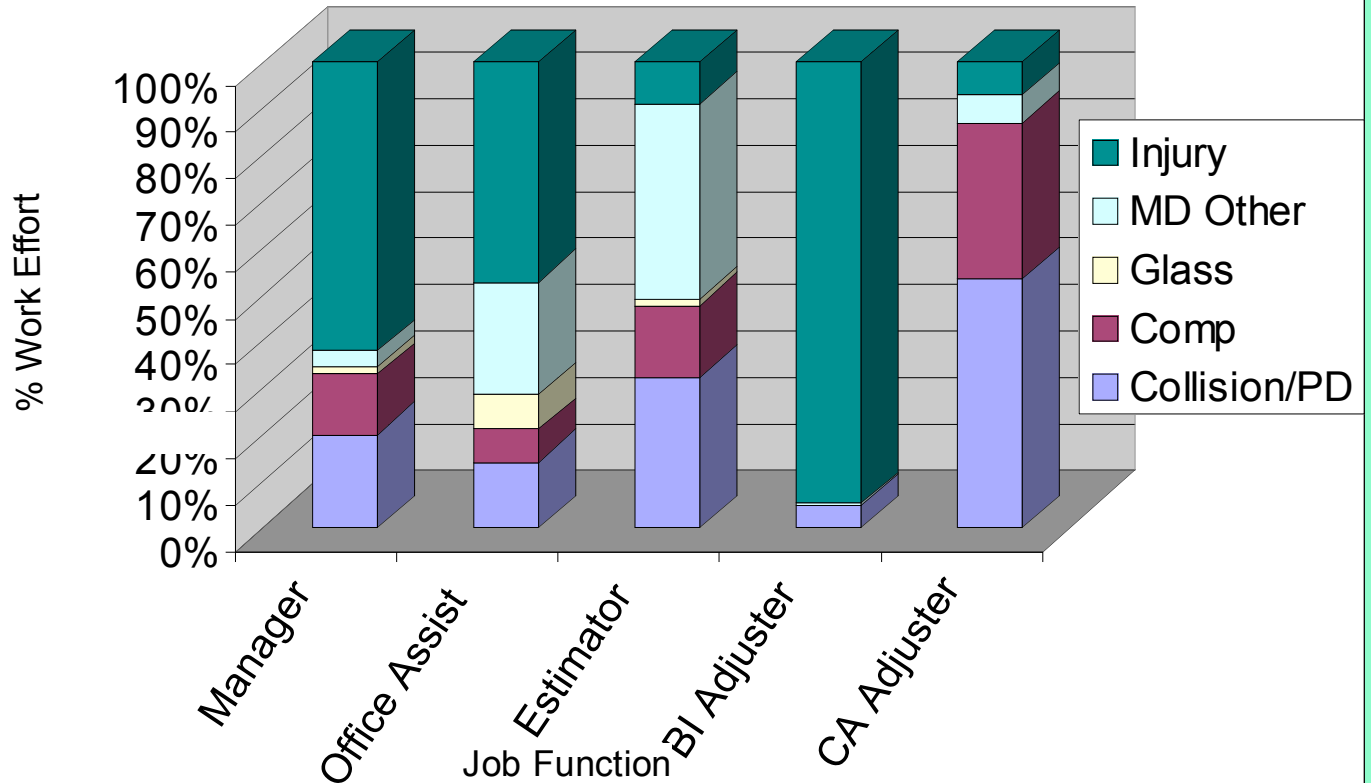


Regional Operations - High-Level Cost Allocation Overview



Total Regional Operations Costs: \$ 131 M

**Cost Allocation Method
By Work Effort**

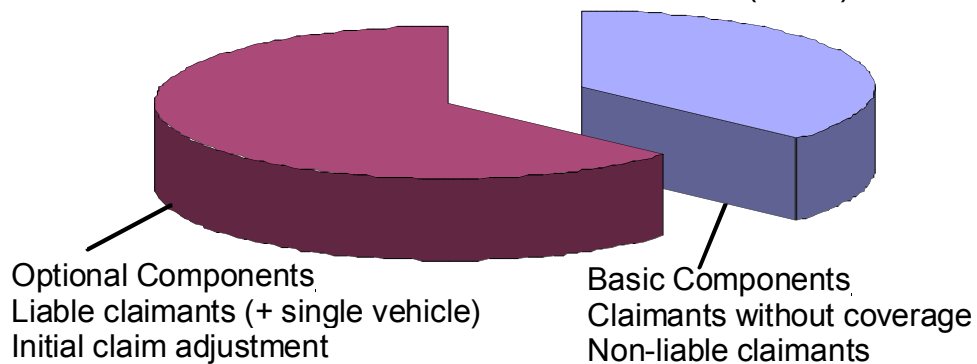


**Collision / Property Damage
Allocation Split**

Total Collision / Property Damage Costs: \$ 22 M

**Collision (Optional),
63% (\$14 M)**

**Property Damage (Basic),
37% (\$8 M)**



Appendix 6
In-House Counsel (Provincial Litigation Services)
[renamed from Claims Litigation Field Services]

1. Claimants who wish to sue for injuries caused in a motor vehicle accident can initiate their law suit through either the Provincial Court (Small Claims jurisdiction) or Supreme Court. The *Small Claims Act* gives the Provincial Court civil jurisdiction over claims for debt or damages, recovery of personal property, relief from opposing claims to personal property, and specific performance of agreements involving personal property or services, to a current monetary limit of \$10,000. There is no monetary jurisdiction for actions brought in Supreme Court.
2. Due to the volume of law suits that arise out of motor vehicle accidents, ICBC used both in-house counsel and external counsel to defend on behalf of ICBC and ICBC insureds. For the total number of files assigned to all counsel (both in-house and external) approximately 92% are in the Supreme Court and 7% are in Provincial Court. The remainder are for assignments arising out of the Court of Appeal and out of province files.
3. All claimants must serve ICBC if they are commencing an action for damages. This is a requirement which is set out in s. 22 of the *Insurance (Motor) Vehicle Act*.

22 (1) Every person commencing an action for damages caused by a motor vehicle or trailer in British Columbia must
 - (a) serve the corporation with a copy of the originating process in the action in the manner provided for serving a defendant in the action, and
 - (b) file proof of the service in the court in which the action is pending.
(2) A further step in the action must not be taken until the expiration of 8 days after the filing.
4. After the legal file has been opened, it is then given to the Counsel Assignment department which is responsible for the assignment of the file to either in-house counsel (Provincial Litigation Services) or to external counsel.

Financial Allocation Workshop Filing

5. The cost-centres and costs (2003) that are involved in the In-House Counsel (Provincial Litigation Services) allocator are set out in the table below.

Cost Centre Number	Cost Centre Name	Description	Sum of Total
176204	Provincial Legal Services	Centralized Administrative function (manager and assistant) for the entire Province's in-house litigation function	\$ 192,618
195000	New West Legal Action Unit #4	New Westminster in-house litigation (divided into groups due to size)	\$ 1,288,563
195100	Counsel Assignment Services ¹	Assignment of in-house litigation files	\$ 195,616
195200	Vancouver Litigation Services	Vancouver region in-house litigation	\$ 1,461,103
195300	Victoria Litigation Services	Victoria in-house litigation	\$ 426,884
195500	Litigation Administration ²	Administrative function for Vancouver litigation offices	\$ 405,554
195600	New West Legal Action Unit #6	New Westminster in-house litigation (divided into groups due to size)	\$ 1,195,141
195700	New West Legal Action Unit #8	New Westminster in-house litigation (divided into groups due to size)	\$ 1,284,780
196000	New West Litigation Administration	Administrative function for New Westminster litigation units	\$ 369,781
196200	Nanaimo Litigation	Nanaimo in-house litigation and related administrative support	\$ 800,602
196201	Courtenay Litigation	Courtenay in-house litigation and related administrative support	\$ 170,200
196300	Kelowna Litigation	Kelowna in-house litigation and related administrative support	\$ 468,608
196301	Kamloops Litigation	Kamloops in-house litigation and related administrative support	\$ 388,109
Total In-house Counsel			\$ 8,647,559

Basic Insurance	95%	8,215,181
Non-Insurance	0%	-
Optional Insurance	5%	432,378
Total In-house Counsel		8,647,559

¹ Reallocated due to reorganization. No impact on Basic: Optional allocation.

² Litigation Admin was closed during 2003 costs were moved to other cost-centres within the allocation function.

For ease of reference BCUC.6.1 has been included:

BCUC.6.1 Reference: Volume 1, Chapter 1, p. 1-ix
The study states at page 1-ix that:

“About 75% of ICBC’s total costs are directly related to claims costs (claims incurred) and are tracked by coverage; hence most of the claims-related costs can be directly allocated to either Basic or Optional insurance.”

In the Commission’s November 12th, 2003 ICBC Decision at page 44 an example was raised of where an accident occurred and third party liability was far in excess of the limit under Basic insurance.

Would ICBC agree that in such an instance, all that really is at dispute is the Optional contribution to any final claim amount? If not, why not?

Response:

The example raised by the Commission at page 44 of the November 12, 2003 Decision involved an instance when an accident occurred and third party liability was well in excess of the \$200,000 limit under the Basic insurance policy. The example went on to include a settlement of, say, \$300,000 at the lower end and \$400,000 at the higher end. The example correctly pointed out that ICBC and third parties could go to considerable time and effort (medical reports, legal proceedings, etc.) to prove the higher or lower end of the range. The Commission went on to say that if the award or settlement is achieved at a figure exceeding \$200,000, it may not be relevant to the Basic insurance business as the limits of Basic insurance would already have been exceeded, and it may be reasonable that the costs of the loss adjustment expense should not be borne by the Basic insurance business, but be attributed to only the Optional insurance business. The paragraph at page 44 discussing the example concluded with the sentence: “the pro-rata methodology may not achieve the proper result”.

ICBC believes that its pro-rata allocation methodology does achieve the proper result. As discussed below, ICBC has a duty to defend under its Basic coverage which exists whether or not the claim is over the Basic liability coverage of \$200,000.

This information request asks if all that really is in dispute is the Optional insurance contribution to any final claim amount. No, that is not correct, as the responsibilities of the respective insurers also need to be understood in order to assess the assignment of costs. While all that may be in dispute between the plaintiff (claimant) and defendant in the legal proceedings arising from the accident is the quantum of the judgment or settlement, the issues respecting the responsibility to pay for expenses such as medical reports and legal defence costs is more complicated.

Fundamental to the issue of the division of the defence costs between Basic insurance and Optional insurance is an understanding of the duty of ICBC to defend claims advanced against its policyholders. Under the Basic insurance coverage ICBC’s duty to defend is greater than its duty to indemnify.

Section 74(b) of the Revised Regulation (1984) under the *Insurance (Motor Vehicle) Act*, requires ICBC to defend in the name of the insured any action for damages brought against the insured. Further, under Section 74.1, ICBC has the primary duty to defend

and has exclusive conduct and control of the defence of an action brought against a Basic insurance policyholder (even, as discussed below, if there is a private carrier providing excess third-party liability coverage). Sections 74 and 74.1 are provided at the end of this response.

In the example at page 44 of the Decision, there could be three different scenarios regarding liability insurance coverage above the \$200,000 limits of Basic coverage. (1) no liability coverage above the \$200,000 of Basic coverage; (2) excess liability coverage above \$200,000 with an insurer other than ICBC; and (3) excess liability coverage above \$200,000 under ICBC Optional insurance. In all three scenarios ICBC has a duty to defend as part of its Basic insurance coverage.

1. No excess liability coverage above the \$200,000 of Basic coverage – in this scenario there is no other insurer involved and ICBC must defend its policyholder. ICBC does not have the option of paying the \$200,000 limits of its Basic coverage and leaving the policyholder/defendant to defend the claim. To the extent medical and legal costs are incurred, they are incurred as part of the Basic insurance coverage.

2. Excess liability coverage above \$200,000 with an insurer other than ICBC – in this scenario ICBC's duty to defend continues, but there is also a duty to defend on the part of the other insurer providing liability coverage. In the majority of cases, ICBC appoints defence counsel and conducts the defence of the claim, keeping the other insurer informed. In a few cases, the private insurer will conduct the defence of the claim on the understanding that ICBC will be kept informed as to the status of litigation.

If ICBC conducts the defence of the claim and if a private insurer provides excess third-party liability coverage, ICBC will keep the private carrier informed on settlement proceedings and will, on final settlement of the claim, apportion the respective defence costs on a pro-rata basis determined by each insurer's share of the final settlement amount (Section 158(1)(4) of the *Insurance Act* (which applies to the private insurers) and Section 69(e) of the *Insurance (Motor Vehicle) Act Regulation* (which applies to ICBC) provide that if indemnity is provided under 2 or more contracts the insurers must, as between themselves, contribute to the payment of expenses and costs on a pro-rata basis in accordance with their respective liabilities for damages awarded against the insured). As an example, if the final settlement was \$300,000, ICBC would be responsible for the first \$200,000 and the other insurer, \$100,000. ICBC would, therefore, be responsible for 2/3 of the defence costs while the other insurer would be responsible for 1/3.

3. Excess liability coverage above \$200,000 under ICBC optional insurance – in this scenario ICBC has both the Basic insurance liability coverage and the excess liability coverage. Consistent with the scenario in which the excess liability coverage is with another insurer, the responsibility for the defence costs (medical reports, legal costs, etc.) should be on a pro-rata basis in accordance with the respective liabilities for damages awarded against the insured. Using the same example of a final settlement of \$300,000, Basic insurance should be responsible for 2/3 of the defence costs while ICBC's Optional insurance should be responsible for 1/3.

Under ICBC's pro-rata allocation methodology the defence costs (medical reports, legal costs, etc.) will be allocated on the basis of the losses incurred. This achieves the

respective responsibilities of Basic insurance and ICBC Optional insurance that are set out in scenario 3 above.

As discussed in scenario 1 above, if there is no excess liability coverage above the \$200,000 Basic insurance coverage then all defence costs are the responsibility of ICBC pursuant to the duty to defend under the Basic coverage. The pro-rata allocation methodology does not increase the allocation to Basic insurance in recognition of this duty to defend.

There is a further item that relates to the statement in the information request: "all that really is in dispute is the Optional contribution to any final claim amount". Section 148.1(2) (Underinsured Motorist Protection) of the Revised Regulation (1984) under the *Insurance (Motor Vehicle) Act* requires that ICBC compensate the insured for any amount she/he is entitled to recover from the underinsured motorist as damages for injury or death. Underinsured Motorist Protection (UMP) coverage of \$1,000,000 is also part of the Basic insurance coverage. If the claimant in the example at page 44 of the Decision is an ICBC insured then there may be coverage for the claimant's claims under UMP and the defence costs involved in reducing the quantum of the claim may also reduce the amount payable under the UMP provisions of Basic coverage.

Section 74 and 74.1 of the Revised Regulation (1984) under the Insurance (Motor Vehicle) Act.

Duties of corporation

74 On receipt of notice of a claim for damages brought against an insured for which indemnity is provided under this Part and subject to an act or omission by the insured entitling the corporation to raise any question as to whether or not the insured is entitled to indemnity, the corporation, at its expense, shall

- (a) assist the insured by investigating and negotiating a settlement, where in the corporation's opinion its assistance is necessary, and
- (b) defend in the name of the insured any action for damages brought against the insured.

Rights of corporation

74.1 Upon assuming the defence of an action for damages brought against an insured, the corporation shall have exclusive conduct and control of the defence of the action and, without limiting the generality of the foregoing, the corporation shall be entitled to

- (a) appoint and instruct counsel to defend the action,
- (b) admit liability, in whole or in part, on behalf of the insured,
- (c) participate in any non-judicial process which has as its goal the resolution of a claim, and
- (d) compromise or settle the action.

Appendix 7 Claims System Support

1. Claims System Support is a monthly allocated assessment from the Information Services Division (ISD) for costs incurred by that division for information technology (IT) infrastructure costs relating to Claims Services.

2. The costs within Claims System Support and the allocation between Basic insurance and Optional insurance (using the 2003 costs presented in the July 2004 Application) are set out in the table below. Note that, of the \$21.8 million in this table, \$19.3 million pertains to ISD infrastructure costs and \$2.5 million is other costs (please refer to #3 below for further explanation).

				Dollars in \$000			
	2003 Division	Cost Centre	Input Code Description	Sum of Basic Ins \$	Sum of NI \$	Sum of Opt Ins \$	Sum of total \$
Claims System Support	OPERATIONS	170001 Claims IT Allocations	Weighted average of cost centres it supports (regional claim centres and salvage operations)	12,759		6,573	19,332
		170001 Other Costs		1,677		864	2,541
			Total Centre				21,873
Percentage Allocation				66.0%	0.0%	34.0%	100.0%

3. The largest component of \$2.5 million in other costs is \$1.5 million, ICBC's 2003 expense for its Material Damage estimating system paid to the supplier, Automatic Data Processing (ADP). In 2004, payment for these Material Damage estimating system costs was moved to a specific Material Damage cost-centre.

4. The remaining \$1 million in other costs are relocation costs, miscellaneous property insurance, and some depreciation expense. These types of expenses have been reassigned to more appropriate cost-centres in 2005 and use the Claims Division Average as the allocator.

Appendix 8 Insurance System Support (renamed from Insurance Allocations)

1. Insurance System Support is a monthly allocated assessment from the Information Services Division (ISD) for costs incurred by that division for information technology (IT) infrastructure costs relating to Insurance Services.
2. The allocator is Premiums Written ratio.
3. The costs within Insurance Systems Support and the allocation between Basic insurance and Optional insurance (using the 2003 costs presented in the July 2004 Application), both before and after the removal of Non-insurance costs from the Premiums Written ratio are set out in the tables below.

Basic insurance/Optional insurance ratio in the July 2004 Application:

				Dollars in \$000			
	2003 Division	Cost Centre	Input Code Description	Sum of Basic Ins \$	Sum of NI \$	Sum of Opt Ins \$	Sum of total \$
Insurance Allocations	Insurance	300000 Ins Ops. BC	Premiums Written Ratio	(6)		(5)	(11)
		170005 Ins IT Allocations		4,051		3,196	7,246
		170005 Other Costs		28		22	50
			Total Centre	4,073		3,213	7,286
Percentage Allocation				55.9%	0.0%	44.1%	100.0%

Restated Basic insurance/Optional insurance ratio as per Decision, page 40:

				Dollars in \$000			
	2003 Division	Cost Centre	Input Code Description	Sum of Basic Ins \$	Sum of NI \$	Sum of Opt Ins \$	Sum of total \$
Insurance Allocations	Insurance	300000 Ins Ops. BC	Premiums Written Ratio	(6)		(5)	(11)
		170005 Ins IT Allocations		3,935		3,312	7,246
		170005 Other Costs		27		23	50
			Total Centre	3,956		3,329	7,286
Percentage Allocation				54.3%	0.0%	45.7%	100.0%

Other costs contain miscellaneous costs consisting of office supplies and other costs.

Appendix 9 Bad Debts & Allowances

1. The table below provides the Bad Debts & Allowances Basic insurance/Optional insurance split on the net dollars as submitted in the July 2004 Application.

Operating Costs Insurance Services	Allocator	\$ in thousands				Allocation%			
		Basic Insurance	Non Insurance	Optional Insurance	Total	Basic Insurance	Non Insurance	Optional Insurance	Total
Bad Debts & Allowances	Weighted Average - Income	3,246		1,666	4,911	66.1%	0.0%	33.9%	100.0%

2. The table below represents the bad debt allowance separated into the three receivables, used to calculate the allocation for Bad Debt Allowances. AP12 and Autoplan Miscellaneous transactions make up 80% of the transactions and are allocated using the Premiums Written ratio. The remaining 20% are DPP transactions and are allocated 100% to Basic insurance.

3. The following table provides the breakdown of AP12, DPP and Autoplan Miscellaneous to determine the Weighted Average – Income Allocator.

CC 140002		2003 in thousands							
	Current year Expense	AP 12 Allowance	Recoveries	Total	Insurance (Basic)	Non-Insurance	Optional	Total	Allocation Basis
AP12		6,148	(2,814)	3,334	1,934		1,400	3,334	premiums written
DPP	1,341		(394)	947	947			947	100% Basic
Autoplan Misc	846		(215)	631	365		266	631	premiums written
Total	2,187	6,148	(3,423)	4,911	3,246		1,666	4,911	
					66.1%		33.9%		Weighted Avg Income

Difference resulting from the Decision

Before adjustment of the Premiums Written ratio:

CC 140002		2003 in thousands			
	Total	Insurance (Basic)	Non-Insurance	Optional	Allocation Basis
AP12	3,334	1,934		1,400	premiums written
DPP	947	947			100% Basic
Autoplan Misc	631	365		266	premiums written
Total	4,911	3,246		1,666	
		66.1%		33.9%	Weighted Avg Income

After adjustment to the BCUC Premiums Written ratio:

CC 140002		2003 in thousands			
	Total	Insurance (Basic)	Non-Insurance	Optional	Allocation Basis
AP12	3,334	1,810		1,524	premiums written
DPP	947	947			100% Basic
Autoplan Misc	631	343		288	premiums written
Total	4,911	3,100		1,812	
		63.1%		36.9%	Weighted Avg Income

Impact of using the BCUC Premiums Written ratio:

Bad Debts & Allowances		2003 in thousands			
Operating Costs	Allocator	Basic	Non-Insurance	Optional	Total
Insurance Services					
As per filing July 5th 2004		3,246		1,666	4,911
BCUC Premiums Written Ratio - Weighted Avg - Income Allocator		3,100		1,812	4,911
Increase/(Decrease)		(146)		146	

*Rounding

Appendix 10
General Broker Support & Direct Sales
(renamed from General Broker Support)

1. The General Broker Support & Direct Sales cost category is comprised of three cost-centres from two departments. Two of the cost-centres are in the Broker Enquiry Department and the third is in the Customer Contact Department.

2. Below is a table with details of the costs as provided in the July 2004 Application.

Original Filing		2003			
Cost Centre	Cost Centre Name	Basic	Non Ins	Optional	Total
Broker Enquiry Department					
1154-00	Customer Care – Broker Enquiry 1	1,251		987	2,237
1154-01	Customer Care – Broker Enquiry 2	299		236	535
		1,549		1,222	2,772
Customer Contact Department					
1423-00	Direct Sales	205		162	366
		1,754		1,384	3,138
Original Filing - Premiums Written Ratio		55.9%		44.1%	100.0%

(Dollars are reflected in thousands)

3. The complexity of the type of inquiries answered in the Broker Enquiry Department is reflected in the relatively low percentage of calls that the Broker Enquiry Department answers in comparison to the total number of broker transactions: approximately 10% of transactions carried out by brokers involve a call to the Brokers Enquiry Department. Brokers can deal with all normal issues on insurance coverage (including questions about the optional coverages available and the cost thereof) on-line and without a call to the Broker Enquiry Department.

4. Set out below is a table with the number of Broker Enquiry Department calls as a percentage of the total broker transactions in 2002 and 2003.

Financial Allocation Workshop Filing

Broker Enquiry Department Calls	(thousands)	
	2003	2004
Total calls answered at the Broker Enquiry Department	656	580
Total number of broker transactions	6,061	6,182
Percentage of Broker Enquiry Department calls on all types of broker transactions	10.83%	9.38%

(Numbers are reflected in thousands)

5. As additional support for the allocation, ICBC has undertaken an analysis of telephone calls using the Broker Enquiry Logging System. Each call type was allocated to Basic insurance or Optional insurance based on call topic and weighted call time.

6. This analysis indicated that 2003 costs allocated to Basic insurance should have been increased by approximately \$300,000, the allocation to Optional insurance should have decreased by approximately \$580,000 and there should have been approximately \$280,000 of costs allocated to Non-insurance. The table below contains the results of that analysis.

Telephone Call Analysis - Broker Enquiry Department & Direct Sales

Year	Basic	Non Ins	Optional	Total
2003	67.2%	9.6%	23.2%	100.0%
2004	66.5%	10.5%	23.0%	100.0%
Combined Average of the two years analyzed	66.9%	10.0%	23.1%	100.0%
Direct Sales using Premiums Written Ratio	55.9%	0.0%	44.1%	100.0%
Allocated in 2003 dollars				
Broker Enquiry Dept multiplied by the Combined Avg % (calc. above)	1,854	278	640	2,772
Direct Sales multiplied by the Premiums Written Ratio	205	0	162	366
	<u>2,059</u>	<u>278</u>	<u>802</u>	<u>3,138</u>
Alternative Methodology	65.6%	8.9%	25.5%	100.0%

Difference in 2003 dollars	Basic	Non Ins	Optional	Total
Original Filing	1,754	0	1,384	3,138
Alternative Methodology	2,059	278	802	3,138
Difference in 2003 dollars	304	278	(582)	0

(Dollars are reflected in thousands)



Selected Financial Allocation Functions Used in ICBC's Financial Allocation Methodology

Presentation to BC Utilities Commission
Staff and Intervenor

March 16, 2005



Agenda

Introduction

Anwar Chaudhry
Corporate Controller

Overview of 7
Allocation Functions

Mark Withenshaw
VP Loss Management
& Operations Support

Doug Downing
VP Customer Service

Anwar Chaudhry

Summary

Anwar Chaudhry



Introduction

Purpose of Workshop

- Detailed review of 7 allocation functions
- Finalize before ICBC'S 2006 Revenue Requirement Application



The Allocation Functions

Claims Services Allocation Functions

1. Regional Claim Centres (Regional Operations)
2. In-House Counsel (Provincial Litigation Services)
[Claims Litigation – Field Services]
3. Claims General Support (General Support)
4. Claims Systems Support

Insurance Services Allocation Functions

5. Insurance Systems Support (Insurance Allocations)
6. General Broker Support & Direct Sales (General Broker Support)
7. Bad Debts & Allowances



Allocation Methodology Principles

- Fully allocated methodology approved by the Commission
 - Directly assign costs where possible (84%)
 - Where costs cannot be directly assigned, pro-rata allocation based on causality (16%)
- Goal is fair and equitable allocation based on cost causality



Review Process

Process Undertaken for all 7 Allocation Functions

- Reviewed rationale for retaining or modifying allocation function
- Used 2003 data to be consistent with 2004 Filing and to allow comparisons
- Allocators for Claims Systems Support and Claims General Support improved
- Added clarity by renaming 5 of the 7 allocators



Claims Services Allocation Functions

1. **Regional Claim Centres (Regional Operations)**
2. In-House Counsel (Provincial Litigation Services) [Claims Litigation – Field Services]
3. Claims General Support (General Support)
4. Claims Systems Support



Regional Claim Centre

- Largest allocation function under review
- 2003 costs: \$131 million
- Work Effort allocator provides the best measure
- Basic insurance 65.3% Optional insurance 34.7%

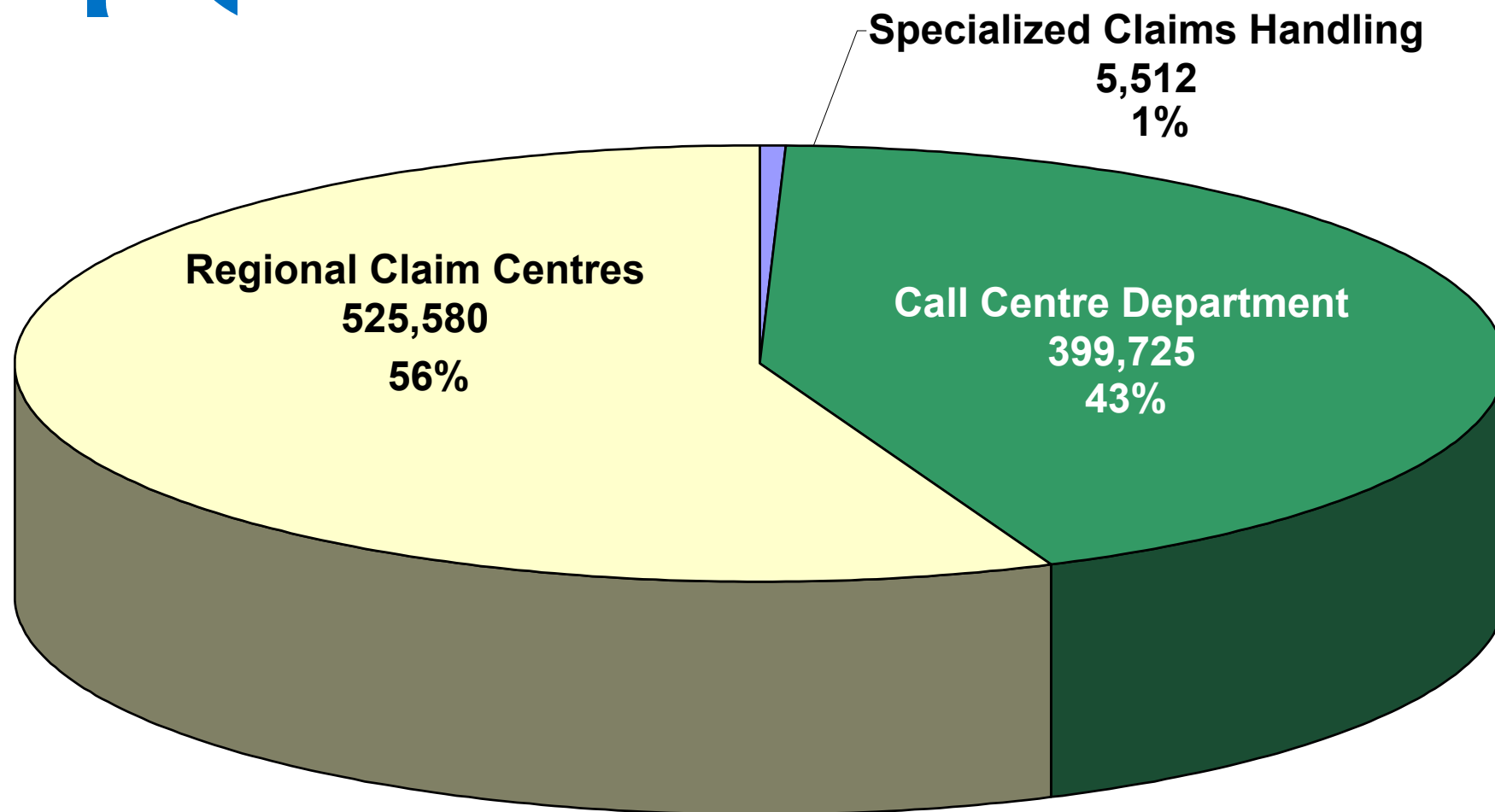


Regional Claim Centres

- 41 claim centres organized into 5 regions throughout BC and 3 claims handling departments
- Does not include the Telephone Claims Department
- Claims handled by Regional Claim Centres:
 - Bodily Injury (BI) claims less than \$200,000
 - Accident benefits
 - Material Damage claims, including contentious liability
- Largest cost driver is compensation - 86%



Volume of Claims - 56% for Regional Claim Centres





Regional Claim Centres Allocator

Work Effort recognizes four key factors:

1. The types of claims
2. Different types of claims require differing work effort
3. Compensation levels differ according to personnel qualifications
4. Staffing requirements for the volume of claims



Work Effort by Claim Type

- Difference in work effort for Bodily Injury claims and Material Damage claims:
 - File open time
 - Number of staff vs. number of claims handled
 - Level of staff expertise required
 - Ability to reduce staff time through programs such as Glass Repair



Regional Claim Centres Compensation and Staffing

2003	Total Compensation	Total FTE's
Manager	\$ 17,684,352	197
Office Assistant	\$ 18,314,231	404
Estimator	\$ 18,879,605	302
Adjuster - BI (incl. Examiners)	\$ 39,951,321	529
Adjuster - CA	\$ 17,898,985	304
Total	\$112,728,494	1,736



Transaction Costing Methodology – Work Effort

- Transaction costing is fair:
 - Transaction costing methodology developed in 2002 for management purposes
 - Adopted in 2003 for cost allocation

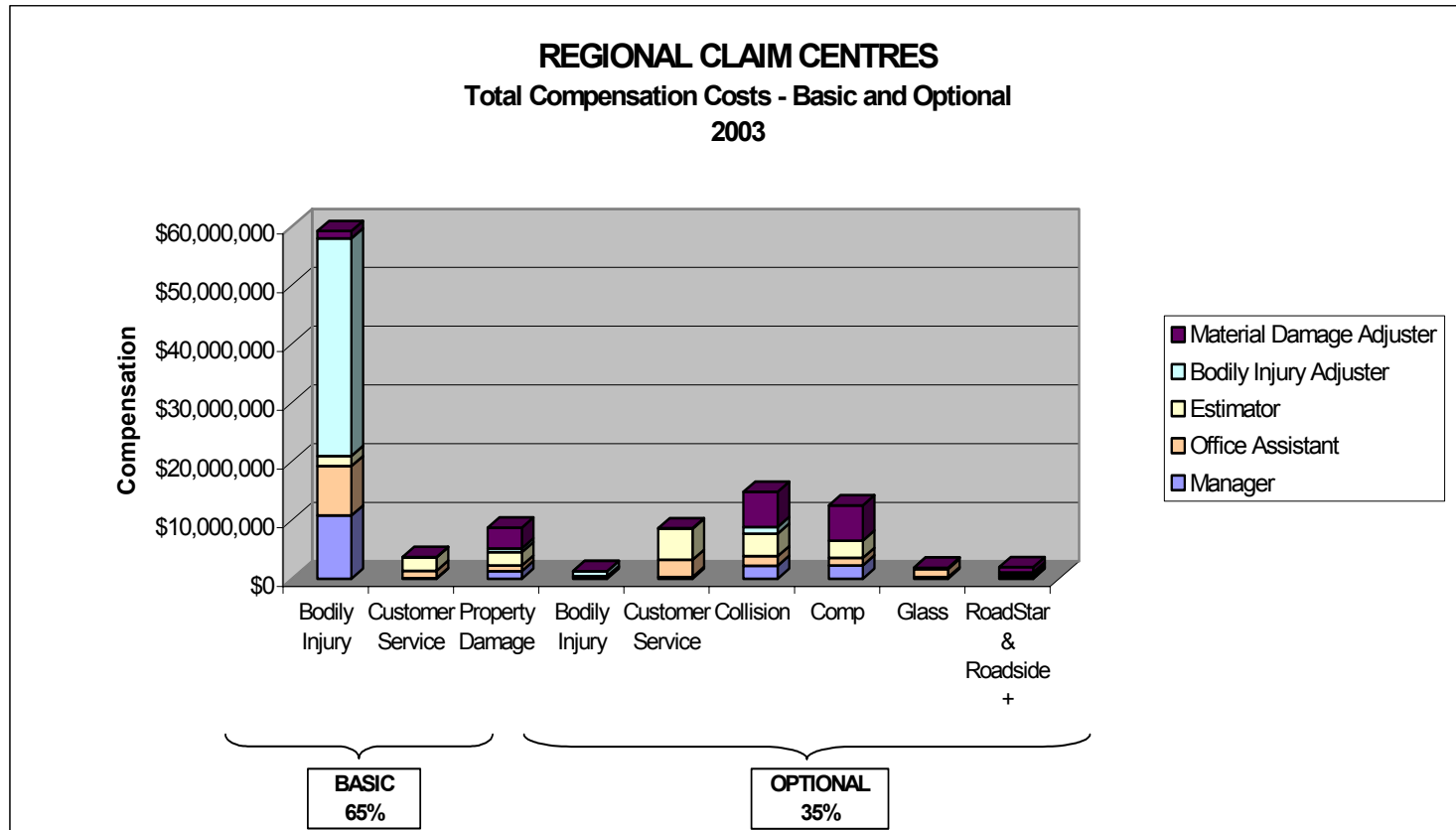


Transaction Costing Process

- Measured work effort expended by:
 - 5 categories of employees in Regional Claim Centres
 - on
 - the 10 types of claims transactions handled in Regional Claim Centres (4 Bodily Injury; 6 Material Damage)
- Applied the work effort percentage to total compensation costs for the 10 claims transactions



Compensation Costs by Claim Type





Allocation of Compensation Costs

ICBC			Regional Claim Centres	
Basic Optional Allocation by Claims Transaction Type				
			Basic	Optional
Claims Transaction Type			% Allocation	
1	MD Files - Glass		0%	100%
2	MD Files - Customer Care		30%	70%
3	MD Files - Collision & P/ Damage		37%	63%
4	MD Files - Comprehensive Theft		0%	100%
5	MD Files - Comprehensive Other		0%	100%
6	MD Files - Other		100%	0%
7	BI Exposures - LVI		100%	0%
8	BI Exposures - Non-Represented		100%	0%
9	BI Exposures - Represented		95%	5%
10	BI Exposures - Litigated		95%	5%



Allocation of Compensation Costs – Bodily Injury

- Directly allocated 100% to Basic for:
 - Low Velocity Impact (Part 7 Accident Benefits)
 - Non-represented claims
- Allocation on closed file amount or transfer over \$200,000 – 95% Basic 5% Optional
 - Represented claims
 - Litigated claims



Allocation of Compensation Costs - Material Damage

- Directly allocated 100% to Optional for:
 - Glass
 - Comprehensive Theft
 - Comprehensive Other
- Directly allocated 100% to Basic for:
 - Other (uninsured and unidentified)



Allocation of Compensation Costs - Material Damage

- Allocation for Customer Care based on closed claim type - 30% Basic 70% Optional
- Estimating performed for Telephone Claims in the Regional Claim Centres



Collision/Property Damage Allocation Detail

APPENDX A
to Order No. G-46-05

- Allocation by claims closed by claim type –
37% Basic 63% Optional
- Direct allocations for:
 - Single vehicle (Optional)
 - Collision – customer liable (Optional)
 - No third party coverage – not liable (Basic)
- Allocation as set out in Exhibit B-27 for Collision/Property Damage transaction



Summary

- Allocator is work effort
- Allocation is Basic 65.3% Optional 34.7%
- Function of time & effort



Claims Services Allocation Functions

1. Regional Claim Centres (Regional Operations)
2. **In-House Counsel (Provincial Litigation Services) [Claims Litigation – Field Services]**
3. Claims General Support
4. Claims Systems Support



In-House Counsel

- 2003 costs: \$8.6 million
- Work Effort allocator provides the best measure
- Basic 95% Optional 5%



In-House Counsel (Provincial Litigation Services)

- Predominantly files from the Regional Claim Centres
- In 2002 – 2004, files resolved by in-house counsel:
 - 97% to 98% - accident benefits and bodily injury files less than \$200,000 (Basic)
 - 1% to 2% - bodily injury files greater than \$200,000 (Optional)
 - 1% for other Material Damage claims (Optional)
- 90% of the costs relate to compensation; work effort is an appropriate allocator



Summary

- Allocation adjusted to 95% to Basic and 5% to Optional to take into account greater work effort on files over \$200,000
- Fair allocation: does not factor in first \$200,000 to Basic



Claims Services Allocation Functions

1. Regional Claim Centres (Regional Operations)
2. In-House Counsel (Provincial Litigation Services)
- 3. Claims General Support**
4. Claims Systems Support



Claims General Support

- 2003 costs: \$15.2 million
- Allocator: Revised to Claims Division Average for all 9 (now 8) included cost centres
- Basic 63.0% Non-insurance 0.2% Optional 36.8%



Claims General Support

- 8 cost centres related to work effort performed by the Claims division:
 - dedicated support for information systems (2)
 - process review and business analysis (2)
 - Claims Procedure manuals
 - Claims projects
 - Compensation accrual
- July 2004 Application several allocators were used for the 8 cost centres
- Claims Division average is the best indicator of cost drivers. Services are rendered to the Claims Division as a whole.



Summary

- Applying Claims Division Average has the following effect:

Basic Expense	↑ \$105K
Non-insurance	↓ \$159K
Optional Expense	↑ \$ 54K



Claims Services Allocation Functions

1. Regional Claim Centres (Regional Operations)
2. In-House Counsel (Provincial Litigation Services)
3. Claims General Support
4. **Claims Systems Support**



Claims System Support

- 2003 costs: \$21.8 million
- Allocator: Revised to Claims Division Average from Claims Weighted Average
- Basic 63.0% Non-insurance 0.2% Optional 36.8%



Claims System Support

- Primarily IT costs required for Claims Services file handling:
 - telephone services
 - desktop hardware
 - data network
 - ICBC's major server environment for mainframe and servers



Claims System Support

- Claims Division Average is fair and reasonable, because of impacts on usage arising from:
 - Work effort
 - File open time
 - Payments made indicative
 - Call Centre Department (a significant systems user, not included in the Weighted Average allocator)



Summary

- Applying Claims Division Average has the following effect:

Basic	↓ \$656.1K
Non-insurance	↑ \$ 43.7K
Optional	↑ \$612.4K



Insurance Services Allocation Functions

- 1. Insurance Systems Support**
- 2. General Broker Support & Direct Sales**
- 3. Bad Debts & Allowances**



Insurance Systems Support Allocation

- 2003 costs: \$7.2 million
- Allocator: Premiums Written Ratio
- Basic 54.3% Optional 45.7%



Insurance System Support

- Primarily IT costs required to support Autoplan and vehicle registration and licensing processing:
 - telephone services
 - desktop hardware
 - data network
 - ICBC's major server environment for mainframe and servers



Summary

- Premiums Written ratio is appropriate
 - Broad support to processing of all insurance and vehicle registration transactions
 - Single transaction business model



Insurance Services Allocation Functions

- Insurance Systems Support (Insurance Allocations)
- **General Broker Support & Direct Sales (General Broker Support)**
- Bad Debts & Allowances



General Broker Support & Direct Sales

- 2003 costs: \$3.1 million
- Allocator: Premiums Written Ratio
- Basic 54.3% Optional 45.7%



General Broker Support & Direct Sales

- Two business functions:
 - Broker Enquiry Department
 - Direct Sales
- Premium Written Ratio is the most appropriate allocator:
 - Basic insurance and Optional insurance are a single transaction
 - Issues relating to Basic insurance or vehicle licensing and registration resolved first



General Broker Support & Direct Sales

- Broker Enquiry Department primarily provides brokers with information and support on:
 - vehicle registration and licensing
 - insurance transaction processing
- Broker Enquiry Department handled 656,000 broker support calls in 2003



Direct Sales Functions

- Direct Sales processes:
 - bulk fleet transactions
 - Autoplan renewals, licensing and registration for customers located out-of-province
 - Autoplan and driver licence transactions for walk-in customers
 - Specialized transactions



Insurance Services Allocation Functions

1. Insurance Systems Support
2. General Broker Support & Direct Sales
3. **Bad Debts & Allowances**



Bad Debt & Allowances

- 2003 costs: \$4.9 million
- Allocator: Weighted Average (Premiums Written Ratio and Direct to Basic)
- Premiums Written Ratio: Basic 54.3% Optional 45.7% (revised)
- Driver Point Penalty Premium 100% Basic



Bad Debts & Allowances

- One cost centre for three receivables:
 - Autoplan12 defaulted premiums
 - Autoplan dishonoured cheques, underpayments
 - Driver Point Penalty Premium (DPP)



Bad Debts & Allowances

- Receivable proportions:
 - 80% Autoplan12 defaults and Autoplan dishonoured cheques, underpayments
 - 20% DPP payments owing
- DPP payments owing are allocated 100% to Basic insurance
 - Special Direction IC2 treats DPP revenue as Basic premium
 - DPP funds additional Basic insurance under the driver's certificate



Summary

- Weighted Average of Premium Written ratio and Direct to Basic is the appropriate allocator:
 - Premium payment is one transaction for both Basic and Optional insurance
 - Default is on all premium, leading to a single debt



Conclusion

- Fair and equitable allocations
- Adhere to the principles of fully allocated costing on the basis of cost causality approved by the Commission



Looking Forward - 2004

	<u>Basic</u>	<u>Non-ins</u>	<u>Optional</u>
Regional Claim Centres	65.1%	0.0%	34.9%
In-House Counsel	95.0%	0.0%	5.0%
Claims General Support	61.6%	0.3%	38.1%
Claims System Support	61.6%	0.3%	38.1%
Insurance Systems Support	53.3%	0.0%	46.7%
General Broker Support & Direct Sales	53.3%	0.0%	46.7%
Bad Debts & Allowances	58.0%	0.0%	42.0%



Looking Forward – New for 2004

- 2004 allocation ratios include:
 - Exhibit B-27
 - January 2005 BCUC Decision re: Premiums Written Ratio
 - Adjusting “Customer Care transaction”



Questions



Thank You



IN THE MATTER OF THE *UTILITIES COMMISSION ACT*
R.S.B.C. 1996, Chapter 473
and the
INSURANCE CORPORATION ACT
R.S.B.C. 1996, Chapter 228

**A Supplemental Filing by the
Insurance Corporation of British Columbia
relating to**

ICBC'S REGIONAL CLAIM CENTRES WORK EFFORT ALLOCATION

March 31, 2005



ICBC's Regional Claim Centres Work Effort Allocation Supplemental Filing

Table of Contents

1	INTRODUCTION	1
1.1	NSP BACKGROUND	1
1.2	ORGANIZATION OF THE SUPPLEMENTAL FILING	1
2	TRANSACTION COSTING IN REGIONAL CLAIM CENTRES	3
2.1	TRANSACTION COSTING EXPLAINED	3
2.2	HISTORY OF TRANSACTION COSTING IN REGIONAL OPERATIONS	3
2.3	REGIONAL CLAIM CENTRE TRANSACTION COSTING PROCESS AND COST ALLOCATION.....	5
2.4	STEPS 1 AND 2: DETERMINING THE TRANSACTION TYPES AND IDENTIFYING THE JOB CATEGORIES	6
2.5	STEP 3: THE DETERMINATION OF WORK EFFORT	9
2.6	STEP 4: REGIONAL CLAIM CENTRES COSTS BY TRANSACTION	12
3	ADOPTION OF TRANSACTION COSTING METHODOLOGY FOR FINANCIAL ALLOCATION.....	12
3.1	TRANSACTION COSTING AS A BASIS FOR WORK EFFORT FINANCIAL ALLOCATION IN REGIONAL CLAIM CENTRES.....	12
3.2	MODIFICATIONS TO THE TRANSACTION COSTING METHODOLOGY FOR REGIONAL CLAIM CENTRES FINANCIAL ALLOCATION	12
3.3	FINANCIAL ALLOCATION FOR REGIONAL CLAIM CENTRES – FLOW CHART STEPS 5 TO 9.....	13
3.4	ALLOCATIONS BETWEEN BASIC INSURANCE AND OPTIONAL INSURANCE BY TRANSACTION TYPE	15
3.4.1	<i>MD Files – Collision/Property Damage.....</i>	16
3.4.2	<i>Exhibit B-27.....</i>	16
3.4.3	<i>MD Files – Customer Care</i>	17
3.4.4	<i>MD Files – Other.....</i>	19
3.4.5	<i>BI Exposures – Represented and BI Exposures – Litigated.....</i>	22
3.5	SUMMARY	23
4	COUNTS USED IN REGIONAL CLAIM CENTRES FINANCIAL ALLOCATION MARCH 2005 FILING EXPLAINED.....	24
5	INTERVENOR REQUESTED INFORMATION.....	25
	APPENDIX 1	26
	SALES AND SERVICE TRANSACTION COSTING PROJECT PROPOSAL PHASE 1	27
	SALES AND SERVICE TRANSACTION COSTING PROJECT PROPOSAL PHASES 2 TO 4.....	33
	TRANSACTION COSTING MODEL SUMMARY REPORT 2002 - 2004.....	46
	APPENDIX 2	
	NUMERICAL ILLUSTRATION OF TRANSACTION COSTING/FINANCIAL ALLOCATION FLOW CHART.....	62
	APPENDIX 3	68
	REGIONAL CLAIM CENTRE CLAIMS PERSONNEL FOR 2004 TRANSACTION COSTING	68
	APPENDIX 4	
	YEAR OVER YEAR CHANGES IN WORK EFFORT PERCENTAGES 2002 TO 2004	69
	APPENDIX 5	71
	2003 ALLOCATION MATRICES FOR THE FIVE REGIONS WITHIN REGIONAL CLAIMS CENTRES.....	72
	2004 ALLOCATION MATRICES FOR THE FIVE REGIONS WITHIN REGIONAL CLAIMS CENTRES.....	74



ICBC's Regional Claim Centres Work Effort Allocation Supplemental Filing

APPENDIX 6	
MD FILES - COLLISION/PROPERTY DAMAGE ALLOCATION	76
APPENDIX 7	
MD FILES - CUSTOMER CARE ALLOCATION.....	78
APPENDIX 8	81
CHARTS/TABLES PAGE 13 AND EXHIBIT B-27 PAGES 2 AND 4 WITH NUMBERS	81
APPENDIX 9	84
REGIONAL ALLOCATION MATRIX ON PAGE 47 (APPENDIX 4) OF THE MARCH 2005 FILING REDONE USING NUMBERS AS REPORTED, NOT CLOSED.....	84
APPENDIX 10	85
HOW ICBC COUNTS "CLAIMS"	85
APPENDIX 11	95
COLLISION CLAIMS REPORTED CLAIMS BY ACCEPT, DENY, CONTENTIOUS (2003)	95
APPENDIX 12.....	97
INSURANCE (MOTOR VEHICLE) ACT AND REGULATION PROVISIONS APPLICABLE TO UNIDENTIFIED AND UNINSURED MOTORIST CLAIMS.....	97



BCUC Negotiated Settlement Process Regional Claim Centres Work Effort Allocation Supplemental Filing

1 Introduction

1.1 NSP Background

ICBC is pleased to provide further information on the process that ICBC used to determine the work effort for the Regional Claim Centres allocation function and further detailed information on the process used for the allocation of costs between Basic insurance and Optional insurance for the 10 transaction types within Regional Claim Centres.

ICBC presented its due diligence on seven selected allocations functions used in its financial allocation methodology in a Filing made March 10, 2005 (the "March Filing") which was presented at the ICBC Financial Cost Allocation Workshop held on March 16, 2005. Following the Workshop, ICBC, British Columbia Utilities Commission (BCUC) staff and intervenors commenced a Negotiated Settlement Process (NSP).

As a result of the information provided in the March Filing and the discussions in the NSP, ICBC agreed to provide further information on transaction costing and Regional Claim Centres cost allocation, which is set out in this Supplemental Filing. This Supplemental Filing has taken into account the specific information requests made by the intervenors in meetings with ICBC.

1.2 Organization of the Supplemental Filing

Because transaction costing forms the basis of the methodology used for the work effort allocations in Regional Claim Centres, this Supplemental Filing starts with an explanation of transaction costing, and then illustrates on a step by step basis how transaction costing is used as the basis for cost allocation in Regional Claim Centres. A description of how the transaction costing methodology for Regional Claim Centres allocation function was adapted for financial allocation purposes follows.



ICBC's Regional Claim Centres Work Effort Allocation Supplemental Filing

Detail with respect to the allocations for the 10 transaction types is set out in section 3.4. In preparing this Supplemental Filing, ICBC identified that the MD Files - Customer Care transaction type includes vehicle damage claims with transfers from Collision to Property Damage. ICBC has refined the allocation methodology used for MD Files - Customer Care for files with transfer from Collision to Property Damage to align it with the methodology used for MD Files - Collision/Property Damage as set out in Exhibit B-27 (see section 3.4.3 and Appendix 7). The revised allocation results in a reduction in the allocation to Basic insurance.

In addition, ICBC refined its allocation methodology for Unidentified Motorist (hit and run) and Uninsured Motorist claims which are included in the MD Files – Other transaction type. These claims were allocated 100% to Basic insurance on the basis that Unidentified Motorist and Uninsured Motorist coverage is Basic insurance coverage. However, since Collision coverage may also apply in a hit and run and uninsured situation, ICBC revised the methodology for MD Files – Other to include an allocation to Optional insurance (see section 3.4.4). This refinement results in a reduction in the allocation to Basic insurance.

In its March 2005 Filing and at the Workshop, ICBC presented information to demonstrate that claims volume is not a reasonable allocator for the Regional Claim Centres allocation function because it does not adequately reflect work effort. During the discussion of this information, questions were asked as to how ICBC counts claims. This Supplemental Filing provides an overview of the terminology used in reporting claims in section 4 and a more detailed explanation of counts used by ICBC, including various scenarios of claims with multiple coverages and how counts are made, in Appendix 10.

Specific information requested by the intervenors not otherwise addressed in the Supplemental Filing is included in the Appendices (such as the Collision coverage reported claims by liability accepted, liability denied, and liability contentious as identified on first report).

In summary, the information in this Supplemental Filing verifies that the Basic insurance and Optional insurance allocations based on work effort allocations in the Regional



ICBC's Regional Claim Centres Work Effort Allocation Supplemental Filing

Claim Centres allocation function are reasonable and appropriate, and an accurate reflection of the work performed by employees in Regional Claim Centres.

2 Transaction Costing in Regional Claim Centres

2.1 Transaction Costing Explained

Transaction costing calculates the average operating costs per transaction for the activities involved in the delivery of a service. Instead of stating the operating costs in the traditional accounting way, such as compensation and operating costs, transaction costing classifies those costs by various activities (in ICBC's case, claims transactions). Generally speaking, the steps to determine transaction costs are:

- identify the transactions to be measured
- identify the business processes and activities for each transaction
- identify the compensation and operating costs associated with each transaction.

2.2 History of Transaction Costing in Regional Operations

As with all businesses, ICBC recognizes that its controllable costs need to be managed. In 2002, the Operations Division (which includes Claims) identified a need to determine where its claims operating costs are incurred on a transactional level. By developing a better understanding of the cost to handle each type of claims transaction, ICBC would be able to better manage operating costs by identifying claims handling efficiencies and cost reduction opportunities. The transaction costing methodology was developed specifically as a management tool. It was subsequently adapted for cost allocation because ICBC views the underlying work effort determination as accurate and objective.

In response to this business need, ICBC's Finance Division developed the Transaction Costing Project in 2002 (copies of the Project Proposal documents explaining the concept of transaction costing and setting out the process for implementation of transaction costing in the Operations Division are in Appendix 1). A Transaction Costing Project team was established. That team included expertise from both the Finance and Operations divisions, with the following responsibilities:



ICBC's Regional Claim Centres Work Effort Allocation Supplemental Filing

Finance:

- determine the most effective methodology to conduct transaction costing
- provide support to Operations' determination of work effort
- collect transaction data (number of transactions)
- calculate the transaction costs based on Operations input.

Operations:

- determine transaction types to be measured
- determine the work effort attributed to each transaction type
- confirm transaction costs.

The key objectives in determining the most effective transaction costing methodology were:

- obtaining information in an efficient and non-disruptive manner
- consistency of application and results, so that year over year results could be compared
- flexibility, so that business changes could be accommodated.

The transaction costing methodology used for Regional Claim Centres was selected because it provides an accurate and efficient method to determine work effort and it:

- is not disruptive to employees, so customer service is not affected
- addresses regional differences in claims handling and seasonal variations in volumes and claim types
- is a flexible model that allows for a simple annual adjustment of work effort percentages as claims handling processes or products change
- reflects the staff and compensation required to handle the work volumes coming in, as it fully allocates compensation for the year in each region
- is not costly or complex to complete.

A copy of the Transaction Costing Analysis Report for 2002 – 2004 is in Appendix 1.



ICBC's Regional Claim Centres Work Effort Allocation Supplemental Filing

2.3 Regional Claim Centre Transaction Costing Process and Cost Allocation

The following flow chart sets out the process for the steps involved in transaction costing, and then illustrates on a step by step basis how transaction costing is used as the basis for cost allocation in Regional Claim Centres:

Step 1:

Determine the transactions to be measured - 10 Material Damage (MD) and Bodily Injury (BI) transaction types

Step 2:

Identify all job categories contributing to the transaction - 5 job categories

Step 3:

Calculate work effort of each job type for each transaction type
- Claims personnel determine work effort for all transaction types at a regional level

Step 4:

Allocate regional compensation costs across each transaction type
- Work effort % is multiplied by the total annual compensation for each job category

Modify transaction types from transaction to financial allocation transaction types and apply transaction costing methodology to financial allocation

Step 5:

In each region, determine total compensation costs across all job categories for each transaction type

Step 6:

In each region, allocate compensation costs for each transaction type between Basic insurance and Optional insurance

Step 7:

In each region, determine the Basic / Optional split expressed as a percentage of total compensation cost for Basic insurance to total compensation cost for Optional insurance

Step 8:

In each region, allocate operating costs using the Basic / Optional split determined in Step 7

Step 9:

Aggregate all regional allocations into Regional Claim Centres allocation



ICBC's Regional Claim Centres Work Effort Allocation Supplemental Filing

Steps 1 through 4 which set out the transaction costing methodology are explained in sections 2.4 to 2.6. The application of the transaction costing methodology to Regional Claim Centres financial allocation in steps 5 through 9 is explained in sections 3.1 to 3.3.

Appendix 2 illustrates all nine steps using actual data from the Greater Vancouver Region as an example.

2.4 Steps 1 and 2: Determining the Transaction Types and Identifying the Job Categories

The Transaction Costing Project team identified the transaction types dealt with in Regional Claim Centres for the transaction costing methodology. For the purposes of transaction costing, the Transaction Costing Project team initially identified 11 transactions.

The "File Initiation" transaction type used for transaction costing has not been adopted as a separate transaction type for financial allocation purposes. Instead, the file initiation costs are included in the specific transaction type which generated the file initiation. The costs for file initiation for the 4% of files initiated in Regional Claim Centres in 2003 are not sufficiently material to warrant a separate transaction type for financial allocation purposes.

