

SIXTH FLOOR, 900 HOWE STREET, BOX 250
VANCOUVER, B.C. V6Z 2N3 CANADA
web site: <http://www.bcuc.com>



**BRITISH COLUMBIA
UTILITIES COMMISSION**

**ORDER
NUMBER** G-48-07

TELEPHONE: (604) 660-4700
BC TOLL FREE: 1-800-663-1385
FACSIMILE: (604) 660-1102

IN THE MATTER OF

the Utilities Commission Act, R.S.B.C. 1996, Chapter 473, as amended
and

the Insurance Corporation Act, R.S.B.C. 1996, Chapter 228, as amended
and

An Application by Insurance Corporation of British Columbia
for approval of the 2007 Revenue Requirements for Universal Compulsory Automobile Insurance
and

A Filing of Information Relating to Matters Referenced in the British Columbia Utilities Commission Decision
dated July 13, 2006
and

An Application by Insurance Corporation of British Columbia
respecting Rate Design for Universal Compulsory Automobile Insurance

BEFORE: L.F. Kelsey, Panel Chair and Commissioner April 27, 2007
P.E. Vivian, Commissioner

O R D E R

WHEREAS:

- A. On March 16, 2007 the Insurance Corporation of British Columbia ("ICBC") submitted an application to the British Columbia Utilities Commission ("Commission") for approval of the 2007 Revenue Requirements for Universal Compulsory Automobile Insurance ("Basic Insurance") including a filing of Information relating to matters referenced in the Commission's Decision of July 13, 2006 (the "Revenue Requirements Application" or "RRA"); and
- B. On March 29, 2007 ICBC submitted its first application to the Commission respecting rate design for Basic Insurance (the "Rate Design Application" or "RDA"). The RDA presents a multi-year plan for changes to the driver penalty point premium ("DPP"); proposes replacement of the DPP with a Driver Risk Premium program; seeks implementation of a new rating variable commencing May 1, 2008, that will require that Other Operator information be provided and will include an amendment to Basic Insurance rates to allow an additional premium of \$25 to be charged as detailed in the RDA; requests Commission approval to implement actuarially indicated adjustments to the base rates of customer groups without further order of the Commission, with the implementation of adjustments commencing May 1, 2008 with a proposal of an annual cap on these adjustments of 6 percent per year as a means of phasing in the actuarially indicated base rate adjustments; and seeks Commission approval, effective June 1, 2007 of the Basic Insurance Tariff in Appendix 18B of the RDA; and

- C. Appendix 18B of the RDA is ICBC's Basic Insurance Tariff ("Tariff") effective June 1, 2007. As result of amendments to legislation and regulation, also effective June 1, 2007 certain provisions that were previously included under the existing legislation and regulation, and that are necessary components of the Basic Insurance rate structure, were identified by ICBC and included in the Tariff; and
- D. By Order No. G-31-07, the Commission approved on an interim basis a rate increase of 3.3 percent for all new and renewal policies with an effective date on or after May 1, 2007 for Plate Owner Basic and Fleet Reporting Policies. The interim increase is subject to refund with interest; and
- E. By Order No. G-32-07, the Commission established that ICBC was to lead a Workshop with respect to the Revenue Requirements Application and the Rate Design Application on April 23, 2007. The Order also established a Pre-hearing Conference to be held on the same date following the Workshop; and
- F. On April 16, 2007 the Commission advised the Hearing Participants on matters it would like to hear at the Pre-hearing Conference; and
- G. As per Order No. G-32-07, a Pre-hearing Conference was held on April 23, 2007 in Vancouver, B.C. to discuss a combined regulatory process or separate regulatory process for the two applications; the record of evidence (combined or separate); the form of hearings (written or oral hearing and one or two rounds of Intervenor information requests); the timing of the regulatory process; and any other matters. Registered Intervenor and ICBC made their submissions for consideration by the Commission Panel. At the Pre-hearing Conference the Commission Panel determined that the RRA and RDA would be examined in a combined regulatory process.

