



**BRITISH COLUMBIA  
UTILITIES COMMISSION**

**ORDER  
NUMBER G-81-15**

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IN THE MATTER OF  
the *Utilities Commission Act*, RSBC 1996, Chapter 473

and

the *Insurance Corporation Act*, RSBC 1996, Chapter 228, as amended

and

an Application by the Insurance Corporation of British Columbia  
for Approval of the Revenue Requirements for Universal Compulsory Automobile Insurance  
for the Policy Year Commencing November 1, 2014

**BEFORE:** B. A. Magnan, Panel Chair and Commissioner  
R. D. Revel, Commissioner  
H. G. Harowitz, Commissioner

May 19, 2015

**O R D E R**

**WHEREAS:**

- A. By Order G-63-14 and Decision dated May 14, 2014, the British Columbia Utilities Commission (Commission) approved a 5.2 percent Universal Compulsory Automobile Insurance (Basic insurance) permanent rate for the Insurance Corporation of British Columbia (ICBC) for the Policy Year commencing November 1, 2013;
- B. Special Direction IC2 to the British Columbia Utilities Commission, BC Regulation 307/2004 as amended (Special Direction IC2), requires that the British Columbia Utilities Commission (Commission) must do the following, among others:
  - i. beginning in 2014, require the Insurance Corporation of British Columbia (ICBC) to apply annually for a general rate change order by August 31 of the year of the application for rates effective November 1 of that year; and
  - ii. for 2014 and each following year for which rates are set, the percentage number of a rate change fixed by a general rate change order must differ from the percentage number of a rate change fixed by the previous general rate change order by no more than 1.5, and must not decrease existing rates;
- C. By Letter L-43-14 dated August 12, 2014, the Commission established a preliminary regulatory timetable for the anticipated ICBC 2014 Revenue Requirements Application;

- D. On August 29, 2014, ICBC submitted an application to the Commission for approval of the Revenue Requirements for Universal Compulsory Automobile Insurance, effective November 1, 2014 (Application), for a 5.2 percent increase in Basic Insurance rates. In addition, ICBC applied for approval of a revised formula for the New Money Rate used in the determination of investment income that forms a component of the Basic insurance rate indication;
- E. The Application requests for the 5.2 percent increase in Basic Insurance rates to apply as follows:
- i. Pursuant to section 89 of the *Utilities Commission Act*, and section 15 of the *Administrative Tribunals Act*, the rate increase to apply on an interim basis for all new or renewal policies with an effective date on or after November 1, 2014 that have: (1) premiums determined through the use of the Schedule of Basic Insurance Premiums of the Basic Insurance Tariff (Schedule C) as filed with the Commission, excluding Rate Class 800, Rate Classes 900 to 906, and excluding policies relating to vehicles located on isolated islands; and (2) premiums determined under a Fleet Reporting Policy. Collectively, policies under (1) and (2) are referred to as the “Plate Owner Basic and Fleet Reporting Policies;”
  - ii. ICBC applies for the 5.2 percent increase to be made on a permanent basis for Plate Owner Basic and Fleet Reporting Policies and all other new and renewal policies on or after the first day of the first month that is at least 60 days following the Commission’s final Decision on the Application;
- F. By Order G-129-14 dated September 4, 2014, the Commission approved ICBC’s requested 5.2 percent Basic insurance rate increase on an interim basis for implementation with an effective date on or after November 1, 2014. The Commission noted that it will determine the manner by which any variance between the approved interim rate and the approved permanent rate, will be refunded or collected at the time it renders its decision on the Application;
- G. By Order G-155-14, dated October 8, 2014, the Commission established a regulatory timetable and set out a written hearing process with two rounds of information requests and an intervenor evidence process for the review of the Application;
- H. ICBC filed its Final Argument on March 5, 2015. Registered intervenors filed their final arguments by March 18, 2014. Subsequently, ICBC filed its Reply Argument on April 2, 2015;
- I. The Panel reviewed and considered all evidence on record for the Application; and
- J. The jurisdiction of the Commission with respect to the regulation of ICBC’s revenue requirements and rates is restricted by legislation to Basic insurance. The Commission has no jurisdiction over ICBC’s Optional insurance business.

**NOW THEREFORE** for the reasons set out in the Decision that is issued concurrently with this order, the Commission orders as follows:

1. A 5.2 percent Basic insurance permanent rate increase for Policy Year 2014 is approved.

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2. The revised New Money Rate formula is approved. ICBC is directed to use the approved New Money Rate formula to calculate the investment income component of Basic Insurance rate indication in future revenue requirement applications.
3. The Commission will accept, subject to timely filing and if applicable, amended Basic insurance rate schedules in accordance with the terms of this order.
4. ICBC is directed to comply with all determinations and directives set out in the Decision that is issued concurrently with this order.

**DATED** at the City of Vancouver, in the Province of British Columbia, this 19<sup>th</sup> day of May 2015.

BY ORDER

*Original signed by:*

B. A. Magnan  
Panel Chair / Commissioner