The transaction costing project included Telephone Claims Department, named "Customer Service"¹ as a separate "region" for transaction costing. As the Telephone Claims Department is a separate business area outside of Regional Claim Centres, the transaction costing work with respect to the costs of claims retained at Telephone Claims Department does not relate to or impact on financial allocation for Regional Claim Centres, so has been excluded from the materials included with this Supplemental Filing.

¹ Not to be confused with the MD - Customer Service transaction type used for transaction costing in Regional Claim Centres, which was renamed "MD Files – **Customer Care**" for financial allocation. MD Files – Customer Service and MD Files – Customer Care are a transaction type representing work performed by Estimators in Regional Claim Centres.



ICBC's Regional Claim Centres Work Effort Allocation Supplemental Filing

Set out below is a table with the 11 transaction types that were initially part of the transaction types identified in the transaction costing methodology and subsequently adopted for financial allocation in Regional Claim Centres (with the exception of File Initiation).

Material Damage (MD) Claims Transaction Types:	
File Initiation	All functions performed to open a claim from the time the claimant initiates first contact with ICBC to the time that first contact is completed.
MD Files – Glass	Claimants may report a glass claim either directly through an ICBC claim centre or through an Express Glass Repair business partner (who are authorized by ICBC to initiate and estimate non-contentious glass claims).
MD Files – Customer Service	Material Damage claims handled through the Telephone Claims Department and vehicle damage estimated in Regional Claim Centres.
MD Files – Collision/Property Damage (PD)	Claims for both single and multi-vehicle collision and third party property damage claims.
MD Files – Comprehensive Total Theft	Comprehensive claims involving the total theft of a vehicle.
MD Files – Comprehensive Other	Comprehensive claims for vehicle damage caused by fire, animal collision, vandalism and theft from a vehicle.
MD Files – Other	Claims involving an unidentified (hit and run) or uninsured motorist that are paid under Collision coverage or under Basic insurance Unidentified and Uninsured Motorist coverage, as applicable.

Bodily Injury (BI) Claim Transaction Types:	
BI Exposures – Low Velocity Impact (LVI)	Low Velocity Impact claims refer to those injury claims presented where the vehicle impact was minimal or where there was minimal or no damage to the vehicle. LVI claims primarily involves Part 7 benefits under the <i>Insurance (Motor Vehicle) Act Regulation</i> .
BI Exposures – Non Represented	Injury claims under the \$200,000 Basic insurance limit where the claimant is dealing directly with an ICBC adjuster and not represented by legal counsel.
BI Exposures – Represented	Files under 24 months old and under the \$200,000 Basic insurance limit where the injured claimant is represented by legal counsel.
BI Exposures – Litigated	Files over 24 months old and under the \$200,000 Basic insurance limit where the injured claimant is represented by legal counsel and legal proceedings have commenced.



ICBC's Regional Claim Centres Work Effort Allocation Supplemental Filing

All claims handled in Regional Claim Centres are included in the transaction types, grouped by the major claim types found in Regional Claim Centres. In those few cases where volumes for a transaction type were so small that costs were not material, those transactions were not included as a separate transaction, but the costs associated with those transactions were included in the transaction costs of a similar transaction type. For example, claims occurring in BC involving vehicles from other provinces are not a separate transaction type, but the vehicle damage aspects of such claims are included within the MD Files – Collision/Property Damage transaction type.

The Transaction Costing Project team identified the five job categories in a claim centre dealing with claims. The job categories and a brief description of the job duties by category are set out below:

Job Categories and Descriptions:	
Manager/Supervisor	Oversees the administration, training, development and performance of adjusting staff in the investigation, evaluation, negotiation, and settlement of claims.
Office Assistant	Provides administrative support to the claim centre staff.
Estimator	Provides material damage estimating services.
Bodily Injury Adjuster/Examiner	<p>A bodily injury adjuster investigates, evaluates, negotiates and settles all levels of bodily injury claims.</p> <p>An Examiner acts as a senior technical resource at a claim centre level by directing and monitoring bodily injury adjusters in the investigation, control and settlement of claims (which can include material damage claims).</p>
Material Damage Adjuster, also referred to as a Claims Adjuster	Investigates, evaluates and negotiates material damage and minor bodily injury claims.

While the high level responsibilities of these job types have not changed, over the past five years their work has shifted to handle a larger percentage of complex claims as the Telephone Claims Department² has retained a progressively larger number of low complexity claims to adjust to completion.

² Referred to as the Customer Call Centre in the Allocation Functions in Appendix 1 to the March 2005 Filing, but which will be referred to as the Telephone Claims Department in this Supplemental Filing.



ICBC's Regional Claim Centres Work Effort Allocation Supplemental Filing

2.5 Step 3: The Determination of Work Effort

Experienced claims personnel within the Operations Division determine work effort by transaction type and job category. Work effort is expressed as a percentage of annual time spent by each job category on each transaction type.

Since the claim centres are grouped into five regions within Regional Claim Centres³, and there are some regional differences in claims handling, claims personnel from each of the five regions participate in the work effort determination. The claims personnel are selected for their knowledge of the business in their region. Through years of experience and day to day knowledge of the business, the claims personnel are able to determine where employees are spending their time. The claims personnel also consult with others within their respective regions to confirm their work effort assessments.

A listing of the work experience and years of service of the claims personnel involved in 2004 transaction costing is set out in Appendix 3.

The claims personnel initially met in 2002 for the first determination of work effort by transaction type and job category, and again in 2003 and in 2004.

The factors evaluated by the claims personnel at these meetings included:

- claims processing changes or product changes which may have changed work effort on the transaction types (For example, in 2002, the deductible for glass claims under Comprehensive coverage was increased, which resulted in fewer claims being made)
- comparisons of the claims working environment between the five regions included in Regional Claim Centres (for example, in regions outside of the Lower Mainland, where an Adjuster is more likely to perform their functions outside of a claim centre, longer travel time is allowed for accident scene investigation, attending on witnesses and attending on claimants in the course of adjusting the claim)
- claims volume changes over the previous year to determine if changes are significant enough to warrant a change in work effort percentages.

³ Greater Vancouver, Vancouver Island, Fraser Valley, Southern Interior, Northern Interior



ICBC's Regional Claim Centres Work Effort Allocation Supplemental Filing

In advance of the meetings, the claims personnel were provided with information on regional staffing levels and information on transaction volumes. While transaction volumes by type were not used as the determinant for work effort, the claims personnel were provided with information on annual percentage of volume changes by transaction type to be used only as contextual background to help the claims personnel determine where work effort was being expended.

The initial work effort distributions were based on the judgment of the claims personnel after deliberation over the amount of time spent on each transaction type by each job position. Based on their experience and understanding of the duties performed by each job position, they were able to assess work effort. The subsequent meetings to assess work effort followed a format of systematically reviewing the previous work effort assessments, discussing any business changes that require an adjustment, and reaching a consensus for all changes made.

The claims personnel met in September 2003 to update the initial work effort estimates determined in 2002. This meeting was used not only to ensure that work effort percentages remained current, but also to refine the process. As the claims personnel began to develop a better understanding of the transaction costing methodology, they were better able to apply their knowledge and expertise, and able to update their work effort percentages to reflect business changes occurring within Regional Claim Centres.

The February 2004 meeting resulted in very minor adjustments with the exception of the Estimator work effort across the Bodily Injury transaction types. It was recognized that Estimator work effort on injury claims was only appropriate on LVI (Low Velocity Impact) claims. After a careful review, the work effort percentages for Estimators in the Bodily Injury transaction types were removed, other than for LVI, and reallocated to MD Files – Collision.

Attached as Appendix 4 is a table which shows the year over year changes in work effort percentages from 2002 to 2004.⁴

⁴ The work effort percentages in these tables will vary slightly from those in the financial allocation matrices provided in Appendix 5 and the table on page 14 because the work effort percentages in the table on page 11 are transaction costing work effort percentages which separate out file initiation work effort. The file initiation work effort is rolled up into the 10 transaction types used for financial allocation and will, as a result, increase work effort percentages for those job categories involved in file initiation.



ICBC's Regional Claim Centres Work Effort Allocation Supplemental Filing

By way of illustration of the process, at the September 2003 meeting, the issues considered by the claims personnel and their impact on work effort percentages included:

- the impact that the Glass Express Program had on Administrative Manager work loads
- the trend to increased attendance at Regional Claim Centres by claimants whose claims were being handled by the Telephone Claims Department
- the amount of time being spent by Estimators in Regional Claim Centres estimating claims handled by the Telephone Claims Department
- whether the proper work effort had been allocated to office assistants for the Bodily Injury transaction types.

As a result of the discussion of these issues by the claims personnel, the following changes were made to the work effort percentages to accurately reflect the then-current business environment.

Examples of Greater Vancouver Region allocation changes – 2003 Meeting				
Transaction type	Job Category	Previous Work Effort Percentage	Updated Work Effort Percentage	Reasons
MD Files – Glass	Manager	0.5%	1.5%	To better represent the additional time Administrative Managers were spending on Express Glass Shop inspections
MD Files – Customer Care	Office Assistant	20.0%	22.0%	To better reflect increased Office Assistant work effort associated with claimants attending the claim centre for an estimate on a claim file belonging to Telephone Claims Department
BI – Non - Represented	Office Assistant	18.0%	21.0%	To better reflect the Office Assistant work effort across all BI file types
MD Files – Customer Care	Estimator	35.0%	40.0%	To better reflect the increased time being spent on estimating vehicles of claimants attending the claim centre for an estimate on a claim file belonging to Telephone Claims Department



ICBC's Regional Claim Centres Work Effort Allocation Supplemental Filing

2.6 Step 4: Regional Claim Centres Costs by Transaction

Claims Services costs in Regional Claim Centres are comprised of two components for transaction costing purposes:

- compensation
- operating costs (facilities, office supplies, etc.)

Once the claims personnel have determined work effort expressed as a percentage of annual time spent by transaction type and job category, compensation costs are allocated to each transaction type by job category. That is, the percentage of work effort spent in each job category on a transaction is multiplied by the total compensation cost for a job category to derive the cost for that transaction by job category.

Operating costs are then allocated to each transaction type by job category in the same manner.

3 Adoption of Transaction Costing Methodology for Financial Allocation

3.1 Transaction Costing as a Basis for Work Effort Financial Allocation in Regional Claim Centres

ICBC believes that the current work effort allocations for 2004, which are based on a transaction costing methodology that was developed for business purposes and that has been scrutinized for three years, are an accurate representation of the distribution of the work of the employees in the Regional Claim Centres.

The transaction costing methodology provides consistency by allowing for year over year comparison. In addition, the methodology is sufficiently flexible to accommodate changes in ICBC's business as it evolves over time, without requiring a "ground up" reassessment of work effort with each business change.

3.2 Modifications to the Transaction Costing Methodology for Regional Claim Centres Financial Allocation

The transaction costing methodology forms the basis of the work effort allocation in Regional Claim Centres. The 11 transaction types (identified on page 7) were modified



ICBC's Regional Claim Centres Work Effort Allocation Supplemental Filing

for financial allocation purposes to better reflect financial allocation cost causality principles.

The separate file initiation transaction type was blended with the 10 coverage based transaction types through a process of using compensation cost weighting to distribute the file initiation work effort over the 10 transaction types. This was done to record the level of effort at the claim centre level in opening files directly reported to Regional Claim Centres. It is important to note that the file initiation transaction relates only to the 4% of claims reported at the claim centre level, so the level of work was not sufficiently material to warrant a separate transaction type. The remaining 96% of files are reported to, and initiated at, the Telephone Claims Department.

There was also a name change to the "MD Files – Customer Service" transaction type, which represents Estimator work effort in Regional Claim Centres on material damage claims being adjusted by the Telephone Claims Department. For financial allocation purposes, the name was changed to MD Files – Customer Care, but there was no change in the underlying work effort represented by this transaction type.

The final modification was to refine the MD Files – Other transaction type to include only Unidentified Motorist (hit and run) and Uninsured Motorist claims. The secondary RoadStar and RoadSide Plus coverages included in this category for transaction costing are rolled up into the related primary coverage (such as Collision) for financial allocation purposes.

3.3 Financial Allocation for Regional Claim Centres – Flow Chart Steps 5 to 9

Steps 5 and 6: For financial allocation, ICBC uses the work effort percentages determined under the transaction costing methodology and applies them to the compensation costs for each job category and transaction type. From this, the total compensation costs by transaction type are determined.

By way of illustration, set out below is a table, or "Allocation Matrix" which shows the total compensation costs by transaction type in the Greater Vancouver Region.



ICBC's Regional Claim Centres Work Effort Allocation Supplemental Filing

ICBC Regional Claim Centres - Greater Vancouver Allocation Matrix: Actual cost YTD (Dec 2002)												
Claims Transaction Type		Cost Elements										Total
		Mgr (a)	Mgr (a)	OA (b)	OA (b)	Estimator	Estimator	Adj - BI (Incl. Examiners)	Adj - BI (Incl. Examiners)	Adj - CA	Adj - CA	
1	MD Files - Glass	1.5%	101,909	7.2%	512,321	1.0%	76,223	0.00%	-	0.0%	-	690,454
2	MD Files - Customer Care*	2.0%	135,879	22.6%	1,608,118	40.0%	3,048,931	0.00%	-	1.0%	73,280	4,866,208
3	MD Files - Collision & P/ Damage	21.0%	1,426,732	15.4%	1,095,798	32.0%	2,439,145	4.60%	782,283	56.2%	4,118,308	9,862,266
4	MD Files - Comprehensive Theft	10.0%	679,396	5.1%	362,894	10.0%	762,233	0.00%	-	20.4%	1,494,902	3,299,425
5	MD Files - Comprehensive Other	4.5%	305,728	2.1%	149,427	5.0%	381,116	0.00%	-	10.3%	754,779	1,591,051
6	MD Files - Other	1.0%	67,940	1.5%	106,734	2.0%	152,447	0.50%	85,031	5.1%	373,725	785,876
7	BI Exposures - LVI	7.0%	475,577	1.0%	71,156	10.0%	762,233	15.40%	2,618,948	5.0%	366,398	4,294,311
8	BI Exposures - Non-Represented	28.0%	1,902,309	21.5%	1,529,847	-	35.70%	6,071,197	2.0%	146,559	9,649,912	
9	BI Exposures - Represented	7.0%	475,577	8.2%	583,477	-	16.30%	2,772,003	0.0%	-	3,831,057	
10	BI Exposures - Litigated	18.0%	1,222,913	15.4%	1,095,798	-	27.50%	4,676,692	0.0%	-	6,995,403	
Total		100.0%	6,793,962	100.0%	7,115,568	100.0%	7,622,328	100.00%	17,006,154	100.0%	7,327,951	45,865,963

So for example, the compensation cost for the management group for MD Files – Glass (line 1) was determined by multiplying 1.5% (percentage of the management group's time spent on MD File - Glass transaction type annually) by \$6,793,962 (total annual compensation costs for the management group) to arrive at \$101,909.

Step 7: Once total compensation costs by transaction are determined, those costs are then allocated by transaction type to either Basic insurance or Optional insurance. This exercise is done on a region by region basis.

Set out in Appendix 5 are the Allocation Matrices for each of the five regions, which include total compensation costs by transaction type, the allocation percentages to Basic insurance and Optional insurance and the actual dollar allocation once the percentages are applied.

Step 8: Operating costs⁵ for each of the individual cost-centres within the regions are then determined. The operating costs for each region are allocated by applying the Basic/Optional insurance split to each of the cost-centres, and then aggregating them at a regional level.

Step 9: As the final step, the allocations of compensation costs and operating costs between Basic insurance and Optional insurance in each of the five regions are totalled, resulting in the overall Regional Claim Centres allocation.

Set out below is a table which shows a summary of the 2003 Regional Claim Centres costs (compensation and operating) distributed by work effort percentages by transaction types for each region, and the allocation percentages by transaction type.

⁵ "Operating costs" are the total costs of operating a claim centre and include facility costs.



ICBC's Regional Claim Centres Work Effort Allocation Supplemental Filing

ICBC Regional Claim Centres - Total Operating Costs Allocation Summary (2003)										
	MD Type by Region						Basic		Optional	
	GV	FV	VI	NC	SI	Total	% Allocation		(Exhibit B-27)	
MD Files - Glass	1.5%	1.7%	1.9%	2.2%	2.4%	1.8%	0%	100%	0.0%	1.8%
MD Files - Customer Care	10.6%	11.2%	10.5%	13.4%	12.8%	11.2%	30%	70%	3.4%	7.9%
MD Files - Collision/PD	21.5%	19.6%	18.8%	24.5%	21.3%	20.9%	37%	63%	7.7%	13.1%
MD Files - Comprehensive Theft	7.2%	8.0%	6.4%	8.5%	7.3%	7.4%	0%	100%	0.0%	7.4%
MD Files - Comprehensive Other	3.5%	3.3%	3.7%	5.0%	4.1%	3.6%	0%	100%	0.0%	3.6%
MD Files - Other	1.7%	1.6%	1.7%	2.1%	1.8%	1.7%	100%	0%	1.7%	0.0%
Total MD Files	46.0%	45.4%	43.0%	55.7%	49.8%	46.6%			12.8%	33.8%
	BI Type by Region									
	GV	FV	VI	NC	SI	Total				
BI Exposures - LVI	9.4%	9.1%	7.4%	6.4%	6.5%	8.5%	100%	0	8.5%	0.0%
BI Exposures - Non-Represented	21.0%	21.4%	24.6%	20.0%	22.7%	21.6%	100%	0%	21.6%	0.0%
BI Exposures - Represented	8.4%	8.6%	9.1%	6.8%	7.9%	8.3%	95%	5%	7.9%	0.4%
BI Exposures - Litigated	15.3%	15.6%	15.9%	11.2%	13.1%	14.9%	95%	5%	14.1%	0.7%
Total BI Exposures	54.0%	54.6%	57.0%	44.3%	50.2%	53.4%	97.83%	2.17%	52.2%	1.2%
Total MD Files and BI Exposures	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%			65.0%	35.0%
Explanation: The percentages in the table by claims transaction type and by region (eg. 1.5% for MD Files - Glass in the GV Region) are the total compensation dollars across all job categories in that region by that claims transaction type divided by the total regional compensation dollars. As an example, for the GV Region, the total compensation allocated to MD Files - Glass was \$690,454 and the total overall regional compensation was \$45,865,963. The total percentages (eg. 1.8% for the GV region) are total regional compensation by claims transaction type divided by total compensation for all regions. As an example, the total compensation costs for all regions for the claims transaction type MD Files - Glass was \$1,887,794 divided by the total Regional Claims Centres compensation costs of \$107,463,458. The Basic/Optional allocation (denoted Exhibit B-27) is calculated by taking the total percentage by claims transaction type and multiplying it by the Basic/Optional % allocation. As an example, the 11.2% in MD Files - Customer Care is multiplied by the 30/70 Basic/Optional % allocation to arrive at 3.4%/7.9%.										

3.4 Allocations Between Basic Insurance and Optional Insurance by Transaction Type

Five of the transaction types are by their nature restricted to either Basic insurance or Optional insurance, and costs could therefore be allocated directly. Those transaction types are:

Transaction	Coverage Type
MD Files - Glass	Optional insurance
MD Files - Comprehensive Theft	Optional insurance
MD Files - Comprehensive Other	Optional insurance
BI Exposures - LVI	Basic insurance
BI Exposures - Non-Represented	Basic insurance

The remaining five transaction types are allocated between Basic insurance and Optional insurance:

- MD Files - Collision/Property Damage
- MD Files - Customer Care
- MD Files - Other⁶
- BI Exposures - Represented
- BI Exposures - Litigated

⁶ Other is comprised of Unidentified Motorist (hit and run) and Uninsured Motorist



ICBC's Regional Claim Centres Work Effort Allocation Supplemental Filing

Details with respect to the underlying work effort for these transaction types and the allocation process are set out below.

3.4.1 MD Files – Collision/Property Damage

The MD Files – Collision/Property Damage transaction type refers to those vehicle damage claims that are initially handled under Collision coverage, and either paid directly on that coverage or transferred to a Property Damage coverage (third party legal liability coverage under Basic insurance) as a result of a liability assessment. Those claims in which there is no ICBC Collision coverage are also included (when it is clear that the claimant will not be liable for an accident, the claim is opened to record the third party liability exposure).

All exposures within the MD Files – Collision/Property transaction type are handled (investigated, adjusted and negotiated) by Adjusters in the Regional Claim Centres. A large portion of the work effort revolves around the investigation of liability which may involve taking statements from claimants, passengers and witnesses as well as photographing and measuring crash scenes. The Adjuster must also deal with any rental vehicle issues as well as RoadStar or RoadSide Plus coverage issues. Once the investigation has been completed, the Adjuster must come to an agreement with the third party adjuster on liability.

Estimator work effort on Collision/Property Damage files involves examining the physical damage to the vehicle in order to determine if the vehicle is repairable or a total loss. The Estimator also plays a role in the liability determination by verifying that the vehicle damage is consistent with the claim as reported, and advising the Adjuster if there are any discrepancies.

3.4.2 Exhibit B-27

ICBC's position is that allocations for transaction types involving a transfer between Optional Collision coverage and Basic Property Damage coverage must be based on the ICBC business model. As the sole provider of third party legal liability insurance, ICBC is required to investigate each claim that is presented to it. In the case of multiple vehicle collisions, liability is assessed against at least one party and liability for damage to a vehicle is paid under that driver's Basic insurance policy. In other words, ICBC is



ICBC's Regional Claim Centres Work Effort Allocation Supplemental Filing

bound always to investigate and adjust liability in order to determine which of its policies bears the vehicle damage costs.

It is this business model that led to the reallocation of costs associated with the MD Files – Collision/Property Damage transaction type in Exhibit B-27. The allocation of the costs prior to the determination of liability is a fair allocation that reflects ICBC costs as caused by its unique business model. To reflect that there is work performed on the Collision claim as well as the Property Damage claim, the work effort relating to those types of claims has been allocated to each of the Collision and Property Damage claims by equal weighting. Detailed information to precisely determine the proportion of work relating to Collision and Property Damage claims where liability is contentious and later resolved is not available.

To put Optional Collision claims and Basic Property Damage claims in perspective, ICBC had \$330 million in Collision claims and \$323 million in Property Damage claims in 2003.

MD Files – Collision/Property Damage was allocated 45% to Basic insurance and 55% to Optional insurance in the July 2004 Application, and revised to 36.6% Basic insurance and 63.4% Optional insurance as a result of further analysis of the work effort leading up to the determination of liability (see Exhibit B-27 in Appendix 5 of the March 2005 Filing). The same 36.6% Basic insurance and 63.4% Optional insurance allocation was used in the March 2005 Filing. Details on the calculation of the 36.6% Basic insurance and 63.4% Optional insurance allocation are set out in Appendix 6.

3.4.3 MD Files – Customer Care

This transaction type refers to those vehicle damage claims that are reported to and handled (investigated, adjusted and settled) by the Telephone Claims Department but are referred to a Regional Claim Centre for a vehicle estimate. The MD Files – Customer Care claims transaction type recognizes as part of the Regional Claim Centres allocation function the work effort expended in a Regional Claim Centre on behalf of the Telephone Claims Department in these circumstances.



ICBC's Regional Claim Centres Work Effort Allocation Supplemental Filing

As a result of the nature of MD Files – Customer Care, the primary work effort within Regional Claim Centres is Estimator work effort. An Estimator examines the physical damage to the vehicle in order to determine if the vehicle is repairable or is a total loss (non-repairable). An Estimator also plays a role with respect to determining liability by verifying that the vehicle damage is consistent with the claim as reported.

If the vehicle is repairable, the Estimator completes a repair estimate form that sets out the vehicle repairs which will be reimbursed under the customer's insurance policy or under the third party liability claim. If during the repair of the vehicle the repair shop discovers additional problems with the vehicle, the Estimator monitors and approves any additional repairs required by the repair shop. The Estimator is also responsible for responding to customer enquiries related to vehicle repairs.

If the vehicle is a total loss, the Estimator researches the value of the vehicle and communicates the actual cash value to the Telephone Claims Department Adjuster.

MD Files – Customer Care was allocated 30% to Basic insurance and 70% to Optional insurance in 2003 and this allocation was included in the July 2004 Application (which used 2003 data). Since the development of transaction costing, ICBC has further reviewed and refined the methodology for allocation of the costs of this transaction type. In preparing this Supplemental Filing, ICBC identified that the treatment of files with transfers from Collision to Property Damage that are included in the MD Files – Customer Care transaction type should be the same as that for the files with transfers from Collision to Property Damage in Exhibit B-27 and in the MD Files – Collision/Property transaction type. This resulted in an adjustment to the allocation for this transaction type to 24% to Basic insurance and 76% to Optional insurance for 2003, and 25% to Basic insurance and 75% to Optional insurance for 2004. Details on the allocations are set out in Appendix 7.



ICBC's Regional Claim Centres Work Effort Allocation Supplemental Filing

3.4.4 MD Files – Other

MD Files – Other refers to both Unidentified Motorist (hit and run) and Uninsured Motorist Property Damage files. Since these coverages are included in Basic insurance, costs for this transaction type were allocated 100% to Basic insurance and 0% to Optional insurance in the August 2003 Application (applied to year end 2002 Financial Statements), the July 2004 Application and the March 2005 Filing.

ICBC reviewed the provisions of the *Insurance (Motor Vehicle) Act and Regulations*⁷, applicable to this transaction type and determined that the methodology to allocate costs should be modified to better reflect the provisions of the *Insurance (Motor Vehicle) Act and Regulations*.

The *Insurance (Motor Vehicle) Act and Regulations* specifically provide that no amount shall be paid by ICBC under the Unidentified or Uninsured provisions if a claim is paid or payable as an “insured claim”. A claim will be an insured claim if it is payable under another coverage. ICBC's Collision coverage includes collision damage caused by unidentified and uninsured motorists.

However, when Collision coverage is applied to an Unidentified Motorist claim, the deductible amount payable under the Collision coverage may be recovered under the Unidentified Motorist coverage, provided that the Collision deductible exceeds the prescribed statutory amount of \$750. For example, if the claimant had a deductible of \$1,000 under their Collision coverage, they would have to pay the first \$750, but would be entitled to make a claim for \$250. If a claimant had a deductible of \$300, they would not be entitled to make a claim under the Basic insurance Unidentified Motorist coverage.

The same procedure applies to Uninsured Motorist claims, with the exception that there is no prescribed amount that the claimant's Collision deductible must exceed. This means that a claimant may present a claim for their deductible pursuant to the Uninsured Motorist coverage regardless of the amount.

⁷ See Appendix 12



ICBC's Regional Claim Centres Work Effort Allocation Supplemental Filing

The effect of these provisions is that the existence of Collision coverage and the deductible amount on the Collision coverage are factors relevant to the allocation of costs.

A. Unidentified and Uninsured Motorist Claimants who do not have Collision Coverage

If a claimant does not have Collision coverage or has Collision coverage which excludes claims involving unidentified and uninsured motorists, then those claims for property damage (as long as they exceed the prescribed amount of \$750 for Unidentified) are payable by ICBC as Unidentified and Uninsured claim under the Basic insurance.

The costs involved in handling these claims are therefore allocated 100% to Basic.

B. Unidentified Motorist Claims where Collision Coverage Exists

A deductible less than \$750:

Claims involving unidentified motorists are specifically excluded from the Unidentified Motorist Basic insurance coverage and are covered by the claimant's Optional insurance. Where the deductible does not exceed \$750, no claim can be made under the Unidentified Motorist Basic insurance coverage for the deductible.

The costs involved in handling these claims are allocated 100% to Optional insurance.

A deductible greater than \$750:

Where the deductible exceeds \$750, the claimant can recover the amount that exceeds \$750 under the Unidentified Motorist Basic insurance coverage.

The cost involved in handling these claims are allocated 50% to Basic insurance and 50% to Optional insurance as work effort is required to investigate whether the claim is properly covered under the Unidentified Motorist Basic insurance coverage or under Optional insurance Collision coverage.

C. Uninsured Motorist Claims where Collision Coverage Exists

Claims involving uninsured motorists are specifically excluded from the Uninsured Motorist Basic insurance coverage and are covered by the claimant's Optional insurance. In contrast to Unidentified Motorist provisions, there is no statutory amount



ICBC's Regional Claim Centres Work Effort Allocation Supplemental Filing

prescribed and claimants can present a claim under the Basic insurance Uninsured Motorist coverage for their deductible regardless of the amount.

The costs involved in handling these claims are allocated 50% to Basic insurance and 50% to Optional insurance as work effort is required to investigate whether the claim is properly covered under the Uninsured Motorist Basic insurance coverage or under Optional insurance Collision coverage.

In order to make an allocation between Basic insurance and Optional insurance, ICBC determined the percentage of all policies purchased by ICBC customers and their associated Collision deductibles. No coverage refers to those customers who did not purchase Collision coverage with ICBC (i.e. have no coverage or coverage with another insurer which may exclude coverage for uninsured and hit and run). Since the existence of Collision coverage is the determining factor on which coverage responds to the loss, this is an appropriate allocator for the Unidentified and Uninsured claims.

MD Files Other Transaction Type Basic/Optional % Allocation 2004			
		Allocation	
Collision Deductible	% Purchased	Basic	Optional
No Coverage	35.2	35.2	
<\$750	61.3		61.3
>\$750	3.5	1.75	1.75
		37	63

Since only a very small percentage of claims in the MD Files – Other transaction type are Uninsured Motorist claims, it is reasonable to apply the same allocation methodology for both Uninsured and Unidentified Motorists claims (thereby avoiding a further allocation to Basic insurance which would occur because of the absence of the prescribed deductible amount).

This results in an allocation of 37% to Basic insurance and 63% to Optional insurance, rather than the 100% allocation to Basic insurance used in the July 2004 Application and the March 2005 Filing.



ICBC's Regional Claim Centres Work Effort Allocation Supplemental Filing

3.4.5 BI Exposures – Represented and BI Exposures – Litigated

The two transactions types, BI Exposures – Represented and BI Exposures – Litigated each almost exclusively involve bodily injury claims within the \$200,000 Basic insurance limit. A small proportion of claims in each transaction type resolve in the Regional Claim Centres above the \$200,000 Basic insurance limit or are transferred out of Regional Claim Centres to Specialized Claims Handling (Head Office Claims) because it is anticipated that they will resolve above the \$200,000 Basic insurance limit.

BI (Bodily Injury) Exposures – Represented are those bodily injury exposures under 24 months old⁸ where the injured claimant is represented by legal counsel and BI Exposures – Litigated are those bodily injury exposures over 24 months old where the injured claimant is represented by legal counsel and legal proceedings have commenced. For each of these two transaction types, work effort is allocated 95% to Basic insurance and 5% Optional insurance.

The first step in the allocation process was to look at the number of BI exposures that closed (resolved) in the Regional Claim Centres in excess of the \$200,000 Basic insurance limit or, in other words, resolved within the Optional insurance coverage. The following table sets out the number of exposures resolved within the Optional coverage limit in each of the five regions in 2003:

Region (2003)	# of Exposures Resolved in Excess of \$200,000	Total Closed	% of Exposures Settled In Excess of \$200,000
Operations - Fraser Valley	9	18,995	0.05%
Operations - Greater Vancouver	10	29,924	0.03%
Operations - Northern Interior		2,369	0.00%
Operations - Southern Interior	8	5,914	0.14%
Operations - Vancouver Island	2	7,955	0.03%
Total	29	65,157	0.04%

The exposures that were transferred from Regional Claim Centres to Head Office Claims in 2003 (1,205 or 1.8%) because they had the potential to exceed \$200,000 were then added to the 29 total count of exposures resolving in the Regional Claim Centres. That resulted in a total of 1.84% of exposures resolving in an amount above \$200,000.

⁸ The limitation period for commencement of an action with respect to a bodily injury claim is 24 months.



ICBC's Regional Claim Centres Work Effort Allocation Supplemental Filing

Although based on volume alone, only 1.84% of the exposures resolve in excess of \$200,000, ICBC has allocated 5% of costs for these two transaction types to Optional insurance. This was done to reflect the fact that on a work effort basis, more work effort may have been required on those exposures involving larger claims.

ICBC's position is that this is a fair allocation, particularly taking into account that the full amount of work effort on that 1.8% of exposures transferred to Head Office is allocated fully to Optional insurance, rather than allocating the exposures on a pro rata basis, despite the fact that work effort in handling those exposures would have taken place in the Regional Claim Centres prior to transfer. If the costs were adjusted on a pro rata basis, the allocation of costs to Basic insurance would be higher.

3.5 Summary

The following table sets out the Regional Claim Centre allocations for 2003 and 2004 and the 2003 and 2004 Claims Division Average allocator.

	Regional Claim Centres		Claims Division Average	
2003 before Exhibit B-27 Refinement	Basic insurance	66.8%	Basic insurance	63%
	Optional insurance	33.2%	Non-insurance	0.2%
			Optional insurance	36.8%
2003 after Exhibit B-27 Refinement	Basic insurance	65.3%		
	Optional insurance	34.7%		
2004 with Exhibit B-27, MD Files – Customer Care and MD File – Other Refinements	Basic insurance	62.9%	Basic insurance	60.2%*
	Optional insurance	37.1%	Non-insurance	0.3%*
			Optional insurance	39.5%*

*Includes changes to Claims Systems Support and Claims General Support functions



ICBC's Regional Claim Centres Work Effort Allocation Supplemental Filing

4 Counts Used in Regional Claim Centres Financial Allocation March 2005 Filing Explained

On pages 8 to 10 of the March 2005 Filing, ICBC submitted that claims volumes alone are not an appropriate financial allocator for Regional Claim Centres because volumes do not adequately reflect work effort. To illustrate its position, ICBC included three charts. During the discussion of ICBC's March 2005 Filing, ICBC was asked to explain what the counts used in the charts on pages 9 to 11 and in Appendix 4, page 47 of the March 2005 Filing. The explanation of the counts used on pages 9 to 11 is included in Appendix 8. An explanation of Appendix 4, page 47 and why counts are not relevant is in Appendix 9. However, a brief primer on counting claims may be helpful.

Counting "claims" in large part is an exercise in level of detail. At the most aggregated level, claims can be counted by the number of files opened. At the most detailed level, claims can be counted by the "exposure" or claim reserve for a particular person and a particular loss. What level of detail is required depends upon the purpose of the count. ICBC's Annual Report, for example, will have claims counted at a higher level, than would a claims manager considering claim file reserves.

The following table defines the type of counts that are used by ICBC in its March 2005 Filing and in this Filing.

Count	Definition
Claim File	A unique claim number (file) assigned when each claimant involved in an incident reports to ICBC
Kind of Loss (KOL)	Each type of loss on a file is set up separately by kind of loss (KOL) and identified by a number. Examples are: Single Vehicle Collision (KOL01), Multiple Vehicle Collision (KOL02), Vandalism (KOL14), Bodily Injury (KOL21; KOL27; KOL17); Accident Benefits (KOL32, KOL35)
Claim Exposure	Within each KOL, separate "exposures" are reserved for each claimant. For example, the named insured is usually exposure A and passengers and other third parties are allocated exposures B to Z. Any payment or reserve transaction is recorded against the specific exposure.
Claim Coverage⁹	A claim coverage refers to a grouping of similar types of KOL's on a claim file. For example, tort injury related KOL's such as KOL17 (uninsured), KOL 21 (insured) and KOL 27 (hit and run) are grouped together and called Bodily Injury coverage. Contractual Accident Benefits for disability (KOL32) and medical expenses (KOL 35) are grouped together and called Accident Benefits coverage

⁹ See Appendix 10A for examples of Claims Coverages by Kinds of Loss



ICBC's Regional Claim Centres Work Effort Allocation Supplemental Filing

A fuller discussion of counting claims, including scenario examples, is included in Appendix 10.

5 Intervenor Requested Information

In preparing this Filing, ICBC met with intervenors to determine what additional information would assist the intervenors in the due diligence review of the Regional Claim Centres allocation function. The requested information that was not addressed above is included in the appendices as indicated, where available.

Information Requested	Appendix
Charts/tables on page 13 of the March Filing and pages 2 and 4 of Exhibit B-27 with actual numbers inserted	8
Explanation of what was counted on the table in page 47 (Appendix 4)	9
Allocation matrices for each region with as reported numbers, instead of closed exposures (not available)	9
Explanation of Counts with scenario examples (including RoadStar)	10
Explanation of what was counted in each of the charts/tables in pages 9 to 11	10
Definition of "special" on chart on page 10	10
Reported claims by accept, deny contentious	11

ICBC was also asked to provide information on the work effort for windshield (glass), RoadStar and RoadSide Plus.

The ICBC Glass Express Service Program allows a claimant to report a claim directly to an ICBC Glass Express service provider and to have the entire claim estimated and adjusted at the ICBC Glass Express service provider without the need to report the claim to ICBC or to attend a Regional Claim Centre. It is only when the claimant has additional damage to their vehicle, other than glass or a there is a coverage problem where an investigation is required, that claimants must attend a Regional Claim Centre.

ICBC does not have separate work effort information on the RoadStar and RoadSide Plus coverage. Both of these coverages are secondary coverages, so that any work effort is subsumed in the associated primary transaction type (Collision, for instance) and for financial allocation purposes, the costs are included in the associated transaction.



APPENDIX 1

Sales and Service Transaction Costing Project Proposal Phase 1

Sales and Service Transaction Costing Project Proposal Phases 2 to 4

Transaction Costing Model Summary Report 2002 - 2004



Sales & Service Transaction Costing Project Proposal Phase 1

July 3, 2002

DRAFT



Prepared by:
Monique Sadra
Lynn McEachern



INDEX

1	OBJECTIVE	3
2	APPROACH	4
3	PROJECT PLAN.....	5
4	TEAM RESPONSIBILITIES.....	6

1 Objective

The purpose of this analysis is to determine the costs associated in adjusting material damage (MD) files and bodily injury (BI) exposures. The files / exposures will be evaluated based on the following breakdown of work effort allocated to the predetermined transactions for the following areas:

A) *TCD*

B) *Lower Mainland*

C) *Outside the Lower Mainland:*

File Initiation

Pending MD files - TCD

Pending MD files - Field

Pending BI Exposures – LVI

Pending BI Exposures – Non-litigated

Pending BI Exposures – Litigated

Closed MD Files - TCD

Closed MD Files – Field

Closed BI Exposures – LVI

Closed BI Exposures – Non-litigated

Closed BI Exposures – Litigated

This information above will be used to assist with the development of the 2003 Operating Plan.

2 Approach

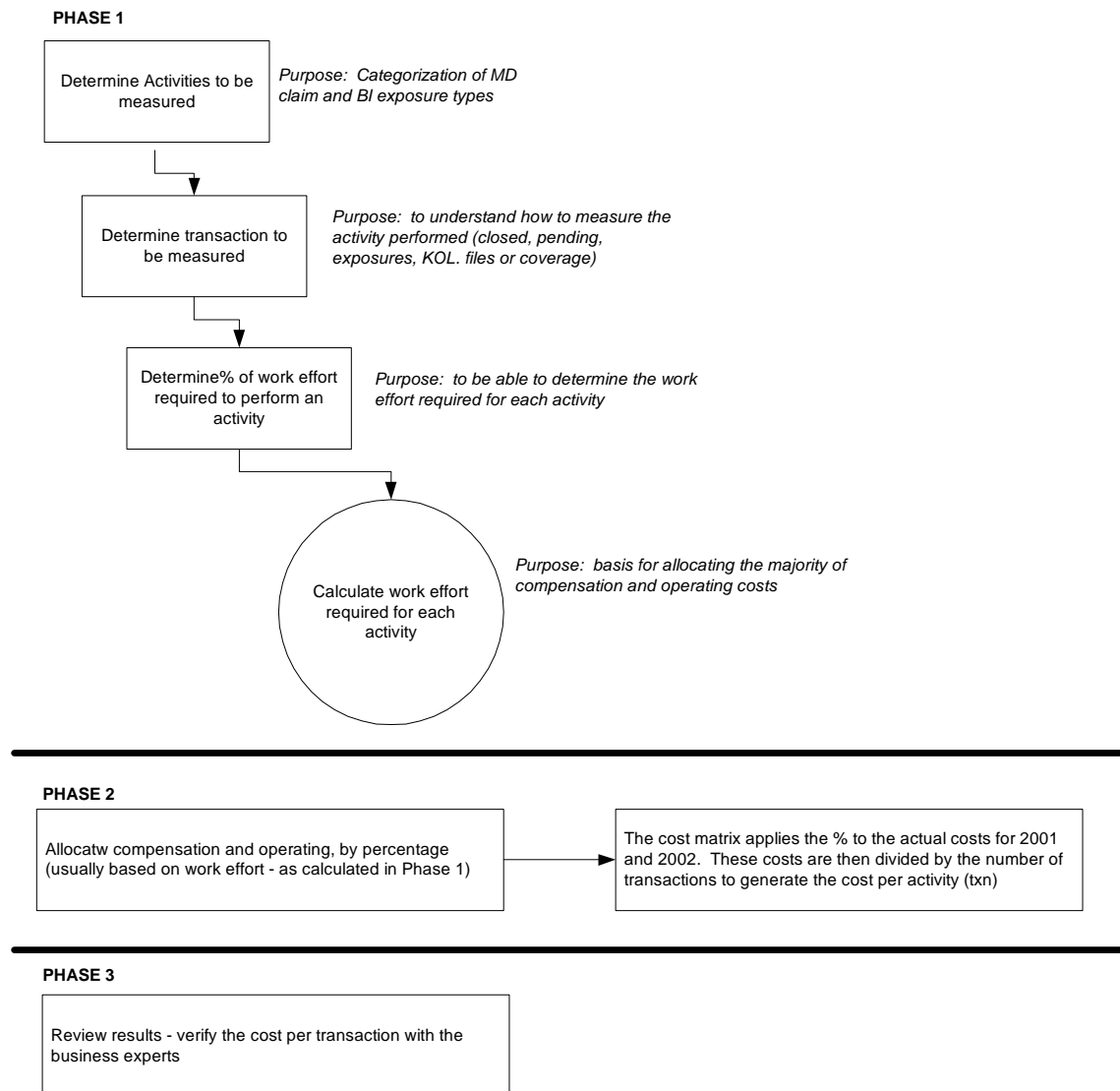
Determine the following:

- the activities to be measured;
- the transactions to be evaluated (open, closed, pending, exposures, KOL, files or coverage);
- the allocation of compensation and operating costs.

This is a high level analysis. The project will determine the transaction costs for each activity determined by Sales and Service. The project may highlight areas where opportunities for improvement exist. Further research may be required to analyze how to leverage those opportunities.

The diagram below displays the methodology to be used to conduct transaction costing within Sales and Service.

Transaction Costing Methodology Diagram:



3 Project Plan

Task	Deliverable	Due Date	Assigned to
1. Determine what is to be included in transaction costing analysis	Types of MD files and BI Exposures to be measured	June 13,2002	Sales & Service Finance - assist
Transaction Project Proposal to be presented to Regional VPs		June 25,2002	Sales & Service
2. Determine transaction measurement to be used (Closed, pending, exposures, KOL, etc.) <ul style="list-style-type: none"> File Initiation Pending MD files - TCD Pending MD files - Field Pending BI Exposures – LVI Pending BI Exposures – Non-litigated Pending BI Exposures – Litigated Closed MD Files - TCD Closed MD Files – Field Closed BI Exposures – LVI Closed BI Exposures – Non-litigated Closed BI Exposures – Litigated 	Transactions - data source	July 12,2002	Sales & Service
3. Determine work effort to conduct a transaction Options: <ul style="list-style-type: none"> Area experts to allocate work effort to files/exposures Use historical data (past studies, analysis - ie. Adjuster Workload Study) 	Percentages to assign costs to activities	July 10,2002	Sales and Service (Finance to assist / facilitate S&S with this task)
4. Determine how to allocate administrative and ISD costs	Percentages to assign costs to activities	July 12,2002	Sales & Services
5. Allocate costs to activities using a cost matrix and calculate costs(please see attached) <ul style="list-style-type: none"> Compensation Operating expenses Administrative ISD Support Costs 	Transaction Costs	July 26,2002	BI and MD Regional Managers, Regional Financial Managers, Finance
6. Review results with claims experts <ul style="list-style-type: none"> May need to re-visit transaction costing calculations 	Confirm transactions costs	August 2,2002	Sales & Service – BI and MD Mgrs (RFMs/Finance to guide process)
7. Review results with Regional VPs		August 9, 2002	BI, MD MGRs, RFMs and VPs
8. Submit draft report	S & S Transaction Costing Report	August 15,2002	Finance

4 Team Responsibilities

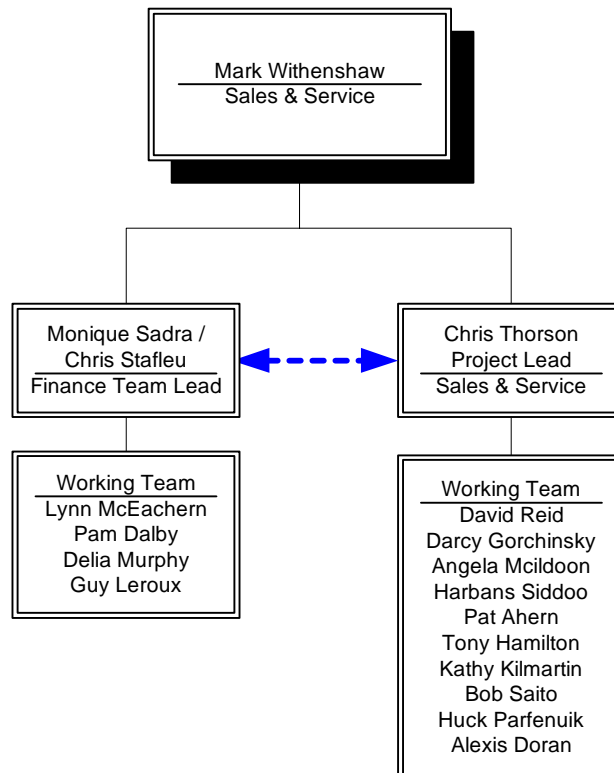
Finance

- Determine methodology to be used to conduct transaction costing
- Work with S&S to determine their work effort
- Collect transaction data (number of transactions)
- Ensure resources are available to calculate transaction costing
- Calculate the transaction costs

Sales & Service

- Determine activities to be measured
- Determine the transactions associated with each activity
- Determine the work effort attributed to each activity
- Determine how to allocate administrative and ISD costs
- Confirm transaction costs

Project Organizational Chart





Sales & Service Transaction Costing Project Proposal Phases 2 to 4

January 15th, 2003

DRAFT



Prepared by:
Lynn McEachern



INDEX

1	INTRODUCTION/BACKGROUND.....	3
2	OBJECTIVE.....	3
3	SCOPE.....	4
3.1	IN SCOPE	4
3.2	OUT OF SCOPE.....	4
4	APPROACH	5
4.1	PHASES.....	5
	METHODOLOGY.....	6
5	ASSUMPTIONS	7
6	PROJECT ORGANIZATION	7
6.1	ROLES AND RESPONSIBILITIES	7
6.2	PROJECT PLAN.....	8
6.3	PROJECT BUDGET.....	9
	Appendix A – Terms of reference / Definitions.....	10
	Appendix B Issues Log	11

1 Introduction/Background

In early 2002, Sales and Service determined that there was a requirement to conduct transaction costing within claims services, to answer two questions:

1. What is the cost of handling a claim? and
2. What is influencing the costs?

In June of 2002 a team was established to initiate the Transaction Costing Project. The team included expertise from both the Finance and Sales and Service divisions.

Originally, the team was asked to deliver results within six months. This time frame quickly changed to eight weeks, with the intention that the results could be used to assist with the 2003 planning process. Due to the change in the time frame, it was decided that in order to deliver results quickly the project would be divided into manageable phases. Phase 1 was completed in July of 2002 and delivered the following results:

- Methodology for conducting transaction costing;
- Transactions to be measured;
- Allocation of work effort to each transaction type; and
- The cost per transaction by region with a roll-up to the Sales & Service level.

To build on the work achieved in Phase 1, Sales & Service will continue to collaborate with Finance to complete the subsequent phases. This document provides details on the objective, approach, deliverables, project team, and timeframe to complete the remaining phases of the Transaction Costing Project.

2 Objective

The reason companies conduct transaction costing is, not only to understand the cost of each transaction, but to hi-light areas with elevated costs. By focusing in on the elevated costs, companies can potentially decrease costs and streamline operations by examining the underlying business processes or workflow to determine what is driving the cost.

The objective of this project is to identify claims handling costs and the potential drivers of the costs. In order to do this the following deliverables will be completed:

1. Determine the cost per transaction for each transaction type;
2. Develop a report to be used on a quarterly basis, to produce transaction cost results¹⁰ ; and,
3. Identify potential cost drivers.

¹⁰ Ensure reports are adaptable. For example, if business processes change the work effort percentages can be updated easily.

The success of the project aligns to two corporate strategies 1) to be fiscally responsible and 2) to improve productivity measures. By developing a better understanding of the cost to settle a claim, the company can ultimately affect operational costs.

It is important to note that although this project will allow Sales and Service to understand where transaction costs are high; the analysis will not answer the question of how costs may be reduced. Analysis of the underlying business processes is required to achieve reductions.

3 Scope

3.1 In Scope

This project will determine the cost per transaction for the following transaction types:

- open a file (file initiation);
- close a Material Damage (MD) File in Customer Care;
- close a MD Glass File in the field and Customer Care;
- close a MD Collision File in the field;
- close a MD Comprehensive Theft (KOL 11) File in the field;
- close a MD Comprehensive Other File in the field;
- close a MD File Other (everything except Collision and Comprehensive) in the field;
- close a Low Velocity Impact (LVI) Bodily Injury (BI) Exposure;
- close a Non-represented BI Exposure;
- close a Represented BI Exposure; and,
- close a Litigated BI exposure.

The geographical areas to be examined are:

- Fraser Valley;
- Greater Vancouver;
- Vancouver Island;
- North/South; and,
- Customer Care.

The analysis will be conducted on a quarterly basis for 2001 and 2002.

3.2 Out of Scope

The analysis will not include:

- transaction costs for Compliance and Road Safety;
- transaction costs for Licensing (a separate project is underway);
- transaction costs for Customer Care (a separate project is underway);
- transaction costs for Head Office claims (includes out of province and heavy equipment)
- time and motion studies;
- workflow modelling; or,

- business process reengineering.

4 Approach

4.1 Phases

The project is divided into the following four phases.

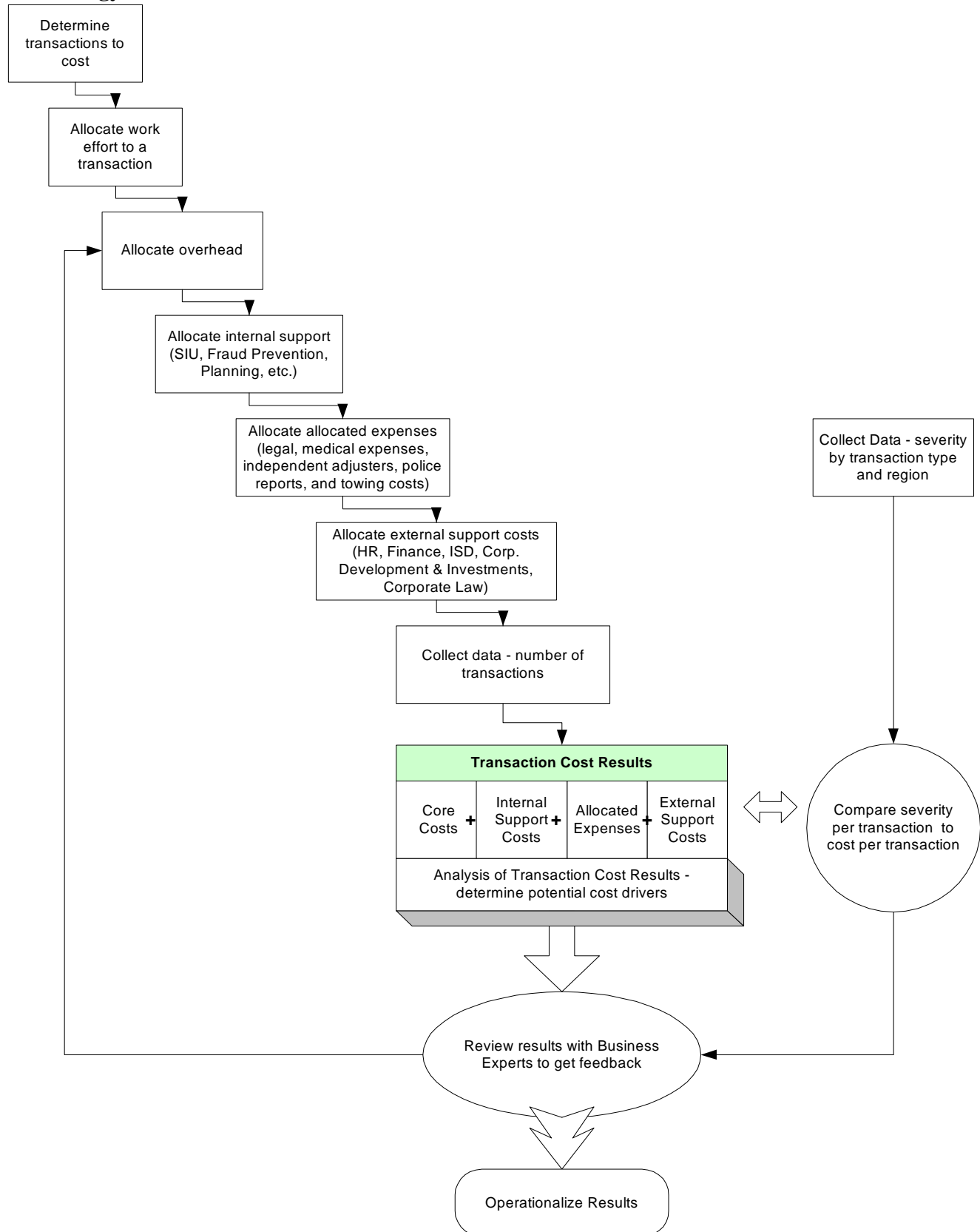
Statement of Work	Deliverable(s)	Timeline
<i>Phase 1 (Pilot)</i> <ul style="list-style-type: none"> ▪ Determined methodology ▪ Determined transactions to cost ▪ Determined regions to be included ▪ Determined staff work effort percentages attributable to each transaction, by region ▪ Reviewed results with Management 	<ul style="list-style-type: none"> ▪ Cost per transaction for the Lower Mainland, Outside the Lower Mainland, Head Office Claims, Customer Care and Sales & Service for the following transactions: Files Opened Customer Care Closed MD Files Glass Closed MD Files Customer Care Closed MD Files Field Closed BI Exposures LVI Closed BI Exposures Non-litigated Closed BI Exposures Litigated 	May 1 to Aug. 31'02 Complete
<i>Phase 2 (Build Transaction Costing Model)</i> <ul style="list-style-type: none"> ▪ Confirm the work effort percentages for each transaction type with the business matter experts ▪ Include additional transaction types in addition to the transactions measured in Phase 1 MD Files Comprehensive Theft (KOL 11) Field MD Files Comprehensive Other (all other KOLs) Field MD Files Collision Field MD Files Other Field Litigated BI Exposures ▪ Allocate legal disbursements, medical expenses, independent adjusters, police reports, and towing costs to each transaction ▪ Allocate internal support costs to each transaction based on the regional demand for the support service (i.e. SIU, Fraud Prevention, etc.) ▪ Identify potential cost drivers and review results with field 	<ul style="list-style-type: none"> ▪ Comprehensive Claims Services Transaction Costing Model that includes a methodology for allocating the following costs to each transaction: management, SIU, rehab., fraud and planning. ▪ Transaction costs per quarter for 2001 and 2002 for each file type, by region. ▪ Potential cost drivers 	Nov.1 to Mar. 31'03 In Process
<i>Phase 3 (Enhance Transaction Costing Model)</i> <ul style="list-style-type: none"> ▪ Allocate the support divisions (Finance, HR, ISD, 	<ul style="list-style-type: none"> ▪ Fully Loaded flexible Transaction 	Apr. 1 to



ICBC's Regional Claim Centres Work Effort Allocation Supplemental Filing

Statement of Work	Deliverable(s)	Timeline
Corporate Law, and Corporate Development and Investments) costs to each transaction <ul style="list-style-type: none">Conduct research to determine whether a model to compare transaction costs to severity costs is feasible	Cost Model that can be adapted to reflect business changes <ul style="list-style-type: none">Draft Transaction Cost Reports for S&S	June 30'03
<i>Phase 4 (Operationalize Reports)</i> <ul style="list-style-type: none">Create data extractsCreate a quarterly report that details the cost per transaction by region with a categorization of cost between: core, management, rehab, fraud, MD tech, planning, litigation, ISD, Finance, HR, Corporate Law, and Corporate Development & InvestmentsAlign transaction costs to the cost of a severity (if feasible, based on work conducted in Phase 3)	<ul style="list-style-type: none">Transaction Cost Reports by region per transaction	June 1 to July 31'03

Methodology



5 Assumptions

The following assumptions are made regarding the successful completion of the project:

- Required resources are made available from the field to work with the project team to determine work effort and validate results.
- Required resources are made available from the Corporate Reporting Management department to run reports to obtain transaction counts for files/exposures.
- Sales & Service senior management support the Project team's objective to conduct an in-depth analysis of the transaction cost results to determine what is influencing the costs.
- There will be agreement between divisions on how to allocate support costs (Finance, ISD, HR, etc.).