NOW THEREFORE the Commission orders as follows:

- 1. The RRA and the RDA will be reviewed in a combined regulatory process but each Application would have its own separate record of evidence.
- 2. The RRA will be examined in a Written Hearing process for the non-actuarial matters with two rounds of Intervenor Information Requests. Actuarial matters from the RRA will be examined with one round of Intervenor Information Requests and an Oral Public Hearing in accordance with the Regulatory Agenda and Timetable, attached as Appendix A.
- 3. The RDA will be examined with one round of Intervenor Information Requests to ICBC and an Oral Public Hearing in accordance with the Regulatory Agenda and Timetable, attached as Appendix A.
- 4. RRA actuarial matters consist of Chapter 4 Actuarial Rate Level Indication Analysis, Chapter 5 Update on ICBC Response to Bodily Injury Claims Costs, Chapter 6.1 Basic Insurance Capital Management Plan – Management Decision, and Chapter 6.2 Basic Insurance Capital Management Plan. RDA actuarial matters consist of Chapter 18 General Appendices: Appendix 18C Actuarial Analysis Explanatory Notes, Appendix 18D Actuarial Analysis: Plate Owner Basic Insurance Indicated Base Rate Adjustments, and Appendix 18E Actuarial Analysis: Proposed Year 1 Base Rate Adjustments.

**BRITISH COLUMBIA
UTILITIES COMMISSION**

**ORDER
NUMBER** G-48-07

3

5. The actuarial matters for the RRA and the RDA will be addressed from July 30, 2007 to August 2, 2007 in the Oral Public Hearing as set out in the Regulatory Agenda and Timetable, attached as Appendix A. Non-actuarial matters for the RDA will be addressed immediately following the actuarial matters portion of the Oral Public Hearing and reconvening on August 7, 2007, if necessary.
6. The Commission understands that in order for ICBC to continue to provide Basic Insurance on and after June 1, 2007, an approved tariff must be in place by that date. Therefore the Commission is requesting comments from Intervenors on the Tariff, and on the extent to which all or parts of the Tariff require review during the Rate Design Hearing. If an Intervenor considers that parts of the Tariff require further review during the Rate Design Hearing, it should identify those parts of the Tariff and the specific issue(s) it believes should be reviewed. If the Commission determines that some or all of the Tariff requires further review, it anticipates that it will approve the Tariff effective June 1, 2007 and, following the hearing, the Commission may issue directions to ICBC to make changes to the Tariff on a prospective basis. Intervenors are requested to provide their comments on or before May 18, 2007. ICBC is requested to provide its reply by May 25, 2007.

DATED at the City of Vancouver, in the Province of British Columbia, this 27th day of April 2007.

BY ORDER

Original signed by:

L.F. Kelsey
Panel Chair and Commissioner

Attachment



REGULATORY AGENDA AND TIMETABLE

An Application by Insurance Corporation of British Columbia for approval of the 2007 Revenue Requirements for Universal Compulsory Automobile Insurance and a Filing of Information Relating to Matters Referenced in the July 13, 2006 Decision ("Revenue Requirements")

and

An Application by Insurance Corporation of British Columbia respecting Rate Design for Universal Compulsory Automobile Insurance ("Rate Design")

DATE (2007):	ACTION: REVENUE REQUIREMENTS	ACTION: RATE DESIGN
Tuesday, May 1	BCUC Information Request ("IR") No. 1 to ICBC	BCUC IR No. 1 to ICBC
Friday, May 4	Intervenor IR No. 1 (non-actuarial) to ICBC	
Friday, June 1	ICBC IR No. 1 Responses to BCUC and Intervenors	ICBC IR No. 1 Response to BCUC
Tuesday, June 12	BCUC IR No. 2 and Intervenor IR No. 2 (actuarial and non-actuarial) to ICBC	BCUC IR No. 2 and Intervenor IR No. 1 (actuarial and non-actuarial) to ICBC
Tuesday, July 10	ICBC IR No. 2 Responses to BCUC and Intervenors	ICBC IR No. 2 Response to BCUC and IR No. 1 Responses to Intervenors
Friday, July 13	Intervenor Evidence	Intervenor Evidence
Thursday, July 19	IR on Intervenor Evidence	IR on Intervenor Evidence
Thursday, July 26	Intervenor IR Responses	Intervenor IR Responses
	ORAL PUBLIC HEARING:	ORAL PUBLIC HEARING:
Monday, July 30 to Thursday, August 2	<ul style="list-style-type: none">• Revenue Requirements (actuarial)	<ul style="list-style-type: none">• Rate Design (actuarial)• Rate Design (non-actuarial)
Reconvening on Tuesday, August 7 (if necessary)		<ul style="list-style-type: none">• Rate Design (non-actuarial)