

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



**BRITISH COLUMBIA
UTILITIES COMMISSION**

**ORDER
NUMBER G-212-15**

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

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
Effective November 1, 2015

BEFORE: B. A. Magnan, Panel Chair/Commissioner
H. G. Harowitz, Commissioner December 23, 2015
I. F. MacPhail, Commissioner

O R D E R

WHEREAS:

- A. On August 31, 2015, the Insurance Corporation of British Columbia (ICBC) filed a partial application to the British Columbia Utilities Commission (Commission) of the 2015 Revenue Requirements for Universal Compulsory Automobile Insurance (Basic insurance);
- B. On October 15, 2015, ICBC submitted outstanding materials, applying for a 5.5 percent increase in Basic insurance rates for policies with an effective date on or after November 1, 2015, on an interim and permanent basis, among other requests (Application);
- C. By Order G-169-15 dated October 21, 2015, the Commission established a regulatory timetable for the review of the Application, including one round of information requests (IRs) and a procedural conference at which the remainder of the Regulatory Timetable and the nature of the hearing process will be addressed;
- D. As per Order G-169-15, ICBC filed responses to Commission and intervener IRs on December 8, 2015;
- E. On December 15, 2015, the Commission issued a letter providing the Procedural Conference agenda to the participants and inviting written submissions from any interveners who cannot attend the Procedural Conference in person;

**BRITISH COLUMBIA
UTILITIES COMMISSION**

**ORDER
NUMBER** G-212-15

2

- F. As per Order G-169-15, the Procedural Conference was held on December 17, 2015, in Vancouver, BC. ICBC, British Columbia Old Age Pensioners' Organization *et al.*, Movement of United Professionals, Canadian Direct Insurance Inc., Toward Responsible Educated Attentive Driving, Mr. Landale, Mr. Adair and Mr. Kent made appearances and submitted comments for consideration by the Panel. The Commission received a written submission from Mr. McCandless on December 16, 2015;
- G. The Commission considered the submissions received and determines that a written public hearing process is warranted for the review of the Application.

NOW THEREFORE the Commission orders as follows:

1. For the reasons set out in Appendix A to this order, a written public hearing process with one additional round of information requests is established for the review of the Application.
2. The Regulatory Timetable is attached as Appendix B to this order.

DATED at the City of Vancouver, in the Province of British Columbia, this 23rd day of December 2015.

BY ORDER

Original Signed By

B. A. Magnan
Panel Chair/Commissioner

Attachments

An Application by the Insurance Corporation of British Columbia
for Approval of the Revenue Requirements for Universal Compulsory Automobile Insurance
Effective November 1, 2015

REASONS FOR DECISION

1.0 BACKGROUND

On August 31, 2015, the Insurance Corporation of British Columbia (ICBC) filed a partial application to the British Columbia Utilities Commission (Commission) of the 2015 Revenue Requirements for Universal Compulsory Automobile Insurance (Basic insurance). On October 15, 2015, ICBC submitted outstanding materials and applied for a 5.5 percent increase in Basic insurance rates for policies with an effective date on or after November 1, 2015, on an interim and permanent basis, among other requests (Application).

By Order G-169-15 dated October 21, 2015, the Commission established a regulatory timetable for the review of the Application including one round of information requests (IRs) and a procedural conference at which the remainder of the Regulatory Timetable and the nature of the hearing process will be addressed.

As per Order G-169-15, ICBC filed responses to Commission and intervener IRs on December 8, 2015.

On December 15, 2015, the Commission issued a letter¹ providing the Procedural Conference agenda to the participants and invited written submissions from any interveners who could not attend the Procedural Conference in person. The letter also included draft Commission staff regulatory timetables for discussion.

As per Order G-169-15, the Procedural Conference was held on December 17, 2015, in Vancouver, BC. The following participants made appearances and submitted comments for consideration by the Panel:

- ICBC
- British Columbia Old Age Pensioners' Organization *et al.* (BCOAPO)
- Movement of United Professionals (MoveUP²)
- Canadian Direct Insurance Inc. (CDI)
- Toward Responsible Educated Attentive Driving (TREAD)
- Mr. Landale
- Mr. Adair
- Mr. Kent

2.0 SUBMISSION BY THE PARTIES

The Procedural Conference addressed procedural matters for the Application. ICBC and interveners submitted comments on the regulatory review process and timetable. The sections below summarize the submissions received by ICBC and interveners.

2.1 Oral, written or combination hearing

ICBC is of the position that one round of information request is appropriate for the Application's regulatory review process. ICBC provided the following reasons for its position:

¹ Exhibit A-8.

² Formerly Canadian Office and Professional Employees' Union, Local 378; Exhibit C3-4.