6 Project Organization

Sales and Service and Finance will work as a cohesive team to produce transaction costs for Claims Services transactions.

6.1 Roles and Responsibilities

Roles	Responsibilities
Executive Sponsor Bill Goble	<ul style="list-style-type: none"> ▪ Provide business direction to the Steering Committee ▪ Champion the project ▪ Ensure project is given required priority to meet goals ▪ Approve project deliverables to ensure business requirements have been met in a manner that can be successfully implemented
Steering Committee Doug Downing; Nettie Wagner; Mark Withenshaw; Martin Pochurko	<ul style="list-style-type: none"> ▪ Provide direction ▪ Champion the project in their division ▪ Assign Divisional representatives to lead divisional working teams ▪ Approve project deliverables to ensure that the business requirements have been met in a manner that can be successfully implemented
Team Leads S&S: Frank Kusmer Finance: Lynn McEachern	<ul style="list-style-type: none"> ▪ Form and lead divisional working teams ▪ Coordinate the gathering of business requirements and plan development ▪ Be responsible for the quality and completeness of the business requirements, transaction costing methodology, and other deliverables ▪ Report project progress to Steering Committee representatives
Business Matter Experts David Reid, Darcy Gorchinsky, Angela Mcildoon, Harbans Siddoo, Pat Ahern, Tony Hamilton, Kathy Kilmartin, Bob Saito, Huck Parfeniuk, Alexis Doran, Phil Vetter, Gail Fleming, Bhagwant Natt, Catherine Morton, David Ferrari, Guy Leroux, Clare Andersen, Pat Walsh	<ul style="list-style-type: none"> ▪ Knowledge and understanding of business ▪ Represent business area to determine work effort for each transaction type ▪ Review results
Subject Matter Experts Chris Stafleu; Monique Sadra; Lynn McEachern	<ul style="list-style-type: none"> ▪ Review and advise on proposed project organizational structure, phases, timelines and deliverables ▪ Recommend appropriate transaction costing methodologies ▪ Facilitate business matter expert workshops ▪ Facilitate data collection ▪ Facilitate analysis of results
Financial Analyst Chandan Johal	<ul style="list-style-type: none"> ▪ Conduct transaction costing ▪ Financial analysis of results

6.2 Project Plan

The remaining 3 phases of the project will be completed between November 2002 to June 2003, as detailed in the project plan below:

ID	Task Name	Duration	Start	Finish
1	Phase 2 to 4 - Complete Transaction Costing Analysis for S&S	157 days	Fri 11/22/02	Mon 6/30/03
2	Confirm definition of Transaction types and scope	16 days	Fri 11/22/02	Fri 12/13/02
3	Phase 2 - Build Transaction Costing Model	79 days	Fri 12/6/02	Wed 3/26/03
4	Collect data	29 days	Fri 12/6/02	Wed 1/15/03
12	Obtain Transaction Counts	40 days	Mon 1/6/03	Fri 2/28/03
18	Build Model to Allocate Internal Support Costs to Transactions	33 days	Mon 1/6/03	Wed 2/19/03
27	Analyze Data	25 days	Thu 2/20/03	Wed 3/26/03
28	Review data to understand cost drivers	10 days	Thu 2/20/03	Wed 3/5/03
29	Create Report to present data to Business Experts	3 days	Thu 3/6/03	Mon 3/10/03
30	Review results with Business Experts	1 day	Tue 3/11/03	Tue 3/11/03
31	Re-work results, if necessary	10 days	Wed 3/12/03	Tue 3/25/03
32	Review with Business Experts, if necessary	1 day	Wed 3/26/03	Wed 3/26/03
33	Phase 3 - Load Transaction Costing Model with Support Division costs	18 days	Thu 3/27/03	Mon 4/21/03
34	ISD - determine methodology to allocate costs	5 days	Thu 3/27/03	Wed 4/2/03
35	Finance - determine methodology to allocate costs	3 days	Thu 4/3/03	Mon 4/7/03
36	HR - determine methodology to allocate costs	3 days	Tue 4/8/03	Thu 4/10/03
37	Corp. Develop & Invest - determine methodology to allocate	2 days	Fri 4/11/03	Mon 4/14/03
38	Review results/methodology with each division to ensure 'buy-in'	5 days	Tue 4/15/03	Mon 4/21/03
39	Phase 4 - Align transaction costs to Severity Costs	50 days	Tue 4/22/03	Mon 6/30/03
40	Define Severity	10 days	Tue 4/22/03	Mon 5/5/03
41	Obtain Data - severity by transaction	5 days	Tue 5/6/03	Mon 5/12/03
42	Net allocated costs from severity	5 days	Tue 5/6/03	Mon 5/12/03
43	Align transaction cost data to severity cost data - determine relationship between the two	20 days	Tue 5/13/03	Mon 6/9/03
44	Review data with business and subject matter experts and update analysis, if required	10 days	Tue 6/10/03	Mon 6/23/03
45	Complete Report	5 days	Tue 6/24/03	Mon 6/30/03

6.3 Project Budget

The project will cost approximately \$51,885, as detailed below.

Phase	Resource	Hours	Cost
2 – Build Transaction cost model and produce transaction costs quarterly for 2001 and 2002	Lynn McEachern	250.0	\$16,750
	Richard Coulthard	12.0	\$460
	Chandan Johal	20.0	\$760
	Delia Murphy	120.0	\$5,662
	<u>Anatoliy Babyuk</u>	<u>16.0</u>	<u>\$1,146</u>
	Total	415.0	\$24,778
3 – Load transaction Costing model with Support Division costs	Finance	72.0	\$4,825
4 – Develop model to compare transaction costs to severity cost	Finance	174.0	\$11,675
	S&S Resources	160.0	\$10,720
	<u>Delia Murphy</u>	<u>16.0</u>	<u>\$755</u>
	Total	350.0	\$23,150

All resources are ICBC staff; consultants and contractors will not be used to complete the project.

Each division will absorb the cost of the work effort of the employees involved in the project, as follows:

- Finance \$41,573
- S&S \$10,720
- HR \$ 460

Appendix A – Terms of reference / Definitions

Transactions	Definition	KOLs	Count - # of files / exposures	Example
File Initiation	All files opened - all functions performed (and support for these functions e.g. admin, mgmt, etc.) to open the file ending at the disengagement from the customer*	Not applicable. Measurement = files opened. <i>Issue:</i> files opened in the field are not formally tracked. It is believed that 96% of the files opened are opened by TCD and the remaining 4% are opened in the field	Collect data based on reported date	
MD Glass Files Customer Care	MD glass files closed by Customer Care	13 (1 to 1 relationship between KOL and Files counts)	Obtain count by including KOL 13 claims only	
MD Files Customer Care	MD files (excluding glass) closed by Customer Care - this includes the work effort and \$'s from the field for estimating	All other claims files for MD, excluding KOL 13 only	Collect data using the criteria defined in the KOL column	
MD Glass Files Field	MD glass files closed in the field (1)	KOL 13 only	Collect data using the following cascading logic: count KOL 13 claims only = Glass , then count all KOL 11 claims = Total Theft ; then count all KOLs 01, 02, 06, and 37 claims = Collision ; then count all KOL 09, 10, 12, 14, 15, 16, and 18 claims = Comprehensive other ; then count KOL 03, 04, 08, 19, 28, 29 and KOL 22 claims (note: if there is a KOL 22 with a payment amount not equal to 0 and NO detail payments, do not count the claim; otherwise, count the claims - KOL 22s are not counted if they are transfers from KOL 02) = MD Other/PD ; then count KOL claims 31, 32, 35 = MD Left Over .	
MD Comprehensive Total Theft Files - Field	MD Comprehensive Total Theft files closed in the field	Collect file counts using KOL 11		
MD Collision Files - Field	MD Collision Files closed in the field (includes property damage)	Collect file counts using KOL 01,02,06, 37		
MD Comprehensive Other Files - Field	MD Comprehensive files not including theft closed in the field	Collect file counts using KOL 09,10,12,14,15,16 or 18.		
MD Other Files - Field	All other MD Files that are not collision nor comprehensive - RoadStar, Roadside Plus, and Limited Depreciation - closed in the field	Collect file counts using KOL 03, 04, 05, 07,08,09, 19, 28, and 29 + KOL 22		
MD Left Overs		31, 32, 35		
BI LVI - Exposure	LVI BI exposures that have no recorded severity.		Collect data from the Ibm system. Criteria - denied <i>exposures</i> .	
BI Non-represented - Exposures	BI Exposures closed that do not have a y indicator	21,26, 27,17	Collect exposure counts using the criteria in the definition column	
BI Represented - Exposures	BI Exposures closed that do have a y indicator	21,26, 27,17	Collect exposure counts using the criteria in the definition column	
BI Litigated - Exposures	BI Exposures closed and are over 24 months old	21,26, 27,17	Collect exposure counts using the criteria in the definition column	

Control point to ensure counts balance to Corporate figures: All files closed above (do not include initiation) should balance to the ICRV 40 report, excluding LVI.

Appendix B Issues Log

Open Issues

Issue ID	Date Identified	Issue Status	Priority	Issue		Resolution Due Date	Issue Resolution	Person Responsible for Resolution	Actual Resolution Date
				Description	Impact details				
1	Dec 10'02	Open	High	<i>File counts</i> are not available by the MD transaction types identified by S&S (MD Collision, MD Comprehensive Theft, MD Comprehensive Other, and MD other).	Cannot conduct transaction costing to the detail specified by S&S without the file counts	Jan. 17'03	Recommendation from John Li – most of the file and KOL relationships on comprehensive/ collision claims are one to one, with some exceptions. The most significant exception is the KOL 02/22 transfers. To solve this problem the detailed payments will be analyzed. If they exist within a KOExp then we will consider this the 'primary' because somebody actually worked on it. Also, by using this approach KOL22 with transfers-in are not counted as workload but KOL22 is counted as file initiation. In terms of Loss of Use (LOU) it is usually related to collision or comp., so we can ignore them. NOTE: LOU – ensure that it is included in the work effort for comp. and collision.	L. McEachern	Jan14'03 – need to collect data another way – all file counts without payment were not included using this logic – see Issue 2
2	Jan 14'03	Open	High	Obtaining file counts	Cannot conduct transaction costing to the detail specified by S&S without the file counts	Feb 7'03	Logic determined to collect counts on MD and BI – please refer to Appendix A	F. Kusmer, C. Thorson, L. McEachern – Assisted by D. Murphy and C. Reimer	



Closed Issues

Issue ID	Date Identified	Issue Status	Priority	Issue		Resolution Due Date	Issue Resolution	Person Responsible for Resolution	Actual Resolution Date
				Description	Impact details				



Transaction Costing Overview

Background

In early 2002, Operations, determined that there was a requirement to conduct a transaction costing exercise within claims services to determine:

1. the cost of handling a claim, and
2. the influencing cost drivers

Transaction analysis is used to assist in influencing effective and efficient changes to claims business infrastructure and processes. For the purpose of business decisions, transaction costing information must always be considered in conjunction with other business factors such as impacts on claims costs, customer service levels and workload capacity. In addition, fit with strategic considerations such as long term business plans and key objectives are critical.

The measurement developed was a function of closed files/exposures within a certain region.

Transaction Costing Components

The three components of transaction costing consist of cost, work effort allocation and transaction volume.

1. Cost

The costs per transaction are determined for each region by accumulating:

- Compensation (SAP)
 - Operating Costs (SAP)
 - Direct and indirect support costs (SAP)
 - Allocated Expenses (BIW)
- } *Adapted for Financial Allocation*
- } *Not used in Financial Allocation*

2. Work Effort Allocation

The percentage allocation of work effort to each type of transaction is based on a group of regional subject matter experts. This method is one of two approaches that could be undertaken. The other approach would involve onsite analysis and time and motion studies. The latter approach would be a massive and costly undertaking that would not necessarily provide significantly improved data upon which to base business decisions.

3. Volume:

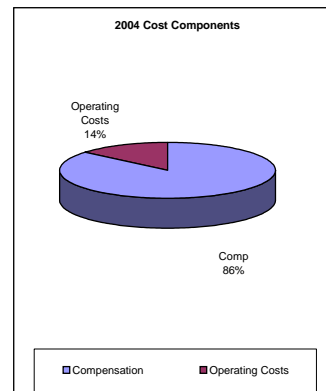
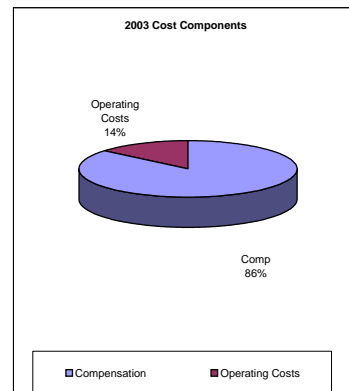
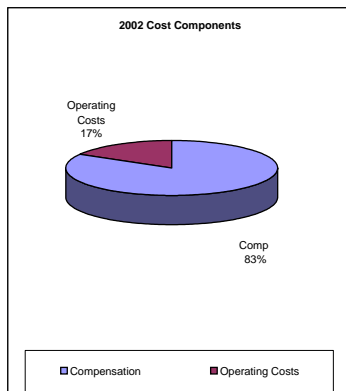
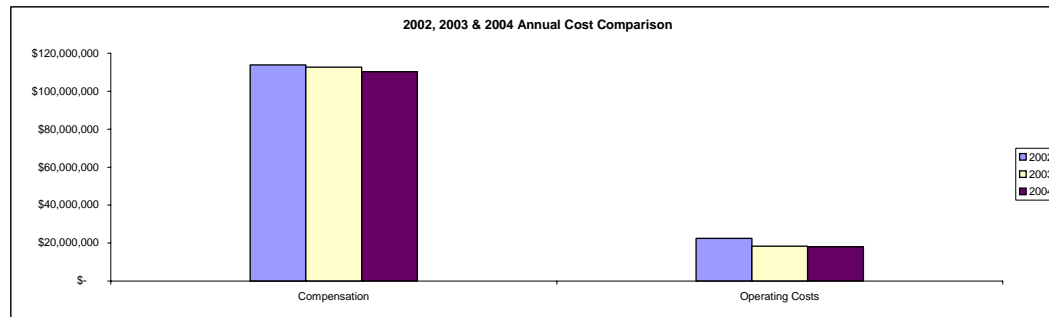
Transactional counts are based on:

- Opened files (file initiation – *not identified as a separate claims transaction type for financial allocation*)
- Closed MD Glass files
- Closed MD Collision files
- Closed MD Comprehensive Theft files
- Closed MD Comprehensive Other files
- Closed MD Other files
- Closed Low Velocity Impact (LVI) BI exposures
- Closed Non Represented BI exposures
- Closed Represented BI exposures
- Closed Litigated BI exposures



ICBC's Regional Claim Centres Work Effort Allocation Supplemental Filing

ICBC Summary of Costs Included in Transaction Costing 2002, 2003, & 2004 Cost Comparison					
	YTD 31-Dec-02	YTD 31-Dec-03	2002 / 2003 Change Better (Worse)	YTD 31-Dec-04	2003 / 2004 Change Better (Worse)
Direct Costs					
MGR	\$ 17,737,894	\$ 17,684,352	0%	\$ 17,769,452	0%
OA	\$ 18,813,468	\$ 18,314,231	3%	\$ 17,845,980	3%
Estimator	\$ 20,016,294	\$ 18,879,605	6%	\$ 18,197,081	4%
Adj Bi - Incl Examiners	\$ 39,597,419	\$ 39,951,321	-1%	\$ 39,006,182	2%
Adj - CA	\$ 17,717,704	\$ 17,898,985	-1%	\$ 17,410,902	3%
Operating Costs	\$ 22,562,463	\$ 18,390,007	18%	\$ 17,985,103	2%
Total Regional Compensation & Operating Costs	\$ 136,445,241	\$ 131,118,500	4%	\$ 128,214,700	2%





ICBC's Regional Claim Centres Work Effort Allocation Supplemental Filing



Total Operations - Cost / Volume / Cost per Txn Comparison by Year

Operations - Total				2002			2003			2004			change in %'s Better (Worse)		
				Cost	# of TXNs	Cost / Txn	Cost	# of TXNs	Cost / Txn	Cost	# of TXNs	Cost / Txn	Cost	# of TXNs	Cost / Txn
Files / Exposures - Cost per Transaction															
1	File initiation			\$ 2,129,605	31,154	\$ 68	\$ 2,055,184	26,156	\$ 79	\$ 2,004,068	25,831	\$ 78	2.5%	1.2%	1.3%
2	MD Files - Glass			\$ 2,237,327	177,437	\$ 13	\$ 2,116,402	94,937	\$ 22	\$ 2,068,197	88,227	\$ 23	2.3%	7.1%	-5.2%
3	MD Files - Customer Service*			\$ 15,354,183			\$ 14,361,430			\$ 13,805,638			3.9%		
4	MD Files - Collision			\$ 28,460,249	153,548	\$ 185	\$ 24,064,901	142,210	\$ 169	\$ 26,590,354	148,452	\$ 179	-10.5%	-4.4%	-5.8%
5	MD Files - Comprehensive Theft			\$ 10,057,277	24,019	\$ 419	\$ 9,650,358	25,691	\$ 376	\$ 9,434,292	24,373	\$ 387	2.2%	5.1%	-3.0%
6	MD Files - Comprehensive Other			\$ 4,840,113	45,911	\$ 105	\$ 4,703,443	31,147	\$ 151	\$ 4,548,527	29,345	\$ 155	3.3%	5.8%	-2.6%
7	MD Files - Other			\$ 2,330,110	34,051	\$ 68	\$ 2,264,754	30,745	\$ 74	\$ 2,185,812	31,151	\$ 70	3.5%	-1.3%	4.7%
	Total MD Files - Field			\$ 63,279,259	434,966	\$ 145	\$ 57,161,288	324,730	\$ 176	\$ 58,632,821	321,548	\$ 182	-2.6%	1.0%	-3.6%
8	BI Exposures - LVI			\$ 11,595,676	8,048	\$ 1,441	\$ 11,178,104	6,884	\$ 1,624	\$ 10,922,202	7,016	\$ 1,557	2.3%	-1.9%	4.1%
9	BI Exposures - Non-Represented			\$ 28,591,148	39,970	\$ 715	\$ 29,829,078	37,146	\$ 803	\$ 27,267,860	36,977	\$ 737	8.6%	0.5%	8.2%
10	BI Exposures - Represented			\$ 11,105,634	8,674	\$ 1,280	\$ 11,510,562	9,366	\$ 1,229	\$ 10,581,057	9,417	\$ 1,124	8.1%	-0.5%	8.6%
11	BI Exposures - Litigated			\$ 19,743,919	9,666	\$ 2,043	\$ 19,384,285	8,615	\$ 2,250	\$ 18,806,693	9,059	\$ 2,076	3.0%	-5.2%	7.7%
	Total BI			\$ 71,036,377	66,358	\$ 1,071	\$ 71,902,028	62,011	\$ 1,160	\$ 67,577,812	62,469	\$ 1,082	6.0%	-0.7%	6.7%
	Total			\$ 136,445,241	532,478		\$ 131,118,500	412,897		\$ 128,214,700	409,848		2.2%		

Greater Vancouver

GV - Total				2002			2003			2004			change in %'s Better (Worse)		
				Cost	# of TXNs	Cost / Txn	Cost	# of TXNs	Cost / Txn	Cost	# of TXNs	Cost / Txn	Cost	# of TXNs	Cost / Txn
Files / Exposures - Cost per Transaction															
1	File initiation			\$ 837,871	9,884	\$ 85	\$ 801,282	8,984	\$ 89	\$ 769,500	8,948	\$ 86	4.0%	0.4%	3.6%
2	MD Files - Glass			\$ 852,716	29,559	\$ 29	\$ 803,334	16,286	\$ 49	\$ 773,444	15,694	\$ 49	3.7%	3.6%	0.1%
3	MD Files - Customer Service*			\$ 6,201,099	-		\$ 5,614,931	-		\$ 5,268,361			6.2%		
4	MD Files - Collision			\$ 12,428,515	63,514	\$ 196	\$ 10,409,534	56,643	\$ 184	\$ 11,049,387	58,935	\$ 187	-6.1%	-4.0%	-2.0%
5	MD Files - Comprehensive Theft			\$ 4,171,185	10,451	\$ 399	\$ 3,910,729	10,903	\$ 359	\$ 3,716,982	10,310	\$ 361	5.0%	5.4%	-0.5%
6	MD Files - Comprehensive Other			\$ 1,997,463	18,369	\$ 109	\$ 1,871,066	12,130	\$ 154	\$ 1,776,880	12,095	\$ 147	5.0%	0.3%	4.8%
7	MD Files - Other			\$ 991,688	14,683	\$ 68	\$ 931,715	13,355	\$ 70	\$ 885,919	13,504	\$ 66	4.9%	-1.1%	6.0%
	Total MD Files - Field			\$ 26,642,666	136,576	\$ 195	\$ 23,541,309	109,317	\$ 215	\$ 23,470,973	110,538	\$ 212	0.3%	-1.1%	1.4%
8	BI Exposures - LVI			\$ 5,383,062	3,946	\$ 1,364	\$ 5,099,470	3,052	\$ 1,671	\$ 4,863,254	2,992	\$ 1,625	4.6%	2.0%	2.7%
9	BI Exposures - Non-Represented			\$ 12,020,279	17,698	\$ 679	\$ 12,430,936	15,665	\$ 794	\$ 11,124,053	15,125	\$ 735	10.5%	3.4%	7.3%
10	BI Exposures - Represented			\$ 4,761,055	4,062	\$ 1,172	\$ 4,839,635	4,279	\$ 1,131	\$ 4,403,594	4,197	\$ 1,049	9.0%	1.9%	7.2%
11	BI Exposures - Litigated			\$ 8,708,214	4,545	\$ 1,916	\$ 8,459,533	3,860	\$ 2,192	\$ 8,059,289	4,105	\$ 1,963	4.7%	-6.3%	10.4%
	Total BI			\$ 30,872,609	30,251	\$ 1,021	\$ 30,829,574	26,856	\$ 1,148	\$ 28,450,190	26,419	\$ 1,077	7.7%	1.6%	6.2%
	Total			\$ 58,353,146	176,711	\$ 330	\$ 55,172,165	145,157	\$ 380	\$ 52,690,664	145,905	\$ 361	4.5%		0



ICBC's Regional Claim Centres Work Effort Allocation Supplemental Filing

Fraser Valley

FV - Total

Files / Exposures - Cost per Transaction	2002			2003			2004			change in %'s Better (Worse)		
	Cost	# of TXN's	Cost / Txn	Cost	# of TXN's	Cost / Txn	Cost	# of TXN's	Cost / Txn	Cost	# of TXN's	Cost / Txn
1 File Initiation	\$ 526,972	8,022	\$ 66	\$ 522,895	7,099	\$ 74	\$ 517,335	7,236	\$ 71	1.1%	-1.9%	2.9%
2 MD Files - Glass	\$ 550,934	38,634	\$ 14	\$ 535,321	21,857	\$ 24	\$ 531,319	22,265	\$ 24	0.7%	-1.9%	2.6%
3 MD Files - Customer Service*	\$ 4,113,662	-		\$ 3,845,380	-		\$ 3,877,682	-		-0.8%		
4 MD Files - Collision	\$ 7,255,127	42,206	\$ 172	\$ 6,120,894	40,271	\$ 152	\$ 7,126,713	42,741	\$ 167	-16.4%	-6.1%	-9.7%
5 MD Files - Comprehensive Theft	\$ 2,757,542	9,758	\$ 283	\$ 2,857,133	10,309	\$ 277	\$ 2,718,289	9,359	\$ 290	4.9%	9.2%	-4.8%
6 MD Files - Comprehensive Other	\$ 1,181,269	10,788	\$ 109	\$ 1,154,508	7,178	\$ 161	\$ 1,165,913	6,740	\$ 173	-1.0%	6.1%	-7.6%
7 MD Files - Other	\$ 597,215	9,391	\$ 64	\$ 584,807	8,244	\$ 71	\$ 587,300	8,694	\$ 68	-0.4%	-5.5%	4.8%
Total MD Files - Field	\$ 16,455,749	110,777	\$ 149	\$ 15,098,043	87,859	\$ 172	\$ 16,007,217	89,799	\$ 178	-6.0%	-2.2%	-3.7%
8 BI Exposures - LVI	\$ 3,310,689	2,859	\$ 1,158	\$ 3,258,731	2,699	\$ 1,207	\$ 3,249,236	2,753	\$ 1,180	0.3%	-2.0%	2.2%
9 BI Exposures - Non-Represented	\$ 7,473,150	11,378	\$ 657	\$ 8,001,140	10,741	\$ 745	\$ 7,395,539	11,060	\$ 669	7.6%	-3.0%	10.2%
10 BI Exposures - Represented	\$ 3,002,846	2,468	\$ 1,217	\$ 3,173,951	2,795	\$ 1,136	\$ 2,960,711	3,003	\$ 986	6.7%	-7.4%	13.2%
11 BI Exposures - Litigated	\$ 5,445,507	2,805	\$ 1,941	\$ 5,490,169	2,708	\$ 2,027	\$ 5,381,558	2,876	\$ 1,871	2.0%	-6.2%	7.7%
Total BI	\$ 19,232,191	19,510	\$ 986	\$ 19,923,991	18,943	\$ 1,052	\$ 18,987,044	19,692	\$ 964	4.7%	-4.0%	8.3%
Total	\$ 36,214,912	138,309	\$ 262	\$ 35,544,929	113,901	\$ 312	\$ 35,511,595	116,727	\$ 304	0.1%		0

Vancouver Island

VI - Total

Files / Exposures - Cost per Transaction	2002			2003			2004			change in %'s Better (Worse)		
	Cost	# of TXN's	Cost / Txn	Cost	# of TXN's	Cost / Txn	Cost	# of TXN's	Cost / Txn	Cost	# of TXN's	Cost / Txn
1 File Initiation	\$ 310,661	3,150	\$ 99	\$ 286,932	2,756	\$ 104	\$ 280,207	2,889	\$ 97	2.3%	-4.9%	6.9%
2 MD Files - Glass	\$ 271,806	14,238	\$ 19	\$ 243,909	7,696	\$ 32	\$ 240,396	7,761	\$ 31	1.4%	-0.8%	2.3%
3 MD Files - Customer Service*	\$ 1,820,449	-		\$ 1,795,708	-		\$ 1,660,052	-		7.6%		
4 MD Files - Collision	\$ 3,100,812	18,004	\$ 172	\$ 2,723,804	16,433	\$ 166	\$ 2,993,748	17,963	\$ 167	-9.9%	-9.3%	-0.5%
5 MD Files - Comprehensive Theft	\$ 1,181,582	1,196	\$ 988	\$ 988,452	1,213	\$ 815	\$ 1,141,484	1,659	\$ 688	-15.5%	-36.8%	15.6%
6 MD Files - Comprehensive Other	\$ 530,890	4,010	\$ 132	\$ 574,126	2,547	\$ 225	\$ 519,655	2,731	\$ 190	9.5%	-7.2%	15.6%
7 MD Files - Other	\$ 256,198	4,623	\$ 55	\$ 272,026	4,335	\$ 63	\$ 244,725	4,251	\$ 58	10.0%	1.9%	8.3%
Total MD Files - Field	\$ 7,161,737	42,071	\$ 170	\$ 6,598,025	32,224	\$ 205	\$ 6,800,059	34,365	\$ 198	-3.1%	-6.6%	3.4%
8 BI Exposures - LVI	\$ 1,276,488	705	\$ 1,811	\$ 1,232,096	678	\$ 1,817	\$ 1,227,000	800	\$ 1,534	0.4%	-18.0%	15.6%
9 BI Exposures - Non-Represented	\$ 3,740,095	4,610	\$ 811	\$ 3,729,724	4,665	\$ 800	\$ 3,523,619	4,703	\$ 749	5.5%	-0.8%	6.3%
10 BI Exposures - Represented	\$ 1,484,231	1,279	\$ 1,160	\$ 1,497,263	1,417	\$ 1,057	\$ 1,395,984	1,408	\$ 991	6.8%	0.6%	6.2%
11 BI Exposures - Litigated	\$ 2,524,267	1,294	\$ 1,951	\$ 2,397,504	1,164	\$ 2,060	\$ 2,357,645	1,169	\$ 2,017	1.7%	-0.4%	2.1%
Total BI	\$ 9,025,081	7,888	\$ 1,144	\$ 8,856,586	7,924	\$ 1,118	\$ 8,504,248	8,080	\$ 1,053	4.0%	-2.0%	5.8%
Total	\$ 16,497,479	53,109	\$ 311	\$ 15,741,543	42,904	\$ 367	\$ 15,584,514	45,334	\$ 344	1.0%		0



ICBC's Regional Claim Centres Work Effort Allocation Supplemental Filing

North Central
North - Total

Files / Exposures - Cost per Transaction	2002			2003			2004			change in %'s Better (Worse)		
	Cost	# of TXN's	Cost / Txn	Cost	# of TXN's	Cost / Txn	Cost	# of TXN's	Cost / Txn	Cost	# of TXN's	Cost / Txn
1 File initiation	\$ 165,627	4,516	\$ 37	\$ 164,551	3,237	\$ 51	\$ 165,505	2,701	\$ 61	-0.6%	16.6%	-20.6%
2 MD Files - Glass	\$ 213,304	45,982	\$ 5	\$ 201,369	25,333	\$ 8	\$ 205,180	19,997	\$ 10	-1.9%	21.1%	-29.1%
3 MD Files - Customer Service*	\$ 1,302,464	-		\$ 1,261,859	-		\$ 1,232,269	-		2.3%		
4 MD Files - Collision	\$ 2,376,494	10,893	\$ 218	\$ 2,016,620	10,365	\$ 195	\$ 2,241,318	9,773	\$ 229	-11.1%	5.7%	-17.9%
5 MD Files - Comprehensive Theft	\$ 823,000	929	\$ 886	\$ 804,056	1,128	\$ 713	\$ 773,346	1,055	\$ 733	3.8%	6.5%	-2.8%
6 MD Files - Comprehensive Other	\$ 485,636	6,291	\$ 77	\$ 476,401	4,478	\$ 106	\$ 455,126	3,345	\$ 136	4.5%	25.3%	-27.9%
7 MD Files - Other	\$ 199,337	2,124	\$ 94	\$ 197,781	1,613	\$ 123	\$ 190,533	1,559	\$ 122	3.7%	3.3%	0.3%
Total MD Files - Field	\$ 5,400,235	66,219	\$ 82	\$ 4,958,086	42,917	\$ 116	\$ 5,097,772	35,729	\$ 143	-2.8%	16.7%	-23.5%
8 BI Exposures - LVI	\$ 616,852	134	\$ 4,603	\$ 606,539	122	\$ 4,972	\$ 606,320	88	\$ 6,890	0.0%	27.9%	-38.6%
9 BI Exposures - Non-Represented	\$ 1,900,909	1,802	\$ 1,055	\$ 2,048,927	1,739	\$ 1,178	\$ 1,911,403	1,782	\$ 1,073	6.7%	-2.5%	9.0%
10 BI Exposures - Represented	\$ 647,092	234	\$ 2,765	\$ 716,271	283	\$ 2,531	\$ 658,133	263	\$ 2,502	8.1%	7.1%	1.1%
11 BI Exposures - Litigated	\$ 1,065,093	281	\$ 3,790	\$ 1,066,769	249	\$ 4,284	\$ 1,085,419	249	\$ 4,359	-1.7%	0.0%	-1.7%
Total BI	\$ 4,229,946	2,451	\$ 1,726	\$ 4,438,505	2,393	\$ 1,855	\$ 4,261,275	2,382	\$ 1,789	4.0%	0.5%	3.5%
Total	\$ 9,795,808	73,186	\$ 134	\$ 9,561,142	48,547	\$ 197	\$ 9,524,552	40,812	\$ 233	0.4%		0

Southern Interior

Files / Exposures - Cost per Transaction	2002			2003			2004			change in %'s Better (Worse)		
	Cost	# of TXN's	Cost / Txn	Cost	# of TXN's	Cost / Txn	Cost	# of TXN's	Cost / Txn	Cost	# of TXN's	Cost / Txn
1 File initiation	\$ 288,474	5,581	\$ 52	\$ 279,524	4,081	\$ 68	\$ 271,520	4,057	\$ 67	2.9%	0.6%	2.3%
2 MD Files - Glass	\$ 348,568	49,024	\$ 7	\$ 332,470	23,765	\$ 14	\$ 317,858	22,510	\$ 14	4.4%	5.3%	-0.9%
3 MD Files - Customer Service*	\$ 1,916,508	-	#DIV/0!	\$ 1,843,552	-		\$ 1,767,275	-		4.1%		
4 MD Files - Collision	\$ 3,299,301	18,931	\$ 174	\$ 2,794,050	18,498	\$ 151	\$ 3,179,189	19,040	\$ 167	-13.8%	-2.9%	-10.5%
5 MD Files - Comprehensive Theft	\$ 1,123,968	1,685	\$ 667	\$ 1,089,988	2,138	\$ 510	\$ 1,084,191	1,990	\$ 545	0.5%	6.9%	-6.9%
6 MD Files - Comprehensive Other	\$ 644,854	6,453	\$ 100	\$ 627,341	4,814	\$ 130	\$ 630,953	4,434	\$ 142	-0.6%	7.9%	-9.2%
7 MD Files - Other	\$ 285,673	3,230	\$ 88	\$ 278,425	3,198	\$ 87	\$ 277,335	3,143	\$ 88	0.4%	1.7%	-1.4%
Total MD Files - Field	\$ 7,618,872	79,323	\$ 96	\$ 6,965,826	52,413	\$ 133	\$ 7,256,800	51,117	\$ 142	-4.2%	2.5%	-6.8%
8 BI Exposures - LVI	\$ 1,008,585	404	\$ 2,496	\$ 981,268	333	\$ 2,947	\$ 976,392	383	\$ 2,549	0.5%	-15.0%	13.5%
9 BI Exposures - Non-Represented	\$ 3,456,715	4,482	\$ 771	\$ 3,618,351	4,336	\$ 834	\$ 3,313,246	4,307	\$ 769	8.4%	0.7%	7.8%
10 BI Exposures - Represented	\$ 1,210,410	631	\$ 1,918	\$ 1,283,442	592	\$ 2,168	\$ 1,162,635	546	\$ 2,129	9.4%	7.8%	1.8%
11 BI Exposures - Litigated	\$ 2,000,839	741	\$ 2,700	\$ 1,970,309	634	\$ 3,108	\$ 1,922,782	660	\$ 2,913	2.4%	-4.1%	6.3%
Total BI	\$ 7,676,549	6,258	\$ 1,227	\$ 7,853,371	5,895	\$ 1,332	\$ 7,375,055	5,896	\$ 1,251	6.1%	0.0%	6.1%
Total	\$ 15,583,895	91,162	\$ 171	\$ 15,098,720	62,389	\$ 242	\$ 14,903,376	61,070	\$ 244	1.3%		0



ICBC's Regional Claim Centres Work Effort Allocation Supplemental Filing

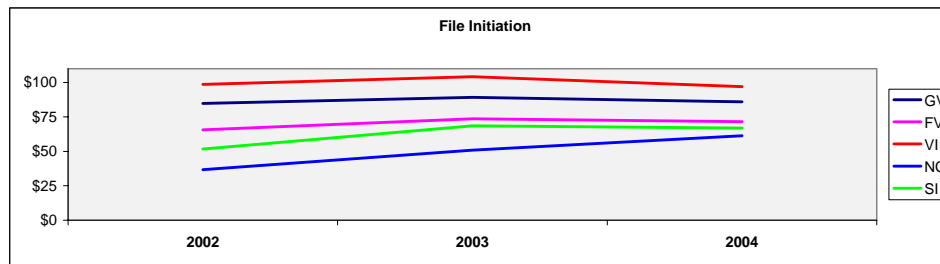


Cost / Volume / Cost Per Txn Comparison by Year

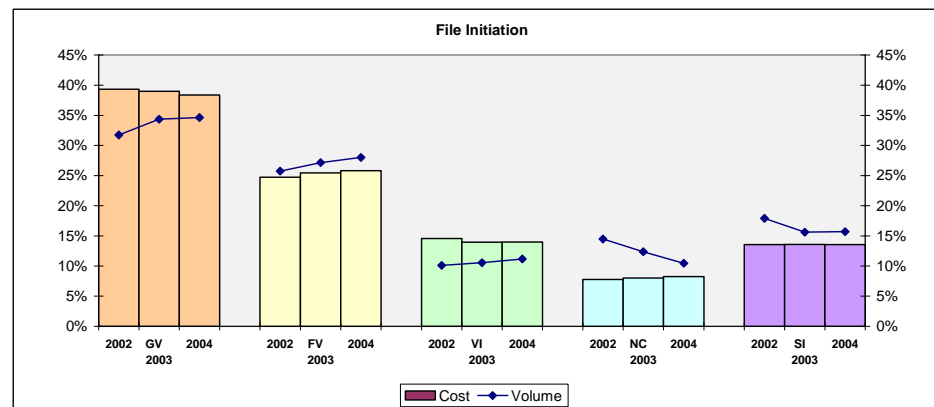
File Initiation

Region	2002			2003			2004		
	Cost	Volume	Cost/Txn	Cost	Volume	Cost/Txn	Cost	Volume	Cost/Txn
GV	\$ 837,871	9,884	\$ 85	\$ 801,282	8,984	\$ 89	\$ 769,500	8,948	\$ 86
FV	\$ 526,972	8,022	\$ 66	\$ 522,895	7,099	\$ 74	\$ 517,335	7,236	\$ 71
VI	\$ 310,661	3,150	\$ 99	\$ 286,932	2,756	\$ 104	\$ 280,207	2,889	\$ 97
NC	\$ 165,627	4,516	\$ 37	\$ 164,551	3,237	\$ 51	\$ 165,505	2,701	\$ 61
SI	\$ 288,474	5,581	\$ 52	\$ 279,524	4,081	\$ 68	\$ 271,520	4,057	\$ 67
Total	\$ 2,129,605	31,154	\$ 68	\$ 2,055,184	26,156	\$ 79	\$ 2,004,068	25,831	\$ 78

Regional Comparisons of the Cost Per Txn:



Regional Cost/Volume Comparisons as a Percentage of Total Operations:





ICBC's Regional Claim Centres Work Effort Allocation Supplemental Filing

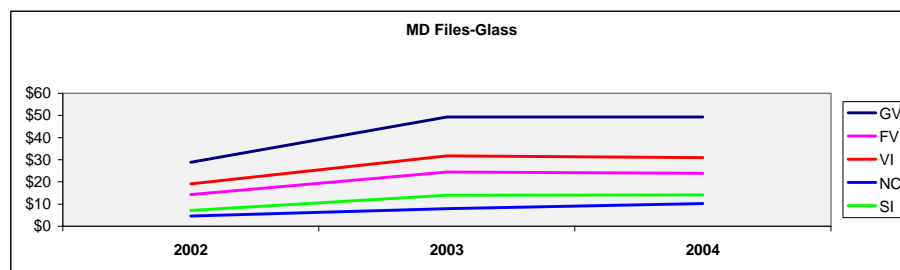


Cost / Volume / Cost Per Txn Comparison by Year

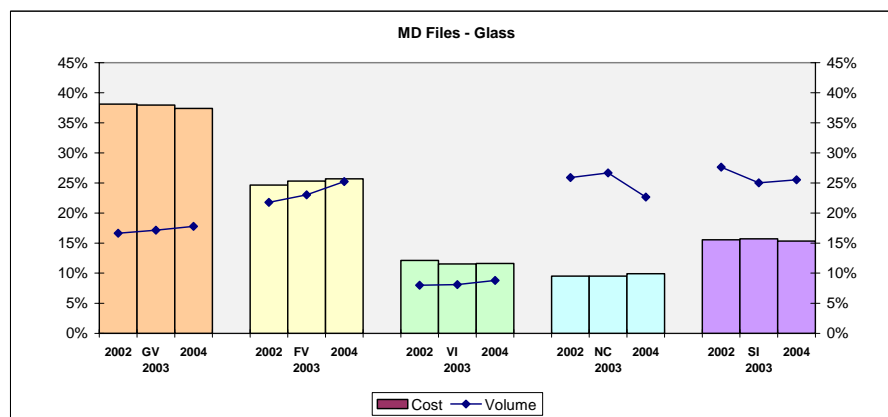
MD Glass

Region	2002			2003			2004		
	Cost	Volume	Cost/Txn	Cost	Volume	Cost/Txn	Cost	Volume	Cost/Txn
GV	\$ 852,716	29,559	\$ 29	\$ 803,334	16,286	\$ 49	\$ 773,444	15,694	\$ 49
FV	\$ 550,934	38,634	\$ 14	\$ 535,321	21,857	\$ 24	\$ 531,319	22,265	\$ 24
VI	\$ 271,806	14,238	\$ 19	\$ 243,909	7,696	\$ 32	\$ 240,396	7,761	\$ 31
NC	\$ 213,304	45,982	\$ 5	\$ 201,369	25,333	\$ 8	\$ 205,180	19,997	\$ 10
SI	\$ 348,568	49,024	\$ 7	\$ 332,470	23,765	\$ 14	\$ 317,858	22,510	\$ 14
Total	\$ 2,237,327	177,437	\$ 13	\$ 2,116,402	94,937	\$ 22	\$ 2,068,197	88,227	\$ 23

Regional Comparison of the Cost Per Txn:



Regional Cost/Volume Comparisons as a Percentage of Total Operations:





ICBC's Regional Claim Centres Work Effort Allocation Supplemental Filing



Cost / Volume / Cost Per Txn Comparison by Year
MD-Customer Service

Region	2002			2003			2004		
	Cost	Volume	Cost/Txn	Cost	Volume	Cost/Txn	Cost	Volume	Cost/Txn
GV	\$ 6,201,099			\$ 5,614,931			\$ 5,268,361		
FV	\$ 4,113,662			\$ 3,845,380			\$ 3,877,682		
VI	\$ 1,820,449			\$ 1,795,708			\$ 1,660,052		
NC	\$ 1,302,464			\$ 1,261,859			\$ 1,232,269		
SI	\$ 1,916,508			\$ 1,843,552			\$ 1,767,275		
Total	\$ 15,354,183			\$ 14,361,430			\$ 13,805,638	-	

Note:

The above noted MD files closed by Customer Service includes associated work effort from the regions.



ICBC's Regional Claim Centres Work Effort Allocation Supplemental Filing

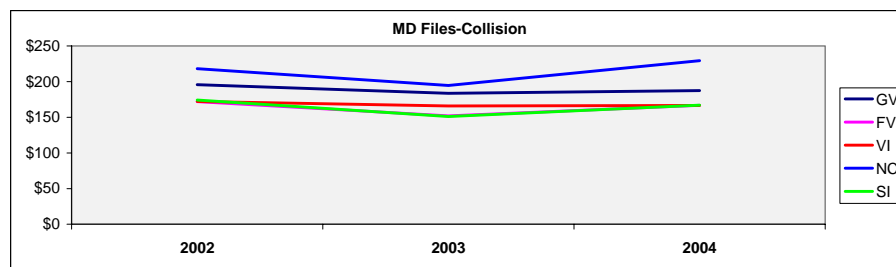


Cost / Volume / Cost Per Txn Comparison by Year

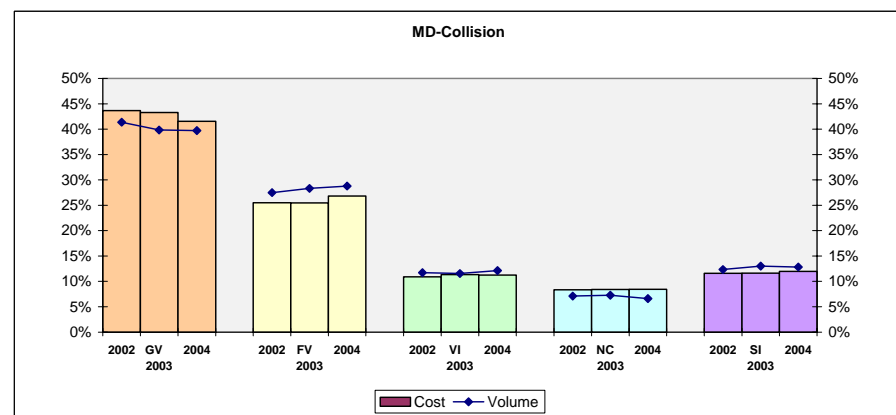
MD Files - Collision

Region	2002			2003			2004		
	Cost	Volume	Cost/Txn	Cost	Volume	Cost/Txn	Cost	Volume	Cost/Txn
GV	\$ 12,428,515	63,514	\$ 196	\$ 10,409,534	56,643	\$ 184	\$ 11,049,387	58,935	\$ 187
FV	\$ 7,255,127	42,206	\$ 172	\$ 6,120,894	40,271	\$ 152	\$ 7,126,713	42,741	\$ 167
VI	\$ 3,100,812	18,004	\$ 172	\$ 2,723,804	16,433	\$ 166	\$ 2,993,748	17,963	\$ 167
NC	\$ 2,376,494	10,893	\$ 218	\$ 2,016,620	10,365	\$ 195	\$ 2,241,318	9,773	\$ 229
SI	\$ 3,299,301	18,931	\$ 174	\$ 2,794,050	18,498	\$ 151	\$ 3,179,189	19,040	\$ 167
Total	\$ 28,460,249	153,548	\$ 185	\$ 24,064,901	142,210	\$ 169	\$ 26,590,354	148,452	\$ 179

Regional Comparisons of the Cost Per Txn:



Regional Cost/Volume Comparisons as a Percentage of Total Operations:





ICBC's Regional Claim Centres Work Effort Allocation Supplemental Filing

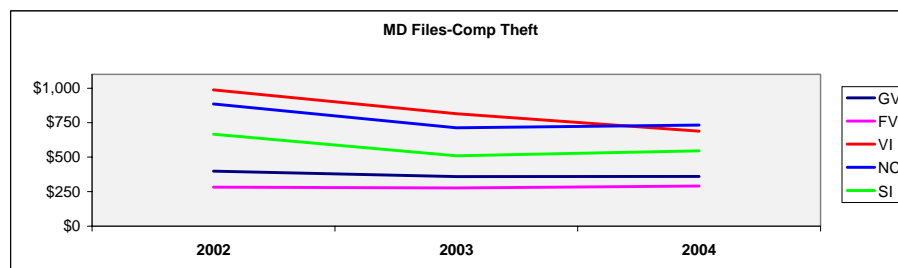


Cost / Volume / Cost Per Txn Comparison by Year

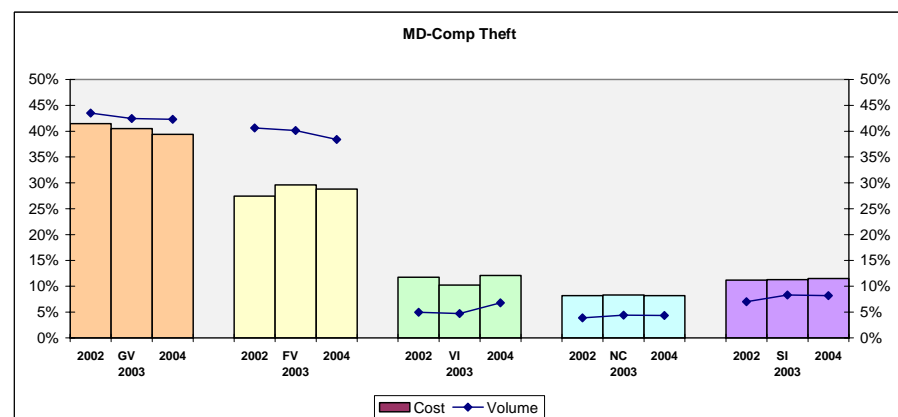
MD Files - Comprehensive Theft

Region	2002			2003			2004		
	Cost	Volume	Cost/Txn	Cost	Volume	Cost/Txn	Cost	Volume	Cost/Txn
GV	\$ 4,171,185	10,451	\$ 399	\$ 3,910,729	10,903	\$ 359	\$ 3,716,982	10,310	\$ 361
FV	\$ 2,757,542	9,758	\$ 283	\$ 2,857,133	10,309	\$ 277	\$ 2,718,289	9,359	\$ 290
VI	\$ 1,181,582	1,196	\$ 988	\$ 988,452	1,213	\$ 815	\$ 1,141,484	1,659	\$ 688
NC	\$ 823,000	929	\$ 886	\$ 804,056	1,128	\$ 713	\$ 773,346	1,055	\$ 733
SI	\$ 1,123,968	1,685	\$ 667	\$ 1,089,988	2,138	\$ 510	\$ 1,084,191	1,990	\$ 545
Total	\$ 10,057,277	24,019	\$ 419	\$ 9,650,358	25,691	\$ 376	\$ 9,434,292	24,373	\$ 387

Regional Comparisons of the Cost Per Txn:



Regional Cost/Volume Comparisons as a Percentage of Total Operations:





ICBC's Regional Claim Centres Work Effort Allocation Supplemental Filing

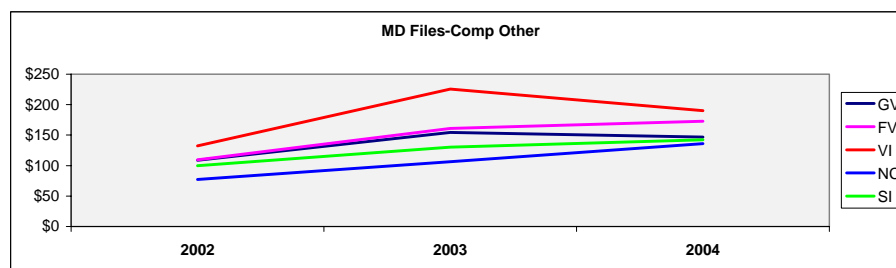


Cost / Volume / Cost Per Txn Comparison by Year

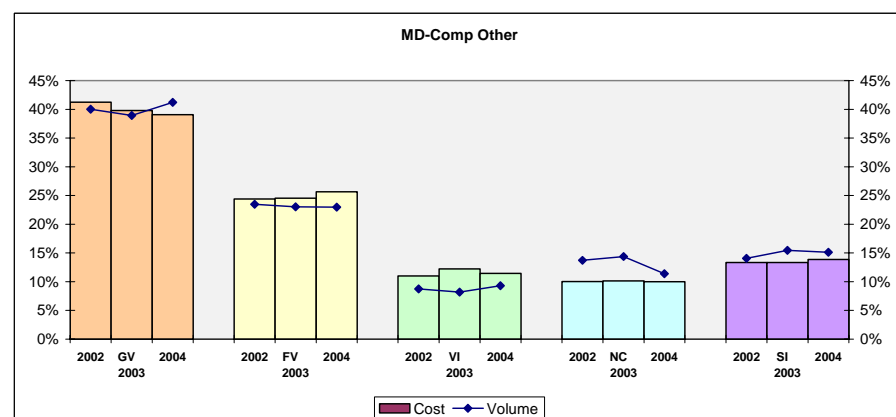
MD Files - Comprehensive Other

Region	2002			2003			2004		
	Cost	Volume	Cost/Txn	Cost	Volume	Cost/Txn	Cost	Volume	Cost/Txn
GV	\$ 1,997,463	18,369	\$ 109	\$ 1,871,066	12,130	\$ 154	\$ 1,776,880	12,095	\$ 147
FV	\$ 1,181,269	10,788	\$ 109	\$ 1,154,508	7,178	\$ 161	\$ 1,165,913	6,740	\$ 173
VI	\$ 530,890	4,010	\$ 132	\$ 574,126	2,547	\$ 225	\$ 519,655	2,731	\$ 190
NC	\$ 485,636	6,291	\$ 77	\$ 476,401	4,478	\$ 106	\$ 455,126	3,345	\$ 136
SI	\$ 644,854	6,453	\$ 100	\$ 627,341	4,814	\$ 130	\$ 630,953	4,434	\$ 142
Total	\$ 4,840,113	45,911	\$ 105	\$ 4,703,443	31,147	\$ 151	\$ 4,548,527	29,345	\$ 155

Regional Comparisons of the Cost Per Txn:



Regional Cost/Volume Comparisons as a Percentage of Total Operations:





ICBC's Regional Claim Centres Work Effort Allocation Supplemental Filing

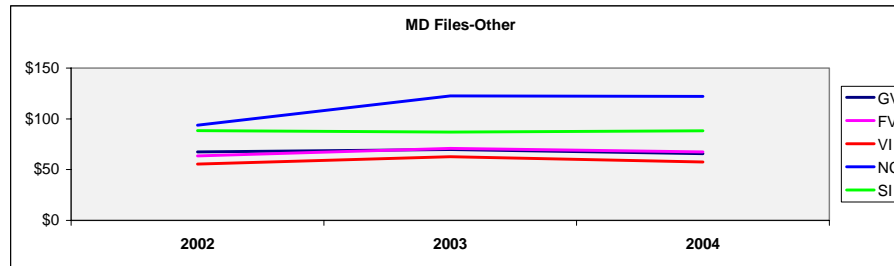


Cost / Volume / Cost Per Txn Comparison by Year

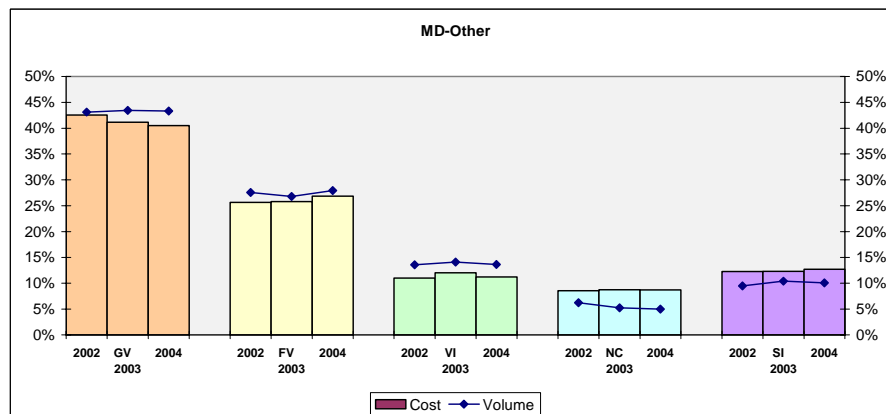
MD Files - Other

Region	2002			2003			2004		
	Cost	Volume	Cost/Txn	Cost	Volume	Cost/Txn	Cost	Volume	Cost/Txn
GV	\$ 991,688	14,683	\$ 68	\$ 931,715	13,355	\$ 70	\$ 885,919	13,504	\$ 66
FV	\$ 597,215	9,391	\$ 64	\$ 584,807	8,244	\$ 71	\$ 587,300	8,694	\$ 68
VI	\$ 256,198	4,623	\$ 55	\$ 272,026	4,335	\$ 63	\$ 244,725	4,251	\$ 58
NC	\$ 199,337	2,124	\$ 94	\$ 197,781	1,613	\$ 123	\$ 190,533	1,559	\$ 122
SI	\$ 285,673	3,230	\$ 88	\$ 278,425	3,198	\$ 87	\$ 277,335	3,143	\$ 88
Total	\$ 2,330,110	34,051	\$ 68	\$ 2,264,754	30,745	\$ 74	\$ 2,185,812	31,151	\$ 70

Regional Comparisons of the Cost Per Txn:



Regional Cost/Volume Comparisons as a Percentage of Total Operations:





ICBC's Regional Claim Centres Work Effort Allocation Supplemental Filing



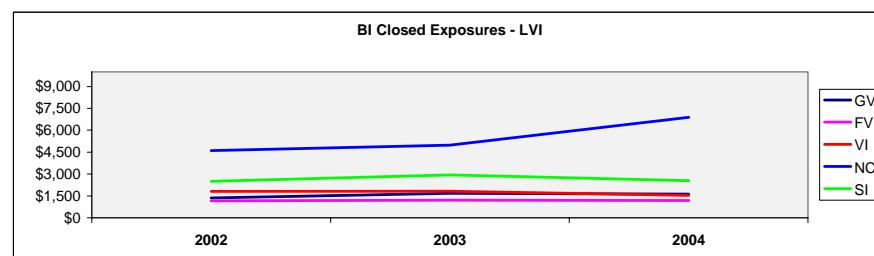
Cost / Volume / Cost Per Txn Comparison by Year

BI Closed Exposures - LVI

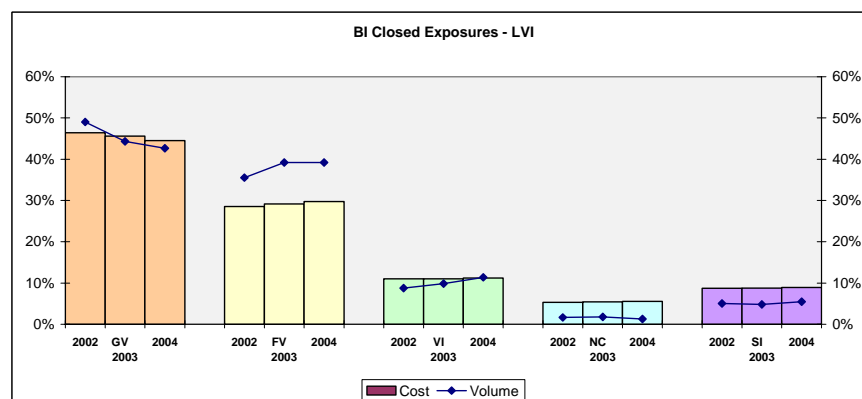
Region	2002			2003			2004		
	Cost	Volume	Cost/Txn	Cost	Volume	Cost/Txn	Cost	Volume	Cost/Txn
GV	\$ 5,383,062	3,946	\$ 1,364	\$ 5,099,470	3,052	\$ 1,671	\$ 4,863,254	2,992	\$ 1,625
FV	\$ 3,310,689	2,859	\$ 1,158	\$ 3,258,731	2,699	\$ 1,207	\$ 3,249,236	2,753	\$ 1,180
VI	\$ 1,276,488	705	\$ 1,811	\$ 1,232,096	678	\$ 1,817	\$ 1,227,000	800	\$ 1,534
NC	\$ 616,852	134	\$ 4,603	\$ 606,539	122	\$ 4,972	\$ 606,320	88	\$ 6,890
SI	\$ 1,008,585	404	\$ 2,496	\$ 981,268	333	\$ 2,947	\$ 976,392	383	\$ 2,549
Total	\$ 11,595,676	8,048	\$ 1,441	\$ 11,178,104	6,884	\$ 1,624	\$ 10,922,202	7,016	\$ 1,557

Note: LVI counts were restated to 2001 due to the inclusion of the committee decision flag criteria.

