



LETTER NO. L-42-07

SIXTH FLOOR, 900 HOWE STREET, BOX 250
VANCOUVER, B.C. CANADA V6Z 2N3
TELEPHONE: (604) 660-4700
BC TOLL FREE: 1-800-663-1385
FACSIMILE: (604) 660-1102

Log No. 18333

ROBERT J. PELLATT
COMMISSION SECRETARY
Commission.Secretary@bcuc.com
web site: <http://www.bcuc.com>

VIA E-MAIL

regaffairs@icbc.com
donnie.wing@icbc.com

June 11, 2007

ICBC – 2007RR Exhibit A-6

Mr. Donnie Wing, CA
Senior Vice President
Insurance, Marketing and Underwriting
Insurance Corporation of British Columbia
Suite 340-151 West Esplanade
North Vancouver, BC V7M 3H9

Dear Mr. Wing:

Re: Insurance Corporation of British Columbia ("ICBC")
2007 Revenue Requirements Application ("RRA")
Project No. 3698456 – Orders No. G-32-07 & G-48-07
Oral Hearing on Actuarial Matters in ICBC's 2007 Revenue Requirements Application

ICBC in its letter of June 7, 2007 to the Commission (see attachment) states that it wishes to ensure that its understanding of Commission Order No. G-48-07 is correct. ICBC indicates that RRA Chapter 5 "Update on ICBC Response to Bodily Injury Claims Costs" is mostly non-actuarial. ICBC submits that paragraphs 22 and 29 of Chapter 5 make reference to actuarial matters. ICBC considers the rest of Chapter 5 to be non-actuarial. ICBC wishes to ensure that its understanding of Order No. G-48-07 is correct, specifically that Chapter 5 (except for paragraphs 22 and 29), is to be dealt with as part of the Written Hearing process relating to the RRA. ICBC notes that most Intervenor who submitted information requests in Intervenor Information Request No. 1 submitted questions on RRA Chapter 5.

The Commission Panel agrees with ICBC's understanding. Paragraphs 22 and 29 of Chapter 5 are actuarial matters to be reviewed in the Oral Public Hearing. Chapter 5 (except for paragraphs 22 and 29) consists of non-actuarial matters and is to be reviewed in the Written Hearing process.

Yours truly,

Original signed by:

Robert J. Pellatt

RJP/cms
Attachment

June 7, 2007

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

Attention: Robert J. Pellatt, Commission Secretary

Re: Oral Hearing on Actuarial Matters in ICBC's 2007 Revenue Requirements Application

Dear Mr. Pellatt:

Further to the Commission's Order No. G-48-07, and to facilitate ICBC's preparation for the Oral Public Hearing on ICBC's 2007 Revenue Requirements Application (RRA), ICBC wants to ensure a mutual understanding of RRA matters to be encompassed by the term "actuarial" for the upcoming Oral Hearing.

The second paragraph of the Commission's letter of April 27, 2007 that accompanied Order No. G-48-07 says:

Non-actuarial matters in the Revenue Requirements Application will be examined in a Written Hearing process. The Oral Public Hearing is to commence on Monday, July 30, 2007 for the examination of actuarial matters in the Revenue Requirements Application and examination of both actuarial and non-actuarial matters for the Rate Design Application.

Paragraph 4 of Order No. G-48-07 states that RRA actuarial matters include Chapter 5 "Update on ICBC Response to Bodily Injury Claims Costs". ICBC is of the view that the overwhelming majority of information in Chapter 5 cannot be described as "actuarial". As noted in paragraph 2 of Chapter 5, "For information with respect to bodily injury claims trend analysis and actuarial analysis with respect to bodily injury ultimate claims costs, please see Chapter 4, "Actuarial Rate Level Indication Analysis". With the exception of the paragraphs noted below RRA Chapter 5 deals with claims matters that ICBC does not consider to be "actuarial".

Paragraphs 22 and 29 of Chapter 5 make reference to actuarial matters:

In addition, ICBC has reviewed the actuarial methodologies involved in estimating the Basic insurance rate indication and made changes as appropriate to reflect the current claims environment. In order to continue to improve its actuarial analysis, ICBC is currently evaluating improvements to the frequency model for injury claims and further enhancements to the current actuarial reserving methodology. For further discussion of adjustments to actuarial methodology, please refer to Chapter 4, Section B.

Early indications are that there has been a higher claims closure rate in 2006 and that the levels of pending claims and claim file open time have been reduced. The actuaries expect that the claims handling initiatives will have a favourable impact on the outcome of future claims. Since the changes were put in place midway through 2006, it is somewhat early to determine the actual impact of the initiatives; however, the data is beginning to suggest that the increases in BI costs are slowing down. The indicated rate change would be 0.5 percentage points higher if these initiatives were not taken into account.

Order No. G-48-07 sets out that with respect to the RRA Intervenor will be allowed to submit two rounds of information requests, with IR No. 1 limited to non-actuarial issues. As most Intervenor who submitted information requests in Intervenor IR No.1 submitted questions on RRA Chapter 5, it appears that Intervenor also considered Chapter 5 to relate to non-actuarial matters.

For the upcoming Oral Hearing on the RRA, ICBC is not intending to call a witness to address the non-actuarial matters in RRA Chapter 5 "Update on ICBC Response to Bodily Injury Claims Costs". ICBC will present an actuarial panel which will be prepared to deal with Chapters 4, 6.1 and 6.2 of the RRA, together with the references to actuarial matters noted in the two paragraphs from Chapter 5 referenced above.

ICBC wishes to ensure that its understanding of Order No. G-48-07 is correct, specifically that Chapter 5, other than the two paragraphs referenced above, is to be dealt with as part of the Written Hearing process relating to the RRA. If ICBC's understanding is not correct, ICBC would appreciate being so advised by the Commission.

Yours truly,

A handwritten signature in black ink, appearing to read 'Fiona Temple', written in a cursive style.

Fiona Temple,
Director, Regulatory Affairs