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**BRITISH COLUMBIA
UTILITIES COMMISSION**

**ORDER
NUMBER G-63-13**

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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, as amended

and

A Proposal by the Insurance Corporation of British Columbia
Regarding the Update to the 2011 Regional Claim Centres Detailed Work Effort Study

BEFORE: L.F. Kelsey, Commissioner
C.A. Brown, Commissioner April 25, 2013
N.E. MacMurchy, Commissioner
B.A. Magnan, Commissioner
D.M. Morton, Commissioner
R.D. Revel, Commissioner

O R D E R

WHEREAS:

- A. By Order G-75-10 dated April 30, 2010, the British Columbia Utilities Commission (Commission) directed the Insurance Corporation of British Columbia (ICBC) to file a detailed work effort study by September 1, 2011;
- B. On September 1, 2011, ICBC filed its Regional Claim Centres Work Effort Study (2011 Detailed WES), which included a detailed work effort study relating to the Regional Claim Centres Allocation and an Independent Third Party (ITP) report, in accordance with Order G-75-10 and its accompanying Decision dated April 22, 2010;
- C. By Letter L-87-11 dated November 17, 2011, the Commission accepted the 2011 Detailed WES. In accordance with Order G-75-10, the Commission directed ICBC to file an update of the 2011 Detailed WES within 24 months of the date of the letter's acceptance. The Commission also directed ICBC to file another detailed study when significant business changes occur or, at minimum, within 5 years from September 1, 2011;
- D. On February 4, 2013, ICBC filed a proposal with the Commission on how best to proceed with the update to the 2011 Detailed WES. ICBC submits that in 2011 ICBC's Claims Division began a re-organization to a new service model. ICBC proposes to forego the update to the 2011 Detailed WES that was due to be filed with the Commission on November 17, 2013, and instead prepare a detailed work effort study (WES), based on a new

functional model, and file the results with the Commission by the end of 2014. The results of the detailed WES would include a report from an ITP reviewer;

- E. ICBC also submits that if the Commission would find it useful, ICBC would file an informational compliance filing on November 17, 2013, that describes the claims transformation, including reorganization to a new service model, the changeover to a new Claims Management system, and its impact on claims handling processes and distribution of work;
- F. By letter dated March 7, 2013, the Commission invited comments from stakeholders on ICBC's proposal;
- G. By March 18, 2013, the Commission received four stakeholder letters of comment from the Canadian Office and Professional Employees Union, Local 378; Insurance Bureau of Canada; British Columbia Pensioners' and Seniors' Organization; and Mr. Richard T. Landale. ICBC provided its reply submission on March 28, 2013.
- H. The Commission has reviewed ICBC's proposal and all submissions received.

NOW THEREFORE as set out in the Reasons for Decision attached as Appendix A to this Order, the Commission orders as follows:

1. The proposal by the Insurance Corporation of British Columbia (ICBC) to forego the update to the 2011 Regional Claim Centres Detailed Work Effort Study (2011 Detailed WES) on November 17, 2013, is approved.
2. In lieu of the update to the 2011 Detailed WES, ICBC must provide an informational compliance filing by November 17, 2013, that describes the claims transformation. The compliance filing will include information on the reorganization to a new service model, the changeover to a new Claims Management system, and its impact on claims handling processes and distribution of work.
3. ICBC must file a new detailed work effort study by December 31, 2014, based the new Claims Division functional organizational structure. The results of the detailed work effort study must include a report by an independent third party reviewer.

DATED at the City of Vancouver, in the Province of British Columbia, this 25th day of April 2013.

BY ORDER

Original Signed By:

D.M. Morton
Commissioner

Attachment

A Proposal by the Insurance Corporation of British Columbia
Regarding the Update to the 2011 Regional Claim Centres Detailed Work Effort Study

REASONS FOR DECISION

1.0 Summary

On September 1, 2011, the Insurance Corporation of British Columbia (ICBC) filed with the British Columbia Utilities Commission (Commission) its Regional Claim Centres Work Effort Study (2011 Detailed WES), which included a detailed work effort study relating to the Regional Claim Centres Allocation and an Independent Third Party (ITP) report, in accordance with Commission Order G-75-10 and its accompanying Decision dated April 22, 2010.

By Letter L-87-11 dated November 17, 2011, the Commission accepted the 2011 Detailed WES. In accordance with Order G-75-10, the Commission directed ICBC to file an update of the 2011 Detailed WES within 24 months of the date of the letter's acceptance. The Commission also directed ICBC to file another detailed study when significant business changes occur or, at minimum, within 5 years of September 1, 2011.

On February 4, 2013, ICBC filed a proposal with the Commission on how best to proceed with the update to the 2011 Detailed WES. ICBC submits that in 2011 ICBC's Claims Division began a re-organization to a new service model. ICBC proposes to forego the update to the 2011 Detailed WES and instead undertake another detailed work effort study (WES) once claims transformation is fully implemented and operational.

For the Reasons which follow, the Commission concludes that approval of ICBC's proposal is warranted to forego the update to the 2011 Detailed WES on November 17, 2013.