Regional Comparisons of the Cost Per Txn:



Regional Cost/Volume Comparisons as a Percentage of Total Operations:





ICBC's Regional Claim Centres Work Effort Allocation Supplemental Filing

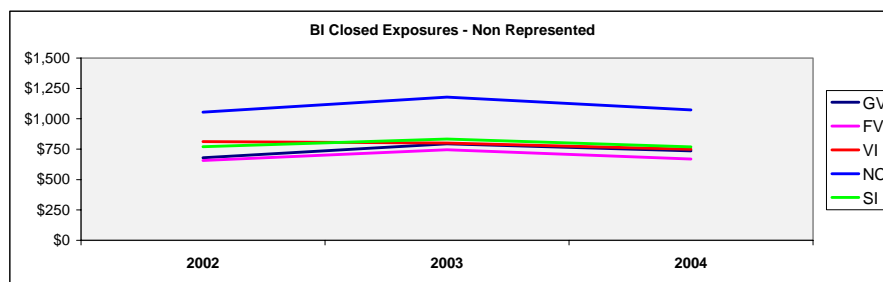


Cost / Volume / Cost Per Txn Comparison by Year BI Closed Exposures - Non Represented

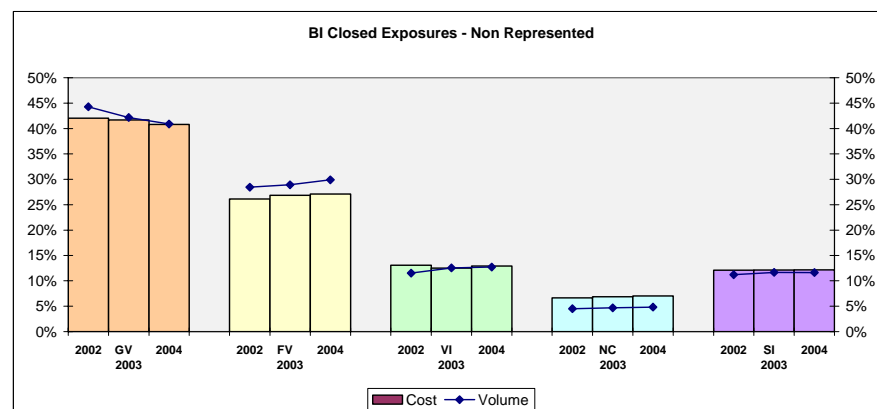
Region	2002			2003			2004		
	Cost	Volume	Cost/Txn	Cost	Volume	Cost/Txn	Cost	Volume	Cost/Txn
GV	\$ 12,020,279	17,698	\$ 679	\$ 12,430,936	15,665	\$ 794	\$ 11,124,053	15,125	\$ 735
FV	\$ 7,473,150	11,378	\$ 657	\$ 8,001,140	10,741	\$ 745	\$ 7,395,539	11,060	\$ 669
VI	\$ 3,740,095	4,610	\$ 811	\$ 3,729,724	4,665	\$ 800	\$ 3,523,619	4,703	\$ 749
NC	\$ 1,900,909	1,802	\$ 1,055	\$ 2,048,927	1,739	\$ 1,178	\$ 1,911,403	1,782	\$ 1,073
SI	\$ 3,456,715	4,482	\$ 771	\$ 3,618,351	4,336	\$ 834	\$ 3,313,246	4,307	\$ 769
Total	\$ 28,591,148	39,970	\$ 715	\$ 29,829,078	37,146	\$ 803	\$ 27,267,860	36,977	\$ 737

Note: Non Rep counts were restated to 2001 due programming revisions.

Regional Comparisons of the Cost Per Txn:



Regional Cost/Volume Comparisons as a Percentage of Total Operations:





ICBC's Regional Claim Centres Work Effort Allocation Supplemental Filing

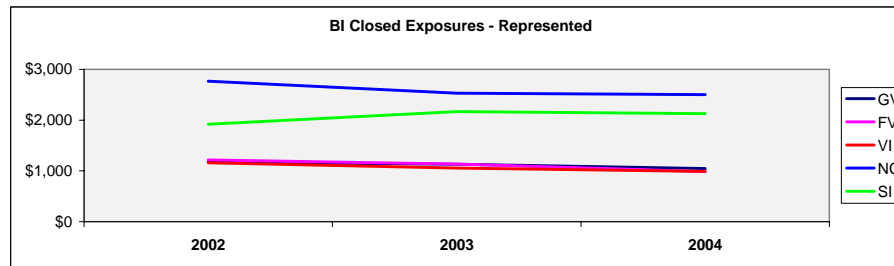


Cost / Volume / Cost Per Txn Comparison by Year

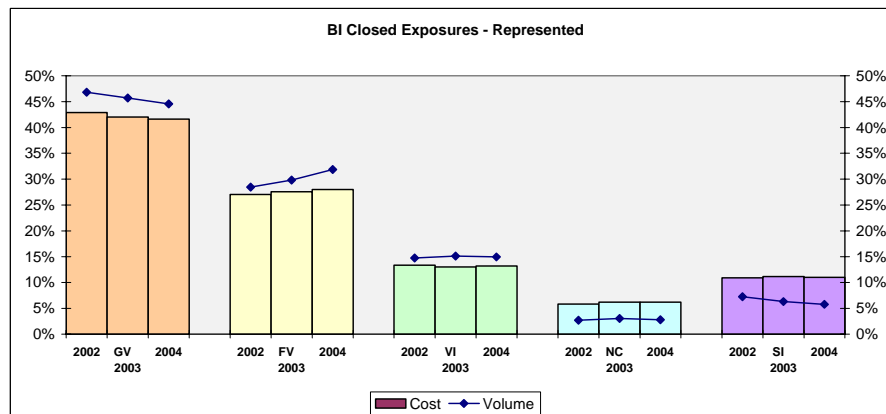
BI Closed Exposures - Represented

Region	2002			2003			2004		
	Cost	Volume	Cost/Txn	Cost	Volume	Cost/Txn	Cost	Volume	Cost/Txn
GV	\$ 4,761,055	4,062	\$ 1,172	\$ 4,839,635	4,279	\$ 1,131	\$ 4,403,594	4,197	\$ 1,049
FV	\$ 3,002,846	2,468	\$ 1,217	\$ 3,173,951	2,795	\$ 1,136	\$ 2,960,711	3,003	\$ 986
VI	\$ 1,484,231	1,279	\$ 1,160	\$ 1,497,263	1,417	\$ 1,057	\$ 1,395,984	1,408	\$ 991
NC	\$ 647,092	234	\$ 2,765	\$ 716,271	283	\$ 2,531	\$ 658,133	263	\$ 2,502
SI	\$ 1,210,410	631	\$ 1,918	\$ 1,283,442	592	\$ 2,168	\$ 1,162,635	546	\$ 2,129
Total	\$ 11,105,634	8,674	\$ 1,280	\$ 11,510,562	9,366	\$ 1,229	\$ 10,581,057	9,417	\$ 1,124

Regional Comparisons of the Cost Per Txn:



Regional Cost/Volume Comparisons as a Percentage of Total Operations:





ICBC's Regional Claim Centres Work Effort Allocation Supplemental Filing

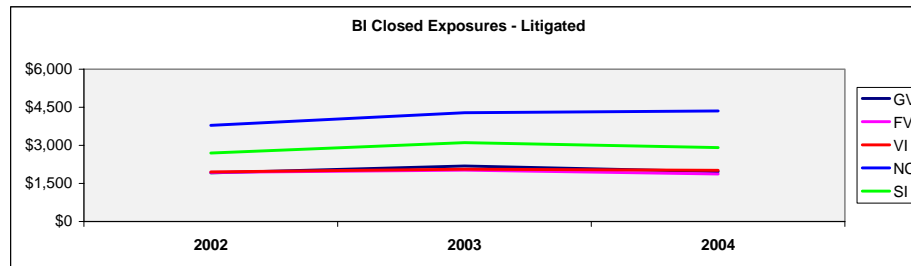


Cost / Volume / Cost Per Txn Comparison by Year

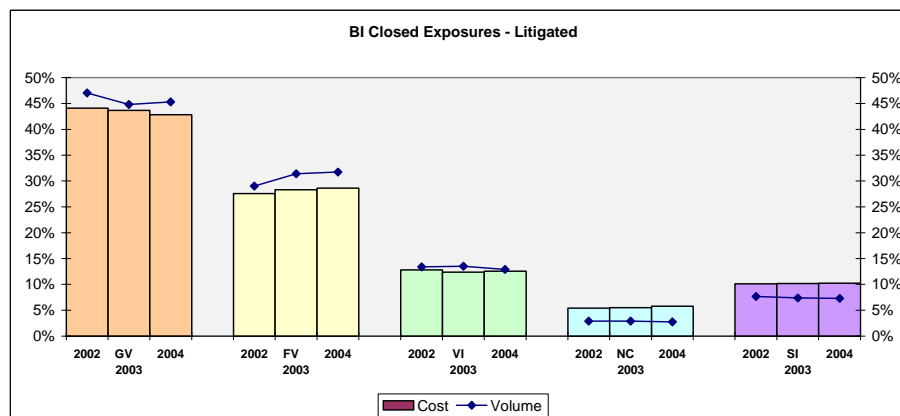
BI Closed Exposures - Litigated

Region	2002			2003			2004		
	Cost	Volume	Cost/Txn	Cost	Volume	Cost/Txn	Cost	Volume	Cost/Txn
GV	\$ 8,708,214	4,545	\$ 1,916	\$ 8,459,533	3,860	\$ 2,192	\$ 8,059,289	4,105	\$ 1,963
FV	\$ 5,445,507	2,805	\$ 1,941	\$ 5,490,169	2,708	\$ 2,027	\$ 5,381,558	2,876	\$ 1,871
VI	\$ 2,524,267	1,294	\$ 1,951	\$ 2,397,504	1,164	\$ 2,060	\$ 2,357,645	1,169	\$ 2,017
NC	\$ 1,065,093	281	\$ 3,790	\$ 1,066,769	249	\$ 4,284	\$ 1,085,419	249	\$ 4,359
SI	\$ 2,000,839	741	\$ 2,700	\$ 1,970,309	634	\$ 3,108	\$ 1,922,782	660	\$ 2,913
Total	\$ 19,743,919	9,666	\$ 2,043	\$ 19,384,285	8,615	\$ 2,250	\$ 18,806,693	9,059	\$ 2,076

Regional Comparisons of the Cost Per Txn:



Regional Cost/Volume Comparisons as a Percentage of Total Operations:





APPENDIX 2

Numerical illustration of Transaction Costing/Financial Allocation Flow Chart

In order to properly allocate operating costs between Basic and Optional insurance, ICBC developed a financial allocation methodology based on the work effort (referred to as Transaction Costing Methodology). This financial allocation methodology was adapted, in part, from the transaction costing model used internally for management decision-making purposes.

The attached transaction costing methodology uses total compensation as a direct proxy for work effort and allocates compensation based on a pre-defined claim transaction type and job category. Total compensation is then split between Basic and Optional insurance based on direct input from the respective subject matter experts in claims operations. This is done at an individual regional level (to properly account for regional differences in claims handling). The regional percentage allocations are then applied to total operating costs and then aggregated for total Regional Claim Centres to arrive at the overall Basic/Optional split of 65%/35%.



ICBC's Regional Claim Centres Work Effort Allocation Supplemental Filing

ICBC Regional Claim Centres (Operations Division) - Greater Vancouver Allocation Matrix: Actual cost YTD 2002																					
Job Categories and Compensation																					
Manager Work Effort		Manager Compensation		Office Assistant Work Effort		Office Assistant Compensation		Estimator Work Effort		Estimator Compensation		Adj - Bodily Injury (1) Work Effort		Adj - Bodily Injury (1) Compensation		Adj - CA Work Effort		Adj - CA Compensation		Total	
% by tx type		\$ by tx type		% by tx type		\$ by tx type		% by tx type		\$ by tx type		% by tx type		\$ by tx type		% by tx type		\$ by tx type			
1		3		4		5		6		7		8		9		10		11			
Transaction Types																					
1	MD Files - Glass	1.5%	101,909	7.2%	512,321	1.0%	76,223	0.00%	-	0.0%	-	0.0%	690,454	37%	100%						
2	MD Files - Customer Care	2.0%	135,879	22.6%	1,608,118	40.0%	3,048,531	0.00%	-	1.0%	73,260	4,886,208	37%	70%							
3	MD Files - Collision & P. Damage	21.0%	1,428,732	15.4%	1,095,798	32.0%	2,439,145	4.80%	782,283	56.2%	4,118,300	9,882,286	37%	63%							
4	MD Files - Comprehensive Theft	10.0%	679,396	5.1%	362,894	10.0%	762,233	0.00%	-	20.4%	1,484,902	3,299,425	0%	100%							
5	MD Files - Comprehensive Other	4.5%	305,728	2.1%	149,427	5.0%	381,116	0.00%	-	10.3%	754,778	1,691,051	0%	100%							
6	MD Files - Other	1.0%	67,840	1.5%	100,734	2.0%	152,447	0.00%	-	85.031	373,725	788,676	100%	0%							
7	BI Exposures - LVI	7.0%	475,577	1.0%	71,156	10.0%	762,233	15.40%	2,618,948	5.0%	366,380	4,294,311	100%	0%							
8	BI Exposures - Non-Represented	28.0%	1,862,309	21.5%	1,529,847	-	-	35.70%	6,071,187	2.0%	146,550	9,649,912	100%	0%							
9	BI Exposures - Represented	7.0%	475,577	8.2%	593,477	-	-	16.30%	2,772,093	0.0%	-	3,831,057	191,551	0%							
10	BI Exposures - Litigated	18.0%	1,222,913	15.4%	1,095,798	-	-	27.50%	4,676,692	0.0%	-	6,955,403	99%	5%							
TOTAL		100.0%	6,793,862	100.0%	7,115,568	100.0%	7,622,328	100.0%	17,006,154	100.0%	7,327,951	45,865,963									
Total Material Damage		40.0%	2,717,585	53.9%	3,835,291	90.0%	6,860,095	9.1%	867,311	93.0%	6,814,994	21,695,279									
Total Bodily Injury		60.0%	4,076,277	46.1%	3,280,277	10.0%	762,233	94.9%	16,138,840	7.0%	512,957	24,770,683									
TOTAL		100.0%	6,793,862	100.0%	7,115,568	100.0%	7,622,328	100.0%	17,006,154	100.0%	7,327,951	45,865,963									
														Basic	Optional			Basic	Optional		
														% Allocation				Cost Allocation			
														6				7			
														65.68%				34.32%			

(1) Adjuster - Bodily Injury includes Bodily Injury Examiners work effort and salaries

Transaction Costing Methodology									
8									
Function Regional Ops									
Data									
Region	Input code	LOB CC	LOB DESC	Sum of Total \$	Sum of Ins %	Sum of Opt %	Sum of Ins \$	Sum of Opt \$	
South	ins	126000	S. Interior Examiner	433,221	100.00%	0.00%	433,221	-	
Fraser Valley	ssfv	171318	Richmond Claim Centre	6,981,054	65.64%	34.36%	4,582,686	2,398,368	
Fraser Valley	ssfv	171319	Surrey Claims Centre	7,145,204	65.64%	34.36%	4,690,442	2,454,762	
Fraser Valley	ssfv	171320	Newton Claims Centre	7,056,447	65.64%	34.36%	4,632,178	2,424,269	
Fraser Valley	ssfv	171322	Abbotsford	5,415,795	65.64%	34.36%	3,555,178	1,860,617	
Fraser Valley	ssfv	171323	Langley Claims Centre	6,076,723	65.64%	34.36%	3,989,042	2,087,681	
Fraser Valley	ssfv	171324	Chilliwack	2,394,227	65.64%	34.36%	1,571,681	822,546	
Fraser Valley	ssfv	177200	Centralized Express Rep - FV	475,479	65.64%	34.36%	312,126	163,353	
Greater Vancouver	ssgv	171310	Burnaby Claims Centre	5,047,735	65.68%	34.32%	3,315,283	1,732,452	
Greater Vancouver	ssgv	171314	East Vancouver	4,343,195	65.68%	34.32%	2,852,551	1,490,644	
Greater Vancouver	ssgv	171315	Kits. Community	-	65.68%	34.32%	-	-	
Greater Vancouver	ssgv	171316	Kingsway Claim Centre	5,306,847	65.68%	34.32%	3,485,464	1,821,382	
Greater Vancouver	ssgv	171317	South Vancouver	4,956,836	65.68%	34.32%	3,255,582	1,701,254	
Greater Vancouver	ssgv	171321	Coquitlam	5,778,505	65.68%	34.32%	3,795,243	1,983,262	
Greater Vancouver	ssgv	171327	Lake City	3,044,187	65.68%	34.32%	1,999,380	1,044,806	
Greater Vancouver	ssgv	171337	Specialty Veh. Appr.	584,858	65.68%	34.32%	384,127	200,731	
Greater Vancouver	ssgv	171358	Squamish Claim Centre	830,814	65.68%	34.32%	545,667	285,147	
Greater Vancouver	ssgv	171359	North Shore East	-	65.68%	34.32%	-	-	
Greater Vancouver	ssgv	171367	5th & Cambie	10,702,502	65.68%	34.32%	7,029,257	3,673,245	
Greater Vancouver	ssgv	171411	Capilano Claim Centre	6,172,779	65.68%	34.32%	4,054,197	2,118,582	
Greater Vancouver	ssgv	171412	Sechelt RO	305,640	65.68%	34.32%	200,740	104,900	
Greater Vancouver	ssgv	173621	New Westminster	4,655,190	65.68%	34.32%	3,057,465	1,597,725	
Greater Vancouver	ssgv	175600	Maple Ridge	3,443,079	65.68%	34.32%	2,261,367	1,181,712	
Vancouver Island	ssi	171431	Nanaimo Claims Centre	3,304,560	67.62%	32.38%	2,234,503	1,070,058	
Vancouver Island	ssi	171432	Campbell River	1,340,287	67.62%	32.38%	906,286	434,002	
Vancouver Island	ssi	171434	Duncan Claims Centre	1,526,990	67.62%	32.38%	1,032,532	494,458	
Vancouver Island	ssi	171435	Victoria Claims Centre	7,232,664	67.62%	32.38%	4,890,638	2,342,026	
Vancouver Island	ssi	171437	Courtenay	1,456,195	67.62%	32.38%	984,661	471,534	
Vancouver Island	ssi	171439	Port Alberni	624,509	67.62%	32.38%	422,285	202,224	
Vancouver Island	ssi	173635	Royal Oak	-	67.62%	32.38%	-	-	
Northern Interior	ssn	171353	100 Mile House	-	58.61%	41.39%	-	-	
Northern Interior	ssn	171354	Smithers Claims Centre	790,799	58.61%	41.39%	463,481	327,318	
Northern Interior	ssn	171355	Prince Rupert	458,762	58.61%	41.39%	268,877	189,885	
Northern Interior	ssn	171357	Powell River	256,337	58.61%	41.39%	150,237	106,100	
Northern Interior	ssn	171540	Dawson Creek	817,880	58.61%	41.39%	479,353	338,527	
Northern Interior	ssn	171541	Terrace Claims Centre	1,059,240	58.61%	41.39%	620,812	438,428	
Northern Interior	ssn	171542	Prince George	3,525,653	58.61%	41.39%	2,066,356	1,459,297	
Northern Interior	ssn	171543	Williams Lake	1,132,467	58.61%	41.39%	663,730	468,738	
Northern Interior	ssn	171550	Frt. St. John	1,056,042	58.61%	41.39%	618,937	437,104	
Northern Interior	ssn	171553	Quesnel Claims Centre	720,300	58.61%	41.39%	422,162	298,138	
Southern Interior	sss	171352	Nelson Claims Centre	478,981	62.74%	37.26%	300,525	178,456	
Southern Interior	sss	171544	Kamloops Claims Centre	3,414,710	62.74%	37.26%	2,142,479	1,272,231	
Southern Interior	sss	171545	Kelowna Claims Centre	3,552,984	62.74%	37.26%	2,229,236	1,323,748	
Southern Interior	sss	171546	Penticton	1,679,351	62.74%	37.26%	1,053,669	625,682	
Southern Interior	sss	171547	Trail Claims Centre	1,403,913	62.74%	37.26%	880,852	523,061	
Southern Interior	sss	171548	Cranbrook	1,697,466	62.74%	37.26%	1,065,035	632,431	
Southern Interior	sss	171549	Vernon Claims Centre	1,558,911	62.74%	37.26%	978,102	580,809	
Southern Interior	sss	171558	Salmon Arm	879,183	62.74%	37.26%	551,622	327,560	
Grand Total				131,118,500	65.15%	34.85%	85,429,245	45,689,255	
rounded					65.2%	34.8%			



ICBC's Regional Claim Centres Work Effort Allocation Supplemental Filing

1 Transaction Types

1. MD Files - Glass
2. MD Files - Customer Care
3. MD Files - Collision & P/ Damage
4. MD Files - Comprehensive Theft
5. MD Files - Comprehensive Other
6. MD Files - Other
7. BI Exposures - LVI
8. BI Exposures - Non-Represented
9. BI Exposures - Represented
10. BI Exposures - Litigated

Material Damage (MD) Claims Transaction Types:

1. MD Files – Glass	Customers may report a glass claim either directly through an ICBC claim centre or through an Express Glass Repair business partner (who are authorized by ICBC to initiate and estimate non-contentious glass claims).
2. MD Files – Customer Service	Refers to those claims handled through the Telephone Claims Department requiring the assistance of a claims centre (as an example, to estimate a vehicle).
3. MD Files – Collision & Property Damage	Claims for both single and multi - vehicle collision and third-party property damage claims.
4. MD Files – Comprehensive Total	Comprehensive claims involving the total theft of a vehicle.
5. MD Files – Comprehensive Other	Comprehensive claims for vehicle damage caused by fire, animal collision, vandalism and theft from a vehicle.
6. MD Files - Other	Includes claims under third-party liability (property damage only) and claims under both the Uninsured and Unidentified sections of the Insurance (Motor Vehicle) Act (property damage only).

2) Bodily Injury (BI) Claim Transaction Types:

7. BI Exposures – Low Velocity Impact (LVI)	Low Velocity Impact claims refer to those injury claims presented where the vehicle impact was minimal or where there was minimal or no damage to the vehicle.
8. BI Exposures – Non Represented	Injury claims under the \$200,000 compulsory coverage limit where the claimant is dealing directly with an ICBC adjuster and not represented by legal counsel.
9. BI Exposures – Represented	Files under 24 months old and under the \$200,000 compulsory insurance limit where the injured claimant is represented by legal counsel.
10. BI Exposures - Litigated	Files over 24 months old and under the \$200,000 compulsory insurance limit where the injured claimant is represented by legal counsel and legal proceedings have commenced.

2 Job Categories

Manager/Supervisor	Oversees the administration, training, development and performance of adjusting staff in the investigation, evaluation, negotiation, and settlement of claims.
Office Assistant	Provides administrative support to the respective claim centre staff.
Estimator	Provide material damage estimating services that focus on customer service, supplier support, problem solving and quality/cost control.
Bodily Injury Adjuster/ Examiner	A bodily injury adjuster investigates, evaluates, negotiates and settles all levels of bodily injury claims. An Examiner acts as a senior technical resource at a claim centre level by directing and monitoring bodily injury adjusters in the investigation, control and settlement of claims (and can include material damage claims).
Material Damage Adjuster	Investigates, evaluates and negotiates material damage and minor bodily injury claims.



ICBC's Regional Claim Centres Work Effort Allocation Supplemental Filing

3

Work Effort Percentages

Work effort refers to the underlying claims handling activities within the respective claims centres, grouped by claims transaction type and job category. Work effort encompasses those work activities an employee performs within a claim a centre to properly adjust a claim.

The work effort percentages per claims transaction type were determined by a representative group of claims personnel and were based on direct input from the claims personnel in the field.

The process involved in both selecting and defining the parameters within which work effort would be applied to was rigorous, un-biased and fair. The respective experienced claims personnel defined each of the component parts through an examination of the underlying claims handling processes. The work effort percentages, determined by the experienced claims personnel as mentioned above, were applied to compensation per job category, at a regional level, to determine the estimated cost per claim transaction type.

4

Compensation

Compensation is a fully loaded cost and includes salary, benefits and overtime costs. The data was obtained from SAP (ICBC's accounting system). All figures reconcile to the dollars expensed on ICBC's financial statements.

Compensation costs per transaction were obtained by multiplying the work effort percentages by the total compensation for each job category to obtain the costs per job category, per transaction type.

5

Totals

In order to determine the total compensation cost for each of the claim centre transaction types, the individual job category compensation costs were added together.



ICBC's Regional Claim Centres Work Effort Allocation Supplemental Filing

6

Allocation of Compensation Costs to Basic and Optional Insurance

The basis for the allocation of compensation costs between Basic and Optional insurance is outlined in the following chart. In addition, please refer to **Section X** for a more detailed explanation of Basic/Optional split for MD Files Customer Service, MD Files - Collision & Property Damage, BI Exposures - Represented and Litigated.

Claims Transaction Type	<i>Basis for Allocation to Basic or Optional</i>
1. MD Files – Glass	Purchased optional coverage.
2. MD Files – Customer Service	The allocation was based on input from the SME's in this particular area.
3. MD Files – Collision & Property Damage	The allocation was based on an analysis of closed exposures and the ratio of purchased optional collision coverage and basic first-party coverage.
4. MD Files – Comprehensive Total Theft	Purchased optional coverage.
5. MD Files – Comprehensive Other	Purchased optional coverage.
6. MD Files - Other	Basic coverage (e.g. Uninsured and unidentified claims coverage).
7. BI Exposures – Low Velocity Impact (LVI)	Basic coverage Low value
8. BI Exposures – Non Represented	Basic coverage (e.g. under \$200,000 third-party compulsory limits).
9. BI Exposures – Represented	As determined by SME and based on number of files transferred to Head Office Claims. (claims are still in the majority under the \$200,000 third-party compulsory limits).
10. BI Exposures - Litigated	As determined by SME and based on number of files transferred to Head Office Claims. claims are still in the majority under the \$200,000 third-party compulsory limits).



ICBC's Regional Claim Centres Work Effort Allocation Supplemental Filing

7

Basic / Optional Costs

In order to determine the basic and optional insurance cost for each transaction, total compensation costs for each transaction type were multiplied against the Basic/Optional percentages to obtain the total compensation costs allocated to either Basic or Optional insurance.

Transaction Types	Basic	Optional
	Cost Allocation	
MD Files - Glass		690,454
MD Files - Customer Care	1,459,863	3,406,346
MD Files - Collision & P/ Damage	3,649,038	6,213,228
MD Files - Comprehensive Theft	-	3,299,425
MD Files - Comprehensive Other	-	1,591,051
MD Files - Other	785,876	-
BI Exposures - LVI	4,294,311	-
BI Exposures - Non-Represented	9,649,912	-
BI Exposures - Represented	3,639,504	191,553
BI Exposures - Litigated	6,645,633	349,770
Total	30,124,137	15,741,826
% Split between Basic and Optional insurance	65.68%	34.32%

8

Regional Allocation of Total Operating Costs

Once total compensation is allocated between Basic and Optional insurance, the regional percentage split is then applied to the operating costs for each of the cost centres that comprise a particular region. The regional totals are then aggregated to derive an overall percentage split for the Regional Claim Centres.

9

Aggregate regional total to arrive at 65% Basic / 35% Optional Insurance Allocation



ICBC's Regional Claim Centres Work Effort Allocation Supplemental Filing

APPENDIX 3

Regional Claim Centre Claims Personnel for 2004 Transaction Costing

Position	Previous Experience	Years of Service
Manager, Regional Field Services – Northern Interior	Claims Adjuster, Bodily Injury Adjuster, Claims Manager, Centre Manager, MD Regional Manager	18.5
Manager, Regional Field Services – Fraser Valley	Bodily Injury Adjuster, Examiner, Claims Manager; Centre Manager	15
Manager, Regional Field Services – Southern Interior	Estimator, Bodily Injury Adjuster, Claims Manager, Centre Manager	24
Manager, Regional Field Services – Greater Vancouver	Bodily Injury Adjuster and Examiner; Claims Manager; Bodily Injury Regional Manager, Centre Manager	18
Manager, Regional Field Services – Vancouver Island	Regional Manager Loss Prevention, Regional Manager, Marketing & Communication	5
Claim Centre Manager – Vancouver Island	Claims Adjuster and Bodily Injury Adjuster; Claims Manager,	18
Manager, Claims	Claims Adjuster and Bodily Injury Adjuster, Claims Manager, Bodily Injury Regional Manager	16.5
Manager, Administration	Various administrative related positions	25
Manager, Customer Service Business Support	Various administrative positions; Manager Customer Contact Support, Project Manager, Manager Customer Care Business Planning Services, Manager Business and Planning Services	30
Manager, Centralized Estimating Facility	Estimator and Technical Supervisor; MD Manager, Regional MD Manager, Manager	18



ICBC's Regional Claim Centres Work Effort Allocation Supplemental Filing

APPENDIX 4

Year over Year Changes in Work Effort Percentages 2002 to 2004

Greater Vancouver Operations Division - Greater Vancouver - Work Effort Allocation Matrix:																				
Mgr (a)					OA (b)				Estimator				Adj - BI (incl. Examiners)				Adj - BI (incl. Examiners)			
Meeting Dates	Original	Sep-03 Restated 2001, 2002, Jun ytd	Feb-04	Dec-04	Original	Sep-03 Restated 2001, 2002, Jun ytd	Feb-04	Dec-04	Original	Sep-03 Restated 2001, 2002, Jun ytd	Feb-04	Dec-04	Original	Sep-03 Restated 2001, 2002, Jun ytd	Feb-04	Dec-04	Original	Sep-03 Restated 2001, 2002, Jun ytd	Feb-04	Dec-04
Effective Years	Original 2002	2003	2003	2004	Original 2002	2003	2003	2004	Original 2002	2003	2003	2004	Original 2002	2003	2003	2004	Original 2002	2003	2003	2004
Files / Exposures - Allocation of Effort																				
1	0.0%	0.0%	0.0%	0.0%	5.0%	2.5%	2.5%	2.5%	0.0%	0.0%	0.0%	0.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
2	0.0%	1.5%	1.5%	1.5%	7.0%	7.0%	7.0%	7.0%	2.0%	1.0%	1.0%	1.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
3	2.0%	2.0%	2.0%	2.0%	20.0%	22.0%	22.0%	22.0%	35.0%	40.0%	40.0%	40.0%	0.0%	0.0%	0.0%	0.0%	1.0%	1.0%	1.0%	1.0%
4	22.0%	21.0%	21.0%	21.0%	15.0%	15.0%	15.0%	15.0%	20.0%	18.0%	18.0%	32.0%	4.0%	4.0%	4.0%	4.0%	55.0%	55.0%	55.0%	55.0%
5	10.0%	10.0%	10.0%	10.0%	5.0%	5.0%	5.0%	5.0%	10.0%	10.0%	10.0%	10.0%	0.0%	0.0%	0.0%	0.0%	20.0%	20.0%	20.0%	20.0%
6	4.5%	4.5%	4.5%	4.5%	2.5%	2.0%	2.0%	2.0%	6.0%	5.0%	5.0%	5.0%	0.0%	0.0%	0.0%	0.0%	10.0%	10.0%	10.0%	10.0%
7	1.0%	1.0%	1.0%	1.0%	0.5%	1.5%	1.5%	1.5%	2.0%	2.0%	2.0%	2.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
8	37.5%	36.5%	36.5%	36.5%	23.0%	23.5%	23.5%	23.5%	38.0%	35.0%	35.0%	49.0%	5.0%	5.0%	5.0%	5.0%	80.0%	80.0%	80.0%	80.0%
9	7.0%	7.0%	7.0%	7.0%	2.0%	1.0%	1.0%	1.0%	10.0%	10.0%	10.0%	10.0%	15.0%	15.0%	15.0%	15.0%	5.0%	5.0%	5.0%	5.0%
10	28.0%	28.0%	28.0%	28.0%	18.0%	21.0%	21.0%	21.0%	10.0%	10.0%	10.0%	0.0%	35.0%	35.0%	35.0%	35.0%	2.0%	2.0%	2.0%	2.0%
11	7.0%	7.0%	7.0%	7.0%	10.0%	8.0%	8.0%	8.0%	4.0%	3.0%	3.0%	0.0%	16.0%	16.0%	16.0%	16.0%	0.0%	0.0%	0.0%	0.0%
Total																				
Total MD Files - Field	37.5%	36.5%	36.5%	36.5%	23.0%	23.5%	23.5%	23.5%	38.0%	35.0%	35.0%	49.0%	5.0%	5.0%	5.0%	5.0%	80.0%	80.0%	80.0%	80.0%
BI Exposures - LVI	7.0%	7.0%	7.0%	7.0%	2.0%	1.0%	1.0%	1.0%	10.0%	10.0%	10.0%	10.0%	15.0%	15.0%	15.0%	15.0%	5.0%	5.0%	5.0%	5.0%
BI Exposures - Non-Reported	28.0%	28.0%	28.0%	28.0%	18.0%	21.0%	21.0%	21.0%	10.0%	10.0%	10.0%	0.0%	35.0%	35.0%	35.0%	35.0%	2.0%	2.0%	2.0%	2.0%
BI Exposures - Represented	7.0%	7.0%	7.0%	7.0%	10.0%	8.0%	8.0%	8.0%	4.0%	3.0%	3.0%	0.0%	16.0%	16.0%	16.0%	16.0%	0.0%	0.0%	0.0%	0.0%
BI Exposures - Litigated	18.0%	18.0%	18.0%	18.0%	15.0%	15.0%	15.0%	15.0%	1.0%	1.0%	1.0%	0.0%	27.0%	27.0%	27.0%	27.0%	7.0%	7.0%	7.0%	7.0%
Total All Files	60.0%	60.0%	60.0%	60.0%	45.0%	45.0%	45.0%	45.0%	25.0%	24.0%	24.0%	18.0%	93.0%	93.0%	93.0%	93.0%	100.0%	100.0%	100.0%	100.0%
Total																				
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Vancouver Island Operations Division - Vancouver Island - Work Effort Allocation Matrix:																				
Mgr (a)					OA (b)					Estimator					Adj - BI (incl. Examiners)					
Meeting Dates	Original	Sep-03 Restated 2001, 2002, Jun ytd	Feb-04	Dec-04	Original	Sep-03 Restated 2001, 2002, Jun ytd	Feb-04	Dec-04	Original	Sep-03 Restated 2001, 2002, Jun ytd	Feb-04	Dec-04	Original	Sep-03 Restated 2001, 2002, Jun ytd	Feb-04	Dec-04	Original	Sep-03 Restated 2001, 2002, Jun ytd	Feb-04	Dec-04
Effective Years	Original 2002	2003	2003	2004	Original 2002	2003	2003	2004	Original 2002	2003	2003	2004	Original 2002	2003	2003	2004	Original 2002	2003	2003	2004
Files / Exposures - Allocation of Effort																				
1	File Initiation	0.0%	0.0%	0.0%	0.0%	8.0%	5.0%	5.0%	5.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	2.0%	2.0%	2.0%
2	MD Files - Glass	1.0%	1.0%	1.5%	1.5%	15.0%	15.0%	7.0%	7.0%	2.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
3	MD Files - Customer Care*	3.0%	3.0%	5.0%	3.0%	20.0%	20.0%	25.0%	25.0%	35.0%	40.0%	40.0%	38.0%	0.0%	0.0%	0.0%	0.0%	1.0%	1.0%	1.0%
4	MD Files - Collision	18.0%	18.0%	23.0%	23.0%	5.0%	5.0%	11.0%	11.0%	21.0%	20.0%	20.0%	33.0%	4.0%	4.0%	4.0%	4.0%	15.0%	15.0%	15.0%
5	MD Files - Comprehensive Theft	6.0%	6.0%	6.0%	8.0%	3.0%	3.0%	5.0%	5.0%	8.0%	10.0%	10.0%	12.0%	0.0%	0.0%	0.0%	0.0%	20.0%	20.0%	20.0%
6	MD Files - Comprehensive Other	4.0%	4.0%	4.0%	4.0%	1.0%	1.0%	1.0%	1.0%	7.0%	4.0%	4.0%	4.0%	0.0%	0.0%	0.0%	0.0%	10.0%	10.0%	10.0%
7	MD Files - Other	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	2.0%	2.0%	2.0%	2.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
	Total MD Files - Field	29.0%	29.0%	34.0%	36.0%	10.0%	10.0%	18.0%	18.0%	38.0%	36.0%	36.0%	51.0%	5.0%	5.0%	5.0%	5.0%	80.0%	80.0%	80.0%
8	BI Exposures - LVI	8.0%	8.0%	10.0%	10.0%	1.0%	1.0%	1.0%	1.0%	10.0%	10.0%	10.0%	10.0%	15.0%	15.0%	15.0%	15.0%	5.0%	5.0%	5.0%
9	BI Exposures - Non-Represented	33.0%	33.0%	25.5%	25.5%	25.0%	25.0%	19.0%	19.0%	10.0%	8.0%	8.0%	0.0%	35.0%	35.0%	35.0%	35.0%	2.0%	2.0%	2.0%
10	BI Exposures - Represented	10.0%	10.0%	10.0%	10.0%	8.0%	8.0%	8.0%	8.0%	4.0%	4.0%	4.0%	0.0%	16.0%	16.0%	16.0%	16.0%	0.0%	0.0%	0.0%
11	BI Exposures - Litigated	16.0%	16.0%	14.0%	14.0%	13.0%	17.0%	17.0%	17.0%	1.0%	1.0%	1.0%	0.0%	27.0%	27.0%	27.0%	27.0%	7.0%	7.0%	7.0%
	Total BI Files	67.0%	67.0%	59.5%	59.5%	47.0%	51.0%	45.0%	45.0%	25.0%	23.0%	23.0%	10.0%	93.0%	93.0%	93.0%	93.0%	100.0%	100.0%	100.0%
	Total	100.0%	100.0%	100.0%	100.0%	100.0%	101.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	151.0%	100.0%	100.0%	100.0%

Fraser Valley Operations Division - Fraser Valley - Work Effort Matrix:																								
Mgr (a)					OA (b)					Estimator					Adj - BI (incl. Examiners)					Adj - CA				
Meeting Dates	Original	Sep-03 Restated 2001, 2002, Jun ytd	Feb-04	Dec-04	Original	Sep-03 Restated 2001, 2002, Jun ytd	Feb-04	Dec-04	Original	Sep-03 Restated 2001, 2002, Jun ytd	Feb-04	Dec-04	Original	Sep-03 Restated 2001, 2002, Jun ytd	Feb-04	Dec-04	Original	Sep-03 Restated 2001, 2002, Jun ytd	Feb-04	Dec-04				
Effective Years	Original 2002	2003	2003	2004	Original 2002	2003	2003	2004	Original 2002	2003	2003	2004	Original 2002	2003	2003	2004	Original 2002	2003	2003	2004				
Files / Exposures - Allocation of Effort																								
1	0.0%	0.0%	0.0%	0.0%	5.0%	2.5%	2.5%	2.5%	0.0%	0.0%	0.0%	0.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%				
2	0.0%	1.0%	1.0%	1.0%	7.0%	7.0%	7.0%	7.0%	2.0%	1.0%	1.0%	1.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%				
3	MPD - "Customer Care"	2.0%	2.0%	2.0%	20.0%	22.0%	22.0%	22.0%	35.0%	40.0%	40.0%	40.0%	0.0%	0.0%	0.0%	0.0%	1.0%	1.0%	1.0%	1.0%				
4	MD Files - Collision	22.0%	21.0%	21.0%	21.0%	15.0%	15.0%	15.0%	15.0%	18.0%	17.0%	17.0%	17.0%	4.0%	4.0%	4.0%	4.0%	50.0%	50.0%	50.0%	52.0%			
5	MD Files - Comprehensive Ther	10.0%	10.0%	10.0%	10.0%	5.0%	5.0%	5.0%	5.0%	12.0%	13.0%	13.0%	12.0%	0.0%	0.0%	0.0%	0.0%	25.0%	25.0%	25.0%	23.0%			
6	MD Files - Comprehensive Op	4.5%	4.5%	4.5%	4.5%	2.5%	2.0%	2.0%	2.0%	6.0%	5.0%	5.0%	5.0%	0.0%	0.0%	0.0%	0.0%	10.0%	10.0%	10.0%	10.0%			
7	MD Files - Other	1.0%	1.0%	1.0%	1.0%	0.5%	1.5%	1.5%	1.5%	2.0%	2.0%	2.0%	2.0%	0.5%	0.5%	0.5%	0.5%	0.0%	0.0%	0.0%	0.0%			
8	Total MD Files - Field	37.5%	36.5%	36.5%	36.5%	23.0%	23.5%	23.5%	23.5%	38.0%	37.0%	37.0%	36.0%	5.0%	5.0%	5.0%	5.0%	80.0%	80.0%	80.0%	80.0%			
9	BI Exposures - LVI	0.0%	0.0%	0.0%	0.0%	2.0%	1.0%	1.0%	1.0%	10.0%	10.0%	10.0%	10.0%	15.0%	15.0%	15.0%	15.0%	5.0%	5.0%	5.0%	5.0%			
10	BI Exposures - Non- Represented	28.0%	28.0%	28.0%	28.0%	18.0%	21.0%	21.0%	21.0%	10.0%	10.0%	10.0%	0.0%	35.0%	35.0%	35.0%	35.0%	2.0%	2.0%	2.0%	2.0%			
11	BI Exposures - Represented	7.0%	7.0%	7.0%	7.0%	10.0%	8.0%	8.0%	8.0%	4.0%	3.0%	3.0%	0.0%	16.0%	16.0%	16.0%	16.0%	0.0%	0.0%	0.0%	0.0%			
12	BI Exposures - Licensed	18.0%	18.0%	18.0%	18.0%	15.0%	15.0%	15.0%	15.0%	1.0%	1.0%	1.0%	0.0%	27.0%	27.0%	27.0%	27.0%	7.0%	7.0%	7.0%	7.0%			
13	Total BI Files	60.0%	60.0%	60.0%	60.0%	45.0%	45.0%	45.0%	45.0%	25.0%	22.0%	22.0%	9.0%	93.0%	93.0%	93.0%	93.0%	7.0%	7.0%	7.0%	7.0%			
14	Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%			



ICBC's Regional Claim Centres Work Effort Allocation Supplemental Filing

North Central Operations Division - North Central - Work Effort Allocation Matrix:																				
Meeting Dates	May (a)				June (b)				September				Ad - B (incl. Examiners)				Ad - C			
	Original	Restated	Feb-04	Dec-04	Original	Restated	Feb-04	Dec-04	Original	Restated	Feb-04	Dec-04	Original	Restated	Feb-04	Dec-04	Original	Restated	Feb-04	Dec-04
	Original 2002	Restated 2001,2002 Jun ytd 2003	2003	2004	Original 2002	Restated 2001,2002 Jun ytd 2003	2003	2004	Original 2002	Restated 2001,2002 Jun ytd 2003	2003	2004	Original 2002	Restated 2001,2002 Jun ytd 2003	2003	2004	Original 2002	Restated 2001,2002 Jun ytd 2003	2003	2004
Effective Years	Original 2002	Restated 2001,2002 Jun ytd 2003	2003	2004	Original 2002	Restated 2001,2002 Jun ytd 2003	2003	2004	Original 2002	Restated 2001,2002 Jun ytd 2003	2003	2004	Original 2002	Restated 2001,2002 Jun ytd 2003	2003	2004	Original 2002	Restated 2001,2002 Jun ytd 2003	2003	2004
Files / Exposures - Allocation of Effort																				
1	0.0%	0.0%	0.0%	0.0%	8.0%	5.0%	5.0%	5.0%	0.0%	0.0%	0.0%	0.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
2	MD Files - Glass	1.0%	1.5%	1.5%	1.5%	15.0%	8.0%	8.0%	8.0%	2.0%	2.0%	2.0%	2.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
3	MD Files - Customer Care*	20.0%	22.0%	22.0%	22.0%	20.0%	22.0%	22.0%	22.0%	35.0%	40.0%	40.0%	40.0%	0.0%	0.0%	0.0%	0.0%	1.0%	1.0%	1.0%
4	MD Files - Collision	18.0%	18.0%	18.0%	18.0%	5.0%	11.0%	11.0%	11.0%	20.0%	20.0%	20.0%	35.0%	4.0%	4.0%	4.0%	4.0%	50.0%	50.0%	50.0%
5	MD Files - Comprehensive	6.0%	6.0%	6.0%	6.0%	3.0%	5.0%	5.0%	5.0%	10.0%	10.0%	10.0%	10.0%	0.0%	0.0%	0.0%	0.0%	20.0%	20.0%	20.0%
6	MD Files - Comprehensive Other	4.0%	4.0%	4.0%	4.0%	1.0%	1.0%	1.0%	1.0%	6.0%	4.0%	4.0%	4.0%	0.0%	0.0%	0.0%	0.0%	15.0%	15.0%	15.0%
7	MD Files - Other	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	2.0%	2.0%	2.0%	2.0%	1.0%	1.0%	1.0%	1.0%	5.0%	5.0%	5.0%
8	Total MD Files - Field	29.0%	29.0%	29.0%	29.0%	10.0%	18.0%	18.0%	18.0%	38.0%	38.0%	38.0%	51.0%	5.0%	5.0%	5.0%	5.0%	90.0%	90.0%	90.0%
9	BI Exposures - LVI	8.0%	8.0%	8.0%	8.0%	1.0%	1.0%	1.0%	1.0%	10.0%	7.0%	7.0%	7.0%	10.0%	10.0%	10.0%	10.0%	5.0%	5.0%	5.0%
10	BI Exposures - Non-Represented	33.0%	32.5%	32.5%	32.5%	25.0%	25.0%	25.0%	25.0%	10.0%	10.0%	10.0%	0.0%	40.0%	40.0%	40.0%	40.0%	2.0%	2.0%	2.0%
11	BI Exposures - Represented	10.0%	10.0%	10.0%	10.0%	8.0%	8.0%	8.0%	8.0%	4.0%	4.0%	4.0%	0.0%	16.0%	16.0%	16.0%	16.0%	0.0%	0.0%	0.0%
	BI Exposures - Litigated	18.0%	16.0%	16.0%	16.0%	13.0%	13.0%	13.0%	13.0%	1.0%	1.0%	1.0%	0.0%	27.0%	27.0%	27.0%	27.0%	0.0%	0.0%	0.0%
	Total of All Files	67.0%	66.5%	66.5%	66.5%	47.0%	47.0%	47.0%	47.0%	95.0%	72.0%	72.0%	7.0%	93.0%	93.0%	93.0%	93.0%	7.0%	7.0%	7.0%
	Total of All Exposures	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Southern Interior Operations Division - Southern Interior - Work Effort Allocation Matrix:																				
Meeting Dates	May (a)				June (b)				September				Ad - B (incl. Examiners)				Ad - C			
	Original	Sep-03	Feb-04	Dec-04	Original	Sep-03	Feb-04	Dec-04	Original	Sep-03	Feb-04	Dec-04	Original	Sep-03	Feb-04	Dec-04	Original	Sep-03	Feb-04	Dec-04
	Original 2002	Revised 2001, 2002 Jun ytd 2003	2003	2004	Original 2002	Revised 2001, 2002 Jun ytd 2003	2003	2004	Original 2002	Revised 2001, 2002 Jun ytd 2003	2003	2004	Original 2002	Revised 2001, 2002 Jun ytd 2003	2003	2004	Original 2002	Revised 2001, 2002 Jun ytd 2003	2003	2004
Files / Exposures - Allocation of Effort																				
1	File Initiation	0.0%	0.0%	0.0%	0.0%	8.0%	5.0%	5.0%	5.0%	0.0%	0.0%	0.0%	0.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
2	MD Files - Gains	1.0%	1.5%	1.5%	1.5%	15.0%	8.0%	8.0%	8.0%	2.0%	2.0%	2.0%	2.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
3	MD Files - Customer Care	3.0%	3.0%	3.0%	3.0%	20.0%	22.0%	22.0%	22.0%	35.0%	40.0%	40.0%	40.0%	0.0%	0.0%	0.0%	0.0%	1.0%	1.0%	1.0%
4	MD Files - Collision	18.0%	18.0%	18.0%	18.0%	5.0%	11.0%	11.0%	11.0%	20.0%	20.0%	20.0%	35.0%	4.0%	4.0%	4.0%	4.0%	50.0%	50.0%	50.0%
5	MD Files - Comprehensive Theft	6.0%	6.0%	6.0%	6.0%	3.0%	5.0%	5.0%	5.0%	10.0%	10.0%	10.0%	10.0%	0.0%	0.0%	0.0%	0.0%	20.0%	20.0%	20.0%
6	MD Files - Comprehensive Other	4.0%	4.0%	4.0%	4.0%	1.0%	1.0%	1.0%	1.0%	6.0%	4.0%	4.0%	4.0%	0.0%	0.0%	0.0%	0.0%	15.0%	15.0%	15.0%
7	MD Files - Other	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	2.0%	2.0%	2.0%	2.0%	1.0%	1.0%	1.0%	1.0%	5.0%	5.0%	5.0%
8	Total MD Files - Field (B Exposures - Ligated)	29.0%	29.0%	29.0%	29.0%	10.0%	18.0%	18.0%	18.0%	38.0%	38.0%	38.0%	38.0%	5.0%	5.0%	5.0%	5.0%	90.0%	90.0%	90.0%
9	B Exposures - Non-Represented	8.0%	8.0%	8.0%	8.0%	1.0%	1.0%	1.0%	1.0%	10.0%	7.0%	7.0%	7.0%	10.0%	10.0%	10.0%	10.0%	5.0%	5.0%	5.0%
10	B Exposures - Represented	33.0%	32.5%	32.5%	32.5%	25.0%	25.0%	25.0%	25.0%	10.0%	10.0%	10.0%	0.0%	40.0%	40.0%	40.0%	40.0%	2.0%	2.0%	2.0%
11	B Exposures - Ligated	10.0%	10.0%	10.0%	10.0%	8.0%	8.0%	8.0%	8.0%	4.0%	4.0%	4.0%	0.0%	16.0%	16.0%	16.0%	16.0%	0.0%	0.0%	0.0%
Total		67.0%	66.5%	66.5%	66.5%	47.0%	47.0%	47.0%	47.0%	25.0%	22.0%	22.0%	7.0%	93.0%	93.0%	93.0%	93.0%	7.0%	7.0%	7.0%
Total		100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%



APPENDIX 5

2003 Allocation Matrices for the Five Regions within Regional Claim Centres

2004 Allocation Matrices for the Five Regions within Regional Claim Centres



ICBC's Regional Claim Centres Work Effort Allocation Supplemental Filing

Function	Regional Ops		Data					
Region	Input code	LOB CC	LOB DESC	Sum of Total \$	Sum of Ins %	Sum of Opt %	Sum of Ins \$	Sum of Opt \$
South	ins	126000	S. Interior Examiner	433,221	100.00%	0.00%	433,221	-
Fraser Valley	ssfv	171318	Richmond Claim Centre	6,981,054	65.64%	34.36%	4,582,686	2,398,368
Fraser Valley	ssfv	171319	Surrey Claims Centre	7,145,204	65.64%	34.36%	4,690,442	2,454,762
Fraser Valley	ssfv	171320	Newton Claims Centre	7,056,447	65.64%	34.36%	4,632,178	2,424,269
Fraser Valley	ssfv	171322	Abbotsford	5,415,795	65.64%	34.36%	3,555,178	1,860,617
Fraser Valley	ssfv	171323	Langley Claims Centre	6,076,723	65.64%	34.36%	3,989,042	2,087,681
Fraser Valley	ssfv	171324	Chilliwack	2,394,227	65.64%	34.36%	1,571,681	822,546
Fraser Valley	ssfv	177200	Centralized Express Rep - FV	475,479	65.64%	34.36%	312,126	163,353
Greater Vancouver	ssgv	171310	Burnaby Claims Centre	5,047,735	65.68%	34.32%	3,315,283	1,732,452
Greater Vancouver	ssgv	171314	East Vancouver	4,343,195	65.68%	34.32%	2,852,551	1,490,644
Greater Vancouver	ssgv	171315	Kits. Community	-	65.68%	34.32%	-	-
Greater Vancouver	ssgv	171316	Kingsway Claim Centre	5,306,847	65.68%	34.32%	3,485,464	1,821,382
Greater Vancouver	ssgv	171317	South Vancouver	4,956,836	65.68%	34.32%	3,255,582	1,701,254
Greater Vancouver	ssgv	171321	Coquitlam	5,778,505	65.68%	34.32%	3,795,243	1,983,262
Greater Vancouver	ssgv	171327	Lake City	3,044,187	65.68%	34.32%	1,999,380	1,044,806
Greater Vancouver	ssgv	171337	Specialty Veh. Appr.	584,858	65.68%	34.32%	384,127	200,731
Greater Vancouver	ssgv	171358	Squamish Claim Centre	830,814	65.68%	34.32%	545,667	285,147
Greater Vancouver	ssgv	171359	North Shore East	-	65.68%	34.32%	-	-
Greater Vancouver	ssgv	171367	5th & Cambie	10,702,502	65.68%	34.32%	7,029,257	3,673,245
Greater Vancouver	ssgv	171411	Capilano Claim Centre	6,172,779	65.68%	34.32%	4,054,197	2,118,582
Greater Vancouver	ssgv	171412	Sechelt RO	305,640	65.68%	34.32%	200,740	104,900
Greater Vancouver	ssgv	173621	New Westminster	4,655,190	65.68%	34.32%	3,057,465	1,597,725
Greater Vancouver	ssgv	175600	Maple Ridge	3,443,079	65.68%	34.32%	2,261,367	1,181,712
Vancouver Island	ssi	171431	Nanaimo Claims Centre	3,304,560	67.62%	32.38%	2,234,503	1,070,058
Vancouver Island	ssi	171432	Campbell River	1,340,287	67.62%	32.38%	906,286	434,002
Vancouver Island	ssi	171434	Duncan Claims Centre	1,526,990	67.62%	32.38%	1,032,532	494,458
Vancouver Island	ssi	171435	Victoria Claims Centre	7,232,664	67.62%	32.38%	4,890,638	2,342,026
Vancouver Island	ssi	171437	Courtenay	1,456,195	67.62%	32.38%	984,661	471,534
Vancouver Island	ssi	171439	Port Alberni	624,509	67.62%	32.38%	422,285	202,224
Vancouver Island	ssi	173635	Royal Oak	-	67.62%	32.38%	-	-
Northern Interior	ssn	171353	100 Mile House	-	58.61%	41.39%	-	-
Northern Interior	ssn	171354	Smithers Claims Centre	790,799	58.61%	41.39%	463,481	327,318
Northern Interior	ssn	171355	Prince Rupert	458,762	58.61%	41.39%	268,877	189,885
Northern Interior	ssn	171357	Powell River	256,337	58.61%	41.39%	150,237	106,100
Northern Interior	ssn	171540	Dawson Creek	817,880	58.61%	41.39%	479,353	338,527
Northern Interior	ssn	171541	Terrace Claims Centre	1,059,240	58.61%	41.39%	620,812	438,428
Northern Interior	ssn	171542	Prince George	3,525,653	58.61%	41.39%	2,066,356	1,459,297
Northern Interior	ssn	171543	Williams Lake	1,132,467	58.61%	41.39%	663,730	468,738
Northern Interior	ssn	171550	Ft. St. John	1,056,042	58.61%	41.39%	618,937	437,104
Northern Interior	ssn	171553	Quesnel Claims Centre	720,300	58.61%	41.39%	422,162	298,138
Southern Interior	sss	171352	Nelson Claims Centre	478,981	62.74%	37.26%	300,525	178,456
Southern Interior	sss	171544	Kamloops Claims Centre	3,414,710	62.74%	37.26%	2,142,479	1,272,231
Southern Interior	sss	171545	Kelowna Claims Centre	3,552,984	62.74%	37.26%	2,229,236	1,323,748
Southern Interior	sss	171546	Penticton	1,679,351	62.74%	37.26%	1,053,669	625,682
Southern Interior	sss	171547	Trail Claims Centre	1,403,913	62.74%	37.26%	880,852	523,061
Southern Interior	sss	171548	Cranbrook	1,697,466	62.74%	37.26%	1,065,035	632,431
Southern Interior	sss	171549	Vernon Claims Centre	1,558,911	62.74%	37.26%	978,102	580,809
Southern Interior	sss	171558	Salmon Arm	879,183	62.74%	37.26%	551,622	327,560
	Grand Total			131,118,500	65.15%	34.85%	85,429,245	45,689,255
				rounded	65.2%	34.8%		
					Based on 2002 Compensation Costs			

rounded

65.2%

34.8%

Based on 2002 Compensation Costs

Total Compensation Operation Dollars for 2002 per Region by Claim Centre Job Type										
	GV	FV	VI	NC	SI	Total Operations	%	basic	optional	basic
Manager (Mgr)	6,793,962	4,099,850	1,900,458	1,591,170	2,339,337	16,724,778	15.6%	60%	40%	10,034,867
Office Assistant (OA)	7,115,568	5,507,638	2,047,822	1,485,932	2,603,212	18,760,172	17.5%	50%	50%	9,380,086
Estimator	7,622,328	5,047,040	1,605,223	1,588,941	2,198,277	18,061,809	16.8%	37%	63%	6,682,869
Adj - BI (incl. Examiners)	17,006,154	11,300,751	4,137,933	1,491,255	3,186,097	37,122,190	34.5%	95%	5%	35,266,080
Adj - CA	7,327,951	4,221,297	1,669,764	1,647,746	1,927,752	16,794,509	15.6%	37%	63%	6,213,968
Total	45,865,963	30,176,576	11,361,200	7,805,045	12,254,675	107,463,458	100.0%			67,577,871