- Operating expenses are a small portion of the cost of Basic insurance and are not contributing to the requested rate increase;
- The rate indication is driven by expected loss costs which requires unbiased best estimates forecasts based on accepted actuarial practice;
- Basic insurance is a closed system and the variances flow through into the Basic insurance capital and remain contained in future years;
- The Basic Capital Management Plan has been in place since 2013;
- The loss cost forecast variance is excluded in the 2015 Application which reduces the requested Basic rate from the true expected future costs for the 2015 policy year; and
- The current evidentiary record allows the Commission to make an informed decision.³

Alternatively, if the Commission determines that further information is required, ICBC submitted that the Commission should choose either one additional round of information requests or an oral process, but not a combination of both. ICBC also proposed to set parameters and limit the focus to actuarial matters only if further process is required as the rate indication is driven by actuarial estimates of loss costs.⁴

All interveners at the Procedural Conference submitted that further process is required. BCOAPO, MoveUP, CDI, TREAD and Mr. Landale opposed ICBC's submission to limit the focus to actuarial matters. BCOAPO, CDI and Mr. Landale preferred a second round of IRs.⁵ Mr. Adair and Mr. Kent preferred an oral hearing. MoveUP and TREAD preferred a second round of IRs and an oral hearing. Intervenors were not in favour of a Streamlined Review Process (SRP) due to the contentious and complex nature of the issues identified.⁶ Commission staff submitted that one additional round of IRs would be efficient to explore the quantitative nature of their questions.⁷

Regarding the scope of the hearing, Mr. Landale stated that "limiting the hearing options to ICBC's preference that the hearing focus on actuarial practice is unduly unfair, and restrictive..."⁸ BCOAPO and TREAD indicated that there are issues to be explored outside of actuarial analysis.⁹ Intervenors wished to pursue matters such as legal representation rate, claim transformation process, investment portfolio performance and property damage costs.¹⁰

MoveUP, TREAD, Mr. Adair and Mr. Kent preferred an oral hearing. MoveUP submitted that the requested rate increases by ICBC in the last two year calls for a "vigorous examination".¹¹ TREAD indicated an oral hearing would test credibility and an efficient way to follow up on IRs.¹²

In addition to their oral submissions, TREAD filed a written submission regarding dates¹³ and Mr. Landale filed a letter¹⁴ at the Procedural Conference. The Commission received a written submission from Mr. McCandless on December 16, 2015.¹⁵ Mr. McCandless did not specify his preference for further process.

³ Transcript Volume 1, pp. 10–13.

⁴ Transcript Volume 1, p. 14.

⁵ Mr. Landale changed his preference from one round of IRs to two rounds of IRs in his oral submissions at the Procedural Conference, Transcript Volume 1, p. 54.

⁶ Transcript Volume 1, pp. 22, 26–27.

⁷ Transcript Volume 1, p. 56.

⁸ Transcript Volume 1, p. 53.

⁹ Transcript Volume 1, pp. 21–22, 46.

¹⁰ Transcript Volume 1, pp. 21, 24.

¹¹ Transcript Volume 1, p. 24.

¹² Transcript Volume 1, p. 45.

2.2 Intervener evidence

MoveUP is considering filing evidence on the material damage issue. MoveUP would be able to provide information of whether or not intervener evidence will be filed by January 4, 2016.¹⁶

TREAD submits they would consider filing intervener evidence if TREAD is able to get a positive indication of TREAD's eligibility [assumedly for Participant Assistance/Cost Award] from Commission staff before evidence is due. TREAD intends to file evidence regarding the adequacy of public notice to policyholders regarding Basic rate increases.¹⁷

Mr. Landale states that he plans to submit intervener evidence. The table of contents of Mr. Landale's intervener evidence is included in his letter submitted at the Procedural Conference (Exhibit C1-3).

3.0 COMMISSION DETERMINATION

The Panel reviewed the submissions received and notes that there are a number of issues identified by interveners, thus their preference for further process. The Panel agrees with interveners and Commission staff that further process is warranted to gather additional information for the completeness of the evidentiary record. Despite ICBC's submission that further process should focus on actuarial issues, the Panel's view is that the issues that require further exploration are both actuarial and non-actuarial in nature. The Panel accepts the interveners' positions that the scope should not be limited to only actuarial matters, and that participants must be given the opportunity to fully explore issues relevant to a complete review of the Application.

Given the issues identified at this point, and the quantitative nature of much of the information that is to be sought, the Panel views that a second round of written IRs is the best process by which to explore these issues. No intervener preferred an SRP and the Panel is not persuaded that an oral hearing would be an efficient and cost-effective way to review this Application, whether it be a standalone process or in addition to a second round of IRs. For these reasons, **the Panel establishes a written public hearing process with one additional round of IRs for the review of the Application. The Regulatory Timetable is attached as Appendix B to this order.** In the interest of regulatory efficiency, the Panel has expedited some of the dates from the draft timetable provided by Commission staff in Exhibit A-8.

¹³ Exhibit C5-3.

¹⁴ Exhibit C1-3.

¹⁵ Exhibit C2-3.

¹⁶ Transcript Volume 1, pp. 26–27.

¹⁷ Transcript Volume 1, p. 49.

An Application by the Insurance Corporation of British Columbia
for Approval of the Revenue Requirements for Universal Compulsory Automobile Insurance
Effective November 1, 2015

REGULATORY TIMETABLE

ACTION	DATE (2016)	
Commission and Intervener IR No. 2	Tuesday, January 12	
ICBC IR No. 2 Response	Friday, January 29	
	INTERVENER EVIDENCE	NO INTERVENER EVIDENCE
Intervener Evidence	Wednesday, February 3	Not Applicable
IRs on Intervener Evidence	Thursday, February 11	
Intervener Response to IRs	Thursday, February 18	
ICBC Notice of Rebuttal Evidence	Monday, February 22	
ICBC Rebuttal Evidence	Thursday, February 25	
ICBC Written Final Argument	Tuesday, March 8	Monday, February 15
Intervener Written Final Argument	Tuesday, March 22	Monday, February 29
ICBC Written Reply Argument	Thursday, March 31	Tuesday, March 8