



LETTER L-92-11

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VIA EMAIL

December 7, 2011

ICBC 2012 REVENUE REQUIREMENTS
EXHIBIT A-1

TO: Insurance Corporation of British Columbia
2009 Revenue Requirements Streamlining Registered Interveners
ICBC 2010 Streamlined Revenue Requirements Interveners

Re: Insurance Corporation of British Columbia
2012 Revenue Requirements Application
- Interim Rate Request of 11.2 Percent

On December 1, 2011, the Insurance Corporation of British Columbia (ICBC) submitted its Revenue Requirements Application for the policy year commencing February 1, 2012 (Application). ICBC is applying for an increase in Basic Insurance rates of 11.2 percent. ICBC submits the requested rate increase has been determined in accordance with accepted actuarial practice as required under *Special Direction IC2 to the BC Utilities Commission, BC Regulation 307/2004, as amended* (Special Direction IC2) and reflects the change in Basic Insurance revenue that ICBC requires in order to pay for expected future costs.

Figure 3.2 - Overview of Impact on PY 2012 Indicated Rate Change on page 3-3 of the Application shows the components of the 11.2 percent rate increase. Figure 3.2 is reproduced below.

Figure 3.2 – Overview of Impact on PY 2012 Indicated Rate Change

Line No.	Components	Impact (percentage points of PY 2012 indicated) rate change)
1	PY 2010 Loss Cost Forecast Variance	+5.5
2	Loss Trend to PY 2012	+1.9
3	Investment Income and Premium Financing Plan Revenue	+2.5
4	Impact of IFRS changes	+0.4
5	Operating Expense (excluding IFRS changes)	+0.0
6	Capital Provision	+0.3
7	Trend in Average Premium	+0.4
8	Other	+0.2
9	PY 2012 Indicated Rate Level Change	+11.2

Special Direction IC2 provides a number of directives in section 3 that the Commission must do including:

(b) set rates for the corporation's universal compulsory insurance business in a way that will allow the corporation to maintain capital available in relation to its universal compulsory insurance business equal to at least 100% of MCT;

(c) subject to paragraphs (c.1) and (e), for each year for which it fixes universal compulsory vehicle insurance rates, fix those rates on the basis of accepted actuarial practice so that those rates allow the corporation to collect sufficient revenue,

(c.1) when regulating and fixing universal compulsory vehicle insurance rates, regulate and fix those rates in a manner that recognizes and accepts actions taken by the corporation in compliance with government directives issued to the corporation;

(e) ensure that increases or decreases in universal compulsory vehicle insurance rates are phased in in such a way that those rates remain relatively stable and predictable.
[emphasis added]

The full electronic version of Special Direction IC2 can be found at the following link:

http://www.bclaws.ca/EPLibraries/bclaws_new/document/ID/freeside/18_307_2004

The Commission notes on page 1 of Appendix A: Basic Insurance Interim Rate Increase Refund that "ICBC does not currently have a mechanism to bill customers if the approved permanent rate is higher than the approved interim rate but will work towards developing a system that has this capability by the time of an affected customer's next policy renewal date."

ICBC is requesting interim rates effective February 1, 2012 of 11.2 percent reflecting the policies specified in Chapter 1 of its Application. The Commission Panel wishes to provide an opportunity for stakeholders to make submissions, taking into account the requirements of Special Direction IC2, before issuing an order with respect to interim rates.

Any stakeholder submissions commenting on the ICBC's interim rate request should be received by the Commission Secretary, in writing or electronic submission, by Monday, December 12, 2011.

Yours truly,

Alanna Gillis

DC/cms