63%

Regional Claim Centres - Greater Vancouver Allocation Matrix:										
Actual cost YTD (Dec 2002)										
Claims Transaction Types	Cost Elements									
	Mgr (a)	Mgr (b)	OA (b)	Estimator	Estimator	Adj - BI (incl. Examiners)	Adj - BI (incl. Examiners)	Adj - CA	Adj - CA	Total
1 MD Files - Glass	1.5%	101,909	7.2%	512,321	1.0%	76,223	0.00%	-	-	690,454
2 MD Files - Customer Care*	2.0%	135,879	22.6%	1,608,118	40.0%	3,048,931	0.00%	-	-	4,866,208
3 MD Files - Collision & P/ Damage	21.0%	1,426,732	15.4%	1,095,798	32.0%	2,439,145	4.60%	782,283	56.2%	4,118,308
4 MD Files - Comprehensive Theft	10.0%	673,336	5.1%	362,894	10.0%	762,233	0.00%	-	20.4%	1,494,902
5 MD Files - Comprehensive Other	4.5%	305,728	2.1%	149,427	5.0%	381,116	0.00%	-	10.3%	754,779
6 MD Files - Other	1.0%	67,940	1.5%	106,734	2.0%	152,447	0.50%	85,031	5.1%	373,228
7 BI Exposures - LVI	7.0%	475,577	1.0%	71,156	10.0%	762,233	15.40%	2,619,948	5.0%	3,665,398
8 BI Exposures - Non-Represented	28.0%	1,902,309	21.5%	1,529,947	-	-	35,707	1,197	2.0%	3,640,912
9 BI Exposures - Represented	7.0%	475,577	8.2%	583,477	-	-	16,300	2,772,003	0.0%	3,831,057
10 BI Exposures - Litigated	18.0%	1,222,913	15.4%	1,095,798	-	-	27.50%	4,676,692	0.0%	6,995,403
Total	100.0%	6,793,962	100.0%	7,115,568	100.0%	7,622,328	100.00%	17,006,154	100.0%	7,327,951



ICBC's Regional Claim Centres Work Effort Allocation Supplemental Filing

ICBC Regional Claim Centres - Fraser Valley Allocation Matrix: Actual cost YTD (Dec 2002)													
	Cost Elements										Total	Basic	Optional
	Mgr (a)	Mgr (a)	Ok (b)	Ok (b)	Estimator	Estimator	Adj - BI (Incl. Examiners)	Adj - BI (Incl. Examiners)	Adj - CA	Adj - CA			
Claims Transaction Types:													
1 MD Files - Glass	1.5%	61,498	7.2%	396,550	1.0%	50,470	0.00%	-	0.0%	-	508,518	0%	100%
2 MD Files - Customer Care*	2.0%	81,997	22.6%	1,244,726	40.0%	2,018,816	0.00%	-	1.0%	42,213	3,387,752	30%	70%
3 MD Files - Collision & P/Damage	21.0%	860,969	15.4%	848,176	30.0%	1,514,112	4.60%	519,835	51.1%	2,157,083	5,900,174	37%	63%
4 MD Files - Comprehensive Theft	10.0%	409,985	5.1%	280,890	13.0%	656,115	0.00%	-	25.5%	1,076,431	2,423,420	0%	100%
5 MD Files - Comprehensive Other	4.5%	184,493	2.1%	115,660	5.0%	252,352	0.00%	-	10.2%	430,572	983,078	0%	100%
6 MD Files - Other	1.0%	40,999	1.5%	82,615	2.0%	100,841	0.50%	56,504	5.1%	215,286	496,344	100%	0%
7 BI Exposures - LVI	7.0%	286,990	1.0%	55,076	9.0%	454,234	15.40%	1,740,316	5.1%	215,286	2,751,901	100%	0%
8 BI Exposures - Non-Represented	28.0%	1,147,958	21.5%	1,184,142	-	-	35.70%	4,034,368	2.0%	84,426	6,450,894	100%	0%
9 BI Exposures - Represented	7.0%	286,990	8.2%	451,626	-	-	16.30%	1,842,022	0.0%	-	2,580,638	95%	5%
10 BI Exposures - Litigated	18.0%	737,973	15.4%	848,176	-	-	27.50%	3,107,707	0.0%	-	4,693,856	95%	5%
Total	100.0%	4,099,850	100.0%	5,507,638	100.0%	5,047,040	100.0%	11,300,751	100.0%	4,221,297	30,176,576		

Basic	Optional	Cost Allocation
0%	100%	-
30%	70%	1,016,326
37%	63%	2,183,064
0%	100%	-
0%	100%	-
100%	0%	496,344
100%	0%	2,751,901
100%	0%	6,450,894
95%	5%	2,451,606
95%	5%	4,459,163
		19,809,299
		65.64%

ICBC Regional Claim Centres - Vancouver Island Allocation Matrix: Actual cost YTD (Dec 2002)													
	Cost Elements										Total	Basic	Optional
	Mgr (a)	Mgr (a)	Ok (b)	Ok (b)	Estimator	Estimator	Adj - BI (Incl. Examiners)	Adj - BI (Incl. Examiners)	Adj - CA	Adj - CA			
Claims Transaction Types:													
1 MD Files - Glass	1.5%	28,507	8.4%	172,017	1.0%	16,052	0.00%	-	0.0%	-	216,576	0%	100%
2 MD Files - Customer Care*	3.0%	57,014	23.1%	473,047	40.0%	642,089	0.00%	-	1.0%	16,698	1,188,847	30%	70%
3 MD Files - Collision & P/Damage	18.0%	342,082	11.6%	237,547	33.0%	529,724	4.20%	173,793	51.1%	853,249	2,136,396	37%	63%
4 MD Files - Comprehensive Theft	6.0%	114,027	5.3%	108,535	10.0%	160,522	0.00%	-	20.4%	340,632	723,716	0%	100%
5 MD Files - Comprehensive Other	4.0%	76,018	1.1%	22,526	4.0%	64,209	0.00%	-	15.3%	255,474	418,227	0%	100%
6 MD Files - Other	1.0%	19,005	1.0%	20,478	2.0%	32,104	1.00%	41,379	5.1%	85,158	198,125	100%	0%
Total MD Files - Field	8.0%	152,037	1.1%	22,526	10.0%	160,522	10.20%	422,069	5.1%	85,158	842,312	100%	0%
7 BI Exposures - LVI	32.5%	617,649	22.1%	452,569	-	-	40.80%	1,688,277	2.0%	33,395	2,791,889	100%	0%
8 BI Exposures - Non-Represented	10.0%	190,046	8.4%	172,017	-	-	16.30%	674,483	0.0%	-	1,036,546	95%	5%
9 BI Exposures - Represented	16.0%	304,073	17.9%	366,560	-	-	27.50%	1,137,332	0.0%	-	1,808,565	95%	5%
Total	100.0%	1,900,458	100.0%	2,047,822	100.0%	1,605,223	100.0%	4,137,653	100.0%	1,669,764	11,361,280		

Basic	Optional	Cost Allocation
0%	100%	-
30%	70%	356,654
37%	63%	790,467
0%	100%	-
0%	100%	-
100%	0%	198,125
100%	0%	842,312
100%	0%	2,791,889
95%	5%	984,719
95%	5%	1,718,137
		7,693,302
		67.62%

ICBC Regional Claim Centres - North Central Allocation Matrix: Actual cost YTD (Dec 2002)													
	Cost Elements										Total	Basic	Optional
	Mgr (a)	Mgr (a)	Ok (b)	Ok (b)	Estimator	Estimator	Adj - BI (Incl. Examiners)	Adj - BI (Incl. Examiners)	Adj - CA	Adj - CA			
Claims Transaction Types:													
1 MD Files - Glass	1.50%	23,868	8.00%	118,875	2.00%	31,779	0.00%	-	0.00%	-	174,521	0%	100%
2 MD Files - Customer Care*	3.00%	47,735	23.10%	343,250	40.00%	635,576	0.00%	-	1.00%	16,477	1,043,039	30%	70%
3 MD Files - Collision & P/Damage	18.00%	286,411	11.50%	170,882	35.00%	556,129	4.00%	59,650	51.00%	840,350	1,913,423	37%	63%
4 MD Files - Comprehensive Theft	6.00%	95,470	5.20%	77,268	10.00%	158,894	0.00%	-	20.00%	329,549	661,182	0%	100%
5 MD Files - Comprehensive Other	4.00%	63,647	1.00%	14,859	4.00%	63,558	0.00%	-	15.00%	247,162	389,226	0%	100%
6 MD Files - Other	1.00%	15,912	1.10%	16,345	2.00%	31,779	1.00%	14,913	5.10%	84,035	162,983	100%	0%
Total MD Files - Field	8.00%	127,294	1.10%	16,345	7.00%	111,226	10.40%	155,091	5.40%	88,978	498,934	100%	0%
7 BI Exposures - LVI	32.50%	517,130	26.50%	393,772	-	-	40.80%	608,432	2.50%	41,194	1,560,528	100%	0%
8 BI Exposures - Non-Represented	10.00%	159,117	8.60%	127,790	-	-	16.30%	243,075	0.00%	-	520,982	95%	5%
9 BI Exposures - Represented	16.00%	254,587	13.90%	206,545	-	-	27.50%	410,095	0.00%	-	871,227	95%	5%
Total	100.00%	1,591,170	100.00%	1,485,932	100.00%	1,588,941	100.00%	1,491,255	100.00%	1,647,746	7,805,045		

Basic	Optional	Cost Allocation
0%	100%	-
30%	70%	312,912
37%	63%	707,966
0%	100%	-
0%	100%	-
100%	0%	162,983
100%	0%	498,934
100%	0%	1,560,528
95%	5%	503,483
95%	5%	827,566
		4,574,472
		58.61%

ICBC Regional Claims Centres - Southern Interior Allocation Matrix: Actual cost YTD (Dec 2002)													
	Cost Elements										Total	Basic	Optional
	Mgr (a)	Mgr (a)	Ok (b)	Ok (b)	Estimator	Estimator	Adj - BI (Incl. Examiners)	Adj - BI (Incl. Examiners)	Adj - CA	Adj - CA			
Claims Transaction Types:													
1 MD Files - Glass	1.5%	35,090	8.4%	218,670	2.0%	43,966	0.00%	0	0.0%	-	297,725	0%	100%
2 MD Files - Customer Care*	3.0%	70,180	23.1%	601,342	40.0%	879,311	0.00%	0	1.0%	19,278	1,570,110	30%	70%
3 MD Files - Collision & P/Damage	18.0%	421,081	11.5%	299,369	35.0%	769,397	4.20%	133,816	51.1%	985,881	2,608,744	37%	63%
4 MD Files - Comprehensive Theft	6.0%	140,360	5.3%	137,970	10.0%	219,828	0.00%	0	20.4%	393,261	891,420	0%	100%
5 MD Files - Comprehensive Other	4.0%	93,573	1.1%	28,635	4.0%	87,931	0.00%	0	15.3%	294,946	505,086	0%	100%
6 MD Files - Other	1.0%	23,393	1.1%	28,635	2.0%	43,966	1.00%	31,861	5.1%	98,315	226,171	100%	0%
Total MD Files - Field	8.0%	187,147	1.1%	28,635	7.0%	153,879	10.20%	324,982	5.1%	98,315	792,959	100%	0%
7 BI Exposures - LVI	32.5%	760,285	26.3%	684,645	-	-	40.80%	1,299,928	2.0%	38,555	2,783,412	100%	0%
8 BI Exposures - Non-Represented	10.0%	233,934	8.4%	218,670	-	-	16.30%	519,334	0.0%	-	971,937	95%	5%
9 BI Exposures - Represented	16.0%	374,294	13.7%	356,640	-	-	27.50%	876,177	0.0%	-	1,607,111	95%	5%
Total	100.0%	2,339,337	100.0%	2,603,212	100.0%	2,198,277	100.0%	3,186,097	100.0%	1,927,752	12,254,675		

Basic	Optional	Cost Allocation
0%	100%	-
30%	70%	471,033
37%	63%	865,235
0%	100%	-
0%	100%	-
100%	0%	226,171
100%	0%	792,959
100%	0%	2,783,412
95%	5%	923,340
95%	5%	1,526,755
		7,688,906
		62.74%



ICBC's Regional Claim Centres Work Effort Allocation Supplemental Filing

CC	LOB DESC	2004	Allocator	2004	Sum of Ins %	Sum of Opt %	Sum of Ins \$	Sum of Opt \$
126000	S. Interior Examiner	ins	100% to Basic	425,979	100.0%	0.0%	425,979	-
171310	Burnaby Claims Centre	ssgv	work effort - GV region	5,514,559	64.1%	35.9%	3,532,132	1,982,427
171314	East Vancouver - CLSD	ssgv	work effort - GV region	1,735,223	64.1%	35.9%	1,111,428	623,795
171316	Kingsway Claims Centre	ssgv	work effort - GV region	5,575,633	64.1%	35.9%	3,571,250	2,004,382
171317	South Vancouver	ssgv	work effort - GV region	4,371,389	64.1%	35.9%	3,184,226	1,787,163
171318	Richmond Claim Centre	ssfv	work effort - FV region	6,832,302	63.5%	36.5%	4,336,524	2,495,888
171319	Surrey Claims Centre	ssfv	work effort - FV region	6,733,590	63.5%	36.5%	4,273,814	2,459,776
171320	Newton Claims Centre	ssfv	work effort - FV region	6,963,217	63.5%	36.5%	4,419,558	2,543,658
171321	Coquitlam Claims Centre	ssgv	work effort - GV region	5,873,797	64.1%	35.9%	3,762,227	2,111,569
171322	Abbotsford	ssfv	work effort - FV region	5,668,529	63.5%	36.5%	3,597,819	2,070,710
171323	Langley Claims Centre	ssfv	work effort - FV region	6,074,833	63.5%	36.5%	3,855,701	2,219,132
171324	Chilliwack	ssfv	work effort - FV region	2,426,079	63.5%	36.5%	1,539,834	886,245
171327	Lake City Claims Centre	ssgv	work effort - GV region	3,157,245	64.1%	35.9%	2,022,248	1,134,997
171337	Specialty Veh. Appr.	ssgv	work effort - GV region	567,361	64.1%	35.9%	363,401	203,961
171352	Nelson Claims Centre	sss	work effort - south region	425,136	60.5%	39.5%	257,192	167,944
171354	Smithers Claims Centre	ssn	work effort - north region	799,255	56.8%	43.2%	453,768	344,487
171355	Prince Rupert	ssn	work effort - north region	451,671	56.8%	43.2%	256,752	194,919
171357	Powell River	ssn	work effort - north region	261,766	56.8%	43.2%	148,801	112,965
171358	Squamish Claim Centre	ssgv	work effort - GV region	814,821	64.1%	35.9%	521,901	292,920
171367	5th & Cambie	ssgv	work effort - GV region	10,228,896	64.1%	35.9%	6,551,713	3,677,182
171368	GV Claims Cost Centre	ssgv	work effort - GV region	(34,641)	64.1%	35.9%	(22,188)	(12,453)
171411	Capilano Claim Centre	ssgv	work effort - GV region	6,057,735	64.1%	35.9%	3,880,042	2,177,693
171412	Sechelt Resident Office	ssgv	work effort - GV region	297,180	64.1%	35.9%	190,347	106,833
171431	Nanaimo Claims Centre	ssi	work effort - Island region	3,350,112	64.3%	35.7%	2,154,463	1,195,649
171432	Campbell River	ssi	work effort - Island region	1,221,458	64.3%	35.7%	785,522	435,936
171434	Duncan Claims Centre	ssi	work effort - Island region	1,491,190	64.3%	35.7%	958,987	532,203
171435	Victoria Claims Centre	ssi	work effort - Island region	7,215,584	64.3%	35.7%	4,640,356	2,575,228
171437	Courtenay Claims Centre	ssi	work effort - Island region	1,678,232	64.3%	35.7%	1,079,313	598,919
171439	Port Alberni	ssi	work effort - Island region	527,878	64.3%	35.7%	403,789	224,088
171540	Dawson Creek	ssn	work effort - north region	793,576	56.8%	43.2%	451,109	342,468
171541	Terrace Claims Centre	ssn	work effort - north region	1,025,752	56.8%	43.2%	583,089	442,663
171542	Prince George	ssn	work effort - north region	3,336,757	56.8%	43.2%	1,896,779	1,439,978
171543	Williams Lake	ssn	work effort - north region	1,180,123	56.8%	43.2%	670,841	509,282
171544	Kamloops Claims Centre	sss	work effort - south region	3,311,843	60.5%	39.5%	2,003,547	1,306,296
171545	Kelowna Claims Centre	sss	work effort - south region	3,657,695	60.5%	39.5%	2,212,775	1,444,920
171546	Penticton Claims Centre	sss	work effort - south region	1,766,224	60.5%	39.5%	1,068,503	697,721
171547	Trail Claims Centre	sss	work effort - south region	1,278,362	60.5%	39.5%	773,363	504,998
171548	Cranbrook Claims Centre	sss	work effort - south region	1,559,227	60.5%	39.5%	943,277	615,950
171549	Vernon Claims Centre	sss	work effort - south region	1,629,722	60.5%	39.5%	985,924	643,798
171550	Fr. St. John	ssn	work effort - north region	1,048,506	56.8%	43.2%	596,023	452,483
171553	Quesnel Claims Centre	ssn	work effort - north region	628,145	56.8%	43.2%	357,069	271,076
171558	Salmon Arm	sss	work effort - south region	849,186	60.5%	39.5%	513,727	335,459
173621	New Westminster	ssgv	work effort - GV region	4,595,058	64.1%	35.9%	2,943,182	1,651,876
175600	Maple Ridge	ssgv	work effort - GV region	3,336,407	64.1%	35.9%	2,137,003	1,199,404
177200	Central Exp. Rep.-FV	ss39	Newly Opened Exposures - TCD	812,955	37.0%	63.0%	300,793	512,162
Grand Total				128,214,700	62.9%	37.1%	80,693,909	47,520,792

62.9% 37.1%

ICBC Greater Vancouver Allocation Matrix
2004

Cost Elements										Total		Basic		Optional		Basic		Optional	
												% Allocation		% Allocation		Cost Allocation		Cost Allocation	
Files / Exposures - Allocation of Effort	May (a)	May (a)	DA (b)	DA (b)	Estimate	Estimate	Adj. BI (c)	Adj. BI (c)	Adj. BI (c)	Adj. BI (c)	Adj. BI (c)	Adj. BI (c)	Adj. BI (c)	Adj. BI (c)	Adj. BI (c)	Adj. BI (c)	Adj. BI (c)	Adj. BI (c)	Adj. BI (c)
1 MD Files - Glass	1.5%	104,711	7.2%	500,428	1.0%	68,899	0.0%	-	0.0%	-	674,038	0%	100%	-	-	674,038	-	-	-
2 MD Files - Customer Care	2%	139,815	22.6%	1,573,781	40.0%	2,254,963	0.0%	-	1.0%	4,489	3,269,847	25%	75%	-	-	3,269,847	-	-	-
3 MD Files - Collision & P/Damage	21%	1,465,958	15.4%	1,070,395	36.0%	2,254,771	4.6%	780,115	84.2%	4,043,399	3,561,693	35%	65%	-	-	3,561,693	-	-	-
4 MD Files - Comprehensive Theft	10%	688,075	5.1%	354,468	10.0%	688,091	0.0%	-	20.4%	1,468,621	3,268,155	10%	90%	-	-	3,268,155	-	-	-
5 MD Files - Comprehensive Other	4.5%	314,134	2.1%	145,998	5.0%	344,495	0.0%	-	19.2%	733,331	1,517,691	5%	95%	-	-	1,517,691	-	-	-
6 MD Files - Other	1%	69,803	1.9%	104,255	2.0%	137,798	0.8%	121,767	5.1%	369,652	780,263	37%	63%	-	-	780,263	-	-	-
Total MD Files - Field	36.5%	2,547,814	24.1%	1,875,917	17.0%	3,770,055	5.2%	981,382	91.9%	16,804,883	14,808,383	100%	0%	-	-	14,808,383	-	-	-
7 BI Exposures - LVI	7%	488,653	1.0%	89,504	10.0%	688,991	15.3%	2,595,062	5.1%	369,655	4,208,964	100%	0%	-	-	4,208,964	-	-	-
8 BI Exposures - Non-Represented	28%	1,954,610	21.5%	1,494,327	-	-	35.7%	6,055,145	2.0%	143,788	9,647,868	100%	0%	-	-	9,647,868	-	-	-
9 BI Exposures - Represented	7%	488,653	8.2%	969,609	-	-	16.3%	2,764,874	0.0%	-	3,653,256	95%	5%	-	-	3,653,256	-	-	-
10 BI Exposures - Litigated	18%	1,256,535	15.4%	1,070,395	-	-	27.0%	4,684,327	0.0%	-	6,081,217	95%	5%	-	-	6,081,217	-	-	-
Total	100.0%	6,980,791	100.0%	6,980,359	100.0%	6,885,309	100.0%	16,961,189	100.0%	7,189,318	45,871,524	-	-	-	-	45,871,524	-	-	-

ICBC Fraser Valley Allocation Matrix
2004

Cost Elements										Total		Basic		Optional		Basic		Optional	
												% Allocation		% Allocation		Cost Allocation		Cost Allocation	
Files / Exposures - Allocation of Effort	May (a)	May (a)	DA (b)	DA (b)	Estimate	Estimate	Adj. BI (c)	Adj. BI (c)	Adj. BI (c)	Adj. BI (c)	Adj. BI (c)	Adj. BI (c)	Adj. BI (c)	Adj. BI (c)	Adj. BI (c)	Adj. BI (c)	Adj. BI (c)	Adj. BI (c)	Adj. BI (c)
1 MD Files - Glass	1.5%	65,662	7.2%	367,649	1.0%	55,951	0.0%	-	0.0%	-	489,263	0%	100%	-	-	489,263	-	-	-
2 MD Files - Customer Care	2.0%	87,549	22.6%	1,154,010	40.0%	2,234,053	0.0%	-	1.0%	47,235	3,526,847	25%	75%	-	-	3,526,847	-	-	-
3 MD Files - Collision & P/Damage	21.0%	919,390	15.4%	706,361	31.0%	1,734,491	4.6%	561,590	53.1%	2,508,167	6,510,211	35%	65%	-	-	6,510,211	-	-	-
4 MD Files - Comprehensive Theft	10.0%	437,746	5.1%	260,418	10.0%	671,416	0.0%	-	23.5%	1,110,018	2,479,587	10%	90%	-	-	2,479,587	-	-	-
5 MD Files - Comprehensive Other	4.5%	186,586	2.1%	107,231	5.0%	279,757	0.0%	-	19.2%	481,795	1,050,768	5%	95%	-	-	1,050,768	-	-	-
6 MD Files - Other	1.0%	43,175	1.9%	75,684	2.0%	111,903	0.8%	61,079	5.1%	240,897	534,257	37%	63%	-	-	534,257	-	-	-
Total MD Files - Field	36.5%	1,697,772	24.1%	1,230,604	50.0%	2,797,566	5.1%	623,095	91.9%	4,340,877	10,589,824	100%	0%	-	-	10,589,824	-	-	-
7 BI Exposures - LVI	7.0%	306,422	1.0%	51,662	9.0%	593,562	15.3%	1,980,015	5.1%	240,897	2,870,958	100%	0%	-	-	2,870,958	-	-	-
8 BI Exposures - Non-Represented	28.0%	1,225,688	21.5%	1,097,842	0.0%	-	35.7%	4,361,035	2.0%	94,470	6,779,034	100%	0%	-	-	6,779,034	-	-	-
9 BI Exposures - Represented	7.0%	306,422	8.2%	418,712	0.0%	-	16.4%	2,003,388	0.0%	-	2,728,522	95%	5%	-	-	2,728,522	-	-	-
10 BI Exposures - Litigated	18.0%	707,842	15.4%	706,361	0.0%	-	27.0%	3,350,340	-	-	4,033,044	95%	5%	-	-	4,033,044	-	-	-
Total	100.0%	4,377,457	100.0%	5,106,241	100.0%	5,595,132	100.0%	12,215,783	100.0%	4,723,479	32,018,091	-	-	-	-	32,018,091	-	-	-

ICBC Vancouver Island Allocation Matrix
2004

	Cost Elements										Total		Basic % Allocation		Optional % Allocation		Basic Cost Allocation		Optional Cost Allocation	
	May (a)	May (b)	DA (b)	DA (b)	Estimate	Estimate	Adj. BI (c)	Adj. BI (c)	Adj. BI (c)	Adj. BI (c)										
Files / Exposures - Allocation of Effort																				
1 MD Files - Glass	1.5%	37,189	7.4%	154,132	1.0%	19,724	0%	-	0.0%	-	211,048	0%	100%	-	-	211,048	-	-	-	-
2 MD Files - Customer Care	2.0%	74,379	26.2%	1,455,711	38.0%	749,625	0%	-	3.0%	55,224	1,034,589	25%	75%	-	-	1,034,589	-	-	-	-
3 MD Files - Collision & P/Damage	23.0%	570,238	11.8%	241,613	33.0%	690,903	4.2%	200,185	49.0%	801,886	2,684,925	35%	65%	-	-	2,684,925	-	-	-	-
4 MD Files - Comprehensive Theft	9.0%	188,344	5.5%	110,582	12.0%	236,692	0%	-	23.5%	422,885	916,013	10%	90%	-	-	916,013	-	-	-	-
5 MD Files - Comprehensive Other	4.0%	95,172	1.1%	22,912	4.0%	75,891	0%	-	13.3%	244,825	455,758	5%	95%	-	-	455,758	-	-	-	-
6 MD Files - Other	1.0%	24,793	1.1%	22,912	2.0%	39,440	1.0%	47,683	4.1%	75,472	210,289	37%	63%	-	-	210,289	-	-	-	-
Total MD Files - Field	36.0%	892,546	18.1%	397,543	21.0%	1,005,941	5.2%	247,845	69.0%	1,654,865	3,547,477	100%	0%	-	-	3,547,477	-	-	-	-
7 BI Exposures - LVI	10.0%	247,290	1.0%	22,912	10.0%	197,243	10.2%	486,163	5.1%	83,880	1,035,282	100%	0%	-	-	1,035,282	-	-	-	-
8 BI Exposures - Non-Represented	1.0%	432,290	20.1%	416,673	0.0%	416,673	0%	-	40.8%	981,817	1,418,510	100%	0%	-	-	1,418,510	-	-	-	-
9 BI Exposures - Reported	10.0%	247,290	8.4%	174,861	0.0%	-	16.3%	776,306	0%	-	1,199,769	95%	5%	-	-	1,199,769	58,180	5%	5%	5%
10 BI Exposures - Ligated	14.0%	247,101	17.8%	201,702	0.0%	-	13.0%	750,762	0%	-	1,015,765	100%	0%	-	-	1,015,765	44,610	4%	4%	4%
Total	100.0%	2,475,295	100.0%	2,062,867	100.0%	1,972,434	100.0%	4,796,306	100.0%	1,840,789	13,141,681	100%	0%	-	-	13,141,681	8,451,424	4,690,245	4,690,245	4,690,245



ICBC's Regional Claim Centres Work Effort Allocation Supplemental Filing

ICBC North Central Allocation Matrix 2004													
Cost Elements													
	MD - (A)	MD - (B)	CA - (A)	CA - (B)	Estimator	Estimator	Ad - (A)	Ad - (B)	Ad - (C)	Ad - (D)	Ad - (E)	Ad - (F)	Ad - (G)
Files / Exposures - Allocation of Effort													
1 MD Files - Glass	1.5%	22,778	8.4%	116,211	2.0%	31,182	0.00%	-	0.0%	-	170,171	0%	100%
2 MD Files - Customer Care	3.0%	45,556	23.1%	319,581	40.0%	623,642	0.00%	-	1.0%	15,521	1,004,269	25%	75%
3 MD Files - Collision & P/Damage	18.0%	273,334	11.6%	160,482	35.0%	545,697	4.2%	63,709	31.0%	776,063	1,825,273	34%	66%
4 MD Files - Comprehensive Theft	6.0%	91,111	5.3%	73,324	10.0%	155,910	0.0%	-	20.4%	310,427	630,772	0%	100%
5 MD Files - Comprehensive Other	4.0%	60,741	1.0%	13,835	4.0%	62,364	0.0%	-	15.2%	222,620	366,760	0%	100%
6 MD Files - Other	1.0%	15,180	1.1%	15,218	2.0%	31,186	1.0%	16,597	5.1%	17,657	153,753	17%	83%
Total MD Files - Field	29.0%	440,371	19.0%	262,858	51.0%	795,143	5.2%	86,307	91.6%	1,386,922	452,738	100%	0%
7 BI Exposures - LVI	8.0%	121,462	1.1%	15,218	7.0%	100,137	10.2%	109,294	5.1%	17,657	1,566,197	100%	0%
8 BI Exposures - Non-Represented	32.5%	493,519	26.3%	363,851	0.0%	-	40.8%	677,175	2.1%	31,651	1,566,197	100%	0%
9 BI Exposures - Represented	10.0%	151,852	8.4%	116,211	0.0%	-	16.3%	270,538	0.0%	-	538,601	95%	5%
10 BI Exposures - Litigated	16.0%	242,863	13.7%	189,535	0.0%	-	27.5%	466,459	0.0%	-	898,167	95%	5%
Total	100.0%	1,018,521	100%	1,383,465	100%	1,559,104	100%	1,659,742	100%	1,521,761	7,642,534	94.84%	45.16%

Basic		Optional	
Cost Allocation		Cost Allocation	
Basic	Optional	Basic	Optional
170,171	170,171	251,675	783,224
1,004,269	251,675	1,254,944	630,772
1,825,273	366,760	2,192,033	366,760
630,772	366,760	997,532	366,760
310,427	366,760	677,183	366,760
153,753	366,760	513,737	366,760
1,386,922	452,738	1,839,660	452,738
1,566,197	1,566,197	1,566,197	1,566,197
538,601	538,601	538,601	538,601
898,167	898,167	898,167	898,167
7,642,534	7,642,534	7,642,534	7,642,534

ICBC Southern Interior Allocation Matrix 2004													
Cost Elements													
	MD - (A)	MD - (B)	CA - (A)	CA - (B)	Estimator	Estimator	Ad - (A)	Ad - (B)	Ad - (C)	Ad - (D)	Ad - (E)	Ad - (F)	Ad - (G)
Files / Exposures - Allocation of Effort													
1 MD Files - Glass	1.5%	36,201	8.4%	116,211	2.0%	31,182	0.00%	-	0.00%	-	170,171	0%	100%
2 MD Files - Customer Care	3.0%	72,403	23.1%	319,581	40.0%	623,642	0.0%	-	1.00%	21,356	1,502,584	25%	75%
3 MD Files - Collision & P/Damage	18.0%	434,417	11.6%	160,482	35.0%	545,697	4.2%	142,033	31.00%	1,089,164	2,689,163	34%	66%
4 MD Files - Comprehensive Theft	6.0%	144,806	5.3%	73,324	10.0%	155,910	0.0%	-	20.40%	310,427	630,772	0%	100%
5 MD Files - Comprehensive Other	4.0%	96,537	1.0%	13,835	4.0%	62,364	0.0%	-	15.20%	222,620	366,760	0%	100%
6 MD Files - Other	1.0%	24,130	1.1%	15,218	2.0%	31,186	1.0%	34,032	5.20%	111,654	223,303	17%	83%
Total MD Files - Field	29.0%	699,894	19.0%	441,379	51.0%	1,112,056	5.2%	176,984	91.60%	1,082,631	3,622,368	100%	0%
7 BI Exposures - LVI	8.0%	183,074	1.1%	20,564	7.0%	152,635	10.2%	247,152	5.10%	108,816	2,622,368	100%	0%
8 BI Exposures - Non-Represented	32.5%	784,964	26.3%	610,961	0.0%	-	40.8%	1,388,480	2.00%	47,112	2,622,368	100%	0%
9 BI Exposures - Represented	10.0%	241,343	8.4%	116,211	0.0%	-	16.3%	554,715	0.00%	-	991,194	95%	5%
10 BI Exposures - Litigated	16.0%	385,149	13.7%	318,257	0.0%	-	27.5%	655,869	0.00%	-	1,255,273	95%	5%
Total	100.0%	2,413,428	100.0%	2,323,047	100.0%	2,180,262	100.0%	3,405,162	100.00%	2,135,616	12,455,795	94.89%	45.11%

Basic		Optional	
Cost Allocation		Cost Allocation	
Basic	Optional	Basic	Optional
170,171	170,171	251,675	783,224
1,004,269	251,675	1,254,944	630,772
1,825,273	366,760	2,192,033	366,760
630,772	366,760	997,532	366,760
310,427	366,760	677,183	366,760
153,753	366,760	513,737	366,760
1,386,922	452,738	1,839,660	452,738
1,566,197	1,566,197	1,566,197	1,566,197
538,601	538,601	538,601	538,601
898,167	898,167	898,167	898,167
7,642,534	7,642,534	7,642,534	7,642,534



APPENDIX 6

MD Files –Collision/ Property Damage Allocation

The Basic/Optional insurance allocation for MD Files – Collision/Property Damage in the July 2004 Application and the March 2005 Filing was calculated based on 2003 closed exposure data, grouped by those specific Kind of Loss (KOL) comprising Collision/Property Damage. The 3 KOL's used are:

- KOL 01 - Single Vehicle MVA
- KOL 02 - Multiple Vehicle MVA
- KOL 37 - No Collision coverage.

The process used to calculate the 36.6% Basic insurance and 63.4% Optional insurance allocation is described below.

Coverage				Basic	Optional
Collision	KOL 1	Transfer	436		436
	KOL 1	No Transfer	31,385		31,385
	KOL 2	Transfer	95,676	95,676	95,676
	KOL 2	No Transfer	95,311		95,311
No Collision	KOL 37	Transfer	17,272	17,272	
	KOL 37	No Transfer	15,929	15,929	
	Total			128,877	222,808
				36.6%	63.4%

The first step was to determine the number of closed exposures in 2003 for single vehicle MVA (KOL 01), multiple vehicle MVA (KOL 02) and no Collision coverage (KOL 37), each broken down further to indicate exposures where transfer from Collision to Property Damage occurred ("Transfer") and those where it did not ("No Transfer"). The exposures for each exposure type were allocated to Basic insurance or Optional insurance on the following basis:

- **KOL 01:** All exposures for both transferred and non-transferred are Optional coverage claims.



ICBC's Regional Claim Centres Work Effort Allocation Supplemental Filing

- **KOL 02 (No Transfer):** Exposures with No Transfer (to a Property Damage coverage) are Optional coverage claims where the claimant has been assessed at fault and the claim is processed as a Collision claim.
- **KOL 02 (Transfer):** Exposures with Transfer (to a Property Damage coverage) are Collision files (KOL 02) that have been transferred to a Property Damage (KOL 22) because the claimant is not at fault for the accident. Equal weighting is applied to Basic insurance and to Optional insurance.
- **KOL 37:** All exposures are allocated to Basic insurance on the basis that there is no purchased Optional Collision coverage and that ICBC has determined that the loss will be paid from the liable party's Property Damage coverage. An example of this exposure is a rear-end type collision where the striking (and liable) vehicle is insured by ICBC and the non-labile vehicle either has no Collision coverage or is insured with another insurer. ICBC would open a KOL 37 in order to record the exposure.

The allocated exposures were then aggregated and a ratio to total exposures was calculated. In the above table, the total number of exposures is 351,685 and of this total, 128,877 or 36.6% are allocated to Basic insurance and 222,808 or 63.4% are allocated to Optional insurance.

Exposures Closed in 2004

Coverage		Transfer	Total	Basic	Optional
Collision	KOL 1	Transfer	360		360
		No Transfer	32,812		32,812
	KOL 2	Transfer	85,948	85,948	85,948
		No Transfer	114,030		114,030
No Collision KOL37	KOL 37	Transfer	15,950	15,950	
		No Transfer	19,567	19,567	
Grand Total				121,465	233,150
				34.3%	65.7%

APPENDIX 7

MD Files – Customer Care Allocation

The revised calculation of the MD Files – Customer Care transaction type, using closed file data and the same methodology used for MD Files – Collision/Property Damage for files with transfer from Collision to Property Damage is as follows:

A	B	C	
		2003 (Dec)	
		Basic	Optional
Coll	30,170		30,170
Coll with Transf	32,249	32,249	32,249
Glass	200		200
Comp	46,503		46,503
Hit & Run	11,817	4,371	7,446
KOL 22 pmt	350	350	
KOL22 no pmt	623	623	
Total count		37,593	116,568
		24.4%	75.6%

The revised methodology also incorporates the methodology for hit and run claims described in section 3.4.4 for the hit and run claims included in this transaction types.

Column A

As a first step, the data was grouped by coverage type and then further subdivided into those coverage types that had a 'transfer' indicator. All the following claims have had estimates performed by a Regional Claim Centre:

- **Coll** refers to a purchased Optional Collision coverage file, and includes KOL's (Kind of Loss) 01 (single vehicle), 02 (multi vehicle), 06 (replacement cost policy), and 19 (Loss of Use). If the insured has a straight-forward claim and is not liable, the Telephone Claims Department (TCD) would retain the file and send the customer to a claim centre for a vehicle estimate.
- **Coll with Transf** refers to a Collision file (KOL 02) that has been transferred to a Property Damage file (KOL 22) because the insured is not at fault for the accident.



ICBC's Regional Claim Centres Work Effort Allocation Supplemental Filing

- **Glass** refers to purchased Optional glass (windshield) coverage and includes KOL 13 only.
- **Comp** refers to all other purchased Optional comprehensive coverage types and includes coverage for theft, fire, animal collision, theft from the vehicle as well as others.
- **Hit and Run** refers to those claims involving an unidentified motorist that are paid under Collision coverage or Basic insurance Unidentified Motorist coverage, as applicable (see section 3.4.4).
- **KOL 22 pmt** refers to a Basic Property Damage coverage in which the payment was made directly on this coverage type as opposed to being transferred over from a Collision coverage (as the insured had no Optional Collision coverage with ICBC).
- **KOL 22 no pmt** refers to a Basic Property Damage coverage in which no payment has been made, however, an estimate has been completed in a Regional Claim Centre (and therefore work effort should be recognized).

Column B

Column B show the number of MD files closed in the year and allocated to both Basic insurance and Optional insurance. All MD files closed in the year are counted in order to correctly determine work effort performed in Regional Claim Centres on behalf of Telephone Claims Department.

Column C

Once the file count is validated, the respective count by coverage type is allocated to either Basic insurance or Optional insurance, as follows;

- **Collision:** Allocate all to Optional insurance.
- **Collision (with Transfer):** Apply an equal weighting to Basic insurance and Optional insurance.
- **Glass:** Allocate all to Optional insurance.
- **Comprehensive:** Allocate all to Optional insurance.



ICBC's Regional Claim Centres Work Effort Allocation Supplemental Filing

- **Hit and Run:** Allocate 37% to Basic insurance and 63% to Optional insurance on the same basis as that used for the claims transaction type MD Files – Other.
- **KOL 22 Payment:** Allocate all to Basic insurance as a direct Property Damage coverage.
- **KOL 22 with No Payment:** Allocate all to Basic insurance.

After the respective counts have been allocated by coverage type, a check is made to ensure the total count on which a work effort was performed in a Regional Claim Centre has been accounted for. As an example, the file count for both Roadside Plus and RoadStar coverage types are excluded as no estimate is required in a Regional Claim Centre.

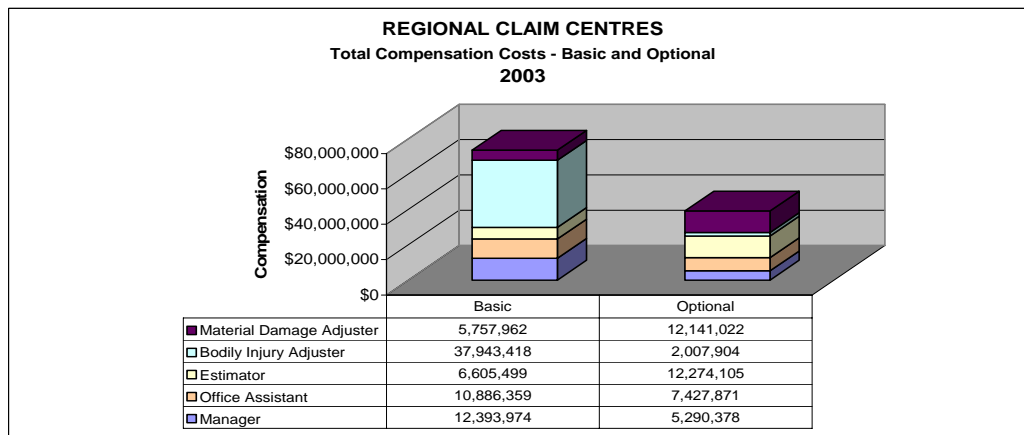
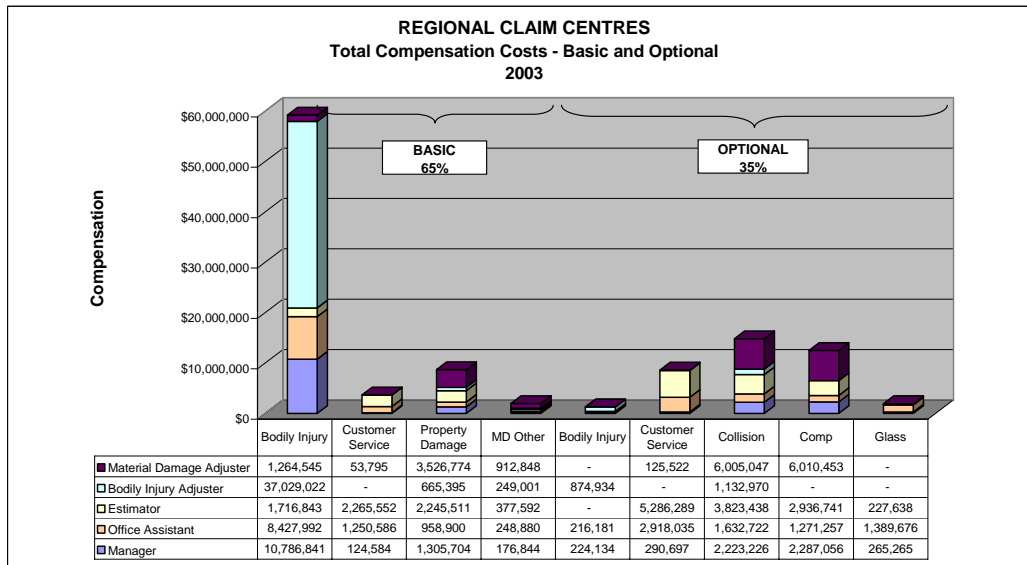
When the MD files are allocated between Basic insurance and Optional insurance, the respective columns are summed and a ratio to total MD files calculated. As an example, for 2003, the total number of MD files requiring an estimate in a Regional Claim Centre was 154,161. Of this total, 37,593 are allocated to Basic insurance (by coverage type) which represents 24.39% (or 24% rounded) of the total. Those allocated to Optional insurance account for the remainder (116,568 or 76% rounded).

For 2004, 25% is allocated to Basic insurance and 75% to Optional insurance. The underlying methodology described above has not changed; the only thing that did change was the MD file counts. See the chart below for details.

A	B	C	
		2004 (Dec) Basic	Optional
Coll	29,300		29,300
Coll with Transf	29,433	29,433	29,433
Glass	194		194
Comp	39,898		39,898
Hit & Run	11,693	4,325	7,368
KOL 22 pmt	413	413	
KOL22 no pmt	636	636	
Total count		34,807	106,193
		24.7%	75.3%

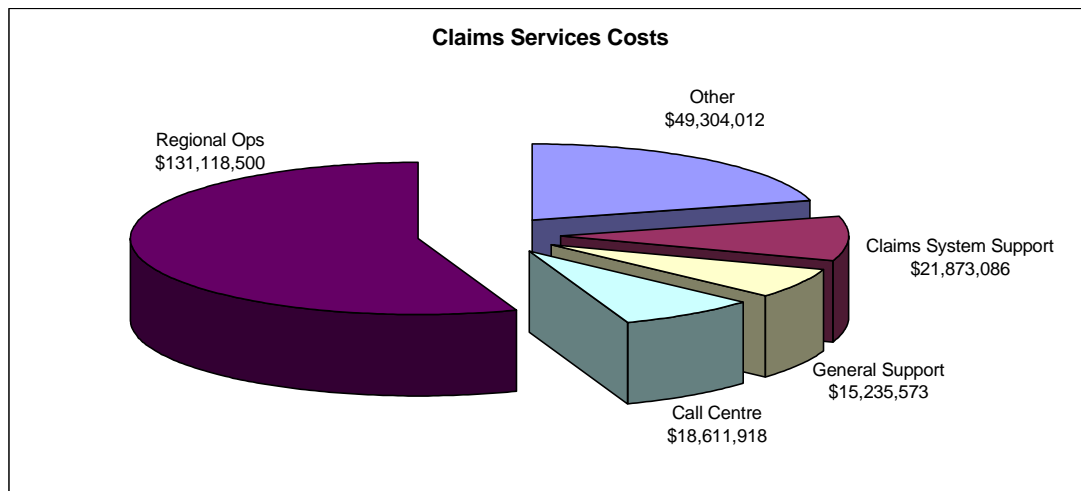
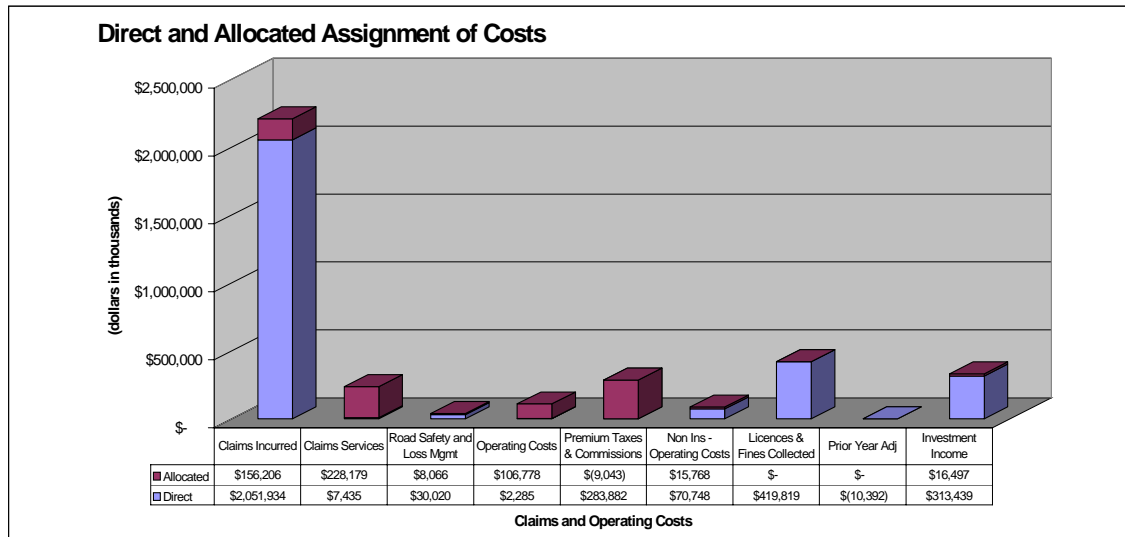
APPENDIX 8

Charts/Tables on Page 13 and Exhibit B-27 Pages 2 and 4 with Numbers

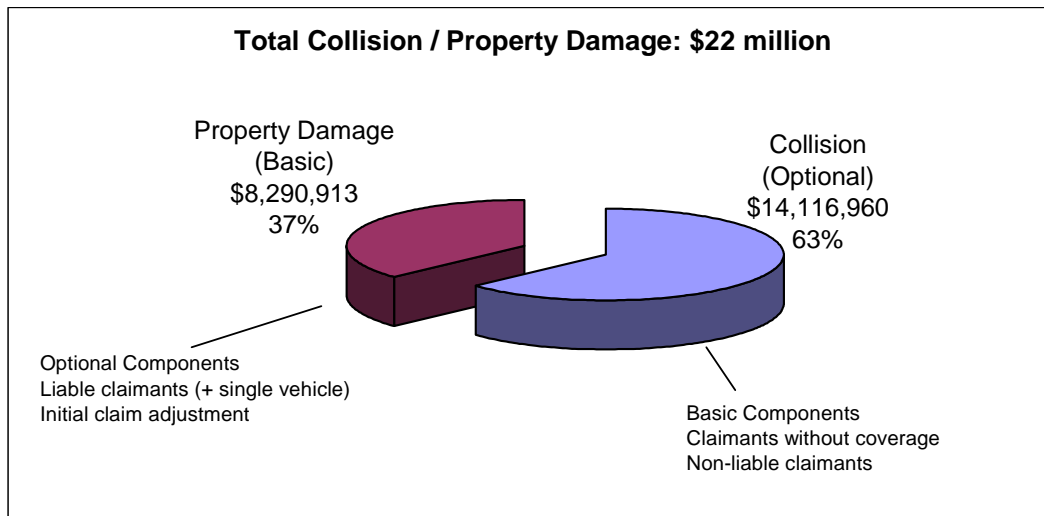




ICBC's Regional Claim Centres Work Effort Allocation Supplemental Filing



ICBC's Regional Claim Centres Work Effort Allocation Supplemental Filing





APPENDIX 9

Region Allocation Matrix on Page 47 (Appendix 4) of the March 2005 Filing Redone using Numbers as Reported, not Closed

The “numbers” on the chart on page 47 (Appendix 4) of the March 2005 Filing are not volume numbers, they are actual compensation dollars. In order to calculate the “Total” column and group compensation according to claims transaction type, the compensation dollars per job category were multiplied by the work effort percentage. In order to calculate the respective work effort percentage, data on volume is provided to the claims personnel as a factor to provide context for their work effort estimates (see page 10 of this Supplemental Filing).

ICBC could not reproduce the table on page 47 (Appendix 4) of the March Filing using claims reported, since that can only be done by redoing the entire transaction costing exercise using claims reported as the contextual data for the claims personnel.

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APPENDIX 10

How ICBC Counts "Claims"

ICBC collects data on the number of claims that arise each year and reports on that data in various ways, depending on the purpose of the report. At the corporate level, the Annual Report shows the number of claims reported in the year which is in fact "claims coverages". Claims coverages represents a different level of reporting from "claims exposures" or "claims files."

The following is an overview of its terminology used by ICBC in reporting claims and the definitions.

Name	Definition
Incident	The occurrence of a separate and distinct event. The most common examples are: Collision between two vehicles (1 incident) and vandalism (1 incident)
Claim File	A unique claim number (file) assigned when each claimant involved in an incident reports to ICBC
Kind of Loss (KOL)	Each type of loss on a file is set up separately by kind of loss (KOL) and identified by a number. Examples are: Single Vehicle Collision (KOL01), Multiple Vehicle Collision (KOL02), Vandalism (KOL14), Bodily Injury (KOL21; KOL27; KOL17); Accident Benefits (KOL32, KOL35)
Claim Exposure	Within each KOL, separate "exposures" are reserved for each customer. For example, the named insured is usually exposure A and passengers and other third parties are exposures B through Z as required. Any payment or reserve transaction is recorded against the specific exposure.
Claim Coverage¹¹	A claim coverage refers to a grouping of similar types of KOL's on a claim file. For example, tort injury related KOL's such as KOL17 (uninsured), KOL 21 (insured) and KOL 27 (hit and run) are grouped together and called Bodily Injury coverage. Contractual Accident Benefits for disability (KOL32) and medical expenses (KOL 35) are grouped together and called Accident Benefits coverage

¹¹ See Appendix 10A for Types of Claim Coverages by Kinds of Loss



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The following examples can assist in understanding the difference between claims files, claims coverages and claims exposures.

Example 1

Two-car collision between John and Ned

John and Ned report to ICBC

John and Ned both have Collision coverage with ICBC

John is liable

John sustains injuries

Ned sustains injuries, requiring medical treatment and time off work

Ned's passenger, Sue, sustains injuries, requiring medical treatment but no time off work

Ned has to rent a car while his is being fixed

2 files are opened

Liable Party (John)		Non-Liable Party (Ned and Sue)	
Collision	02A	Collision	02A
		RoadStar	05A
Bodily Injury	21B (Ned) 21C (Sue)	Accident Benefits	32A (Ned) 35A (Ned) 35B (Sue)
Property Damage	22B (Ned)		
Accident Benefits	35A (John)		

Count:

- 1 incident
- 2 claims files
- 7 claims coverages (4 on John's file and 3 on Ned's file)
- 10 claims exposures (5 on John's file and 5 on Ned's file)



ICBC's Regional Claim Centres Work Effort Allocation Supplemental Filing

Example 2

Four-car collision between John, Ned, Ann and Sally (passenger Jake)
All report to ICBC

John, Ned and Sally have Collision coverage with ICBC

Ann has Collision coverage with another insurer

John is liable

All 5 sustain injuries (Ann requires medical treatment and time off work)

4 files are opened

Liable Party (John)

Collision	02A
Bodily Injury	21B (Ned) 21C (Ann) 21D (Sally) 21E (Jake)
Property Damage	22B (Ned) 22C (Ann) 22D (Sally)
Accident Benefits	35A (John)

Non-Liable Party (Ned)

Collision	02A
Accident Benefits	35A (Ned)

Non-Liable Party (Ann)

No coverage	37A
Accident Benefits	32A (Ann) 35A (Ann)

Non-Liable Party (Sally and Jake)

Collision	02A
Accident Benefits	35A (Sally) 35B (Jake)



ICBC's Regional Claim Centres Work Effort Allocation Supplemental Filing

Count: 1 incident
 4 claims files
 10 claims coverages (4 on John's file, 2 on Ned's file, 2 on Ann's and 2
 on Sally's)
 17 claims exposures (9 on John's file, 2 on Ned's file, 3 on Ann's and 3
 on Sally's)



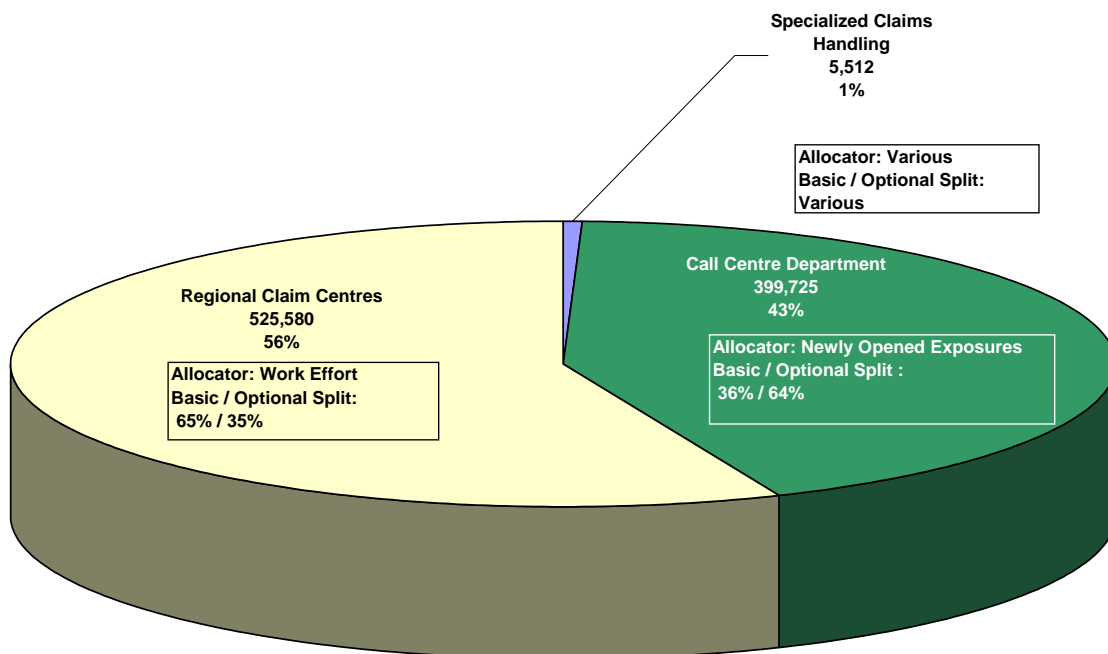
ICBC's Regional Claim Centres Work Effort Allocation Supplemental Filing

Comparing Number of Claims Coverages to Claims Exposures and Claims Files

In its 2003 Annual Report (Appendix 1H to ICBC's July 2004 Filing), ICBC reported 931,000 claims reported (rounded up) during the year. As noted earlier, at the corporate level, claims reported is in fact claims coverages.

