



**LETTER NO. L-13-07**

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**VIA E-MAIL**

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[donnie.wing@icbc.com](mailto:donnie.wing@icbc.com)

March 1, 2007

Mr. Donnie Wing, CA  
Senior Vice President  
Insurance, Marketing and Underwriting  
Insurance Corporation of British Columbia  
PO Box 2606  
349 West Georgia Street  
Vancouver, B.C. V7B 3W8

Dear Mr. Wing:

Re: Your Letter of February 22, 2007 and ICBC's Response to Commission Letter No. L-82-06  
and Proposed Filing Schedule for Items Outstanding from the July 13, 2006 Decision

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This letter responds to the above filing made by the Insurance Corporation of British Columbia ("ICBC" or the "Corporation") pursuant to Letter No. L-82-06 and the Decision of July 13, 2006 issued concurrently with Order No. G-86-06.

The ICBC letter of February 22, 2007 outlines how the Corporation proposes to provide the required material regarding:

- Customer Accounting Allocator,
- Alternatives to Broker Distribution,
- ICBC's proposal for Quarterly Reporting, and
- ICBC's proposal for reporting on Road Safety Costs.

The Commission has reviewed the proposals and finds them acceptable. For the benefit of the Registered Intervenor in the 2006 ICBC Revenue Requirements proceeding, the February 22, 2007 ICBC letter is attached.

Yours truly,

*Original signed by*

*Constance M. Smith*  
*for:* Robert J. Pellatt

DC/cms  
Attachment  
cc: Registered Intervenor ICBC 2006RR



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February 22, 2007

British Columbia Utilities Commission  
900 Howe Street, 6<sup>th</sup> Floor  
Vancouver, BC V6Z 2N3

Attention: Robert J. Pellatt, Commission Secretary

**Re: ICBC's response to Commission Letter L-82-06, and Proposed Filing Schedule for  
Items Outstanding from the July 13, 2006 Decision**

In its July 13, 2006 Decision and in its December 19, 2006 letter (Letter L-82-06) to ICBC, the Commission requested further information on the following items:

- Customer Accounting Allocator
- Alternatives to Broker Distribution
- ICBC's proposal for Quarterly Reporting
- ICBC's proposal for reporting on Road Safety Costs.

This letter outlines how ICBC proposes to provide the required material.

**Customer Accounting Allocator**

This item arose from the July 13 Decision. The Commission asked that ICBC investigate whether it would be possible "to track defaulted premiums by coverage and allocate these costs accordingly."<sup>1</sup>

ICBC will file information relating to a number of financial allocators in the 2007 Revenue Requirements application, and so proposes to deal with the customer accounting allocator within the application. This approach will provide an opportunity for the Commission and intervenors to comment. It will be a more efficient process, as all of the common financial allocator issues can be considered at the same time.

**Alternatives to Broker Distribution**

In the July 13 decision, the Commission also asked ICBC to explore business methods, with or without the involvement of brokers, to reduce or contain the cost of renewing a Basic insurance policy. ICBC also proposes to report on business methods involving renewal of Basic insurance policies within the 2007 Revenue Requirement application, as ICBC believes this to be an appropriate approach, leveraging an existing process.

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<sup>1</sup> July 13 Decision, Page 57

The remainder of this letter addresses the following items raised by the Commission in its letter L-82-06:

- ICBC's proposal for the timing of Quarterly Reporting
- ICBC's proposal for reporting on Road Safety Costs

### **ICBC's Proposal for Quarterly Reporting**

The Commission confirmed that "In general, (it) is satisfied that the reporting regime set out in this chapter responds to the direction in the Decision."<sup>2</sup> ICBC confirmed the timing of its reporting in the October 11, 2006 filing. As mentioned in the filing, ICBC is required to have its results released publicly as part of the government reporting prior to it being able to release its results. As government's release of quarterly results varies from quarter to quarter, ICBC anticipates filing its results with the Commission two to three months after each quarter. ICBC expects to file its first quarterly report in May of 2007.

With the filing of the first quarterly report, ICBC also proposes to respond to the Commission's desire to have a "better understanding of why ICBC feels that quarterly MCT estimates would not be 'useful or reliable' as a management tool to assist in timely assessment of changes in rate indication and planning initiatives to ensure compliance with MCT regulatory requirements and management targets."<sup>3</sup>

ICBC's 2006 year end Basic MCT will be filed as part of the 2007 Revenue Requirements application in March of 2007.

### **ICBC's Proposal for Reporting on Road Safety Costs**

ICBC was disappointed that the October 2006 filing did not meet the Commission's expectations as articulated in the July 2006 Decision with respect to road safety.