2.0 ICBC's Proposal

On February 4, 2013, ICBC filed a proposal with the Commission on how best to proceed with the update to the 2011 Detailed WES. ICBC submits that major business changes to the Claims Division from a regional to a functional organizational structure which began in 2011 and continuing into 2013 will directly impact the Regional Claims Centre Allocation and ICBC's ability to conduct an update to the 2011 Detailed WES. ICBC's proposal is to undertake the following:

- Forego the update to the 2011 Detailed WES that was due to be filed with the Commission on November 17, 2013, and instead prepare a detailed WES, based on the new functional model, and file the results with the Commission by the end of 2014. The results of the detailed WES would include a report from an ITP reviewer.
- If the Commission would find it useful, ICBC would file an informational compliance filing on November 17, 2013, that describes the claims transformation, including reorganization to a new service model, the changeover to a new Claims Management system, and its impact on claims handling processes and distribution of work.

ICBC submits that the timing of this proposal is consistent with the Commission's directive to file a detailed WES when significant business changes occur.

Furthermore, if the proposal is approved, ICBC has presented additional considerations with regard to updating the allocators for costs associated with the new Claims organizational structure for use in 2013 and 2014 year-end

reporting, and the 2014 Revenue Requirements Application. ICBC recommends updating the allocation based on the 2011 Detailed WES percentages and the current functional organizational structure.

3.0 Comment Process

On March 7, 2013, the Commission invited comments from stakeholders on ICBC's proposal. By March 18, 2013, the Commission received four stakeholder letters of comment from the Canadian Office and Professional Employees Union, Local 378 (COPE), Insurance Bureau of Canada (IBC), British Columbia Pensioners' and Seniors' Organization (BCPSO), and Mr. Richard T. Landale (Mr. Landale). ICBC provided its reply submission on March 28, 2013.

3.1 Stakeholder Letters of Comment

COPE, IBC, and BCPSO generally agrees with ICBC's proposal. IBC states that there is reason to forego the detailed WES based on a regional model when ICBC is in the process of significant re-organization of its claim service model.

Mr. Landale opposes ICBC's proposal. He expresses concerns regarding ICBC's compliance to Commission orders and submits ICBC seems to promote efficiencies that do not reduce Basic Insurance premiums or operating costs.

All stakeholders submits that the Commission should provide an opportunity for stakeholders to seek further information and provide comments about whether any further process may be useful once the study has been filed and circulated.

3.2 ICBC Reply Submission

ICBC submits that Mr. Landale's comments were directed towards ICBC's decision to reorganize, rather than the process to be used for allocating costs between Basic and Optional insurance once the reorganization is completed. ICBC states that it retains the ability to undertake any reorganization at its own discretion. ICBC is undertaking this reorganization because it has concluded that it is in the best interest of policyholders. The Commission maintains oversight over Basic Insurance rate setting and cost allocation.

In response to possible further process, ICBC states that an informational compliance filing by ICBC to the Commission in November 2013 would be for information purposes only. ICBC states that if there is to be any regulatory process, it should be determined following the filing of the detailed WES in 2014.

4.0 Commission Determination

The Commission finds that ICBC's reorganization in the Claims Division to a new service model is a significant business change. Consistent with the directive as per Order G-75-10, ICBC must therefore file another detailed study when significant business changes occur. The Commission considers that the purpose of the detailed study is to report costs allocation between Basic and Optional that reflects ICBC's present Claims Division organizational structure and its work effort. Updating the 2011 Detailed WES in 2013 based on a regional model when ICBC is transitioning into a new service model is less likely to be indicative of ICBC's work efforts and cost allocation. For these reasons, the Commission is satisfied with ICBC foregoing the update to the 2011 Detailed WES in November 2013. In lieu of the update to the 2011 Detailed WES, the Commission finds it useful and informative for ICBC to file an informational compliance update that describes the claims transformation and its impact on claims handling processes and distribution of work.

The Commission acknowledges stakeholder comments relating to an opportunity to seek further information and provide comments on whether any further process is necessary. The Commission in this Decision makes no

determination with respect to establishing potential processes on either the informational compliance filing or new detailed WES filing. At the time when a filing is made, the Commission will assess whether or not any further process is warranted. With respect to Mr. Landale's comments, the Commission has previously found that ICBC's business change is consistent with Order G-75-10, and now finds that any rate impact to Basic Insurance due to business changes are potential revenue requirements matters.

With respect to the allocators for costs associated with the new Claims organizational structure for the 2013 and 2014 year-end reporting, and the 2014 Revenue Requirements Application, the Commission finds that ICBC should select the most appropriate allocator at its own discretion that is indicative of business operations and organizational structure at the time of reporting. In any case, ICBC is expected provide relevant details to support its rationale when selecting a particular methodology in its filings.

Accordingly, the Commission determines that approval of ICBC's proposal is warranted to forego the update to the 2011 Detailed WES on November 17, 2013. **ICBC's proposal to forego the update to the 2011 Detailed WES on November 17, 2013, is approved.**

In lieu of the update to the 2011 Detailed WES, ICBC must provide an informational compliance filing by November 17, 2013, that describes the claims transformation. The compliance filing will include information on the reorganization to a new service model, the changeover to a new Claims Management system, and its impact on claims handling processes and distribution of work.

ICBC must file a new detailed work effort study by December 31, 2014, based on the new Claims Division functional organizational structure. The results of the detailed work effort study must include a report by an independent third party reviewer.