ICBC included the chart on page 9 of the March 2005 Filing to illustrate the proportion of claims handled by Regional Claim Centres compared to the Call Centre Department and Specialized Claims Handling. In doing so, ICBC used claims coverages in order to be consistent with the 2003 Annual Report. The following chart is a reproduction from page 9 of ICBC's March 2005 filing depicting the number of claims coverages.

Claims Reported – Count by Claims Coverages

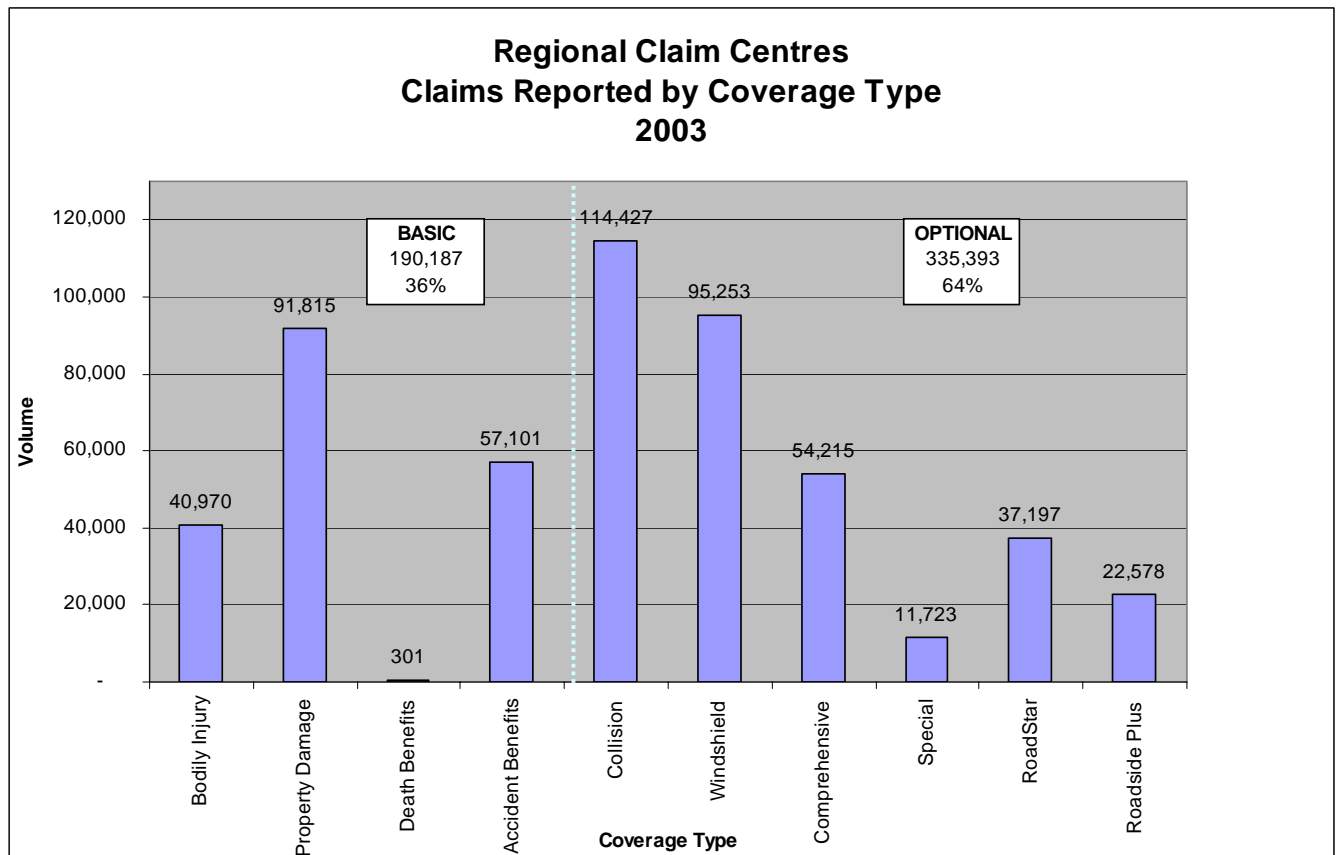


At page 10 of the March, 2005 Filing, ICBC provided further information on the specific breakdown of claims handled by Regional Claim Centres by coverage types to show that volume is not an accurate indicator of work effort. The following chart is a reproduction



ICBC's Regional Claim Centres Work Effort Allocation Supplemental Filing

from page 10 of ICBC's March 10, 2005 filing, again depicting number of claims coverages reported by coverage type.



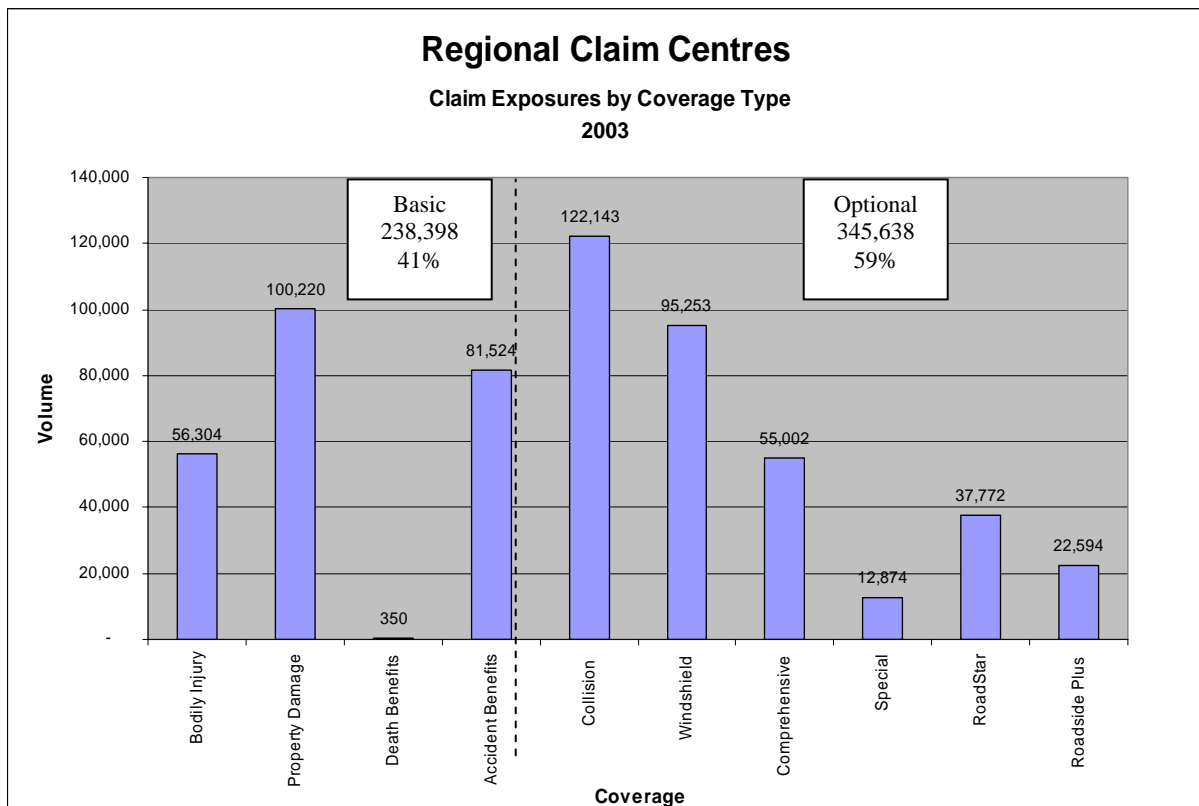
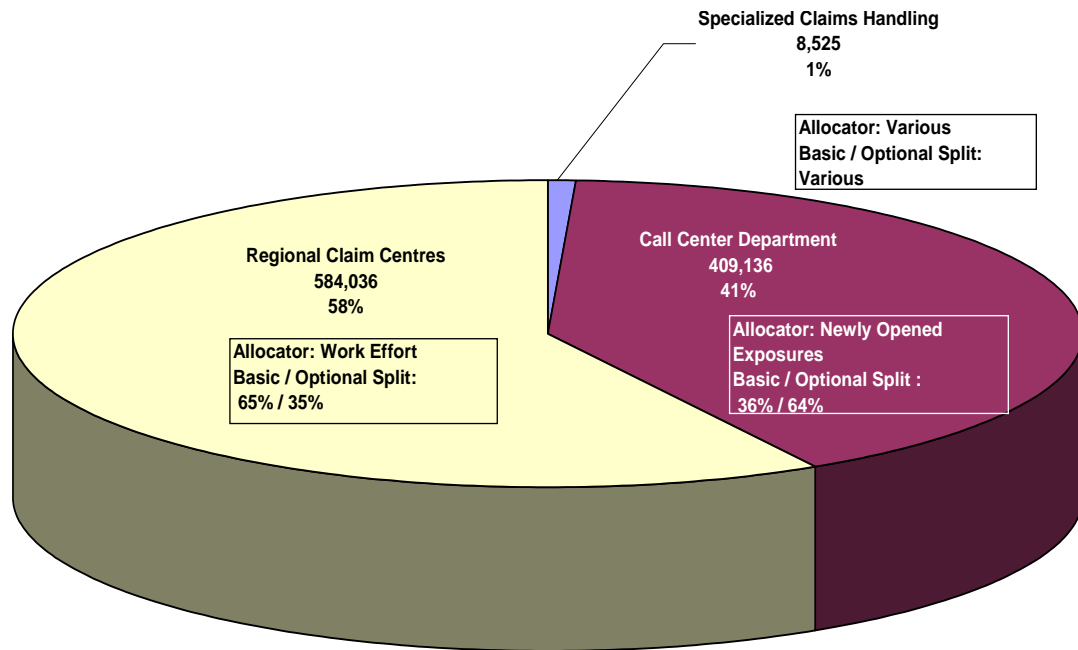
Note: "Special" used in this chart and the chart on page 10 of the March Filing means claims related to special policies, such as garage and fleet (the two most common special policies) unlicensed or special licensed vehicles, vehicle equipment, miscellaneous coverages not available on an Owner's Certificate, floater plates and short-term permits.

While the above charts represent the number of claims reported by claims coverages, claims exposures can also be shown. Set out below are the foregoing charts revised to show claims reported by exposures.



ICBC's Regional Claim Centres Work Effort Allocation Supplemental Filing

Claims Reported – Count by Claims Exposures



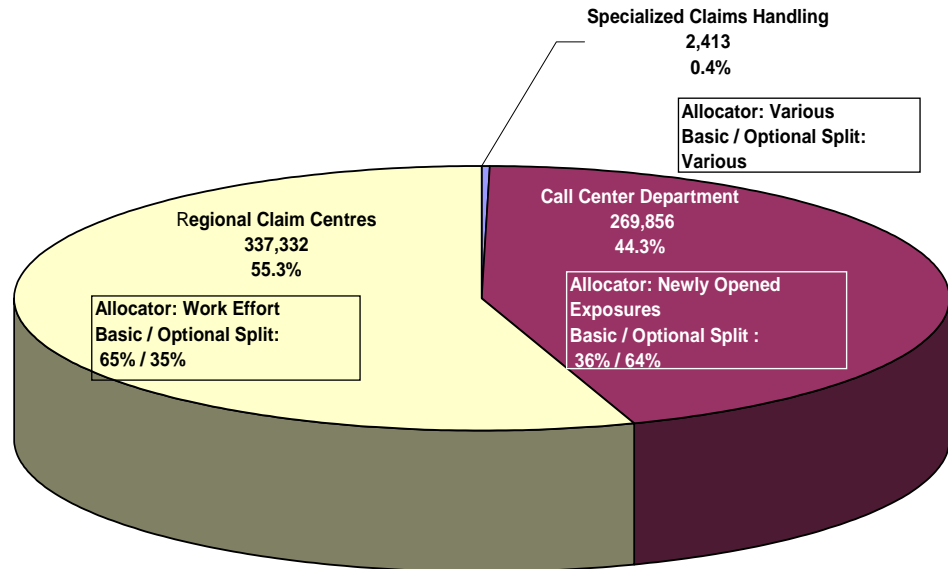


ICBC's Regional Claim Centres Work Effort Allocation Supplemental Filing

When the Regional Claim Centres data is viewed by exposure, the volume split is 41% Basic insurance and 59% Optional insurance, as opposed to 36% Basic insurance and 64% Optional insurance, using coverage type data.

The total number of claims files reported in 2003 is also set out below.

Claims Reported – Count by Claim Files



Unlike coverages and exposures, claims files cannot be easily split into Basic insurance and Optional insurance, since there are multiple coverages and exposures on individual claim files. This is why claim files as a count has limited use.

As can be seen by the above noted charts, the number of coverages, exposures and files are not the same. For ease of reference, set out below is a comparative analysis of the data:

	Files	Coverages	Exposures
Call Centre Department	269,856	399,725	409,136
Regional Claim Centres	337,332	525,580	584,036
Specialized Claims Handling	2,413	5,512	8,525
Total	609,601	930,817	1,001,697



ICBC's Regional Claim Centres Work Effort Allocation Supplemental Filing

% of volume			
Call Centre Department	44.3%	42.9%	40.8%
Regional Claim Centres	55.3%	56.5%	58.3%
Specialized Claims Handling	0.4%	0.6%	0.9%

The purpose of providing this data is to show the overall volume of claims handled by each of the Regional Claim Centres, Call Centre Department (Telephone Claims Department) and Specialized Claims Handling. Whether counts are done by coverages, exposures or files, the volume of work handled by the Regional Claim Centres is fairly consistent: 56.5% of the claims coverages; 58.3% of the claims exposures; and 55.3% of the claims files.

Counts by claims coverages was used in the March 2005 Filing to be consistent with the data provided in the July 2004 Filing. As noted in the March 2005 Filing, volume of claims is not an appropriate allocator for Regional Claim Centres since it does not take into consideration work effort expended on different transaction types.



ICBC's Regional Claim Centres Work Effort Allocation Supplemental Filing

Appendix 10A

Claim Coverage	Kind of Loss	Code
Collision	Single Vehicle	01
	Multiple Vehicle	02
	Limited Depreciation or Replacement cost policy	06
	Loss of Use	19
RoadStar	Vehicle Travel Protection	03
	Rental Vehicle	04
	Loss Of Use	05
RoadSide Plus	Emergency Roadside Expense	07
	Claims Plus	08
Windshield		13
Comprehensive	Limited Depreciation or Replacement cost policy	09
	Fire	10
	Total Theft of Auto	11
	Animal Collision	12
	Vandalism	14
	Other	15
	Theft from auto	16
Property Damage	Vehicle damage only	22
	Non-Vehicle Property Damage	23
	Unidentified Motorist - Hit and Run	28
	Uninsured motorist	29
Bodily Injury	Bodily Injury	21
	Unidentified Motorist - Hit and Run	27
	Uninsured motorist	17
	Underinsured motorist	26
Death Benefits		31
Accident Benefits	Disability	32
	Medical Expenses	35
Special	Garage and Fleet Policies	See Note
	Towing and Collision (no coverage with ICBC)	37

Note: The KOL codes for Special Coverages are the same, except that they are identified with an "s".



APPENDIX 11

Collision Claims Reported Claims by Accept, Deny, Contentious (2003)

ICBC uses a liability indicator of "A" – accept, "C" – contentious or "D" – deny on all claims on initial report in order to communicate the initial liability status to other Adjusters at the start of the claim. If on that initial report, the accident appears clearly to be the fault of the driver it will be coded as an "A" and if it seems unlikely the driver is at fault it is coded as a "D". If the liability outcome is unclear it is coded initially as a "C". The liability indicator is eventually updated to either "A" or "D" after the Adjuster completes a full investigation and makes a final assessment of liability.

The data in the following table is based on 2003 reported collision claims. It shows the breakdown of the liability indicator (A, C, or D) as first entered in the system at the start of the claim. At the start of the claim an initial liability code is entered by the Adjuster based on the information available from the customer. This is then updated if required after the liability investigation is complete.

Liability indicator as first entered in the system (using claims)

	TCD		Regional Claim Centres		Combined Total		Final Regional Assessment
Accept	33,846	28%	15,431	21%	49,277	26%	45%
Contentious	11,067	9%	20,626	29%	31,693	16%	0%
Deny	76,096	63%	35,799	50%	111,895	58%	55%
Total	121,009	100%	71,856	100%	192,865	100%	100%

It is important to understand that the initial liability indicators do not present an accurate reflection of the final liability finding. An Adjuster's initial indication of Accept, Deny or Contentious at file opening does not necessarily indicate how the file will be managed by the Adjuster (i.e. the Adjuster's work effort).

For instance, an "accept" or "deny" does not mean the Adjuster will cease dealing with the file. Many "accept" claims still require work in claim centres involving LVI (Low Velocity Impact) investigations, coverage investigations of potential breaches and customer service issues such as explaining the liability decision. Additionally, in many



ICBC's Regional Claim Centres Work Effort Allocation Supplemental Filing

cases claims initially coded as "deny" can actually be contentious if the information provided by the customer later proves to be unsupported.

Additional data obtained on 2003 year of loss Collision claims, most of which are now closed, shows 45% were given a final liability assessment with an "accept" liability indicator and 55% with a "deny" indicator. This illustrates that as these Collision claims moved through the investigative process and obtained a final liability assessment, the percent in each category changed which reflects the liability investigative work required.

APPENDIX 12

INSURANCE (MOTOR VEHICLE) ACT AND REGULATION PROVISIONS APPLICABLE TO UNIDENTIFIED AND UNINSURED MOTORIST CLAIMS

INSURANCE (MOTOR VEHICLE) ACT [RSBC 1996] CHAPTER 231

Uninsured vehicles

20 (1) In this section:

"claimant" means a person who alleges that he or she has a right of action against an uninsured motorist for damages arising from bodily injury to or the death of a person, or loss of or damage to property, caused by or arising out of the use or operation of a motor vehicle, but does not include a person who is entitled to bring an action against the corporation under section 24;

"motor vehicle" includes a trailer, but does not include

(a) a motor vehicle or trailer in respect of which there exists proof of financial responsibility given in the manner provided for by sections 106 to 113 of the *Motor Vehicle Act*, or

(b) a motor vehicle or trailer owned by, or by an agent of, the Crown in right of any other province or of Canada;

"uninsured motorist" means a person who uses or operates a motor vehicle on a highway in British Columbia when he or she is not insured under

(a) a certificate, or

(b) a motor vehicle liability policy as defined in the *Insurance Act*,

that provides indemnity in a prescribed amount, not less than \$100 000, against liability imposed by law arising from bodily injury to or the death of a person, or loss of or damage to property, caused by or arising out of the use or operation of a motor vehicle and includes the owner of a motor vehicle that is used or operated on a highway in British Columbia when the owner is not so insured;

"uninsured motor vehicle" means a motor vehicle used or operated or owned by an uninsured motorist.

(2) A claimant may apply to the corporation, in the prescribed form, for payment of the damages to which he or she claims to be entitled.

(3) The corporation must, on receiving an application under subsection (2), send by registered mail a notice of the application, in the prescribed form, to the uninsured



ICBC's Regional Claim Centres Work Effort Allocation Supplemental Filing

motorist and, if he or she is not the same person, to the owner of the uninsured motor vehicle, at the last addresses for them according to the records of the corporation.

(4) A notice sent under subsection (3) is deemed to have been received on the eighth day after mailing.

(5) If a notice is sent under subsection (3), the corporation may

(a) settle with or consent to judgment in favour of the claimant on behalf of and in the name of a person to whom the notice was sent, but if that person replies to the corporation within the time limited by the notice, denying liability, the corporation is not entitled to recover from that person an amount paid by it until it has recovered a judgment against that person as provided in subsection (11), or

(b) require the claimant to bring or continue an action against all persons who may be liable to the claimant for the damages claimed.

(6) If an uninsured motorist does not enter an appearance to an action brought by a claimant or, having entered an appearance,

(a) fails to file a statement of defence or to appear in person or by counsel at the trial or assessment of damages,

(b) consents to the entry of judgment against him or her, or

(c) does or fails to do anything that entitles the claimant to take default proceedings,

the corporation must not make a payment to the claimant under this section unless notice of the failure, consent or act of default has been given to the corporation in time to enable the corporation to rectify it and the corporation fails to intervene in the action within 30 days of receiving notice of the failure, consent or act of default.

(7) If the corporation receives notice under subsection (6), it may intervene in the action and, on behalf of and in the name of the uninsured motorist, whether or not he or she is an infant, take any steps that he or she might have taken in the action, and anything done by the corporation is deemed to be done by the uninsured motorist, but the failure of the uninsured motorist to comply with an order of the court or rule of court does not prejudice the corporation in a proceeding it may take in the action.

(8) A judgment by consent against an uninsured motorist who is an infant must not be entered without the approval of the court.

(9) If the corporation enters into a settlement with a claimant or a claimant obtains a judgment against an uninsured motorist in accordance with this section and the claimant has otherwise complied with this section and the regulations, the corporation may, subject to the regulations, pay all or part of the settlement or judgment.



ICBC's Regional Claim Centres Work Effort Allocation Supplemental Filing

(10) The corporation must not, without the consent of a person to whom a notice was sent under subsection (3), enter into a settlement on behalf of that person or consent to judgment against that person, for an amount in excess of the amount to be paid to the claimant by the corporation under subsection (9).

(11) The corporation, on making a payment to a claimant, is subrogated to the claimant's rights against any other person liable to the claimant for the damages claimed and may bring an action to recover the damages against the other person in its name or in the name of the claimant, but neither a settlement under subsection (5) (a) nor a consent to judgment under that subsection limits the defences that an uninsured motorist may raise against the corporation.

(12) Subject to subsection (5), the corporation may, in addition to any other remedy it may have, send a notice demanding reimbursement for damages or costs or both together with any interest that it has paid to a claimant to

- (a) the uninsured motorist,
- (b) the owner of the uninsured motor vehicle, if he or she is also liable for the damages caused, or
- (c) both of the persons referred to in paragraphs (a) and (b),

at the last addresses for them according to the records of the corporation.

(13) The corporation may agree to accept payment in installments from a person indebted to it under this section.

(14) If installments to be paid by a person under an agreement referred to in subsection (13) are in arrears, the corporation may

- (a) suspend the licence, permit or corresponding number plates of a motor vehicle or trailer owned by the person, or
- (b) refuse to issue to the person a driver's licence or a licence, permit or corresponding number plates of a motor vehicle or trailer owned by the person.

(15) A person who is indebted to the corporation under this section may, on notice to the corporation, apply to the Supreme Court for an order that he or she be permitted to pay the indebtedness in installments in amounts and at times determined by the court, and on an order being made, subsections (13) and (14) apply to

- (a) the corporation refusing to issue the person's driver's licence or a motor vehicle licence, a permit or corresponding number plates for a motor vehicle or trailer owned by the person, and
- (b) the suspension of the person's motor vehicle licence, permit or corresponding number plates for a motor vehicle or trailer owned by the person.



ICBC's Regional Claim Centres Work Effort Allocation Supplemental Filing

(16) The corporation, on application by a person who would otherwise be a claimant but whose right of action has been extinguished because he or she has, without the consent of the corporation, entered into a settlement with the uninsured motorist or the owner of the uninsured motor vehicle or both, may pay to the person that part, if any, of the amount owing and unpaid under the settlement that the corporation considers appropriate in the circumstances.

(17) The corporation must not consider an application by a claimant under this section if any other motorist who is liable for all or part of the claimant's damages is insured against liability in respect of those damages, but the corporation, if it considers it appropriate in the circumstances, may waive the requirements of this subsection in respect of any one or more of the persons against whom the claimant has a cause of action.

(18) The corporation must not pay a claimant who ordinarily resides outside British Columbia an amount in excess of the amount that a resident of British Columbia would recover under the same circumstances from a similar fund in the jurisdiction in which the claimant ordinarily resides.

Remedy for damage in hit and run accident

24 (1) If bodily injury to or the death of a person or damage to property arises out of the use or operation of a motor vehicle on a highway in British Columbia and

(a) the names of both the owner and the driver of the motor vehicle are not ascertainable, or

(b) the name of the driver is not ascertainable and the owner is not liable to an action for damages for the injury, death or property damage,

any person who has a cause of action

(c) as mentioned in paragraph (a), against the owner or the driver, or

(d) as mentioned in paragraph (b), against the driver,

in respect of the bodily injury, death or property damage may bring an action against the corporation as nominal defendant, either alone or as a defendant with others alleged to be responsible for the injury, death or property damage, but in an action in which the names of both the owner and the driver of the motor vehicle are not known or ascertainable, recovery for property damage is limited to the amount by which the damages exceed the prescribed amount.

(2) Proceedings must not be brought against the corporation as nominal defendant under this section unless the person bringing them gives written notice to the corporation as soon as reasonably practicable and in any event within 6 months after the accident that caused the bodily injury, death or property damage.



ICBC's Regional Claim Centres Work Effort Allocation Supplemental Filing

(3) If, after an action referred to in subsection (1) has been commenced, it is alleged that the injury, death or property damage was caused or contributed to by another motor vehicle, but

(a) the names of both the owner and the driver of the motor vehicle are not ascertainable, or

(b) the name of the driver is not ascertainable and the owner is not liable to an action for damages for the injury, death or property damage,

the corporation may be added as a nominal defendant on the application of any party and must be added as a nominal defendant on its own application.

(4) In an action against the corporation as nominal defendant, the corporation may deny generally the allegations in respect of the unidentified motor vehicle and its owner and driver, and need not set out the facts on which it relies.

(5) In an action against the corporation as nominal defendant, a judgment against the corporation must not be given unless the court is satisfied that

(a) all reasonable efforts have been made by the parties to ascertain the identity of the unknown owner and driver or unknown driver, as the case may be, and

(b) the identity of those persons or that person, as the case may be, is not ascertainable.

(6) If the identity of the unknown owner or driver is ascertained before judgment is granted in an action against the insurer as nominal defendant, then, despite the limitation period in the *Motor Vehicle Act*, that owner or driver must be added as a defendant in the action in substitution for the corporation, subject to the conditions the court may specify.

(7) The corporation may, at any stage, compromise and settle the claim of a person entitled to commence an action under this section.

(8) On judgment against the corporation as nominal defendant under this section and expiration of the time limited for appeal, or on the compromise and settlement of a claim under this section, the corporation must pay toward satisfaction of the judgment or claim an amount that the corporation is authorized to pay under this Act, the regulations and the terms, conditions and limits of the plan.

(9) If, under this section, a judgment has been obtained against the corporation as nominal defendant or the corporation has settled a claim, the corporation may apply

(a) to the court where the judgment has been obtained, or

(b) if a claim has been settled, to the court that would have had jurisdiction to entertain an action for the recovery of damages to the amount of the settlement



ICBC's Regional Claim Centres Work Effort Allocation Supplemental Filing

for an order certifying that a person was, at the time of the accident, the owner or driver of the motor vehicle that caused the bodily injury, death or property damage in respect of which the judgment was obtained or settlement made.

(10) If the court hearing an application under subsection (9) is satisfied on the evidence that the person named in the application was at the time of the accident the owner, driver or both of the motor vehicle involved in that accident, it may make the order applied for, unless it is satisfied that the person would not have been liable for damages if he or she had appeared and defended the action or, in the case of a claim settled before action, in an action that might have been brought to enforce the claim, or it may direct the trial of an issue.

(11) On the making of an order under subsection (10) or on judgment of the trial of an issue directed under that subsection, the person certified, whether or not the driver of the motor vehicle is named in an unexpired driver's certificate and whether or not the motor vehicle is designated in an unexpired owner's certificate, is liable to pay the corporation as a debt due and owing all amounts paid by it pursuant to any judgment or settlement under this section, and section 20 (12), (13) and (15) applies.

(12) The amount paid by the corporation to a claimant who ordinarily resides outside British Columbia is limited to the lesser of

- (a) the amount limited by this Act, and
- (b) the amount that a resident of British Columbia could recover under the same circumstances from a similar fund in the jurisdiction in which the claimant ordinarily resides.

Insurance (Motor Vehicle) Act

**REVISED REGULATION (1984)
UNDER THE INSURANCE (MOTOR VEHICLE) ACT**

[includes amendments up to B.C. Reg. 227/2004]

**Part 8 — Third Party Rights Occasioned by Uninsured
or Unidentified Motorists**

Limit of liability

105 (1) The liability of the corporation for payment of all claims under section 20 or 24 of the Act arising out of the same accident, including in either case a claim for

- (a) prejudgment interest under the *Court Order Interest Act*,
- (b) post-judgment interest under the *Interest Act* (Canada), and
- (c) costs awarded by a court,



shall, notwithstanding the number of claims or claimants, not exceed the amount set out in section 9 (1) of Schedule 3.

(2) The liability of the corporation under section 24 (1) of the Act for recovery for property damage shall be limited to the amount by which the damage exceeds the amount set out in section 9 (2) of Schedule 3.

[am. B.C. Reg. 254/93, s. 2 (a).]

Exclusion of other insured loss

106 (1) In this section "**insured claim**" means any benefit, right to indemnity or claim to indemnity accruing to a claimant and includes a benefit or right or claim

(a) under the *Workers Compensation Act* or a similar law or plan of another jurisdiction,

(b) under the *Employment Insurance Act* (Canada), or

(c) of the government of Canada, the government of another province or territory of Canada, or the government of a foreign jurisdiction.

(2) No amount shall be paid by the corporation under section 20 or 24 of the Act in respect of that part of a claim that is paid or payable as an insured claim.

(3) Repealed. [B.C. Reg. 380/2000, s. 5.]

[am. B.C. Regs. 335/84, s. 23; 379/85, s. 39; 408/87, s. 25; 246/98, s. 4; 380/2000, s. 5.]

Conditions of liability

107 (1) The corporation is not liable to an owner of a vehicle who makes a claim under section 24 of the Act for damage to the vehicle if the owner, without reasonable cause, has not

(a) within 48 hours after the discovery of the damage, made a report to the police of the circumstances in which the damage occurred,

(b) obtained the police case file number for the report, and

(c) on request of the corporation, advised the corporation of the police case file number.

(2) The corporation is not liable in respect of

(a) a claim under section 20 or 24 of the Act for damage to a vehicle, or to a vehicle's equipment or to property carried in or on a vehicle, arising while the vehicle is, without the consent of the owner, in the possession of another, or

(b) a claim under section 24 of the Act by the Province or Canada or by a municipality, public or private utility or other similar person in respect of



damage to a highway or a structure or thing placed or maintained in, on, under or over a highway.

[am. B.C. Regs. 491/95, s. 18; 347/96, s. 4.]

Forms

108 The forms set out in Schedule 4 are prescribed for the purpose of section 20 of the Act.

Schedule 3

Limits of Coverage

(section 49.1 (1), 67 (1), 69, 80 (1), 84 (1), 88 (5), 91, 92 (1) and (2), 93 (1) and (2), 105 (1) and (2), 124 (3), 148 (3) and 148.1 (5))

[am. B.C. Regs. 335/84, s. 42; 379/85, s. 59; 257/86, ss. 41-43; 383/89, s. 43; 448/90, s. 38; 324/91, s. 49; 113/92; 438/92, ss. 29-30; 254/93, s. 2; 379/93, s. 15; 404/94, ss. 22-23; 491/95, s. 33; 404/99, s. 3.; 259/2001, s. 7.]

Claims under section 20 or 24 of the Act

9 (1) With respect to an accident occurring on or after January 1, 1985, for the purpose of section 105 (1), the amount by which the liability of the corporation is limited is \$200 000.

(2) With respect to an accident occurring on or after January 1, 2002, for the purpose of section 105 (2), the amount is limited to the amount by which the damage exceeds \$750.

[am. B.C. Regs. 335/84, s. 42; 254/93, s. 2; 259/2001, s. 7.]

WILLIAM J. GRANT
EXECUTIVE DIRECTOR,
REGULATORY AFFAIRS & PLANNING
bill.grant@bcuc.com
web site: <http://www.bcuc.com>



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FACSIMILE: (604) 660-1102

Log No. 9398

VIA E-Mail

By Courier – Mr. Russell Sykes only

April 27, 2005

To: ICBC Hearing Panel

Re: Insurance Corporation of British Columbia ("ICBC")
FAMA Phase 2

Please find enclosed the Negotiated Settlement Agreement achieved between ICBC and most of the participants in the settlement negotiations with respect to the finalization of cost allocations for the seven identified cost functions in the Commission's Decision of January 19, 2005. The letters of comment from ICBC and participants are attached for your use. Mr. Sykes was unable to agree to the Settlement and he has agreed to provide his written dissent to the Commission by May 2, 2005.

After May 2nd I believe the Commission will be in a position to consider the merits of the proposed Settlement.

Yours truly,

A handwritten signature in black ink, appearing to be "WJG", written over a horizontal line.

William J. Grant

WJG/rt

cc: Negotiated Settlement Participants

Fasken Martineau DuMoulin LLP *

Barristers and Solicitors
Patent and Trade-mark Agents

Suite 2100
1075 Georgia Street West
Vancouver, British Columbia, Canada V6E 3G2

604 631 3131 Telephone
604 631 3232 Facsimile

www.fasken.com APPENDIX A
to Order No. G-46-05



C.B. Johnson, Q.C.
Direct 604 631 3130
Facsimile 604 632 3130
cjohnson@van.fasken.com

April 25, 2005
File No.: 254656.00066/14186

British Columbia Utilities Commission
Sixth Floor, 900 Howe Street, Box 250
Vancouver, BC V6Z 2N3

Attention: William J. Grant
Executive Director, Regulatory Affairs & Planning

Dear Mr. Grant:


Re: Insurance Corporation of British Columbia ("ICBC")
FAMA Phase 2

We act on behalf of ICBC in this matter.

We hereby confirm that ICBC agrees to the settlement set out in Negotiated Settlement Agreement distributed with your letter of April 22, 2005.

Yours truly,

FASKEN MARTINEAU DuMOULIN LLP



C.B. Johnson, Q.C.
CBI/pgw

DM_VAN/254656-00066/6338923.1

* Fasken Martineau DuMoulin LLP is a limited liability partnership under the laws of Ontario and includes law corporations.

Vancouver Calgary Toronto Montréal Québec City New York London Johannesburg



April 26, 2005

Mr. William J. Grant
Executive Director , Regulatory Affairs & Planning
British Columbia Utilities Commission
Sixth Floor, 900 Howe St.
Vancouver, BC V6Z 2N3

Dear Mr. Grant:

Re: Insurance Corporation of British Columbia ("ICBC") Selected Financial Allocation Functions Negotiated Settlement Agreement

This letter is further to your letter of April 22, 2005 enclosing the Negotiated Settlement Agreement.

The Insurance Bureau of Canada ("IBC") accepts the Agreement in principle. However, IBC's acceptance is provided with qualifications, particularly with respect to the allocation process and percentage for the Regional Claim Centres.

While IBC believes that ICBC has gone some distance in providing meaningful explanations regarding the allocations at issue in the Negotiated Settlement Process, IBC continues to have some fundamental concerns regarding ICBC's approach and rationale for certain of the allocations. However, a specific oral or written hearing focused on the seven allocations at issue in the Negotiated Settlement Process is not warranted from a time and costs perspective, particularly when there is to be a further ICBC Application in 2005 regarding revenue requirements.

IBC has four particular concerns that lead to its qualified acceptance of the Negotiated Settlement Agreement:

- (1) the approach taken with respect to the work allocation for the Regional Claim Centres;
- (2) the failure to recognize a more significant work effort attributable to Optional liability coverage when a claim may exceed the \$200,000 limit but settles below that threshold;
- (3) the decision to allocate the overhead included in the Regional Claim Centres allocation using only the work allocator; and
- (4) a concern that dealing with allocation functions individually means that the issues arising are confined only to the particular functions under review and the effect on the allocation methodology as a whole is not considered.

510 Burrard Street, Suite 1010, Vancouver, British Columbia V6C 3A8
(604) 684 3635; fax/téléc: (604) 684 6235; E-mail: lolson@ibc.ca; www.ibc.ca

The Work Effort Allocator for Regional Claim Centres

If Regional Claim Centres costs are to be allocated as between Basic insurance and Optional insurance using a work effort allocator, the work effort allocator and the underlying work allocation study must draw a meaningful distinction between what work is done as a result of the Basic insurance coverage and what work is done as a result of the Optional insurance coverage.

The work allocation study used by ICBC to derive the allocator for the Regional Claim Centres provides useful information to assist in determining what portion of costs is related to particular claims transaction types. However, the allocation as between Basic and Optional is done on some basis other than a true work allocation, unless of course the transaction type is one that arises solely as a result of the Basic or Optional coverage.

The chart on page 47 of the March 10, 2005 Filing helps illustrate the point. For example, the costs associated with “MD Files – Collision and P/Damage” for the Greater Vancouver Regional Claim Centre are determined to be \$9,862,266 based on the underlying work allocation study, but that amount must still be allocated as between Basic and Optional. ICBC has not assessed, on the basis of a work allocation study, what work is done in response to Collision claims (an Optional coverage) and what work is done in response to Property Damage claims (a Basic coverage). Instead, the allocation as between Basic and Optional is done “based on an analysis of closed exposures and the ratio of purchased optional collision coverage and basic first-party coverage”. While there is presumably a relationship between the coverage purchased and the work done in response to the coverage, a proper work allocation study should look more closely at what coverage generates the work at issue.

An allocation of 37% to Basic for “MD Files – Collision & P/Damage” appears to be high when in the vast majority of cases it is the fact that a claimant has collision coverage that requires ICBC to incur the costs of assessing the damage and determining the appropriate payout. ICBC takes the position at page 16 of the March 10, 2005 Filing that because it is the sole provider of third party legal liability insurance it must investigate each claim presented to it. However, in terms of the work effort required to investigate a claim to assign liability, relative to the work effort required to ensure the repair of damaged vehicles, it is difficult to see how the former can account for 37% of the total work done in regards to Material Damage claims.

ICBC’s approach to the counting of claims would appear to reflect a similar bias towards its Basic coverage, although a claim (or the work done in response to a claim) arises initially as a result of the Optional coverage. The charts at pages 10 and 11 of the March 10, 2005 Filing show “Claims Reported by Coverage Type” as split between Basic and Optional. However, the majority of the 91,815 Property Damage claims are not distinct from the 114,427 Collision claims. The damage incurred by one vehicle is counted twice. In the majority of instances, what is being counted is both a Collision claim (an insured seeking to have his or her vehicle repaired) as well as a Property Damage claim (recovering as against the liable party). However, it should be kept in mind that but for an insured seeking to have his or her vehicle repaired there would no claim whatsoever. The initial obligation and work effort arises in respect of the vehicle repair.

This double counting is made clear by ICBC’s explanation of its counts in Appendix 10 of the March 31, 2005 Filing. In most instances there is only one damaged vehicle underlying both a Property Damage claim and a Collision claim. Thus, in Example 1 of Appendix 10, the damage

to Ned's car, because he is not at fault, is counted both as a collision claim and as a property damage claim. It is Ned's material damage that results in a claim being made, but this is counted both as a claim against Optional coverage (Ned's) and as a claim against Basic coverage (John's).

In terms of counting claims the above may make some sense, but that does not mean the work generated is equally split as between Basic and Optional coverage. Nevertheless, in Appendix 6 ICBC gives equal weighting to Basic and Optional coverages when a claim arising as a collision claim is "transferred" to a property claim. With regards to Appendix 6, even if the 50/50 weighting is accepted, it is not clear why the "equal weighting" is accomplished by attributing the count of 95,676 to both Basic and Optional rather than attributing 47,383 (half of 95, 677) to both Basic and Optional. The latter would result in a split of 31.65%/68.3% rather than 36.6% / 63.4%.

This bias towards viewing work done in respect of Property Damage as similar to the work done in respect of Collision coverage may result in part from trying to draw a comparison to the amount paid for the claims arising as a result of these coverages. At p. 17 of the of the March 10, 2005 Filing, ICBC states, "To put Optional Collision claims and Basic Property Damage claims in perspective, ICBC had \$330, million in Collision claims and \$323 million in Property Damage claims in 2003." However, where a claim is paid from, while it matters for purposes of a claims incurred assessment, does not necessarily reflect what work was done in relation to a particular type of coverage.

IBC is not convinced that a proper understanding of work effort and thus an appropriate work effort allocation has yet been achieved. It must be kept in mind that IBC and the other intervenors are not in a position to properly test what ICBC puts forward as a percentage based on a work allocation study. The intervenors cannot themselves do the study. This may be the nature of the regulatory process, but the perceived bias regarding Basic insurance continues to be a concern.

IBC strongly supports the scheduled review of the Regional Claim Centres allocation in 2007.

Recognizing a More Significant Work Effort Attributable to Claims Settling under \$200,000

Also of concern is the proposed split for "BI Exposures – Represented" and "BI Exposures – Litigated" of 95% (Basic)/5% (Optional). Items 9 and 10 in the chart at the top of page 47 help to illustrate this split. A claim may not exceed the \$200,000 Basic liability limit such that the claim itself is paid from Optional coverage. However, that does not mean there is minimal work effort in respect of the Optional liability coverage. Work must be done to ensure that a claim does not encroach on the Optional coverage.

Neither ICBC nor any other insurer knows what a claim is worth until it is settled. The closer to \$200,000 that a claim settles the more likely work was done relative to the Optional coverage. Private insurers will open files to monitor third party liability claims once there is a reasonable possibility the claim will exceed \$50,000. If the claim never exceeds \$200,000 there will still be costs that a private insurer incurs by virtue providing Optional coverage that are not recovered. ICBC's allocation does not recognize such costs to any significant degree. Again, it would

appear that ICBC is trying to draw a correlation between the coverage from which a claim is paid and the work done in respect of a particular type of coverage, but this is not necessarily a reasonable comparison.

The Allocation of Overhead

At page 12 of the March 10, 2005 Filing ICBC explains that operating costs are allocated to each transaction type as a percentage of work effort. What is of concern in this regard is that the space allocated to the handling of Optional claims, particularly Collision, will be significantly greater given that space to assess the actual vehicles is required. The size of ICBC's Regional Claim Centres attests to this fact. Certainly as ICBC out sources the assessment of the actual vehicles the overhead required to handle Collision claims should decrease. However, until ICBC downsizes its premises such a decrease is only notional. The Regional Claim Centres allocation does not take this overhead issue into account.

Dealing with Allocators Individually, Rather than as a Group

If the regulatory process is to move ahead efficiently, then certain allocators must be settled with some finality. However, it is of concern that an adjustment to one allocator sometimes indicates that there should be a corresponding adjustment to another allocator. Thus, for example, at page 8 of the March 10, 2005 Filing ICBC explains that more of the simple claims are being dealt with in the Call Centre and therefore more of the complex claims are finding their way into the Regional Claim Centres. If the more complex claims mean there is a greater work effort arising relative to Basic coverage in the Regional Claim Centres, there would appear to be a corresponding greater work effort arising relative to Optional coverage in the Call Centres. However, because Call Centres were not an allocation function being considered in the Negotiated Settlement Process no relative adjustment could be considered.

In summary, while IBC is prepared to accept the Negotiated Settlement Agreement, it has ongoing concerns regarding certain of the information brought forward by ICBC and the approach to certain of the allocators. These concerns are outlined above.

It is of concern that each time the allocators are re-examined, ICBC makes further adjustments to the percentages. With few exceptions these adjustments move costs towards the Optional coverage and away from Basic. This suggests that the initial allocation was clearly biased towards Basic and IBC remains concerned that such a bias is still evident. IBC is looking for some comfort that allocators truly reflect where the costs are arising within ICBC, but has not yet found that comfort.

Yours truly,



/pr



CANADIAN DIRECT INSURANCE
Subsidiary of Canadian Western Bank

APPENDIX A
to Order No. G-46-05

April 26, 2005

British Columbia Utilities Commission
6th Floor – 900 Howe Street
Box 250
Vancouver, BC V6Z 2N3

Attention: Mr. William J. Grant
Executive Director Regulatory Affairs & Planning

Dear Mr. Grant:

Re: Insurance Corporation of British Columbia ("ICBC")
Selected Financial Allocation Functions
Negotiated Settlement Agreement (the "Agreement")

This is to respond to your letter of April 22, 2005 requesting confirmation of acceptance of the Agreement for selected financial allocations functions identified in the Commissioners Final Decision (the "Decision") of January 19, 2005.

Canadian Direct Insurance, as an Intervenor in the negotiations, accepts in principle the Agreement with the exception of In-House Counsel (Provincial Litigation Services) allocation function which is addressed below. However we would like to go on record as stating that while the opportunity for the Intervenor and ICBC to review seven specific allocators has been useful, further review is obviously required. The workshop has provided additional insight and understanding about the functional areas, not only for the seven functions indicated in the Decision, but also other functional areas within Claims Services. This workshop methodology would have proven valuable prior to the Fall 2004 hearings. Based on the information received through the negotiated settlement process, we believe that other functional areas must be examined in more detail, including, but not limited to, Central Estimating Facilities, Head Office Claims, Salvage, and Call Centre/Telephone Claims Department, to name a few.

ICBC has itself recognized that there was a need to re-evaluate cost allocation including:

- The claims handling costs associated with adjusting property damage and collision claims were allocated 55% to Optional and 45% to Basic; after the revision those costs were allocated 63% to Optional and 37% to Basic. (Oct 2004); and
- Regional Claims Centre allocation of cost after the October hearings was 65.3% to Basic and 37.4% to Optional. Following the Negotiated Settlement proceedings this allocation was revised to 62.9% to Basic and 37.1% to Optional. This also resulted in an overall adjustment to the Claims Division Average Allocator (April 2005).

However, we don't believe ICBC has gone far enough in its re-evaluation efforts.

British Columbia Call Centre

Suite 217-610 6th Street, New Westminster, BC V3L 3C2

Sales/Service: 604.525.2115 or 1.888.225.5234

Fax: 604.517.3214 Claims: 1.888.261.8888

Alberta Call Centre

11th Floor, 10250 101 Street, Edmonton, Alberta T5J 3P4

Sales/Service: 780.413.5933 or 1.888.225.5234

Fax: 780.413.5932 Claims: 1.888.261.8888

745133_5.DOC

We raise the following question to the Commissioners in light of continued re-evaluation of functional allocations by ICBC. Would it not be prudent to continue to review the functional areas? The benefit would be to ensure that during rate filings, costs associated with Basic would have already been thoroughly vetted to ensure consumers were paying fair premiums for that coverage. It follows that if the costs, for example, of claims adjudication for private insurers are imbedded within the optional premium paid by insureds, there should not be a duplication of these same costs within the Basic premium. This may hold true if the insured has both optional coverage and Basic with ICBC. However, we continue to raise concerns, based on recent cost reallocation, that this is not occurring for those who may choose to insure their optional with a carrier other than ICBC. As a private carrier in British Columbia with over 80,000 optional auto insureds, we want to ensure our insureds are paying a fair premium for not only their Optional coverage, but also their Basic coverage.

As we stated in our final submission to the Commission for the Fall 2004 hearings, if the Commission is to look for cross-subsidies, it must look beyond the allocation methodology itself and to the practices and structure of ICBC as a provider of automobile insurance. We believe there needs to be a continued review of all functions to ensure that ICBC has validly attributed costs to its lines of business, and not simply through a methodology based on cost causation.

With respect to In-House Counsel (Provincial Litigation Services) allocation function, the basis of our decision to not accept this allocation flows from the failure of ICBC to confirm in the Agreement whether claims occurrences (the sum of all exposures) over \$200,000 are handled by In-House Counsel or ICBC Head Office Claims Department or Head Injury Department. If in fact In-House Counsel handles these occurrences, then the allocation of 5% to Optional is in question as to its adequacy. An example illustrating our concern has two injured parties and a settlement of \$150,000 for each party. Based on the statement within the Agreement, the two exposures would be handled by In-House Counsel, yet the claims occurrence incurred loss is \$300,000 which suggests \$100,000 of this claim should be represented under Optional. Despite a request from us to clarify this point within the Agreement, our request has been denied, therefore we cannot agree to this allocator.

In addition, Canadian Direct continues to wait for the report requested during the settlement conference with respect to a breakdown of MD – Property Damage losses indicating the numbers of claims where there was Collision Coverage with ICBC, where there was No Collision Coverage, and where Collision Coverage was with a private carrier¹. Though we would have preferred to have these numbers to incorporate in this submission, we will continue to need this data for future hearings.

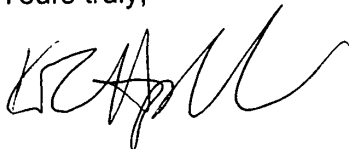
As a private carrier also carrying on business in the province of Alberta, operating under a take all comers environment similar to ICBC, our average Third Party Liability (Basic

¹ We suggest using a similar breakdown as shown in the chart on p. 21 of ICBC's Supplemental Filing (March 31, 2005) to show the breakdown of property damage as illustrated by the graph in the chart on p. 90 of that filing.

plus Excess) and Accident Benefits premium was \$498 for 2004, with current legislation effective July 1, 2005 requiring insurers to reduce their premium for Basic and Excess Liability by a further 6%. We raise concerns that consumers in BC are paying on average \$618 for Basic coverage only in 2003. The direction in Alberta appears to ensure the "mandatory" product is most reasonably priced. By definition, optional products are a choice of the insured – they can choose to buy or not. This is not possible with Basic/Mandatory. It therefore seems counter productive to allocate the majority of costs to Basic, which is the current stated ICBC position. All the 'cost savings' i.e. telephone handling, no adjusters etc. have been applied to Optional Coverages and claims, while the Basic has been assigned the majority of the costs. This would not seem to be sustainable as a business model going forward, and certainly not in the best interests of BC consumers. If costs can be shared more equitably with consumers who have the choice of what to buy and who to buy from (optional), we suggest consumers would be much better served.

We look forward to further opportunity to address our concerns with the Commission on these matters.

Yours truly,

A handwritten signature in black ink, appearing to read 'K. Hopkins-Lee', with a stylized flourish at the end.

Karen L. Hopkins-Lee
Chief Underwriter
Canadian Direct Insurance Inc.



April 22, 2005

British Columbia Utilities Commission
Attention: William J. Grant, Executive Director,
Regulatory Affairs & Planning,
Sixth Floor, 900 Howe Street,
Vancouver B.C. V6Z-2N3

Dear Mr. Grant:

Re: Insurance Corporation of British Columbia ("ICBC") Negotiated Settlement
Agreement

Further to your letter of April 22nd, Log No. 9398 I hereby have pleasure in accepting the Negotiated Settlement Agreement on behalf of Family Insurance Solutions.

We wish to acknowledge and thank all participants, not least yourself, in their hard work in reaching this satisfactory conclusion.

Yours truly,

Peter G. Thrower,
Senior Underwriting Analyst
Suite 1400 –1700 West Hastings Street,
Vancouver, B.C. V6E 2K3



APPENDIX A
to Order No. G-46-05

April 26, 2005

BC Utilities Commission
Sixth Floor, 900 Howe Street
Box 250
Vancouver, BC
V6Z 2N3

Attention: Mr. William J. Grant, Executive Director, Regulatory Affairs and Planning

Dear Mr. Grant:

Re: Insurance Corporation of British Columbia ("ICBC") – FAMA Phase 2

This will acknowledge your letter of April 22, 2005, enclosing a final copy of the Negotiated Settlement Agreement.

Please accept this letter as confirmation of acceptance by the Canadian Northern Shield Insurance Company of the Negotiated Settlement Agreement as presented.

Sincerely,

A handwritten signature in black ink, appearing to read 'C. Elliott'.

Cort Elliott,
Automobile Underwriter
Canadian Northern Shield Insurance Company

CC: Alex Patton, V.P. Insurance

Box 12133, 1900 - 555 W. Hastings Street
Vancouver, British Columbia, V6B 4N6

(604) 662 2900 Fax: (604) 662-5698



Credit Union
Insurance
Services
Association

1441 Creekside Drive
Vancouver, BC
V6J 4S7

APPENDIX A
to Order No. G-46-05

April 26, 2005

Mr. William J. Grant
Executive Director,
Regulatory Affairs & Planning
Sixth Floor, 900 Howe Street
Box 250
Vancouver, B.C.
V6Z 2N3

Dear Mr. Grant,

Re: Insurance Corporation of British Columbia FAMA Phase 2

This letter will confirm the Credit Union Insurance Services Association (CUISA) acceptance of the final copy of the Negotiated Settlement Agreement sent by email April 22, 2005. We are prepared to sign off on this document as presented.

Yours truly,

Lesley Maddison
Executive Director

-----Original Message-----

From: Jim Quail [mailto:JimQuail@bcpiac.com]

Sent: Monday, April 25, 2005 12:36 PM

To: Grant, Bill J BCUC:EX

Cc: Dick Gathercole; Sarah Khan; Commission Secretary BCUC:EX

Subject: ICBC FAMA Phase II

This is to confirm that BCOAPO et al agree with the Negotiated Settlement Agreement circulated with your letter of April 22.

Jim Quail, Barrister & Solicitor
BC Public Interest Advocacy Centre
Vancouver BC
(604) 687-3034

April 26, 2005

William J. Grant
Executive Director
Regulatory Affairs and Planning
BC Utilities Commission
PO Box 250
Sixth Floor, 900 Howe Street
Vancouver, B.C. V6Z 2N3

Dear William Grant:

Re: ICBC Negotiated Settlement Agreement

This is to confirm the acceptance of the Negotiated Settlement Agreement by the CACBC as outlined in the April 22, 2005 email to intervenors.

Yours sincerely,

Greg Basham

Cc: Bruce Cran, President
Trevor Todd, Treasurer

INSURANCE BROKERS ASSOCIATION OF BRITISH COLUMBIA

APPENDIX A
to Order No. G-46-05

1095 West Pender Street, Suite 1300,
Vancouver, B.C. V6E 2M6
Telephone (604) 606-8000
Education Fax (604) 683-8497
Fax (604) 683-7831

Charles J. Byrne, CIP
Executive Director
Email – cbyrne@ibabc.org

April 25, 2005

BC Utilities Commission
PO Box 250
Sixth Floor, 900 Howe Street
Vancouver, B.C. V6Z 2N3

Attention: Mr. William J. Grant, Executive Director, Regulatory Affairs and Planning

Re: Negotiated Settlement Agreement, ICBC FAMA Phase 2

Dear Mr. Grant,

Please accept this letter as confirmation of IBABC agreement to the proposed Negotiated Settlement Agreement on the above topic forwarded to IBABC for review in your e-mail of April 22nd 2005. We are prepared to sign off on the document as presented.

Sincerely,



C. J. (Chuck) Byrne, CIP
Executive Director



Your Best Insurance
is an Insurance Broker.

-----Original Message-----

From: Gordon Adair [mailto:gadair@telus.net]

Sent: Tuesday, April 26, 2005 4:10 PM

To: Tomen, Rose BCUC:EX

Subject: Re: Insurance Corporation of British Columbia - FAMA Phase 2

BC Utilities Commission

We accept the negotiated Settlement Agreement as laid out in your email and attachments of April 22, 2005

Coalition Against No-Fault in BC
Gordon Adair

**Canadian Office & Professional Employees' Union,
Local 378**

2nd Fl., 4595 Canada Way, Burnaby, B.C. V5G 1J9
Phone: (604) 299-0378 Toll Free: 1-800-665-6838 Fax: (604) 299-8211 www.cope378.ca

April 25, 2005

BC Utilities Commission
PO Box 250 Sixth Floor,
900 Howe Street
Vancouver, B.C. V6Z 2N3

Attention: Mr. William J. Grant, Executive Director, Regulatory Affairs and Planning

Dear Mr. Grant:

Re: ICBC Negotiated Settlement Agreement

Please accept this letter as confirmation of the Canadian Office and Professional Union's (COPE) agreement to the proposed Negotiated Settlement Agreement on the above topic forwarded to COPE for review in your e-mail of April 22nd 2005. We are prepared to sign off on the document as presented.

Sincerely,

David McPherson
Senior Business Representative

Steve Toomey
COPE Executive Councilor

Russell Sykes
Registered Intervenor
2958 Brixham Road
North Vancouver, BC
V7H 1C4

April 25, 2005

British Columbia Utilities Commission ("BCUC")
6th Floor, 900 Howe Street
Vancouver, BC Canada V6Z 2N3

Attention: William J. Grant, Executive Director
Regulatory Affairs & Planning

Dear Mr. Grant:

RE: "ICBC Workshop" – Page 92 of BCUC's January 19, 2005 Decision

Thank you for the delivery April 22, 2005. The envelope contained the following:

- Your letter dated April 22, 2005 (1 page)
- Confidential Agreement – "unsigned/undated" (5 pages)
- Schedule 1 (4 pages)
- Schedule 2 * (67 pages)
- Schedule 3 * (54 pages)
- Schedule 4 * (107 pages)

* - includes cover page, table of contents, and pages not numbered.

If BCUC intended to include other documents in the envelope delivered, please contact me at 604 929 2719.

It is my understanding that the changes by participants (reference: first sentence of your April 22, 2005 letter) include the changes suggested by BCUC staff.