Our intent in filing the Road Safety Action Plan submitted on October 11, 2006 was to comply with the Commission's direction at page 69 of the July 13, 2006 decision. ICBC misunderstood that it was also to address the Commission's January 19, 2005 Decision in its October filing. ICBC is committed to meeting the Commission's needs with respect to road safety and is looking forward to bringing this matter to a satisfactory resolution.

As a result, ICBC met with Commission staff to gain a further understanding of the December 19, 2006 letter. Based on those discussions, ICBC is setting out its proposal for filing further information to meet the Commission's requirements, to ensure ICBC and the Commission have a shared understanding of the Commission's information request. ICBC's proposal is attached as Attachment A and, as in the October 11 Filing, the proposal is framed in terms of the three areas of response to road safety issues: education and awareness, enforcement and engineering.

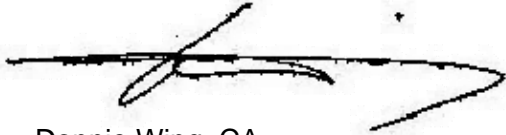
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<sup>2</sup> L-82-06, Page 5

<sup>3</sup> *ibid*, Page 6

We look forward to the Commission's response to the proposals set out in this letter at your earliest convenience, which will allow ICBC to finalize its 2007 Revenue Requirements application.

Yours truly,

A handwritten signature in black ink, appearing to read 'Donnie Wing', with a long horizontal stroke extending to the right.

Donnie Wing, CA  
Senior Vice-President of Insurance, Marketing and Underwriting

Attachment

## **ATTACHMENT A**

### **Education and Awareness**

ICBC's October 11, 2006 Filing included detailed information on education and awareness program strategies and tactics for 2006, including targets, measurement criteria and program costs. Based on discussions with Commission staff, ICBC's understanding is that the Commission requires the following additional information:

- How targets for individual programs are determined and why the target is appropriate
- How the appropriate level of expenditure on individual programs is determined
- Interim program evaluations
- Final program evaluations.

In order to provide the Commission with the level of information it requires, ICBC is initiating a comprehensive review of its investment in education and awareness programs. Since this review will not be complete prior to ICBC filing its 2007 Revenue Requirement Application, ICBC proposes to include with that Application information with respect to the education and awareness program review process. Information with respect to the results of the review would be provided to the Commission after completion of the review.

### **Enforcement Issues**

The Commission recognizes that the payments under the Traffic and Road Safety Law Enforcement Funding MOU (the "MOU") are required to be included in Basic insurance rates as a result of *Special Direction IC2* and the Commission is seeking specific assessment data supported by empirical data with respect to enhanced law enforcement programs.

To date, ICBC has filed a copy of the MOU (on August 12, 2004 attached to information request BCUC.97.1) and a copy of the MOU operating plans attached to the response to information request 2006.1 BCUC.43.3, with confidential provisions severed as agreed with Commission counsel, on November 16, 2005.

To complete the information provided with respect to the MOU, ICBC proposes to file with the Commission the annual report required to be provided by the Ministry of Public Safety and Solicitor General under the terms of the MOU. The most recent report that ICBC has is for the 2005 calendar year and it will provide the Commission with information on activities under the MOU during that year. ICBC will file this report along with the information on education and awareness programs as set out above.

The information that ICBC proposes to file, along with the previously filed information, will allow the Commission to verify that ICBC has paid the correct amount as required by the MOU and that ICBC has been provided information on the performance under the MOU, as agreed in the MOU.

ICBC believes that this information will enable the Commission to be satisfied that Basic insurance is available in a manner that it considers adequate, efficient, just and reasonable, and at the same time, recognize the Commission's previous determination regarding its jurisdiction with respect to the MOU. In the Commission's Reasons for Decision attached to the November 7, 2005 Order G-117-05, the Commission stated in reference to the MOU, "However, it is not open to the Commission Panel (nor to Registered Intervenor in this proceeding) to question the design efficacy, detailed interpretation or reported results of the funded programs".

## **Engineering Programs**

ICBC provided evidence with respect to engineering programs as part of the 2006 Revenue Requirements Application proceedings. In particular, ICBC advised of a change in investment criteria for the road improvement program to a 50% internal rate of return in 2006, largely because there were no longer a sufficient number of road improvement projects that could meet the previous, higher investment criteria of a 3:1 return over two years (Transcript Volume 5 at page 870, Volume 6 at page 1150). A 50% internal rate of return represents a fair balance of costs between the obligation of road authorities, as owners of roads, and Basic insurance policyholders.

Since all road improvement projects are assessed against investment criteria prior to their approval and funding, and do not proceed if investment criteria are not met, ICBC proposes to file the recently completed road improvement program evaluation. This evaluation includes the road improvement projects completed in 2002 and 2003 (since investments are made based on returns over a pre-determined number of years, projects are measured at the end of the return period once data is available). ICBC will file this report along with the information on education and awareness programs as set out above.