With regard to the second paragraph of your April 22, 2005 letter, I am unable to confirm acceptance of the proposed NSA. I will submit a "Dissent Argument" for consideration by the panel. In preparing the "dissent", I will refer to BCUC's **Negotiated Settlement Process – Policy, Procedures and Guidelines (January 2001)**.

I request that BCUC allow me to deliver my "Dissent Argument" to BCUC on **May 2, 2005** (as April 30, 2005 is a Saturday).

Yours truly,



BCUC Log # 9946
RECEIVED

APR 25 2005

Routing Ccd to Staff only

Russell Sykes
Registered Intervenor
2958 Brixham Road
North Vancouver, BC
V7H 1C4

May 2, 2005

British Columbia Utilities Commission ("BCUC")
6th Floor, 900 Howe Street
Vancouver, BC Canada V6Z 2N3

Attention: William J. Grant, Executive Director
Regulatory Affairs & Planning

Dear Mr. Grant:

RE: "ICBC Workshop" – Page 92 of BCUC's January 19, 2005 Decision

Enclosed is my "Dissent Submission" relating to the proposed agreement regarding the above-noted. The enclosed submission includes Appendix "A".

Please provide the enclosed to the panel for its consideration.

I consent to having this letter and the enclosed distributed to the parties and made available to the public.

Thank you for extending the time for delivery until May 2, 2005.

Yours truly,



BCUC Log # 100008
RECEIVED

MAY 02 2005

Routing Cd to Comm & Staff
4/5 WK

BRITISH COLUMBIA UTILITIES COMMISSION ("BCUC")

In the Matter of the *INSURANCE CORPORATION ACT* and *UTILITIES COMMISSION ACT*

and

An Application by the Insurance Corporation of British Columbia ("ICBC")
for Approval of a Financial Allocation Methodology

and

A Filing by ICBC relating to Road Safety and Collection of Data Relating to
Age, Sex and Marital Status and a Filing by ICBC containing
Actuarial and 2005 Financial Information

**"DISSENT SUBMISSION" BY RUSSELL SYKES (REGISTERED INTERVENOR)
TO THE PANEL RELATING TO THE PROPOSED AGREEMENT AS A RESULT
OF THE NEGOTIATED SETTLEMENT PROCESS AT THE WORKSHOP HELD
BY ICBC (REFERENCE: DIRECTION AT PAGE 92 OF THE PANEL'S DECISION
DATED JANUARY 19, 2005 - AND THE BCUC ORDER NUMBER G-9-05)**

To: The BCUC Panel:

Commissioner Len F. Kelsey, Chair

Commissioner Nadine F. Nicholls

Commissioner Peter E. Vivian

And to:

ICBC

Registered Intervenors.

Submitted to BCUC: May 2, 2005.

INTRODUCTION

1. This is a "dissent submission" which is being filed with BCUC relating to the proposed agreement as a result of the workshop concluded April 8, 2005 (the **Negotiated Settlement Process - Policy, Procedures and Guidelines (January 2001)** is the terms of reference). This submission is in response to the following materials received on April 22, 2005 (see page 34 of Appendix "A" attached):

- letter from W. J. Grant dated April 22, 2005 (1 page)
- Confidential Agreement - "unsigned/undated" (5 pages)
- Schedule 1 (4 pages)
- Schedule 2 * (67 pages)
- Schedule 3 * (54 pages)
- Schedule 4 * (107 pages)

* - includes cover page, table of contents and pages not numbered.

2. For identification and referencing, the paragraphs in this submission are "numbered". Appendix "A" (attached) is an integral part of this submission. Each page in Appendix "A" is numbered for identification and referencing. Regarding the scope of the panel's direction on page 92 of its Decision dated January 19, 2005 in respect of the ICBC workshop, BCUC staff takes the position that only seven allocation functions could be dealt with (see pages 23 to 25 of Appendix "A" attached). The panel (I submit) may have intended a broader review in using the words "cost categories" on page 92 - rather than "allocation functions" used on pages 38 and 41.

OVERVIEW AND BACKGROUND

3. Since ICBC was made subject to regulatory review by BCUC (by legislation), I have taken the position that the Financial Allocation and, in particular, the Cost Allocation that ought to be used by ICBC should result in the accurate measurement of "net income" and segmented Balance Sheet for the businesses ICBC operates: namely, (1) Basic insurance, (2) Optional insurance, and (3) Non-insurance. In its 2003 Annual Report, ICBC discloses it

made "net income" of \$ 45.5 million from Basic and \$ 179.3 million from Optional (see page 8 of Appendix "A" attached) - for total net income for 2003 of \$ 224.8 million.

4. ICBC reported total net income for 2004 of about \$ 389 million (see newspapers for articles regarding ICBC's 2004 profits, bonuses to ICBC employees, and premium rates). All of the information ICBC will include in its 2004 Annual Report was known to ICBC before the workshop commenced in March 2005. The panel knows that ICBC signed its financial report and the auditors signed the 2003 audit report on February 13, 2004 (see pages 2 to 4 of Appendix "A" attached).

5. Measured by "premiums earned", ICBC's Basic insurance grew by 5.63% from 2002 to 2003, but its Optional insurance grew by 13.30%. Individuals are increasingly choosing not to file claims against ICBC to preserve their claims-rated discounts or avoid surcharges. It is estimated that between 30% and 40% of all motor vehicle accidents in BC are not reported to ICBC, because individuals do not want to lose their claims-rated discounts or incur surcharges. When ICBC informs claimants of the impact of liability or fault on their premiums, many claimants withdraw their claims from ICBC.

6. For 2003, ICBC's allocation using "premiums earned" would be as follows (see page 8 of Appendix "A" attached for premiums earned figures):

	Basic	Optional	Total
Premiums earned	\$ 1,633,908	\$ 1,225,579	\$ 2,859,487
Less: Non-insurance costs	102,601	NA	102,601
Net	\$ 1,531,307	1,225,579	2,756,886
Net %	55.54%	44.46%	100.00%
Gross %	57.14%	42.86%	100.00%
Change	(1.60)	1.60	

7. ICBC's cost structure and its actual cost incurred or paid in a particular year is not connected to the premiums written or earned in that year - as premium rates were set in a

previous year. ICBC's main cost functions are as follows (see page 6 of Appendix "A" attached):

	2003		2002	
	Dollars	%	Dollars	%
Claims incurred	\$ 2,208,140	74.39	\$ 2,193,492	75.11
Claims services	235,614	7.94	233,713	8.00
Road safety/loss management	38,086	1.28	38,306	1.31
Operating costs - insurance	109,063	3.67	105,791	3.62
Premium tax/commissions	274,839	9.26	249,778	8.55
Non-insurance costs	102,601	3.46	99,296	3.40
Total	\$ 2,968,337	100.00	\$ 2,920,376	100.00

8. Prior Years' Claims Adjustments (PYCA) is the measure of accuracy, completeness, and consistency of an insurer's estimates of "Unpaid Claims" (the largest liability of insurers).

ICBC's "Unpaid Claims" of \$ 4,527,441,000 at December 31, 2003 represents **748.37** days of outstanding claims (based on 2003 claims incurred). At December 31, 2003, ICBC's "Unpaid Claims" of \$ 4,243,570,000 represented **706.14** days of outstanding claims (based on 2002 claims incurred). The panel (I submit) should be very concerned about the increase of **42.23** days in just one year. [See pages 5 and 6 of Appendix "A" attached for "Unpaid Claims/Claims Incurred" figures for 2003 and 2002).

9. Based on ICBC's 2003 and 2002 audited statements, ICBC's total "Claims Incurred" represents **77.72%** of 2003 vehicle premiums earned, compared with **84.15%** for 2002 (see page 6 of Appendix "A" attached). This trend is anomalous given the information in the preceding paragraph.

10. ICBC says 84% of its costs are easily attributed directly to particular segments. There has been no verification to establish that direct attribution was done correctly. The panel ought to be concerned about the accuracy of the direct attribution. The principles the panel should ensure are, in fact, applied correctly and consistently are:

- a) costs directly caused by a single segment ("direct costs") be allocated directly to the particular segment - Basic, Optional, or Non-insurance
- b) the remaining costs ("indirect costs") be allocated based on cost causality, defined clearly and accurately including fixed/semi-variable/variable nature of the costs, relationships to changes in volume or demands due to the applicable cost drivers, type of claims/kinds of losses, and activities.

11. ICBC gives the following functional breakdown of the 104 allocation functions (see pages 35 to 40 - Schedule 2):

(Dollar amounts in thousands)

	Basic	Non-insurance	Optional	Total
Claims Service	\$ 148,686	529	\$ 86,928	\$ 236,143
Road Safety	35,478		2,608	38,086
Operating Costs - Insurance	22,765	9,893	18,442	51,100
Operating - Admin/Other	60,421	17,758	33,944	112,123
Operating - Prem Financing	(14,819)		(11,690)	(26,509)
Commissions/Prem tax	94,957	16,085	179,882	290,924
Non-insurance costs		102,601		102,601
Total	\$ 347,488	146,866	310,114	\$ 804,468
Total - % overall	43.19%	18.26%	38.55%	100.00%

12. ICBC's allegations that cost allocation at cost-centres is "complex and confusing" ought to be rejected by the panel. ICBC budgets and accounts for actual costs at its cost-centres. The use of detailed accounts in large organizations is accepted practice to plan and control operations, including cost reduction and "zero-based budgeting".

13. ICBC says ... "many cost-centres consist of staff whose work breaks down into periods during which their "work effort" can be clearly identified as being associated with Basic insurance, Optional or Non-insurance activities" (first sentence, page 5 - Schedule 2).

14. ICBC says ... "By estimating the amount of time spent on activities associated with each business segment, the staff time can be allocated appropriately to the three business segments" (second sentence on page 5 of Schedule 2).

15. ICBC says some cost-centres that are indirectly allocated rely on second order indicators of cost causality - for example, office space used by staff in specific activities (paragraph 18, page 5 - Schedule 2). ICBC says that, for cost-centres serving general support functions, it cannot measure how these costs are caused by each business segment, and that it uses judgment to achieve allocations (paragraph 19, page 5 - Schedule 2). ICBC provides no information how the judgment is exercised or about the factors used.

16. ICBC continues to change its cost centres and terminology (names or descriptions assigned to particular activities and functions). These changes make comparisons with the budgets and results from period to period and year to year difficult or impossible. BCUC ought to direct ICBC to use a standard chart of accounts and sub-accounts so that meaningful information is produced in clear and consistent manner.

17. ICBC says ... "ICBC's financial allocation is based on its review of each cost-centre to determine the allocation method that provides the measure of the share of each cost-centre's costs that are caused by each of the three business segments (paragraph 15, page 4 - Schedule).

18. ICBC says cost-centres that cannot be allocated directly are allocated indirectly. ICBC says "In many cases this indirect allocation could be accomplished through a direct measure of the extent to which the cost-centre costs are caused by each business segment" (see paragraph 17, page 4 - Schedule 2).

19. It is not clear from information provided by ICBC how ICBC intends to use the "cost allocation decision to be made by the panel" in revenue requirements regulatory processes, in Annual Reports, and in setting premium rates and claims-rated discounts and surcharges.

20. With regard to the Non-insurance segment, ICBC recovers the cost of Non-insurance activities as part of its Basic insurance premiums because of *Special Direction IC2*. It is important to track and report accurately the "costs of the Non-insurance activities" so that these costs can be reported to the public and to the government. Premium tax (4.4%) is increased to the extent these costs are included in the Basis premium tax base.

21. ICBC, one of the largest insurance companies in Canada (annual premium of about \$ 3.0 billion and assets exceeding \$ 7.0 billion), has overwhelming benefits of economies of scale, degree of specialization of employee skills/operations, and law of large numbers. ICBC says the primary purpose of its allocation methodology is to identify the costs associated with Basic insurance, Optional insurance and Non-insurance segments in order for Basic insurance premiums to be properly quantified (page 3 - Schedule 2). The NSP proposed agreement does not achieve that result.

22. This submission uses the descriptions and dollar amounts (for the seven allocation functions identified) on pages 38 and 41 of the panel's Decision dated January 19, 2005.

THE PROPOSED NSP AGREEMENT

23. I am unable to accept the proposed agreement. That agreement is summarized as follows (reference: the seven allocation functions identified on pages 38 and 41 of the Panel's Decision dated January 19, 2005 - total \$ 192,211,000):

- a) With regard to **Regional Operations** - \$ 131,119,000, it is proposed to accept ICBC's revised allocation of 62.9% to Basic and 37.1% to Optional.
- b) With regard to **Claims Litigation (Field Service)** - \$ 8,648,000, it is proposed to accept ICBC's allocation of 95% to Basic and 5% to Optional.
- c) With regard to **Claims System Support** - \$ 21,873,000, it is proposed to accept the cost allocation using the "Claims Division Average allocator".

- d) With regard to **General Support - \$ 15,236,000**, it is proposed to accept the "Claims Division Average allocator".
- e) With regard to **Insurance Allocations - \$ 7,286,000**, it is proposed to accept as the basis for the allocation the "premiums written as modified by direction in the Decision dated January 19, 2005".
- f) With regard to **Bad Debts & Allowance - \$ 4,911,000**, it is proposed to accept the basis of "premiums written as modified by direction in the Decision dated January 19, 2005", except that uncollectible DPP premiums are to be allocated 100% to Basic insurance.
- g) With regard to **General Broker Support - \$ 3,138,000**, it is proposed to accept the basis of "premiums written as modified by direction in the Decision dated January 19, 2005".

"CLAIMS DIVISION AVERAGE ALLOCATOR"

24. ICBC says its "Claims Division Average allocator" is **60.2%** to Basic, **0.3%** to Non-insurance, and **39.5%** to Optional (paragraph 25 of the proposed agreement). The panel (I submit) should reject this allocation method. It is too remote, biased, and too complicated as it depends on many other factors. I propose alternative methods (see paragraphs 86 to 89 below) for **Claims System Support** and **General Support**.

CLAIMS SERVICING COSTS

25. ICBC refers to the allocation of claims service costs (ULAE) on collision and property damage claims on Exhibit B-27 (Oct 7/04). ICBC says that in 2003 it had **\$ 323 million** property damage claims and **\$ 330 million** collision claims. ICBC says it allocated "50% of the work effort" to each of these types of claims (ICBC says information to determine the proportion of work effort relating to collision and property damage claims is not available - see pages after page 49 - Schedule 2).

26. ICBC does not provide information to show amounts of "allocated" and "unallocated" claims service costs included as part of ICBC's "Claims Incurred" (the largest expense item on ICBC's Income Statement) and as part of its "Unpaid Claims" (the largest liability item on ICBC's Balance Sheet). [See pages 49 and 50 - Schedule 2.] Intending no disrespect, I submit that BCUC does not understand the claims incurred components (see page 16 of

Appendix "A" attached) and the actual accounting entries ICBC makes to provide the basis for preparing financial statements.

27. A key issue is the handling of "period costs" - that is, those costs incurred to provide service only for a particular period, such as a month or a year. This is relevant because ICBC includes in its "Unpaid Claims" (on the "undiscounted basis") full provision for all future claims serving costs relating to all outstanding claims (such claims will eventually be resolved by way of settlement, judgment or abandonment).

28. It is difficult to understand how ICBC does its accounting entries relating to claims reserves and claims servicing costs. The panel (I submit) is unable to understand this issue, and ought to conclude that ICBC provides "insufficient information". It can be inferred from ICBC filings that ICBC makes accounting entries as follows (in general journal form):

	Debit	Credit
Unpaid Claims	\$ A	
Cash/Bank		\$ A
(When claims are paid)		
Claims Incurred	\$ B	
Unpaid Claims		\$ B
(When a claim is set up)		

Note: The related "claims servicing costs" are tracked along with the claim reserve, to provide for full provision for future costs (see page 16 of Appendix "A" attached).

29. From the automobile insurance industry point of view (in British Columbia), ICBC carries virtually all of the third party liability exposure for optional insurance (that is, for limits above basic), as ICBC has more than 90% of the entire third party liability risk in the province of British Columbia. Given this fact, it is reasonable to infer that ICBC expends substantial resources to keep loss adjustments to the minimum - as every dollar of third party claims saved directly increases ICBC's profits and investments.

30. Contacts with customers involve potential claims against Optional insurance, given that ICBC sells so much optional coverage (ICBC has about 90% of the Optional automobile insurance market in British Columbia).

31. ICBC says its 2003 claims reported (total of 930,817) were handled as follows (see page 42 - Schedule 2, and page 89 - Schedule 4):

	Number	Share
by Regional Claims Centres	525,580	56.5%
by Call Centre	399,725	42.9%
by Specialized Handling	5,512	0.6%
Total	930,817	100.0%

32. The number of claims opened is relevant to work effort measurements and trends. Adjusters handle claims previously opened that are not yet resolved - as such claim files add to workloads. If there are increasing "numbers" of claim files outstanding, workload and work effort demands increase. It is preferable, for both ICBC and claimants, to have claims settled promptly, properly and without litigation.

33. ICBC says its most detailed level of "claim count" is by exposure - that is, claims reserve for particular persons and particular losses (page 24 - Schedule 4). ICBC Annual Reports give claim counts at a higher level than that at which its "claims reserves" are set up, changed and accounted for as payments are made. ICBC ought to be able to provide analyses of its Prior Years' Claims Adjustments ("PYCA) by claims reserves - that is, at the lowest level of detail.

34. ICBC does not provide a breakdown of its "Claims Incurred" for 2002, 2003 and 2004 by claims coverages, by kinds of losses and by exposures. Such information is relevant to understand page 94 of Schedule 4. The panel (I submit) can conclude that ICBC has not

filed sufficient evidence relating to claims incurred and unpaid claims (see page 16 of Appendix "A" attached).

35. ICBC continues to eliminate work effort by changing its claims handling policy and practice. For example, ICBC's Glass Program allows claimants to report claims directly to an ICBC Glass Service Provider and have the entire claim estimated and adjusted by the provider without reporting the claim to ICBC or attending at a claim centre (page 25 - Schedule 4).

36. ICBC does not provide work effort information on RoadStar and RoadSide Plus. ICBC says the costs of these programs are in associated transactions (page 25 - Schedule 4). The panel (I submit) can readily find that the information provided by ICBC is insufficient. The panel ought to be concerned about the costs of and the profitability of ICBC's RoadStar and RoadSide Plus programs, and the implications of them including tied selling and impact on ICBC's market share of Optional Insurance.

37. ICBC says it uses a liability indicator (A - accept, C - contentious, D - deny) on all initial claims reports, to communicate the initial liability status to all adjusters (page 95/96 - Schedule 4). Generally, ICBC codes only about 20% of claims as "accept" initially; this means that about 80% are subject to investigation/adjudication with ICBC with all of the associated time, effort and cost ("work effort"). Ultimately, each and every claim is resolved as either "accept" or "denied" in terms of liability or fault. There are also split fault categories (for example, 50% assigned to each where two parties are involved). ICBC does not provide any information on this aspect of fault determination and impacts.

38. Most claimants deny liability and allege other parties are at fault, to obtain indemnity for repair costs to their own vehicles under another person's third party liability coverage,

and to avoid losing claims-rated discounts. ICBC says that the final assessment of liability or fault is 45% "accept" and 55% "deny" (page 95 - Schedule 4). If claims-rated discounts are lost or reduced, ICBC obtains an increase in premiums written and premiums earned.

REGIONAL OPERATIONS - \$ 131,119,000

39. ICBC says its 2003 claims handled through its Regional Claims Centres (total of 525,580) were made up of the following types of claims (see page 42 - Schedule 2, and page 90 - Schedule 4):

	Claims Number	%
Basic insurance		
Property damage	91,815	
Accident benefits	57,101	
Bodily injury	40,970	
Death benefits	301	
Total - Basic	190,187	36%
Optional insurance		
Collision	114,427	
Glass (windshield)	95,253	
Comprehensive	54,215	
RoadStar	37,197	
RoadSide Plus	22,578	
Special covers	11,723	
Total - Optional	335,393	64%
Total	525,580	100%

40. ICBC says that, for the Call Centre, "newly opened exposures" are 36% for Basic and 64% for Optional (page 91 - Schedule 4).

41. All well-managed large businesses do work studies as an integral part of planning and controlling operations. ICBC, as an insurer, is governed by the contractual provisions of the insurance it issues under policies. ICBC ought to be doing work studies regularly and as an integral part of planning and budgeting (setting budgets by cost-centres). Forecasting and revisions to outlooks, and "variance analysis" are essential to monitor the business. Day to day management requires controlling staff levels (number of employees/mix of skills), unit

costs, and cost/volume/profit relationships. "Variance analysis" (to explain the difference between actual results and budgeted amounts) is essential for control. "Variance analysis", properly done, identifies staff performance, excess capacity, changing types of claims, effects of changes in operations, effects of volume changes by type of claims, effects of prices and competitive changes, impact of technology and business changes - internal and external, and processing issues including number of days claims remain outstanding (see also paragraph 8 above).

42. ICBC says it recognizes four key factors relating to Regional Claims Centres - as follows: (1) different types of claims; (2) different complexity of each type of claim; (3) different ICBC employees (skill level, pay, performance - including bonuses); (4) staffing requirements for different volumes by each type of claim (a volume/claim type matrix). ICBC provides no information as to how these factors measured, linked and weighted for cost functions (see paragraph 104 below).

43. ICBC admits its claims volumes affect work effort (page 2 - Schedule 4). ICBC says "activities" are essential in analyzing transaction costs/claims transactions. ICBC accepts that its "controllable costs" need to be managed, and it needs to better manage operating costs by identifying claims handling efficiencies/cost reduction opportunities (see page 3 - Schedule 4). The panel (I submit) can easily find that these admissions justify regular work studies. The panel should reject the "generalized bases in the proposed agreement".

44. ICBC's "Transaction Costing Project" ("TCP") was done in 2002. There has been no examination or cross-examination of ICBC's TCP team relating to the scope, sample sizes, investigation process, evidence used to support findings (see TCP responsibilities and objectives - pages 4 to 12 - Schedule 4).

45. ICBC says its TCP (July 3, 2002 - prepared by Sodra/McEachern) will assist in developing ICBC's 2003 Operating Plan (page 29 - Schedule). There is no evidence as to whether or how this was done.

46. ICBC says that the cost matrix applies the percentages to actual costs for 2001 and 2002, and that these costs are then divided by the number of transactions to generate the cost per activity/transaction (page 30 - Schedule 4). ICBC provides no cost data for 2001 or 2002. The panel (I submit) requires such information as baseline to measure trends.

47. ICBC does not provide the "S & S Transaction Costing Report" which was due on August 15, 2002 (page 31 - Schedule 4).

48. ICBC says: "Analysis of the underlying business process is required to achieve reductions" (page 36 - Schedule 4).

49. ICBC says it will collect data - severity by transaction type and region, and compare severity per transaction to cost per transaction (page 39 - Schedule 4). This is a type of "Benefit/Cost Analysis" that is necessary and relevant to any regulator, but is not provided by ICBC. Again, the panel can readily (I submit) find that the information in ICBC's filing is "insufficient" in the context of BCUC's regulatory mandate.

50. ICBC says "transaction costing" provided consistency by allowing for year over year comparisons (page 12 - Schedule 4). Yet, ICBC wants the panel to approve the 2002 results (which have not been tested) and order no review until the 2008 policy year.

51. ICBC's eleven (11) transaction types (page 7 - Schedule 4) were modified for cost allocation. ICBC says it "blended" the file initiation transaction type with the 10 coverage based transactions types (page 13 - Schedule 4). ICBC provides no information about the process of using compensation cost weighting to distribute the file initiation work effort over the 10 transaction types (page 13 - Schedule 4).

52. ICBC refers to "complete report" on page 41 of Schedule 4. I am unable to locate that report in ICBC's filings.

53. ICBC says the costing project will cost \$ 51,885 but estimates \$ 52,753 (page 42 - Schedule). ICBC used only ICBC employees for the work effort study (no consultants or contractors). Lynn McEachern spent 250 hours for a cost of \$ 16,750 (\$ 67.00 per hour).

54. ICBC says its total compensation and operating costs ("costs") for 2002, 2003 and 2004 were as follows (pages 47 and 48 - Schedule 4):

	Year 2002	Year 2003	Year 2004
Costs	\$ 136,445,241	\$ 131,118,500	\$ 128,214,700
No. of transactions	532,478	412,897	409,848
Average cost	\$ 256.25	\$ 317.56	\$ 312.83

55. ICBC does not provide transaction counts for MD Files - Customer Services for 2002, 2003 and 2004. The panel will note that page 53 of Schedule 4 is incomplete.

56. The survey was done using closed files. On a given day, claims servicing employees work on new claims reported that day, claims outstanding from previous years, and other claims reported in the current year. The files closed are not indicative of a typical day's workload/work effort under current business policies and practices. The type of claim

affects the time involved, duration the claim is outstanding, and reserves/final claim amount and resulting PYCA impact. The panel (I submit) should be concerned with the continuing increase in ICBC's Unpaid Claims and outstanding claim files (see paragraph 8 above).

57. ICBC experiences a high turnover rates among employees in claims servicing. Such turnover affects work effort, productivity, and causes delays in handling claims. There is a "bias" within ICBC to allocate costs to Basic insurance - to try to justify Basic premium rates. ICBC has no competition in Basic insurance. ICBC provides no information as to how "bonuses/profit-sharing amounts to ICBC employees" are affected by cost allocations between Basic insurance, Non-insurance and Optional insurance. The panel (I submit) ought to be informed about these issues before deciding about the proposed agreement.

58. ICBC's "work effort" for 2002, 2003 and 2004 (pages 69 and 70 - Schedule 4) is not supported by any evidence. It is difficult to understand how ICBC could have developed these allocation matrices at the level of detail given on the annual basis for 2002, 2003 and 2004. The panel (I submit) ought to require ICBC to produce the "evidence" supporting the allocations on pages 69 and 70 of Schedule 4. ICBC provides no underlying evidence used to arrive at, or calculate, the percentages given.

59. ICBC's Allocation Matrices for Regional Claims Centres (pages 71 to 75 - Schedule 4) are not supported by any underlying evidence. ICBC seems to take the position that those pages, in and of themselves, are "evidence". It is simple (using computers) to construct the matrices shown on those pages (for example, ICBC says Greater Vancouver is 65.68% to Basic and 34.32% to Optional for 2002 - see page 72 of Schedule 4).

60. ICBC says its "MD Files - Collision and Property Damage" ought to be 36.6% to Basic and 63.4% to Optional (page 76 - Schedule). There is double counting of 95,676. The allocation is **12.97%** to Basic and **87.03%** to Optional (removing 95,676 from basic/total).

61. ICBC says its exposures closed in 2004 indicate 34.3% to Basic and 65.7% to Optional (page 77 - Schedule 4). There is double counting of 85,948. The allocation is **13.22%** Basic and **86.78%** to Optional (removing 85,948 from the basic/total).

62. ICBC says its "MD Files - Customer Care" allocation ought to be 24.4% to Basic and 75.6% to Optional (page 78 - Schedule 4). The allocation is **4.38%** to Basic and **95.62%** to Optional (removing 32,249 from the basic/total columns). For 2004, ICBC says the allocation should be 24.7% to Basic and 75.3% to Optional (page 80 - Schedule 4). The allocation is **4.82%** to Basic and **95.18%** to Optional (removing 29,433 from basic/total).

63. ICBC says Property Damage of \$ 22,407,873 ought to be allocated \$ 8,290,913 to Basic or 37%, and \$ 14,116,960 to Optional or 63% (page 83 - Schedule 4). This is confusing. ICBC provides no underlying evidence.

64. The statements on page 84 of Schedule 4 are unclear. The panel (I submit) should direct a hearing so that Lynn McEachern can be cross-examined as to how the data on volumes provided to claims personnel was used in preparing and reviewing the work effort estimates (page 84 - Schedule 4). The panel needs to know (I submit) why ICBC cannot produce the table on page 47 (Appendix 4) of the March filing using claims reported. ICBC did not do costing and the survey of claims personnel using claims reported. This vitiates estimates posited by ICBC.

65. ICBC admits that the number of "claims reported" in the year is, in fact, "claims coverages" (page 85 - Schedule 4). Again, the panel can and should (I submit) be critical of ICBC being "loose" with terms/phrases where it is necessary to be clear and not misleading. ICBC says "claims coverages" are similar KOL's on claim files - for example, tort (KOL17 - insured; KOL21 - insured; KOL27 - hit and run) and accident benefits (mandated - KOL32, medical expenses - KOL35). [See pages 85 to 88 - Schedule 4.]

66. ICBC defines an "incident" as an occurrence of a separate and distinct event - for example, a collision between two or more vehicles is counted as "one incident". ICBC assigns a unique "claim file number" when each claimant is involved in an incident reported to ICBC. ICBC tracks claims at the claimant level.

67. ICBC assigns a "Kind of Loss" code ("KOL") using a numbering system - for example, single vehicle collision is KOL01; multiple vehicle collision is KOL02; bodily injury has codes KOL17, KOL21, KOL27; and accident benefits has codes KOL32, KOL35. ICBC tracks its claims at a detailed level.

68. ICBC says that, within each KOL, separate "exposures" are reserved for each claimant. ICBC tracks reserves and payments against reserves at the "exposure" level by claimant. The panel (I submit) ought to direct ICBC to produce data explaining "Unpaid Claims" at exposure level (see paragraph 8 above).

69. ICBC provides no evidence for the 4% at claims centres and 96% at Telephone Claims Centre (page 13 - Schedule 4). ICBC takes the view that statements made in its filings are, in and of themselves, "evidence" of assertions made. The panel ought to be concerned about confusion due to "name changes" made by ICBC to its cost-centres, description of activities (work effort components) and to allocation functions (page 13 - Schedule 4).

70. ICBC does not provide sufficient information about the significance of rolling up RoadStar/RoadSide Plus into primary coverages (such as Collision) for allocation purposes (page 13 - Schedule 4). The panel (I submit) cannot determine how this impacts allocations between Basic and Optional insurance.

71. ICBC says compensation for 2002 in Greater Vancouver was \$ 45,865,963 (page 14 - Schedule 4). ICBC says this \$ 45,865,963 breaks down to 65.68% for Basic and 34.32% for Optional (page 67 - Schedule 4). ICBC does not show how this amount reconciles with total compensation for 2002. It is not clear whether ICBC included benefits in arriving at the compensation amounts used in its filings ("compensation benefits" ought to include past, current and future benefits, pensions and post-retirement obligations). The panel (I submit) does not have sufficient evidence to make findings as to how ICBC computed compensation or whether or not ICBC included benefits (direct and/or indirect costs) in its compensation figures, or the extent to which benefits (direct/indirect) have been taken into account by ICBC in costing "compensation" and cost allocations to its business segments. The panel knows that substantially all of ICBC's operating costs are "compensation or compensation related".

72. ICBC's information on page 15 of Schedule 4 is confusing and insufficient.

73. The costs of operating and maintaining ICBC's Regional Claims Centres are a "significant financial burden"; ICBC wants to have these costs included in the Basic premiums rate base. Basic premiums include 4.4% premium tax - which must be paid by policyholders who are required by law to buy Basic insurance. The government gets a "windfall" in the form of premium tax on inefficiencies.

74. The "volumes and mix of types of claims" and the claims handling processes, policies, practices, procedures have changed since the 2002 TCP. ICBC admits its business has changed significantly in recent years. The panel knows that the number of ICBC employees has been reduced from 6,400 to about 4,500 - but premiums written and unpaid claims have increased. ICBC needs to know the impact on work effort when deciding business changes. Business changes should be made to improve efficiency/effectiveness, reduce time to resolve claims, and reduce premiums. Senior management, the Board of Directors, and provincial government need accurate unit costs and costing to measure performance of ICBC's executive, management and staff.

75. ICBC has not delineated the effects on claims and claims servicing of key external factors, such as: new vehicles; changes in populations/demographics; weather conditions; road safety changes; changes in enforcement (laws, and police effectiveness). The panel (I submit) should be very disturbed that ICBC has not provided information relating to these material factors and their relationships in costing calculations.

76. Exhibit B-27 refers to "subrogation" (page 49 - Schedule 2). "Subrogation" is a recovery of losses and costs and a significant factor in reducing "Claims Incurred" (ICBC's most material expense category on its Income Statement is "Claims Incurred" - see pages 5 to 8 of Appendix "A" attached). The panel (I submit) cannot make any findings of fact using the statements on Exhibit B-27.

77. ICBC conceded its allocation in its July 5, 2004 filing was incorrect. ICBC revised its allocation to 65.3% to Basic and 34.7% to Optional (paragraph 29, page 7 - Schedule 2). The NSP agreement proposes 62.9% to Basic and 37.1% to Optional - a slight aberration. The panel (I submit) can find the "true allocation" is closer to 36% to Basic and 64% to

Optional (see paragraphs 39 and 40 above). If 36% is used (instead of 62.9%), allocation to Basic would be reduced by \$ 35,271,001 - which represents 2.16% of Basic premiums earned for 2003 (see page 8 of Appendix "A" attached for allocated results by ICBC).

78. ICBC's 44 Regional Claims Centres are listed on page 41 of Schedule 2. ICBC admits its Claims Centres are "outmoded/inefficient" given current technology and practices (for example - computers, communications, and contracts with suppliers). The Regional Claims Centres are, in principle, in the nature of discontinuing operations and ought to be treated as a "non-recurring item" (excluded from measuring net profits from Basic and Optional). In addition, ICBC's actuarial models and cost factors used to estimate future premium rate requirements should exclude "costs of outmoded/inefficient operations".

79. The next review in 2007 for the 2008 policy year (as proposed in paragraph 9 on page 2 of the proposed agreement) ought to be rejected by the panel. The panel (I submit) should include financial allocation as part of the revenue/premium rates hearing for 2006.

80. Regarding unidentified motorist (hit & run) and uninsured motorist claims, ICBC provides pages 97 to 104 of Schedule 4. The information provided by ICBC on this important issue is "insufficient". Some of the questions to evaluate this issue are:

- a) What amounts did ICBC receive under s. 20(11) and (12) on page 99 of Schedule 4?
- b) What amounts did ICBC receive under s. 24(11) on page 102 of Schedule 4?
- c) What amounts are paid to comply with s. 24(12) of page 102 of Schedule 4?
- d) What amounts was ICBC liable for under s. 24(1) on page 100 of Schedule 4?
- e) What amounts did ICBC recover under s. 24(6) on page 101 on Schedule 4?
- f) What amounts did ICBC pay under s. 24(7) and (8) on page 101 of Schedule 4?
- g) What amounts did ICBC pay pursuant to s. 20(16) on page 100 on Schedule 4?

81. At the workshop, ICBC's obligations relating to victims indemnity and legislation was discussed very briefly. ICBC gives no information about this matter. ICBC does not provide information about amounts paid within the limit of s. 105(1) on page 102 of Schedule 4

and amounts exceeding that limit. ICBC provides no information about amounts saved by applying s. 107(1) and (2) on page 103 of Schedule 4. The panel (I submit) is not able to reach conclusions or findings about these issues because of "insufficient information".

CLAIMS LITIGATION (FIELD SERVICE) - \$ 8,648,000

82. The court jurisdiction for small claims is being increased (from the \$ 10,000 limit). ICBC does not provide information about the number of actions filed in the courts (small claims court, and superior courts). Pursuit of proceedings in court is necessary only if ICBC does not settle the claim without litigation; as a protection it is prudent to file writs or initiating court documents to establish or preserve rights to court remedies.

83. This is the "tip of the iceberg". The issue of legal costs (payments to lawyers for prosecution and defense, and court-awarded costs) are a significant part of the ICBC's "Claims Incurred". The panel knows ICBC included a provision for tariff increase of \$ 119 million in its 2003 financial statements. Claimants must take court action as a last resort and file court documents to comply with law including limitation. Insurance is a contract of utmost good faith and indemnity; ICBC adjusters must deal in good faith with claims. Legal proceedings are an indication of problems with claims handling. The panel (I submit) should be very concerned about this material area of costs not dealt with by ICBC.

84. ICBC uses legal effort to eliminate or reduce "claims incurred" for optional insurance. This strategy increases ICBC's "net income" from Optional insurance (ICBC receives about 90% of premiums written for optional insurance in British Columbia). If an insured with basic coverage wants to preserve his or her claims-rated discount or avoid surcharge, then he or she must not be liable or at fault for the claim.

85. This cost should be charged **100%** to Optional insurance; it represents only **0.7%** of ICBC's "optional premiums earned" of \$ 1,225,579,000 for 2003. As the minimum, this cost ought to be allocated **50%** to Basic insurance and **50%** to Optional insurance - based on the joint/common costs argument. [Pages 51 to 54, Schedule 2.]

CLAIMS SYSTEM SUPPORT - \$ 21,873,000

86. The proposed agreement does not state what percentage would be to Basic and to Optional insurance, and whether any amount ought to be assigned to Non-insurance (see paragraph 14 on page 3 of the proposed agreement).

87. ICBC's explanation of these costs and underlying "causative activities" is confusing. The nature of claim support is essentially in the capacity/capability of ICBC's hardware, software, and controls automated in ICBC's technology. It must be presumed that ICBC designed, implemented and maintains its claim support activities to operate its optional insurance business. If ICBC only provided Basic insurance, its claims support would be simple as the basic coverages are simple and straightforward.

88. Claims system support should follow the allocation of **36%** to Basic and **64%** to Optional (see paragraphs 39 and 40 above). In the alternative, these costs are in the nature of "fixed or at the ready costs" in that they are in place irrespective of types of claims, claims volumes, or changes in work effort (staff and lawyers) in handling specific claims. Accordingly, they should be allocated on the basis of **50%** to Basic and **50%** to Optional (see the joint/common cost argument).

GENERAL SUPPORT - \$ 15,236,000

89. These costs ought to be allocated in the same way as Claims System Costs - namely, **36% to Basic and 64% to Optional**. In the alternative, they should be allocated **50% to basic and 50% to Optional** (the joint/common cost argument).

INSURANCE ALLOCATIONS - \$ 7,286,000

90. Using ICBC's disclosure of profits from Basic and Optional insurance for 2003 (see page 8 of Appendix "A" attached), a dollar of Basic premium earned produces **2.8 cents of net profit**, and a dollar of Optional premium earned produces **14.6 cents of net profit**. This is a relationship of **16% to Basic and 84% to Optional**.

91. ICBC has virtually all Optional insurance in British Columbia. Based on net profit per premium dollar earned (cost allocation of **16% to Basic and 84% to Optional**), the allocated portion to Optional insurance would be \$ 6,120,240 - which represents **0.5% of Optional premiums earned**. The panel (I submit) ought to conclude that this basis is preferable to that proposed in the agreement.

92. In the alternative, these costs are general organizational costs - in place and incurred irrespective of the types of coverage, limits/deductibles, or changes in work effort involved in specific insurance service activities. In short, these are in the nature of "at the ready costs"; accordingly, they are joint/common costs and ought to be allocated **50% to Basic and 50% to Optional**. This allocation is also better than that proposed on the agreement.

BAD DEBTS & ALLOWANCES - \$ 4,911,000

93. ICBC does not recover from the government remittances made in respect of charges that become uncollectible. The panel ought to direct ICBC to recover such amounts from the government, so that policyholders do not bear this cost. Recovery should extend to premium taxes and commissions paid to brokers. It is not clear how ICBC accounts for

"charges and fees" paid to credit card firms for premiums and other charges (for example, vehicle license fee) that are paid by way of credit cards. The panel (I submit) should be very disturbed that ICBC has not negotiated "without recourse" with the bank used to finance ICBC premiums. The panel should pursue ICBC's position that it does not cancel insurance and license immediately for non-payment, without having to physically remove the "decal" from the vehicle's license plate. **Bad Debts and Allowances** should be charged back against the premium or other revenue accounts that were credited when the financed premiums were recorded; accordingly, the panel (I submit) should reject paragraphs 21 and 22 of the proposed agreement.

GENERAL BROKER SUPPORT - \$ 3,138,000

94. Basic insurance coverage is simple/straightforward. There ought to be few, if any, inquiries relating to Basic insurance from licensed brokers. Allocation should be based on Commissions to Brokers. Using Commissions as the basis, the cost allocation would be 15.3% to Basic, 7.6% to Non-insurance, and 77.1% to Optional (see percentages by ICBC on page 40 of Schedule 2). The panel (I submit) can readily find that the method proposed in the agreement should be rejected.

95. The "call data" presented by ICBC on page 60 of Schedule 2 is insufficient. The panel ought to direct ICBC to provide the "analysis of telephone calls by call topic and weighted call times" to show how the figures on page 60 were arrived at. ICBC says the total calls answered at the Broker Enquiry Department decreased from 656,000 in 2003 to 580,000 in 2004. For 2004 (based on 900 brokers), the average number of calls handled per day per broker was 1.77 - an insignificant number. This cost ought to be allocated 5% to Basic, 10% to Non-insurance, and 85% to Optional. [Pages 59/60 - Schedule 2.]

NEGOTIATED SETTLEMENT PROCESS ("NSP")

96. BCUC's NSP does not deal with automobile insurance. BCUC's NSP was prepared in January 2001 (when BCUC had no responsibility for regulating automobile insurance) and considered only "energy regulation" - industries that deliver products through pipes and wires. I expressed concerns to BCUC and BCUC replied (see pages 26 to 34 of Appendix "A" attached). The panel (I submit) can find that there ought to be traceable connections between "premiums written" and ICBC's cost structure. Premiums rates are set in advance of the policy year and should be based on defined assumptions (for claims incurred, other costs, investment returns, and profit levels) that can be "tested" against actual results (by the use of "variance analysis"). BCUC (I submit) should prepare a separate NSP document for ICBC applications, given the materiality of automobile insurance in British Columbia and trends throughout Canada by governments in regulating insurance (public and private).

"DILIGENCE", AND "DUE DILIGENCE"

97. Clearly, there continues to be the significant issue of "sufficiency of evidence and proof" as to whether or not conclusions as to findings of fact can be properly made by the panel or drawn by inference. The panel (I submit) ought to be vigorously inquisitorial and probe deeply to discover and disclose the evidence necessary for "sufficiency". The panel (I submit) ought to hold ICBC to a "high standard of proof" because ICBC has all of the information in its possession or under its control. In this context, "diligence" and "due diligence" are relevant. These are summarized as follows (from *Black's Law Dictionary*), and apply (I submit) to this process and the panel's analysis and deliberations:

Diligence. Vigilant activity; attentiveness; or care, of which there are infinite shades, from the slightest momentary thought to the most vigilant anxiety. Attentive and persistent in doing a thing; steadily applied; active; sedulous; laborious; unremitting; untiring.

There are degrees of diligence (high, common, or slight), with their corresponding degrees of negligence. Ordinary diligence is that degree of diligence which a person exercises in respect of their own concerns. Higher degrees of diligence moves towards extraordinary diligence - or that which very prudent persons would take.

Due diligence. Such measure of prudence, activity, or assiduity, as is properly to be expected from and ordinarily exercised by, a reasonable and prudent person in the circumstances.

"MATERIAL" AND "REASONABLE"

98. The panel (I submit) can and should adopt high standards in evaluating the information provided by ICBC, particularly since ICBC has been materially inaccurate in estimating its 2003 and 2004 net income in the BCUC proceedings (the panel has experience with ICBC since 2003). The words "material" and "reasonable" are well delineated in *Black's Law Dictionary*. These are summarized as follows:

Material evidence. That quality of evidence tending to persuade triers of fact because of its logical connection with the issue. Evidence having an effective influence or bearing on the issue. "Materiality" of evidence refers to the force and effect of offered evidence to issues in dispute. Material evidence must enter into the consideration of the dispute, and is by itself or with other evidence determinative of the conclusion. "Material" means important, necessary, having influence or effect, going to the merits, having to do with matter rather than form.

Material fact in insurance. A fact which, if disclosed, increases the risk or demands a higher premium. A fact the knowledge or ignorance of which influences an insurer in making or in refusing the insurance contract, or in assessing the nature/degree of risk and in setting the premium rate to be charged.

Reasonable. Fair, proper, just, suitable in the circumstances. Fit and appropriate to the end in view. Having the faculty of or governed by reason, rational.

Reasonable expectation doctrine. When ambiguities exist in an insurance contract, they are resolved in accordance with the reasonable expectations of the insured (an application of the principle known as *contra proferentem*).

Reasonable inference rule. The trier of fact may consider as evidence not only the testimony or real evidence presented at trial, but also the inferences which may reasonably be drawn, even though they are not necessary inferences.

"PROOF", "EVIDENCE", AND "BELIEF"

99. Neither BCUC nor the Intervenor had access to ICBC's books and records. Only ICBC has the "data" to prove or disprove the information in ICBC's filings. The onus is on ICBC to prove with "sufficient evidence" its case. The panel cannot expect the Intervenor to show that ICBC's information is incorrect or incomplete: How can they? The panel knows that ICBC used only ICBC employees to carry out work studies (no external consultants or contractors). The panel (I submit) should apply rigorously the following definitions in its

deliberations (based on *Black's Law Dictionary*), and if it does so, will conclude that the information provided by ICBC is "insufficient":

"Proof" is the logically sufficient reason for assenting to the truth of a proposition advanced. In its juridical sense it is a term of wide import and includes everything that may be adduced at trial, within the legal rules, for the purpose of producing conviction in the mind of the trier (aside from argument) - everything that has probative force as the truth or falsity of premise advanced as part of and necessary for the argument being made. To urge a presumption of law in support of one's case is adducing proof, but it is not offering evidence.

"Evidence" is a narrower term than "proof", and includes only that which may be legally presented through witnesses or acceptable documents, properly tested by examination or cross-examination, as the case may be.

"Belief" is the subjective resulting condition. It is the conviction of the "truth" or "falsity" of a proposition, existing in the mind of the trier, induced by persuasion, proof or argument.

Proof, evidence and belief are related logically. **Proof** is the effect of **evidence**, while **evidence** is the means by which an allegation of fact is proved or disproved. Without **evidence** there is no **proof**. However, there may be **evidence** which does not amount to **proof**.

100. Automobile insurance is a type of "property and casualty insurance". A main feature of "property and casualty insurance" is that "risk or probability of loss" is less than 100% (unlike life insurance where mortality risk is 100%). Given this, the panel (I submit) should be wary in reaching findings of fact. The panel should require high standards of evidence and proof from ICBC - a large organization with very well-paid management and a long history of insurance operations. It follows that the panel can and should form a "belief" about the proposed agreement only after it is satisfied objectively that ICBC has, in fact, met the onus of proof and evidence at the high standards.

ROLE OF BCUC STAFF

101. BCUC staff made no independent review or audit of ICBC's information. ICBC's use of transaction types, work effort, and process steps has not been tested. There has been no examination or cross-examination of ICBC personnel involved in the work study (pages 43 to 48, Schedule 2 - "Transaction Costing Methodology"). BCUC ought to require ICBC to justify why claims remain outstanding so long (ICBC gives averages for number of days open for various claims). The panel ought to determine clearly how ICBC calculates "days

open data and statistics" for performance/cost monitoring measures and standards, and baseline levels to track and interpret trends.

"BONUSES AND PROFIT-SHARING" TO ICBC EMPLOYEES/CONTRACTORS

102. The panel ought to be very concerned about conflicts of interest. BCUC should determine clearly and fully how ICBC calculates all incentives, bonuses and profit-sharing payments and accruals made for ICBC directors, officers, executives, management and other classes of employees and contractors. Such investigation would include how the "net income" for Basic and Optional insurance are used in such calculations. The panel ought to make findings of fact as to how the proposed agreement impacts calculations of "incentives, bonuses and profit-sharing amounts". If the panel ignores this issue, it is open to criticism by the public and claims of negligence (and perhaps "bad faith") in discharging its duty as the statutory regulator of ICBC. The panel is aware of my concerns regarding this issue - see page 71 of the panel's Decision dated January 19, 2005.

ICBC 2004 ANNUAL REPORT

103. ICBC has not provided the information that will be in its 2004 Annual Report. ICBC says its 2004 Annual Report will not be available until May 31, 2005. This is unacceptable given the importance of the issues. ICBC's 2003 Annual Report was sent to the Minister responsible for ICBC on March 31, 2004 (see page 1 of Appendix "A" attached). There was no reason (I am aware of) why ICBC could not have issued its 2004 Annual Report in March 2005. The panel (I submit) needs to review ICBC's 2004 Annual Report carefully before making a decision regarding the contents of the proposed agreement. I raised this issue with BCUC; BCUC indicates I should raise this matter in this submission (see page 33 of Appendix "A" attached).

CONCLUSION

104. This submission is from the point of view of policyholders and the public. The filings by ICBC can be described as incomplete. I raised the issues of approaches and provided BCUC with an outline of *Incomplete Information: Rough Set Analysis (RSA)* (see pages 17 to 22 of Appendix "A" attached).

105. I agree fully with page 42 of Decision dated January 19, 2005 - as follows:

"This is an unacceptable result given that virtually all of the allocation functions are required by a large compulsory insurance business or a large optional insurance business."

106. The panel concluded the fairest allocation is to allocate equally between Basic Insurance and Optional Insurance, after deducting costs to Non-insurance (page 42 - Decision dated January 19, 2005). The panel finds these cost are overwhelmingly required by both Basic and Optional Insurance and are truly joint costs of the business (page 43 - Decision dated January 19, 2005). Regarding the reference on page 43 to Mr. Choudry's testimony, he refers to "experts throughout the organization" (line 10, transcript page 675), but these "experts" are not identified - presumably they are ICBC employees. Evidence ought to be subject to cross-examination and questions from the panel before opinions given by experts or non-experts are relied on. The principles applicable (I submit) include those outlined on pages 9 to 15 of Appendix "A" attached. If properly applied, the panel (I submit) should find that the information provided by ICBC is insufficient.

107. I agree fully with page 37 of Decision dated January 19, 2005 - as follows:

"Many of the largest cost categories are required whether ICBC is in either (or both of) the Basic Insurance business or the Optional Insurance business".

108. The panel says at page 38 of its Decision dated January 19, 2005:

Following the workshop, the Commission will establish a written process to complete the allocation review prior to the filing by ICBC of its 2006 Revenue Requirements Application.

109. There is no mention of use of the NSP in the Decision dated January 19, 2005.

These matters (I submit) are "far too important to policyholders and the public" to be dispensed with by way of accepting the proposed agreement. The panel (I submit) ought to ascertain the "rationales" relied on by those participants who agree to sign-off on the proposed agreement.

110. The panel (I submit) ought to direct ICBC to include "sufficient evidence" as part of its initial filing for 2006 for premium rates and claims-rated discount/surcharge structure to be effective commencing January 1, 2006.

111. The panel (I submit) can and should act in the interests of policyholders/the public to achieve the purpose of the legislation regarding the regulation of ICBC. The intent of the government in passing legislation making BCUC the regulator was to ensure ICBC is subject to rigorous independent, competent and honest fact finding processes. To that end, BCUC has been given substantial statutory discretionary powers - which (I submit) ought to be used vigorously by the panel.

112. The overall context of the issues relating to the matters addressed in the proposed agreement is the statutory duty on BCUC to ensure there is no subsidization of Optional insurance by Basic premiums or by investment returns that are part of the Basic business. The panel interprets section 49 of the *Insurance Corporation Act* to mean that BCUC must ensure revenue from Basic premiums are not used to subsidize Optional insurance (see page 21 of the panel's Decision dated January 19, 2005). Further, the panel states the following on pages 26 and 27 of its Decision dated January 19, 2005:

" ... The LGIC has directed the Commission to ensure that there is no cross-subsidization of Optional Insurance premiums from Basic Insurance operations and revenues (except, presumably, where the government has specifically direct a subsidy). The challenge inherent in the regulatory definition of cross-subsidy is that once an allocation methodology has been established, then it sets the standard for measuring cross-subsidization. Therefore, it is very important to establish a methodology that is fair, reasonable and based as much as possible

on cost causality. If there is a bias built into the cost allocation methodology then it will distort rates. The onus is on ICBC to satisfy the Commission Panel that its cost allocation methodology is based on cost causality and is free of bias."

... "The Commission Panel rejects ICBC's argument that the Commission does not have the jurisdiction to cause ICBC's Optional Insurance business to subsidize its Basic Insurance. ICBC provided no evidence that the chain of events described in its Final Argument would in fact occur if there is any degree of departure from fully allocated cost-based Optional Insurance allocations."

113. For the above reasons taken together and cumulatively, the panel (I submit) should not accept the proposed agreement. The panel can find that the information in ICBC's filing is insufficient, self-serving, untested, and not corroborated by any objective evidence. This submission also includes alternative costs methods or bases that result in a more accurate measurement of ICBC's net income from its Basic and Optional insurance businesses. If the panel has any questions relating to this submission, please do not hesitate to contact me. This submission has been prepared under tight time constraint; I request the panel consider allowing intervenors adequate time to digest ICBC filings and to prepare submissions. That said, I hope this submission is useful to BCUC. Thank you for your consideration.

Respectfully,



Russell Sykes - Registered Intervenor

Attachment: Appendix "A" (page 1 to 34)

Date: May 2, 2005.

File: BCUCICBCDissentMay2005(RS)

Appendix "A"

THIS IS APPENDIX "A" REFERRED TO IN THE "DISSENT SUBMISSION" DATED MAY 2, 2005 BY RUSSELL SYKES (REGISTERED INTERVENOR) TO THE PANEL RELATING TO THE PROPOSED AGREEMENT AS A RESULT OF THE NSP DURING THE WORKSHOP HELD BY ICBC PURSUANT TO PAGE 92 OF THE DECISION DATED JANUARY 19, 2005 - BCUC ORDER NO. G-9-05

The pages in this Appendix are "numbered" in the top right corner for identification and referencing purposes.

Prepared by: Russell Sykes

Date: May 2, 2005.

March 31, 2004

Honourable Rich Coleman
Minister of Public Safety and Solicitor General
Minister Responsible for ICBC

Dear Minister:

On behalf of the Board of Directors, senior management and employees, it is my privilege to submit the Annual Report of the Insurance Corporation of British Columbia (ICBC) for the year ended December 31, 2003, which has been prepared in accordance with the *Budget Transparency and Accountability Act*. I am accountable for the contents of this report, including the Report on Performance, which identifies the organization's success in obtaining its goals and objectives. Significant decisions, events and identified risks, as of December 31, 2003, have been considered in preparing the report.

Sincerely,



T. RICHARD TURNER
CHAIR
BOARD OF DIRECTORS

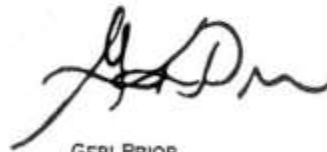
INDEPENDENT AUDITORS AND ACTUARY

Our independent auditors, PricewaterhouseCoopers LLP, have audited the financial statements. Their audit was conducted in accordance with Canadian generally accepted auditing standards, which includes the consideration of our internal controls to the extent necessary to form an independent opinion on the financial statements prepared by management.

Eckler Partners Ltd. is engaged as the external appointed actuary and is responsible for carrying out an annual valuation of the Corporation's policy liabilities which include provision for claims and claim expenses, unearned premiums and deferred premium acquisition costs. The valuation is carried out in accordance with accepted actuarial practice and regulatory requirements. In performing the valuation, the actuary makes assumptions as to the future rates of claims frequency and severity, inflation, reinsurance recoveries, and expenses taking into consideration the circumstances of the Corporation and the insurance policies in force. The actuary, in his verification of the underlying data used in the valuation, also makes use of the work of the external auditor.



NICK GEER
PRESIDENT AND
CHIEF EXECUTIVE OFFICER
FEBRUARY 13, 2004



GERI PRIOR
CHIEF FINANCIAL OFFICER
FEBRUARY 13, 2004

Auditors' Report

The Honourable Richard Coleman
Minister of Public Safety and Solicitor General
Province of British Columbia

We have audited the consolidated statement of financial position of the Insurance Corporation of British Columbia as at December 31, 2003 and the consolidated statements of operations and retained earnings, and cash flow for the year then ended. These consolidated financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2003 and the results of its operations and cash flow for the year then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

CHARTERED ACCOUNTANTS

VANCOUVER, BRITISH COLUMBIA
FEBRUARY 13, 2004

(EXCEPT FOR NOTE 18 WHICH IS AS OF MARCH 5, 2004)

Actuary's Report

I have valued the policy liabilities in the consolidated statement of financial position of the Insurance Corporation of British Columbia as at 31 December 2003 and their changes in its consolidated statement of operations and retained earnings for the year ended in accordance with accepted actuarial practice including selection of appropriate assumptions and methods, except as described in the following paragraph.

In accepted actuarial practice, the valuation of policy liabilities reflects the time value of money. It is the accounting policy of the Corporation to not reflect the time value of money when stating certain policy liabilities. My valuation is consistent with that policy (see note 2).

In my opinion the amount of the policy liabilities makes appropriate provision for all policyholder obligations, except as noted in the previous paragraph, and the financial statements fairly present the results of the valuation.



WILLIAM T. WEILAND

FELLOW, CANADIAN INSTITUTE OF ACTUARIES
ECKLER PARTNERS LTD.

VANCOUVER, BRITISH COLUMBIA
FEBRUARY 13, 2004

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2003 AND 2002

(\$ THOUSANDS)	2003	2002
ASSETS		
Cash and investments (note 3)	\$ 6,436,189	\$ 5,857,937
Accrued interest	63,593	54,774
Amount recoverable from reinsurers (note 5)	27,090	19,441
Premiums and other receivables	47,895	46,224
Deferred premium acquisition costs and prepaids (note 9)	118,192	64,236
Accrued pension benefit (note 7)	31,135	27,148
Property and equipment (note 4)	86,051	96,630
	<u>\$ 6,810,145</u>	<u>\$ 6,166,390</u>
LIABILITIES AND RETAINED EARNINGS		
LIABILITIES		
Cheques outstanding	\$ 52,519	\$ 39,393
Accounts payable and accrued charges	189,425	183,310
Accrued post-retirement benefits (note 7)	67,338	60,138
Premiums and fees received in advance	33,081	32,400
Unearned premiums	1,404,462	1,293,389
Unpaid claims (note 5)	4,527,441	4,243,570
	<u>6,274,266</u>	<u>5,852,200</u>
RETAINED EARNINGS	<u>535,879</u>	<u>314,190</u>
	<u>\$ 6,810,145</u>	<u>\$ 6,166,390</u>
Contingent liabilities and commitments (note 14)		

Approved by the Board



T. RICHARD TURNER
CHAIR OF THE BOARD OF DIRECTORS



BOB QUART
VICE-CHAIR OF THE BOARD OF DIRECTORS

CONSOLIDATED STATEMENT OF OPERATIONS AND RETAINED EARNINGS
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

(\$ THOUSANDS)	2003	2002
PREMIUMS WRITTEN		
Vehicle	\$ 2,955,000	\$ 2,737,358
Driver	15,560	21,456
	<u>\$ 2,970,560</u>	<u>\$ 2,758,814</u>
PREMIUMS EARNED		
Vehicle	\$ 2,841,259	\$ 2,606,617
Driver	18,228	21,876
	<u>2,859,487</u>	<u>2,628,493</u>
CLAIMS AND OPERATING COSTS		
Claims incurred (note 5)	2,208,140	2,193,492
Claims services	235,614	233,713
Road safety and loss management services	38,086	38,306
	<u>2,481,840</u>	<u>2,465,511</u>
Operating costs - insurance (note 8)	109,063	105,791
Premium taxes and commissions (note 9)	274,839	249,778
	<u>2,865,742</u>	<u>2,821,080</u>
UNDERWRITING LOSS BEFORE PRIOR YEARS' CLAIMS ADJUSTMENTS	(6,255)	(192,587)
Prior years' claims adjustments (note 5)	(10,392)	24,791
UNDERWRITING LOSS	(16,647)	(167,796)
Investment income (note 3d)	329,936	327,269
INCOME - INSURANCE OPERATIONS	313,289	159,473
Licences and fines collected on behalf of the Province (note 12)	419,819	416,933
Licences and fines transferable to the Province (note 12)	419,819	416,933
Operating costs - non-insurance (note 8)	86,516	83,869
Commissions (note 9)	16,085	15,427
	<u>522,420</u>	<u>516,229</u>
LOSS - NON-INSURANCE OPERATIONS	(102,601)	(99,296)
INCOME BEFORE THE UNDERNOTED	210,688	60,177
Gain on sale of property and equipment	14,119	-
Restructuring costs (note 10)	-	(15,209)
Lease termination settlement (note 11)	-	41,100
Provision for diminution in value of investments (note 3c)	-	(41,100)
NET INCOME FOR THE YEAR	224,807	44,968
RETAINED EARNINGS		
Beginning of year	314,190	269,222
Contribution to the Province - Compliance Operations assets (note 1)	(3,118)	-
End of year	<u>\$ 535,879</u>	<u>\$ 314,190</u>

7

CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

150

(\$ THOUSANDS)	2003	2002
CASH FLOW FROM OPERATING ACTIVITIES		
Cash received for:		
Vehicle premiums and others	\$ 3,167,162	\$ 2,916,765
Licence fees	329,287	320,331
Social service taxes	65,655	64,677
	<u>3,562,104</u>	<u>3,301,773</u>
Collection for receivables, subrogation, and driver penalty point premiums	317,609	295,072
Salvage sales	53,122	51,744
Interest	245,333	259,637
Capital gains realized	33,922	34,997
Dividends and other investment income	41,797	35,631
Other	419	2,762
	<u>4,254,306</u>	<u>3,981,616</u>
Cash paid to:		
Claimants or third parties on behalf of claimants	(2,021,281)	(2,097,321)
Province of BC for licence fees, fines, and social service taxes collected	(494,690)	(459,894)
Suppliers of goods and services	(227,056)	(209,019)
Employees for salaries and benefits	(344,929)	(358,429)
Agents for commissions	(219,122)	(191,422)
Policyholders for premium refunds	(240,017)	(214,220)
Province of BC for premium taxes	(124,652)	(94,318)
	<u>(3,671,747)</u>	<u>(3,624,623)</u>
Cash flow from operating activities	<u>582,559</u>	<u>356,993</u>
CASH FLOW FROM (USED IN) INVESTING ACTIVITIES		
Change in portfolio investments	(512,510)	(158,868)
Payments to vendors of property and equipment	(10,849)	(9,799)
Proceeds from sale of property and equipment	17,373	8,624
Cash flow used in investing activities	<u>(505,986)</u>	<u>(160,043)</u>
INCREASE IN CASH AND CASH EQUIVALENTS DURING THE YEAR	<u>76,573</u>	<u>196,950</u>
Cash and cash equivalents, beginning of year	208,153	11,203
Cash and cash equivalents, end of year	<u>\$ 284,726</u>	<u>\$ 208,153</u>
REPRESENTED BY:		
Cash and money market securities (note 3)	\$ 337,245	\$ 247,546
Cheques outstanding	(52,519)	(39,393)
	<u>\$ 284,726</u>	<u>\$ 208,153</u>

- e) The Corporation has entered into operating leases of certain rental properties for varying terms. The annual rental payments pursuant to these leases over the next five years are as follows:

(\$ THOUSANDS)

2004	\$ 8,671
2005	6,273
2006	3,885
2007	2,735
2008	1,498
	<u>\$ 23,062</u>

15. ALLOCATION OF REVENUES AND COSTS

The Corporation operates its business using an integrated business model. Although the majority of premium revenues are specifically identifiable as Basic or Optional (note 1), certain costs are not tracked separately. For those revenues and costs that are not specifically identified as Basic and Optional, a pro-rata method of allocation has been used to allocate the revenues and costs between the two lines of business. This method allocates revenues and costs to each line of business based on the drivers of those revenues and costs, and the degree of causality.

Included in Basic are non-insurance costs, as the Corporation is required to provide non-insurance services such as driver and vehicle licensing, vehicle registration and Compliance Operations.

(\$ THOUSANDS)	Basic Coverage		Optional Coverage		Total	
	2003	2002	2003	2002	2003	2002
Premiums earned	\$1,633,908	\$1,546,777	\$1,225,579	\$1,081,716	\$2,859,487	\$2,628,493
Claims and operating costs						
Claims incurred and related costs	1,569,102	1,541,219	912,738	924,292	2,481,840	2,465,511
Operating expenses, premium taxes and commissions	163,324	152,740	220,578	202,829	383,902	355,569
	1,732,426	1,693,959	1,133,316	1,127,121	2,865,742	2,821,080
Prior years' claims adjustment	(8,853)	(10,752)	19,245	(14,039)	10,392	(24,791)
	1,723,573	1,683,207	1,152,561	1,113,082	2,876,134	2,796,289
Underwriting (loss) income	(89,665)	(136,430)	73,018	(31,366)	(16,647)	(167,796)
Investment income	228,844	233,146	101,092	94,123	329,936	327,269
Insurance operations income	139,179	96,716	174,110	62,757	313,289	159,473
Non-insurance costs	102,601	99,296	-	-	102,601	99,296
Income (loss) before the undernoted	36,578	(2,580)	174,110	62,757	210,688	60,177
Gain on sale of property and equipment	8,890	-	5,229	-	14,119	-
Restructuring costs	-	(10,110)	-	(5,099)	-	(15,209)
Net income (loss)	\$ 45,468	\$ (12,690)	\$ 179,339	\$ 57,658	\$ 224,807	\$ 44,968

Expert evidence

Admission of expert evidence depends on four criteria: relevance; necessity in assisting the trier of fact; absence of any exclusionary rule; a properly qualified expert (in *re Mohan*).

"Relevance", decided by a judge, is a question of law. Although *prima facie* admissible if so related to a fact in issue that it tends to establish it, a further step is required – cost benefit analysis – "whether its value is worth its cost". In this context, cost is its impact or effect on the trial process. Evidence otherwise logically relevant may be excluded if its probative value is less than its prejudicial effect, if it involves an inordinate amount of time (i.e., not commensurate with its value), or if it is misleading – its effect on the trier of fact is out of proportion to its reliability. Exclusion on these grounds is an "exclusionary rule" – not an aspect of relevance. Reliability is significant in assessing admissibility of expert evidence. There is a danger that expert evidence will distort fact-finding – that such evidence will be accepted as infallible and given more weight than it deserves. The basic test of "reliability" is whether the evidence is likely to assist the trier. Will the trier of fact be overwhelmed by the "mystic infallibility" of the expert evidence, or will the trier be able to keep an open mind and objectively assess the worth and weight of the expert evidence?

"Necessity in assisting the trier of fact" requires the test as to whether the "expert opinion" is necessary to provide information likely to be outside the experience and knowledge of the trier of fact. For expert evidence to be admissible, the matter must be such that ordinary people are unlikely to form a correct judgment about it, if unassisted by the expert's special knowledge. An expert is to provide the trier of fact with an inference, which, the trier, due to the technical nature of the facts, is unable to formulate. If, on the proven facts, a trier of fact can form his/her own conclusions without help, then the expert opinion is unnecessary. The necessity for the evidence is assessed on its potential to distort the fact-finding. There is also the concern that experts are not to usurp the duty/function of the trier of fact.

Relevance and necessity are applied strictly to exclude expert evidence on the "ultimate issue". [Expert evidence as to credibility or oath-helping can be excluded on this basis.]

"Absence of any exclusionary rule" refers to any exclusionary rule, apart from the opinion rule. For example, in *Morin*, [1988] 2 SCR 345, evidence was inadmissible because it was not shown to be relevant other than as to the disposition to commit the crime so charged (excluded by the rule preventing evidence of disposition unless the accused placed his/her character in issue).

"A properly qualified expert" means that the evidence is to be given by a person who is shown to have acquired special knowledge through study or experience in respect of the matters on which he/she is to testify. Expert evidence is subjected to special scrutiny to determine whether it meets the threshold of "reliability" and whether it is essential – that is, the trier will be unable to come to a satisfactory conclusion without the assistance of the expert. The closer the evidence approaches an opinion on the "ultimate issue", the stricter the application of the principle. There must be "sufficient reliability" (see **"relevance"**).

In *Mohan*, [1994] 2 SCR 9, the SCC concluded that the trial judge was correct in deciding, as a matter of law, that the expert evidence was inadmissible.

Expert evidence (application of *Mohan*): R v. D (D), [2000] 2 SCR 275

Standard of "necessity"

The second requirement of *Mohan* ("necessity") is to ensure that the dangers associated with expert evidence are not tolerated. Mere relevance or "helpfulness" is not enough – the evidence must also be "necessary". Some degree of deference is owed to the judge's discretionary determination of whether the *Mohan* requirement is met on the facts of the particular case. A finding that some aspects of the evidence might reasonably have assisted the jury is not enough.

Dangers of "expert evidence"

The need for expert evidence must be assessed against its potential to distort fact-finding. A basic tenet of our law is that the usual witness may not give opinion evidence, but is to testify only to facts within his/her knowledge and observation. This is a commendable principle since it is the task of the fact-finder (jury or judge) to decide what inferences are to be drawn from the facts proved. Expert opinion evidence is admissible as an "exception to the rule against opinion evidence" in cases where it is necessary to provide a ready-made inference that the trier (judge/jury), due to the technical nature of the facts, is unable to formulate. Despite this exception, the admissibility requirements of expert evidence do not eliminate the dangers associated with it. They are tolerated in exceptional cases where the jury would be unable to reach its own conclusion without the expert's special knowledge.

"Professional expert witnesses" may not be biased in a dishonest sense, but frequently move from impartiality to advocate. Lack of independence/impartiality is a serious concern. The danger from admission of opinion evidence is that the duty of the trier of fact (judge or jury) might be "usurped" by that witness. An expert's impressive credentials or mastery of technical jargon may lead triers to be more likely to abdicate their role as fact-finders and attorn to the opinion of the expert. This danger is increased, because expert evidence is highly resistant to cross-examination by persons not expert in the field. Where there is no competing expert evidence, the trier of fact is deprived of an effective framework to evaluate the merits of the evidence. Another danger is that expert opinions are usually derived from academic literature/out-of-court interviews (unsworn/unavailable for cross-examination). Although not admissible as evidence for proof of its contents, the material generally finds its way into the proceedings because the expert, if permitted to give his/her opinion, is permitted to give the basis or source of that opinion. This has prejudicial effects that might outweigh the probative value.

The question is: Is the expert evidence necessary? In answering, the expert evidence is to be distilled to its "probative" and "prejudicial" elements. Is there technical quality to the evidence necessitating expert opinion? The "majority" concluded the argument "that it is preferable to introduce a concept by way of expert evidence rather than by judicial instruction" is flawed. The test is: Is there is any "difference of substance" between the evidence to be presented by the expert and what would be instructed by a proper charge (by the judge – to the jury or to himself/herself)?

The "minority" (3) provided reasons – summarized as follows.

Relevance

The trial judge was correct in finding the expert evidence was relevant to a fact in issue. The issue of "delay" was subsidiary to the complainant's credibility. The credibility of a witness is not generally the proper subject of opinion evidence (the "rule against oath-helping"). Expert evidence on the ultimate credibility of a witness is not admissible. However, expert evidence on the conduct and psychological/physical factors that may lead to certain behavior relevant to credibility is admissible, provided the testimony goes beyond the ordinary knowledge/experience of the trier of fact.

Necessity

When it comes to "necessity", the question is whether the expert will provide information likely to be outside the ordinary knowledge and experience of the trier of fact. "Necessity" means that the evidence must be more than merely "helpful", but "necessity" need not be judged by too strict a standard (*Mohan* at p. 23). Absolute necessity is not required.

Expert opinion based on hearsay: *R v. Lavallee* [1990] 1 SCR 852

There is danger inherent in admitting expert testimony based on "hearsay" – the possibility that the trier of fact (judge or jury) will accept the evidence as going to the "truth" of the information stated. If such testimony is admitted, the judge must give a careful charge to the jury or direction to himself. The problem involves both admissibility of the testimony and weight to be given to the opinion.

It is an "error" for a trier to accept as having been proved information on which the expert says he/she relied upon in forming that opinion. The party tendering information as "evidence" has the obligation of establishing the factual basis upon which the expert opinion is based. The ratio of *Abbey* is:

1. An expert opinion is admissible if relevant, even if it is based on hearsay.
2. The hearsay is admissible to show the information upon which the expert opinion is based, not as evidence going to the existence of the facts upon which that opinion is based.
3. Where the expert evidence includes hearsay, the problem is the "weight" to be given to the opinion.
4. Before any weight can be given to an opinion, the facts it is based upon must be found to exist.

The trier cannot decide the case on the basis of what the witness did not see or hear. The trier can only consider admissible evidence. If it is not evidence, the trier must completely disregard it.

Regarding "weight", to the extent that premises on which the opinion is based have not been proven, the trier must give no (or little) "weight" to the expert opinion. An expert's opinion depends to a large extent on the "validity/truth" of the information assumed by the expert. The trier of fact must clearly distinguish admissible from inadmissible evidence. Where the factual basis of an expert's opinion is a mélange of admissible and inadmissible evidence, the duty of the trial judge is to caution the jury that the "weight" to give the expert's testimony is directly related to the amount/quality of the admissible evidence upon which it relies (and to disregard completely the inadmissible evidence).

Sopinka J. (concurring in the result) said:

With regard to *Abbey*, the combined effect of tests 1, 3 and 4 (in *Abbey*) is that an expert opinion relevant in the abstract to a material issue in a trial, but based on unproven hearsay, is admissible but is not entitled to any weight. How can any evidence be admissible and yet be of no weight? Surely, an expert opinion must be inadmissible if the "hearsay" underlying that expert opinion is the only connection between that opinion and the case. Where the information upon which the expert forms his/her opinion comes from the mouth of a party to the litigation or from any other source inherently suspect, a court ought to require "independent proof of such information". The lack of such proof will have a direct effect on the "weight" to be given to the opinion – to the vanishing point. Where an expert's opinion is based partly on "suspect information" and partly on admitted facts or facts to be proved, the matter is purely one of "weight".

The dictum in *Abbey*: ... "before any weight can be given to an expert's opinion, the facts upon which the opinion is based must be found to exist."

The lesson for triers of fact is that, in the first instance, the expert's opinion ought to be confined to that which the expert is able to express based solely on admissible evidence, which can be tested by the trier for trustworthiness. If there is no admissible evidence to support the expert's opinion (for example, if the opinion is based on hearsay), the opinion must be inadmissible and therefore, given no weight (because it must be disregarded completely).

Source: Evidence: Principles & Problems (Delisle/Stuart, 6th ed., Carswell, p. 681-694).

Examining/cross-examining experts

The expert is required to provide the trier of fact with the basis of his/her expert opinion.

An expert's opinion, which rests on premises, must be directly coupled to those premises, and both must be supplied to the trier (judge or jury). The expert witness may give evidence as to the premises if the expert personally observed and can recall details of those premises. Other witnesses may give evidence as to premises. Expert opinions are "hypothetical" since they depend on premises – which are either true or false. The trier decides whether the premises are to be accepted as findings of fact.

On direct examination or cross-examination, details of the premises can be brought out and tested as to their nature/extent as grounds for the expert's conclusions. The trier decides whether to accept or reject the premises – as supporting or negating the expert's opinion. The expert may not be able to give evidence regarding some or all of the premises.

There are two distinct subjects of testimony – premises, and inferences or conclusions. Inferences or conclusions involve necessarily consideration of the premises. The trier of fact (judge or jury) decides whether the premises are true and necessary, and then decides whether the inferences or conclusions are properly founded (on grounds of reasoning/logic) using the premises that have been proven (by proper evidence).

Where the expert did not personally observe, the correct course is to put such premises to the expert "hypothetically" as assumptions (premises assumed to be true/complete), and to ask the expert for his/her opinion. It is the trier's duty to decide the "ultimate issues" and any credibility issues.

In direct examination, the expert is to be asked how he/she came to the opinion. The expert opinion may be based on his/her own experience and/or on opinions of text-writers recognized in the field. Where the expert adopted as his own the opinion of a text-writer, the expert may read the text as expressing his/her own opinion.

In cross-examination, an expert witness may be asked whether a certain textbook is recognized as authoritative. If he says it is so, passages may be read from it for the purpose of testing the opinion of the expert witness. The opinion of a textbook writer, as a matter of fact, may be entitled to more "weight" than the opinion of the sworn witness. A witness would not be qualified as an expert if his opinions are gained wholly from the opinions of others. The faith to be given to the opinion of the text-writer must come through the faith of the witness asked about it.

If a witness is asked about a textbook and expresses ignorance of it or denies its authority, extracts from that textbook cannot be read - for that would be making it evidence. If the expert admits its authority or refers to it in his/her own testimony, the expert can then be asked for an explanation of any differences between its opinion and that stated by him/her.

Source: Evidence: Principles & Problems (Delisle/Stuart, 6th ed., Carswell, p. 694-697).

Non-expert Opinion Evidence

Non-expert opinion evidence is admitted under the exception to the rule excluding opinion evidence of lay witnesses (non-expert witnesses): ... permits non-expert evidence where the primary facts and inferences to be drawn from them are so closely associated that the opinion is really a compendious way of giving evidence as to certain facts. "Opinion", herein, means a reasoned conclusion from facts observed by the non-expert witness.

Issue: Can a court admit opinion evidence of a non-expert witness on the question to be decided by the court (admitting evidence that should not be admitted or excluding evidence that ought to be admitted is an ... error in law)? Is a statement that a person's ability to drive a motor vehicle was impaired by alcohol a matter of "fact" or of "opinion"?

There is little, if any, virtue in any distinction on the tenuous and frequently false antithesis between fact and opinion. The line between "fact" and "opinion" is not clear.

Principle: Admissibility is determined, first, by asking whether the evidence to be admitted is relevant - by applying logic and experience to the circumstances of the particular case (all that is logically probative is admissible unless excluded by a rule or legal principle). The next question is whether, although probative, the evidence must be excluded by a clear ground of policy or of law.

A policy issue is the danger of confusing an issue or misleading the court. A party is not unfairly surprised if he had reasonable ground to anticipate that the evidence would be offered, and adducing such evidence does not necessitate an undue amount of time.

Did the witness personally observe? If so, the witness may help the court (the witness does not decide the issue - he does not usurp the duty/function of the court - the trier of fact). The court can accept all or part or none of the evidence. The court decides what weight to give in the context of all of the evidence.

A non-expert witness cannot give opinion evidence on a legal issue or question (e.g., whether a person is negligent). Such an opinion does not qualify as an abbreviated version of the factual observations by the witness. An opinion that someone is negligent is partly factual, but also involves the application of legal standards. Is it a question of law or of fact, or a mixed question of law and fact.

In determining whether an opinion is admitted, the judge must exercise a large measure of discretion. There is no reason to prefer the opinion of the police officer over the opinion of other witnesses - because the opinion evidence is admitted under the "compendious statement of facts" exception, rather than under the "expert witness" rule. The "cross-examination" is used to bring out the lack of experience or other challenges to the evidence.

The fact that a police officer witness has seen more impaired drivers than the non-officer witness is not a reason in itself to prefer the evidence of the officer (note: the police were not testifying as experts based on their experience as officers). The non-expert witness does not need any special qualification. Excluding opinion evidence of non-expert witnesses is limited to cases where, in the court's judgment, such opinion would not be helpful to the court.

Authority: Evidence: Principles and Problems (6th ed.)
Delisle & Stuart, Carswell, 2001 (819 pages)
Graat v. R [1982] 2 SCR 819

Ultimate Issue Rule

Issue: ... the supposed problem of an expert giving opinion evidence on the ultimate issue (... referred to as a "red herring"). The ultimate issue is a mixed question of fact and law.

In Canada the ultimate issue rule has been abandoned or rejected. Opinion evidence should be rejected where the trier of fact (judge or jury) is as well qualified as the witness to draw the necessary inference. Accordingly, such opinion testimony is superfluous (it is not helpful - opinion evidence ought to be received only when it is helpful).

An expression of "opinion" that involves the application of a legal standard ought to be excluded as superfluous (the judge is capable of applying the standard, or of instructing the jury on the law).

The trier of fact can always reject the expert evidence (testimony/opinion), like any other evidence.

Expert opinion evidence will be admitted where it will be helpful, and it will be excluded where the court can draw the necessary inferences without it (i.e., the expert opinion is superfluous). The key question is: Can the court arrive at a proper conclusion in the absence of the tendered opinion? Where the expert opinion involves a mixed question of fact and law, the opinion is not admissible.

The court (judge/jury) must make the final determination of the issue - said to be the "ultimate issue" (the expert does not, and cannot, usurp the court's duty/function).

Authority: Evidence: Principles and Problems (6th ed.)
Delisle & Stuart, Carswell 2001 (819 pages)

"Ultimate issue" (per Black's) - That question which must finally be answered as, for example, the defendant's negligence is the ultimate issue in a personal injury action.

"Ultimate facts" (per Black's). Issuable facts; facts essential to the right of action or defense. Facts necessary and essential for decision by the court. Facts necessary to determine the issues, as distinguished from evidentiary facts supporting them. The logical conclusion deduced from certain primary evidentiary facts. Final facts required to establish the plaintiff's cause of action or defendant's defense.

Subject: Solicitor-Client Privilege

***R v. McClure*, [2001] 1 SCR 445 ... (unanimous decision: 9 members)**

There are two tests to identify when the right to make a full answer/defense prevails over the need for confidentiality. The first test is *O'Connor* (subsequently codified in ss. 278.1 to 279.9 – the Criminal Code; constitutionally upheld in *Mills* [1999] 3 SCR 668). The second test is the “innocence at stake” test for informer privilege (see *Leipert*). The informer privilege and solicitor-client privilege are ancient and hallowed protections.

The “innocence at stake” test for setting aside solicitor-client privilege

The trial judge “erred” in granting the respondent McClure access to the complainant’s civil litigation file using the *O'Connor* test. The appropriate test is the “innocence at stake” test.

The “solicitor-client privilege” should be set aside only in unusual cases. Unless individuals can be certain that their communications with their solicitors will remain entirely confidential, their ability to speak freely will be undermined. The “innocence at stake” test should be stringent. The “solicitor-client privilege” should be infringed only where core issues going to the accused’s guilt are involved and there is a genuine risk of a wrongful conviction.

Before the test is considered, the accused must establish that the information sought in the “solicitor-client file” is not available from any other source and he is unable to raise a reasonable doubt as to his guilt in any other way. The policy reasons favouring the protection of the confidentiality of solicitor-client communications must prevail unless there is a genuine danger of wrongful conviction.

The “innocence at stake” test – applied in “two stages”

First stage: The accused seeking production of a “solicitor-client” communication must provide some evidentiary basis upon which to conclude there exists a communication that could raise a reasonable doubt as to his guilt. It is recognized that the accused, who has no access to the file sought, can provide only a description of a possible communication. It is unfair to demand anything more precise. [It is only at “stage two” that the judge determines conclusively that such communication exists.] If the judge is satisfied that the test in “stage one” is met, then the judge proceeds to “stage two”.

Second stage: The judge must examine the solicitor-client file to determine whether or not there are communications likely to raise a reasonable doubt as to the guilt of the accused. The judge does not have to conclude that the communication definitely will raise a reasonable doubt. If the judge finds material that will likely raise a reasonable doubt, the “stage two” test is satisfied - and the information should be produced to the accused even if it was not argued as a basis at “stage one”. The evidence sought should be considered together with other available evidence to determine its importance. It is the totality of the evidence that governs. If the “stage two” test is met, the judge should order that all communications likely to raise a reasonable doubt be produced.

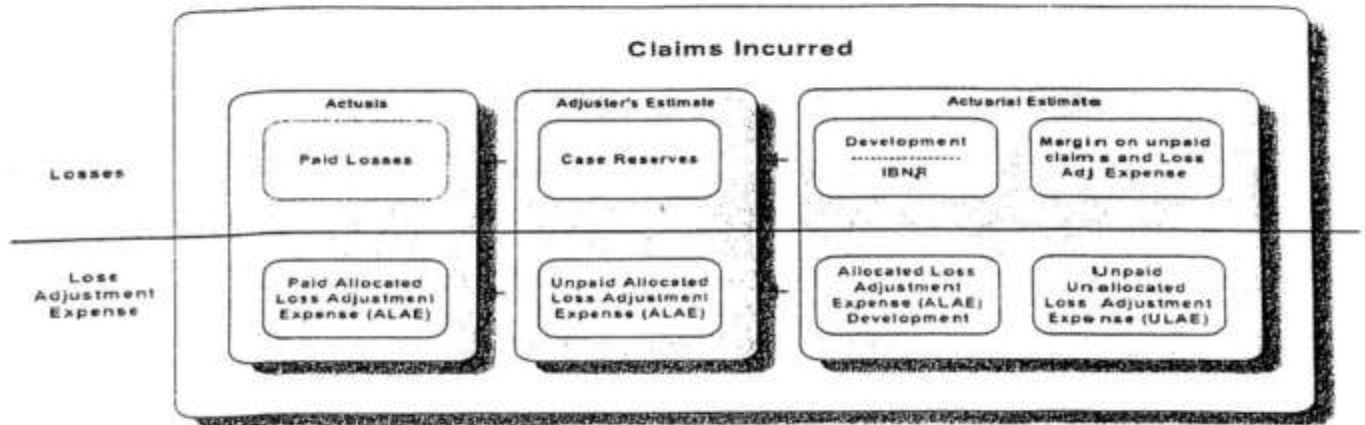
Application to the case at bar

The trial judge “erred” in using the *O'Connor* test. The accused would be able to raise the issue of the motive to fabricate events for a civil action at trial from another source. Application to the SCC using s. 40(1) of the *Supreme Court Act* is not a satisfactory avenue. The usual avenue for such an appeal (re interlocutory order) should be to the Court of appeal of the province (legislative change is needed to correct this procedure).

Source: Evidence: Principles & Problems (Delisle/Stuart, 6th ed., Carswell, p. 725-728).

The following schematic indicates the components that make up claims incurred costs.

Figure 1.4 - Claims Incurred Components



Source: (Exhibit B-1, p. I-40).

CDI raised the issue of subrogation of costs in its evidence. This issue is discussed under the next section on claims services, but CDI's evidence and argument is that while it is appropriate to transfer loss payments from Optional Insurance coverage to Basic Insurance coverage, it is inappropriate to transfer Allocated Loss Adjustment Expense ("ALAE") and Unallocated Loss Adjustment Expense ("ULAE") from Optional Insurance to Basic Insurance (Exhibit C9-3, p. 3). In its Final Reply Argument ICBC rejects the CDI argument on the basis that the allocation of costs of ICBC must reflect the integrated business operations of ICBC, and the fact that ICBC is the sole provider of Basic Insurance (Exhibit B-59, p. 9).

During the course of the hearing there was little discussion of claims incurred issues, even though they make up such a large percentage of the overall costs to be allocated. Presumably this is because the overwhelming majority of the costs can be directly allocated to individual claim files and kind of loss.

Russell Sykes
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V7H 1C4

March 23, 2005

British Columbia Utilities Commission ("BCUC")
6th Floor, 900 Howe Street, Box 250
Vancouver, BC Canada V6Z 2N3

Attention: William J. Grant, Executive Director - RA & P

Dear Mr. Grant:

RE: Insurance Corporation of British Columbia ("ICBC") FAMA Phase 2

Thank you for your letter dated March 18, 2005 (1 page), which I received by mail today (BCUC post date: 2005.03.22). Your letter was not mailed to me by BCUC until yesterday (one day delivery to my home). I request that in future the BCUC mail the material to me on the date transmitted to others by *e-mail*. I plan to attend the next session - **April 8, 2005**. Has the BCUC issued new or amended instructions, procedures, practices or directives relating to BCUC's NSP process since the NSP relating to ICBC in 2004?

I am concerned the BCUC may be endorsing a cost allocation based on "premiums written" - which, I submit, is flawed and tends to assign greater cost allocations to ICBC's "basic insurance business", with unfavourable implications on the basic premium rates/revenue requirements actuarial analyses and projections for the 2006 policy year (that is, for policies sold in 2006 with "net profit" impacts on 2006 and 2007).

My argument is that, in the absence of proper cost studies (within the control of ICBC), ICBC's "joint/common costs" should be allocated between basic and optional on a, *prima facie*, 50%/50% basis. The "disagreement" seems to have shaken out as follows: ICBC wants costs allocated about 67% to basic and 33% to optional; others posit about 35% to basic and 65% to optional; I argue the "truth" lies closer to 33% for basic and 67% for optional. The "50%/50% basis" puts the error factor as a "plus or minus 17 percentage points range" from expressed polar positions.

There are various ways to attack this "17% plus/minus problem", including use of methods based on *Incomplete Information: Rough Set Analysis (RSA)*. There are important issues subsumed within the debate - including "cost/volume/profit" relationships for the basic and optional insurance, and "fixed/semi-fixed or semi-variable/variable costs" that operate within ICBC's cost centres. As insurance markets change, market components affect ICBC and private insurers and their respective market shares/actual operating results (including more cars, new technology and laws, more people, safety/repair/medical changes, and other key factors affecting actual operating results as between basic and optional insurance).

Yours truly,



Ewa Orłowska (Ed.)

Incomplete Information: Rough Set Analysis

With 54 Figures
and 23 Tables

Physica-Verlag
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Studies in Fuzziness and Soft Computing

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In 1982, Professor Pawlak published his seminal paper on what he called "rough sets" - a work which opened a new direction in the development of theories of incomplete information. Today, a decade and a half later, the theory of rough sets has evolved into a far-reaching methodology for dealing with a wide variety of issues centering on incompleteness and imprecision of information - issues which play a key role in the conception and design of intelligent information systems.

"Incomplete Information: Rough Set Analysis" - or RSA for short - presents an up-to-date and highly authoritative account of the current status of the basic theory, its many extensions and wide-ranging applications. Edited by Professor Ewa Orlowska, one of the leading contributors to the theory of rough sets, RSA is a collection of nineteen well-integrated chapters authored by experts in rough set theory and related fields. A common thread that runs through these chapters ties the concept of incompleteness of information to those of indiscernibility and similarity.

Some time ago when I became aware of Professor Pawlak's work on rough sets, a question that naturally arose in my mind was: What is the connection, if any, between the concepts of rough sets and fuzzy sets? I realized that the similarity of the terms "rough sets" and "fuzzy sets" tends to create a misunderstanding. More specifically, a fuzzy set is a class with unsharp boundaries whereas a rough set is a crisp set which is coarsely described. There is a close connection, however, between the concept of a rough set and that of a fuzzy graph. Thus, a fuzzy graph is a disjunction of granules which collectively approximate to a function or a relation, with a granule being a clump of points which are drawn together by indiscernibility, similarity or functionality. In the case of rough sets, the granules are equivalence classes which are the elements of a partition. When the concept of equivalence is generalized to that of similarity, as was done in some of the recent extensions of the theory of rough sets, the concept of a rough set and that of fuzzy graph become very close in meaning and use.

Although there is this point of contact between the theories of rough sets and fuzzy sets, the theories evolved in different directions and, today, are largely complementary rather than competitive. However, the recent extensions of the theory of rough sets in which the focus moves away from indiscernibility - a crisp concept - to similarity, which is a fuzzy concept, bring the two theories close together.

What is more fundamental is that both theories address, each in its own way, the basic issue of information granulation, with the theory of rough sets focused on crisp information granulation and the theory of fuzzy sets focused on fuzzy information granulation. What is true of both theories is that information granulation plays a central role in most of their applications.

The theory of rough sets provides an effective and broadly applicable tool for the analysis and design of information systems. By providing an authoritative and up-to-date account of the theory of rough sets, RSA serves an important function. Clearly, it is a must reading for anyone who has a serious interest in information processing and knowledge-based systems. Professor Pawlak, the father of the theory of rough sets, the editor, Professor Ewa Orlowska and the contributors to RSA deserve our deep thanks and warm congratulations.

Table of Contents

<i>Foreword</i>	
L. Zadeh	v
<i>Preface</i>	
E. Orłowska	ix
Chapter 1 <i>Introduction: What You Always Wanted to Know about Rough Sets</i>	
E. Orłowska	1
I ROUGH SETS AND DECISION RULES	
Chapter 2 <i>Synthesis of Decision Rules for Object Classification</i>	
J. G. Bazan, H. S. Nguyen, T. T. Ngien, A. Skowron and J. Stepaniuk	23
Chapter 3 <i>On the Lower Boundaries in Learning Rules from Examples</i>	
C. C. Chan and J. W. Grzymala-Busse	58
Chapter 4 <i>On the Best Search Method in the LEM1 and LEM2 Algorithms</i>	
J. W. Grzymala-Busse and P. Werbrouck	75
II ALGEBRAIC STRUCTURE OF ROUGH SET SYSTEMS	
Chapter 5 <i>Rough Sets and Algebras of Relations</i>	
I. Düntsch	95
Chapter 6 <i>Rough Set Theory and Logic-Algebraic Structures</i>	
P. Pagliani	109
III DEPENDENCE SPACES	
Chapter 7 <i>Dependence Spaces of Information Systems</i>	
M. Novotny	193
Chapter 8 <i>Applications of Dependence Spaces</i>	
M. Novotny	247
IV REASONING ABOUT CONSTRAINTS	
Chapter 9 <i>Indiscernibility-Based Formalization of Dependencies in Information Systems</i>	
W. Buszkowski and E. Orłowska	293

VIII

Chapter 10 <i>Dependencies between Many-Valued Attributes</i> M. Luxemburger	316
---	-----

V INDISCERNIBILITY-BASED REASONING

Chapter 11 <i>Logical Analysis of Indiscernibility</i> S. Demri and E. Orłowska	347
--	-----

Chapter 12 <i>Some Philosophical Aspects of Indiscernibility</i> A. Lissowska-Wójtowicz	381
--	-----

Chapter 13 <i>Rough Mereology and Analytical Morphology</i> A. Skowron and L. Polkowski	399
--	-----

VI SIMILARITY-BASED REASONING

Chapter 14 <i>Similarity versus Preference in Fuzzy Set-Based Logics</i> D. Dubois and H. Prade	441
--	-----

Chapter 15 <i>A Logic for Reasoning about Similarity</i> B. Konikowska	462
---	-----

Chapter 16 <i>Information Systems, Similarity Relations and Modal Logics</i> D. Vakarelov	492
--	-----

VII EXTENDED ROUGH SET-BASED DEDUCTION METHODS

Chapter 17 <i>Axiomatization of Logics Based on Kripke Models with Relative Accessibility Relations</i> Ph. Balbiani	553
---	-----

Chapter 18 <i>Rough Logics: A Survey with Further Directions</i> M. Banerjee and M. Chakraborty	579
--	-----

Chapter 19 <i>On the Logic with Rough Quantifier</i> M. Krynicki and L. Szczerba	601
---	-----

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April 13, 2005

Insurance Corporation of British Columbia ("ICBC")
151 West Esplanade, North Vancouver, BC V7M 3H9
Fax to: 604 982 7209

Attention: Shelley J. Russell, Acting Manager – Regulatory Affairs

Dear Ms. Russell:

RE: "Workshop" – Page 92 of BCUC's January 19, 2005 Decision

I tried to reach you by telephone yesterday. I am writing to request that ICBC provide me with a complete copy of the attachments ICBC will be attaching to the NSA that Mr. Grant indicated (on April 8, 2005 at the workshop) was being entered into. As you know, some participants expressed qualifications/reservations/dissent. To prepare my dissent letter, I would like to have the "final revised materials" which include all corrected addenda and/or errata ICBC considers forms part of the NSA. I want to refer to statements contained in ICBC's "final revised material".

It would be useful if you would provide the NSA to me by April 15, 2005. I understand ICBC made (during the workshop proceedings) concessions or changes to particular pages of its filings. Please clarify what ICBC understands is meant by "*all details of the allocation process for the identified cost categories*" on page 92 - BCUC's January 19, 2005 Decision. When will ICBC be submitting (to BCUC) the capital plan referred to on page 92 of BCUC's January 19, 2005 Decision?

Given Mr. Grant's request that I provide BCUC with my dissent letter by **April 30, 2005**, I request you provide me by **April 15, 2005** with the materials/information requested above.

Your assistance would be appreciated. Thank you.

Yours truly,



Copy to: William J. Grant, Executive Director – RA & P
British Columbia Utilities Commission ("BCUC")

Russell Sykes
Registered Intervenor
2958 Brixham Road
North Vancouver, BC
V7H 1C4

April 13, 2005

British Columbia Utilities Commission ("BCUC")
6th Floor, 900 Howe Street
Vancouver, BC Canada V6Z 2N3

Attention: William J. Grant, Executive Director – RA & P

Dear Mr. Grant:

RE: "Workshop" – Page 92 of BCUC's January 19, 2005 Decision

I am writing to obtain BCUC staff's interpretation as to the scope, force and effect of the Panel's direction/order ... *"to review all details of the allocation process for the identified cost categories"* (see page 92 of the BCUC January 19, 2005 Decision).

It appears BCUC staff considers that the workshop process only deals with the seven (7) "functions" specified on pages 38 and 41 of the Decision – namely, the \$ 176,876,000 and the \$ 15,335,000 respectively.

The word "categories" is not used on pages 38 or 41 of the Decision. What is the definition or meaning of the word "categories" as used by the Panel on page 92? The Panel uses the word "function" on pages 38 and 41? Does the Panel or BCUC staff consider that there is any difference between the words "categories" and "function" (if so, what)?

In cost accounting, the word "activity" is generally used to mean a subset of a function, such that more than one activity forms a "cost function"? Cost functions can be expressed mathematically – in a branch dealing with functions and relationships.

There was generally a lack of precision about cost allocators/allocation and about activities involved in "work effort" analyses during the workshop and previous proceedings. It would be useful if the BCUC staff could standardize and simplify the terminology used relating to ICBC's applications - so that ICBC is clear and complete in its filings. I am nonplussed by the many "errata/addenda" ICBC brings in during hearings. Does this occur with other large corporations that BCUC regulates?

I would like to incorporate the information requested into my analyses/argument relating to dissent regarding the NSA and to prepare for the rate regulation process. What remedy do Intervenor's have if they disagree with parts of BCUC's January 19, 2005 Decision?

Your clarification would be appreciated. Thank you.

Yours truly,





WILLIAM J. GRANT
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April 14, 2005

Log No. 9786

Mr. Russell Sykes
2958 Brixham road
North Vancouver, B.C. V7H 1C4

Dear Mr. Sykes:

Re: ICBC Workshop on Specified Cost Allocators

In response to your April 13, 2005 letter I can confirm that BCUC staff believe that the Commission's directions deal only with the seven allocation functions identified on pages 38 and 41 of the Commission's January 19, 2005 Decision. Commission staff have interpreted the quote from page 92 of the Decision to mean that the Workshop and ensuing process was for the purpose of reviewing and attempting to finalize details of the allocation process for the seven identified allocation functions (i.e., cost categories).

Yours truly,

A handwritten signature in black ink, appearing to be "WJG".

William J. Grant

WJG/rt

Russell Sykes
Registered Intervenor
2958 Brixham Road
North Vancouver, BC
V7H 1C4

April 20, 2005

British Columbia Utilities Commission ("BCUC")
6th Floor, 900 Howe Street, Box 250
Vancouver, BC Canada V6Z 2N3

Attention: Robert J. Pellatt, Commission Secretary

Dear Mr. Pellatt:

RE: BCUC's Negotiated Settlement Process ("NSP")
Policy, Procedures and Guidelines - January 2001 (11 pages)

I am writing to obtain information relating to the above-noted for purposes of participation in the matters relating to the regulation by BCUC of the Insurance Corporation of British Columbia ("ICBC").

It is my understanding that there have been no revisions to the NSP since January 2001 and that there is no review in process at this time relating to revising/updating the NSP to incorporate policies, procedures and guidelines that are appropriate/necessary for the regulation of automobile insurance (as opposed to "energy regulation").

Questions/Request for Information

I have the following "questions" relating to the NSP (the questions are "numbered" for referencing; please provide the "answers" by the particular question number):

1. How do the panels determine whether or not they have "sufficient information" to evaluate settlement agreements (for interpreting/applying the first sentence on page 9 of the NSP)?
2. How does BCUC staff and panels determine whether or not "sufficient information" is provided for purposes of the first sentence in the sixth paragraph on page 3 of the NSP? Is the term "sufficient information" the same as "sufficient evidence" (if not, please provide an explanation of the difference in meanings of these terms)? [Note: Information requests and responses were not filed before the NSP began relating to the ICBC workshop.]
3. How do panels decide whether to evaluate settlements through oral hearings or by written submissions (reference: the first sentence of the second paragraph on page 9 of the NSP)?
4. How do panels determine whether or not to approve particular agreements on the basis of "belief" that the agreement "satisfies the public interest" (reference: the third sentence of the second paragraph on page 9 of the NSP)?

5. How do panels determine or decide what "information" qualifies for purposes of the first sentence of the last paragraph on page 5 of the NSP?
6. How do panels decide whether or not "dissents" (written arguments) are "reasonable and material" for purposes of item 6 on page 6 of the NSP?
7. Have panels ever approved selection of facilitators other than BCUC staff (see item 7 on page 6 of the NSP)? Are the reasons proposed facilitators are "unacceptable" available to the public (reference: the last sentence on page 6 of the NSP)?
8. What is the appropriate participation of BCUC staff (reference: the first sentence of the fourth paragraph on page 1 of the NSP)? Who determines that?
9. How do panels determine whether or not particular issues (such as cost allocation methods) are appropriate for NSP (reference: first sentence on page 2 of the NSP)?
10. How did BCUC staff or the panel determine the classes or sub-classes of customers that are affected by the decisions of BCUC (for example, the various classes, groups or categories, or sub-classes, sub-groups or sub-categories of policyholders – both basis and optional)? Has BCUC determined the classes or groups that were not participants in the ICBC workshop NSP (reference: item III.i on page 2 of the NSP)?
11. How do panels determine "belief" as to whether or not the NSP achieved sound regulatory decisions in the context of the Policy Statement on page 1 of the NSP (that is, the criteria, principles, tests/standards that apply)?
12. What are the "fundamental principles of natural justice and fairness" referred to in the first sentence of the fourth paragraph on page 1 of the NSP (please provide the authority relied on by BCUC – for example, court decisions, statutory definitions)?
13. Do participants have to give reasons for supporting proposed settlement agreements (that is, to justify "signing-off" on the agreement)? [Note: The NSP places a burden on dissenters to justify not signing-off.]
14. What is the BCUC staff role in "signing-off" the settlement agreement? [Note: I infer BCUC staff agreed with ICBC's position at the workshop.] Will BCUC staff "sign-off" on the agreement – as a participant in the NSP?
15. How do BCUC staff and panels determine whether or not new material information becomes available that was not reasonably available at the time of the negotiations (for purposes of interpreting/applying guideline V.2 on page 10 of the NSP)?
16. Has BCUC staff prepared a memorandum setting out the positions taken by the participants during the negotiations so that the BCUC panel and participants can know whether or not guideline V.4 on page 10 of the NSP is complied with? [Note: Such memorandum is needed if disputes as to compliance arise.]
17. Do participants ever agree for purposes of guideline V.5 on page 10 of the NSP?
18. Do participants ever agree that panels be provided with "information about the negotiations per se" (reference: item V.8 on page 11 of the NSP)?

19. Does BCUC intend to "circulate" the agreement to any parties/persons "to obtain the positions of those not present" for purposes of complying with guideline V.6 on page 10 of the NSP? If so, who are those parties/persons?
20. With reference to guideline V.7 on page 11 of the NSP, when will the panel receive the material (including comments/dissents)? When must the panel make its decision regarding the workshop (see p. 92 of the BCUC Decision dated January 19, 2005: Order No. G-9-05)?
21. Have there been any court decisions dealing with the NSP (if so, please provide the citations)?
22. Has BCUC issued any Discussion Papers and received comments from interested persons regarding BCUC's NSP since January 2001 (reference: the second sentence of the third paragraph on page 1 of the NSP)? If not, when is the next review?
23. What are the classes or groups of ICBC customers that are affected by the panel's decision relating to the proposed settlement agreement? If, for example, a cost allocation to basic is 47% instead of 67%, what effects follow for the customer classes or groups affected by such change - according to BCUC staff?
24. Does BCUC consider there are policy issues about which there are no established precedents (reference: item III.ii on page 2 of the NSP)?
25. With regard to item III.iii on page 2 of the NSP, what affected customers classes or groups were represented at the public hearing in 2004, and who represented those classes or groups (on their behalf) at the 2004 public hearing?
26. What are the "likely interests of affected parties" for purposes of the last sentence on page 2 of the NSP? Has the panel made any determinations regarding this issue?
27. What is the meaning of "general agreement is sufficient" in the second sentence on page 3 of the NSP? Is "50% plus one" considered to be "general agreement" or is a higher test needed (if so, what)? Is "weighting" given to participants - for example, is the position of the Insurance Bureau of Canada given more weight than the other intervenors - with individual intervenors given the least weight?
28. What number of participants is considered to be "too large" for purposes of the first sentence of the third paragraph on page 3 of the NSP?
29. With regard to the second sentence of the third paragraph on page 3 of the NSP, what "participants" does BCUC consider represent similar issues and are working together?
30. Will the panel determining the merits of the proposed agreement be the same panel that issued the BCUC Decision dated January 19, 2005 (re: Order G-9-05)?
31. Did BCUC prepare a memorandum setting out the positions of the participants who presented "positions" during negotiations (reference: item 3.v - page 4 of the NSP)?
32. How do BCUC staff and panels determine whether or not "the proposed settlement agreement contains sufficient evidence to support the proposal" (reference: the first sentence on page 5 of the NSP)?

33. How do BCUC staff and panels decide that provisions of agreements are "supported by explicit rationales" (reference: second sentence - page 5 of the NSP)?
34. How do BCUC and participants determine whether facilitators comply with duties specified in item 8 on page 7 of the NSP? What is the remedy if facilitators do not comply with those duties?
35. Is BCUC staff a party to the negotiations and to "signing-off" the agreement? How do panels determine whether or not parties to negotiations meet the requirements relating to the substance of agreements and supporting rationales (reference: the last sentence of the third paragraph on page 7 of the NSP)?
36. How do BCUC panels determine whether or not BCUC staff participation is effective in the process (reference: first sentence of the last paragraph - page 7 of the NSP)?
37. What "skills, knowledge and experience" do the BCUC staff (attending negotiations) provide (reference: second sentence of the last paragraph - page 7 of the NSP)?
38. How do BCUC panels determine whether or not BCUC staff (present in negotiations) discharge requirements in the first and second paragraphs on page 8 of the NSP?
39. What principles, criteria, tests/standards do BCUC panels use to ensure compliance with the second sentence of the third paragraph on page 8 of the NSP?
40. For purposes of the proposed agreement relating to the workshop directed to be held (see page 92 of BCUC's January 19, 2005 Decision), what are the panel's obligations under the *Utilities Commission Act* (reference: fourth paragraph on page 8 of the NSP)?
41. Do BCUC panels ever propose amendments to proposed settlement agreements (see reference: the fifth paragraph on page 8 of the NSP)?
42. Have any panels ever rejected agreements (reference: the last paragraph on page 8 of the NSP)?
43. Have BCUC panels ever required "additional information" (reference: third sentence on page 9 of the NSP)?
44. How do BCUC panels determine whether or not the "onus" regarding sufficient information is met (reference: the fourth sentence on page 9 of the NSP)?
45. Did BCUC staff comply with the second sentence of the second paragraph on page 9 of the NSP (if so, what documents were distributed)?

Information available or reasonably available to the Workshop

It is my position that all of the information that will be included in ICBC's 2004 Annual Report (not to be issued by ICBC until May 31, 2005) was available and could have been disclosed to participants for purposes of the workshop (which was concluded on April 8, 2005). It is not clear whether BCUC staff or the panel considers ICBC's 2004 Annual Report to be "new material information" that becomes available that was not reasonably

available at the time of the negotiations (see item V.2 on page 10 of the NSP). Please indicate BCUC's position regarding ICBC's 2004 Annual Report. It is necessary and relevant to the workshop matters and to BCUC's January 19, 2005 Decision.

Concluding comment

I am in the process of analysis of ICBC materials submitted at the workshop and preparing my dissent submission to the panel. In order to understand the force and effect of the NSP and to deal with how panels evaluate the merits and implications of "dissent arguments", I request that BCUC provide me with the information requested above by April 25, 2005.

I want to understand how BCUC staff and BCUC panels interpret and apply the provisions of BCUC's document: **Negotiated Settlement Process - Policy, Procedures and Guidelines** (January 2001 - 11 pages), for use in preparing my dissent to the proposed settlement agreement filed by ICBC on April 14, 2005 (I received my copy on April 15, 2005).

BCUC's assistance in this matter would be appreciated.

Yours truly,



Russell Sykes
Registered Intervenor
BCUC Regulation of ICBC



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Log No. 9903

VIA COURIER

April 25, 2005

CONFIDENTIAL

APR 25 2005
12.5.

Mr. Russell Sykes
2958 Brixham Road
North Vancouver, B.C. V7H 1C4

Dear Mr. Sykes:

Re: Negotiated Settlement Process ("NSP")

Your letter of April 20, 2005 includes a great number of questions with respect to the NSP process and Commission's Guidelines. I hope the following perspectives are of assistance with respect to those questions:

As a general comment the Commission uses NSPs where it considers the matters appropriate for the broader dialogue that NSPs include to achieve sound regulatory decisions. In this case the Panel recognized it wanted to resolve the seven identified allocation functions and hopes that the discussions in the NSP process will lead to better understanding and resolutions.

- | | |
|------------------|--|
| Questions 1 to 4 | The Panels make their determinations based on all the information provided, which includes a utility application, likely some workshop materials, written information requests and responses if undertaken, and the settlement document. |
| Question 5 | The sentence is self-explanatory. |
| Question 6 | Commission Panels evaluate dissents based on the evidence provided. |
| Question 7 | Parties have never asked for a facilitator other than BCUC staff. The staff do not object to the use of another facilitator. |
| Question 8 | The Commission staff participate in the NSPs to explore the interests of all ratepayer groups and utility shareholders. |
| Question 9 | The Panels determine what issues may be appropriate for NSPs based on the considerations identified in your reference on page 2 of the Guidelines. |
| Question 10 | In the case of this ICBC NSP the issues arose from the prior hearing and Decision and so all Intervenor to that hearing were invited to participate in the NSP. |
| Question 11 | They evaluate the NSPs based on the evidence provided. |

- Question 12 The fundamental principals of natural justice and fairness are those generally identified by tribunals including, for example, a fair opportunity to participate in the process by affected parties.
- Question 13 No.
- Question 14 No.
- Question 15 The new information would have a material impact on the outcome.
- Question 16 No.
- Question 17 Always.
- Question 18 No.
- Question 19 The agreement is circulated to registered participants in the process.
- Question 20 I anticipate the Panel will receive the NSP and supporting documents later this week. The Workshop has occurred and the Commission will consider the proposed settlement along with your dissent.
- Question 21 I don't know of any, with respect to the BCUC.
- Question 22 Not that I recall.
- Question 23 All ratepayers are impacted by this settlement.
- Question 24 No.
- Question 25 See Appendix F of the Decision. The identified cost allocation functions are follow-up to the previous hearing.
- Question 26 The likely interests of affected parties are to achieve a fair allocation of costs in the seven identified functions.
- Question 27 Commission staff normally view the meaning of "general agreement is sufficient" to be that while unanimous support is preferred there may be situations where the initiation of a NSP is desirable when it would be supported by most of the major impacted parties. In this case the process is a follow on to the earlier Decision.
- Question 28 It all depends, but, for example, an upcoming NSP has more than 30 intervenor groups registered.
- Question 29 Where the Commission has several intervenors with a common point of view it encourages them to work together so as to obtain an efficient process.
- Question 30 Yes.
- Question 31 No.
- Question 32 Based on the information provided.

- Question 33 Based on the information provided.
- Question 34 Parties can ask for a different facilitator.
- Question 35 Commission staff do not sign off on the agreement.
- Question 36 Panels are not normally aware of BCUC staff participation in the process.
- Question 37 BCUC staff have regulatory skills in the areas of engineering, finance, accounting, economics and tribunal process.
- Question 38 Commission staff will not disclose to the Commission any positions or offers presented during the settlement discussions without the consent of all participants.
- Question 39 Based on all the information provided to it a Commission Panel will evaluate the information to determine if it is in the public interest and consistent with the requirements of the Utilities Commission Act. The Commission's obligations with respect to the Workshop and the seven allocation functions is to determine that the costs are fairly allocated between Basic Insurance, Optional Insurance and Non-Insurance.
- Question 41 Not normally, because a settlement package often includes some trading of interest to obtain a desired result which would be satisfactory to all the parties. However, the Guidelines point out that a Commission Panel will not accept any individual terms that contravene the Commission's obligations under Utilities Commission Act.
- Question 42 I don't recall such a rejection.
- Question 43 Yes, in some cases Panels have responded to the participants' submissions by asking further questions.
- Question 44 This will depend on the information being provided to the Panel with the onus being that the Panel must have sufficient information on the record to come to a conclusion on the particular matter.
- Question 45 The settlement documents and letters of comment will be made public and provided to the Commission Panel later this week. We have identified May 2 as the date when you will provide your submission. There are no other registered intervenors or registered interested parties, so the Commission Panel can consider the evidence sometime after May 2.

The Commission Panel will consider your submission after it is received by May 2, 2005. You may wish to include submissions with respect to the materiality of ICBC's 2004 Annual Report as part of that submission.

Given your request for such a quick response to the questions raised, I have done my best to provide my recollections on the many issues which you have raised.

Yours truly,



William J. Grant

WJG/rt

Russell Sykes
Registered Intervenor
2958 Brixham Road
North Vancouver, BC
V7H 1C4

April 25, 2005

British Columbia Utilities Commission ("BCUC")
6th Floor, 900 Howe Street
Vancouver, BC Canada V6Z 2N3

Attention: William J. Grant, Executive Director
Regulatory Affairs & Planning

Dear Mr. Grant:

RE: "ICBC Workshop" – Page 92 of BCUC's January 19, 2005 Decision

Thank you for the delivery April 22, 2005. The envelope contained the following:

- Your letter dated April 22, 2005 (1 page)
- Confidential Agreement – "unsigned/undated" (5 pages)
- Schedule 1 (4 pages)
- Schedule 2 * (67 pages)
- Schedule 3 * (54 pages)
- Schedule 4 * (107 pages)

* - includes cover page, table of contents, and pages not numbered.

If BCUC intended to include other documents in the envelope delivered, please contact me at 604 929 2719.

It is my understanding that the changes by participants (reference: first sentence of your April 22, 2005 letter) include the changes suggested by BCUC staff.

With regard to the second paragraph of your April 22, 2005 letter, I am unable to confirm acceptance of the proposed NSA. I will submit a "Dissent Argument" for consideration by the panel. In preparing the "dissent", I will refer to BCUC's **Negotiated Settlement Process – Policy, Procedures and Guidelines (January 2001)**.

I request that BCUC allow me to deliver my "Dissent Argument" to BCUC on **May 2, 2005** (as April 30, 2005 is a Saturday).

Yours truly,



Faxed to BCUC 660 1102
at about 11:25 am April 25, 2005.