

ORDER NUMBER

G-74-16

IN THE MATTER OF

the *Utilities Commission Act*, RSBC 1996, Chapter 473

and

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

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, 2015

BEFORE:

B. A. Magnan, Panel Chair/Commissioner

H. G. Harowitz, Commissioner

I. F. MacPhail, Commissioner

on May 27, 2016

ORDER

WHEREAS:

- A. On August 31, 2015 the Insurance Corporation of British Columbia (ICBC) filed a partial application to the British Columbia Utilities Commission (Commission) for the 2015 Revenue Requirements for Universal Compulsory Automobile Insurance (Basic insurance), and proposed that ICBC be allowed to submit certain sections of the filing, including actuarial analysis and operating expenses, by October 30, 2015;
- B. On October 15, 2015, ICBC submitted outstanding materials and applied for, among other requests, a 5.5 percent increase in Basic insurance rates (Application) to apply as follows:
 - a. 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 policies with an effective date on or after November 1, 2015; and
 - b. The Basic insurance rate increase to be made permanent 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;
- C. By Order G-169-15 dated October 21, 2015, the Commission approved ICBC's requested 5.5 percent Basic insurance rate increase on an interim basis for implementation with an effective date on or after November 1, 2015. 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 and that Basic insurance policyholders that had already renewed

policies effective November 1, 2015 at the Basic insurance rate prior to the issuance of order G-169-15 would not be subject to a mid-term adjustment to reflect the interim rate change;

- D. By Orders G-169-15 dated October 21, 2015, and G-212-15 dated December 23, 2015, the Commission established the regulatory timetable for the proceeding and set out a written hearing process with two rounds of information requests and an intervener evidence process for the review of the Application;
- E. ICBC filed its Final Argument on March 8, 2016. Registered interveners filed their Final Arguments by March 22, 2016. ICBC filed its Reply Argument on March 31, 2016;
- F. The Panel reviewed and considered all evidence on record for the Application; and
- G. 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 British Columbia Utilities Commission orders as follows:

- 1. A 5.5 percent Basic insurance permanent rate increase for Policy Year 2015 is approved.
- 2. Claims Migration Costs are within the scope of the Transformation Program and the costs associated are therefore not to be allocated into the Policy Year 2015 Basic insurance rate. Applicable adjustments may be deferred to Insurance Corporation of British Columbia's (ICBC) next rate change application to the Commission.
- 3. ICBC's requested adjustments to the Minimum Capital Test margin thresholds are not approved.
- 4. The Panel rejects ICBC's request to remove the New Driver Comparative Crash Rate measure. The Commission will accept, subject to timely filing and if applicable, amended Basic insurance rate schedules in accordance with the terms of this order.
- 5. 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 27th day of May 2016.

BY ORDER

Original signed by:

B. A. Magnan
Panel Chair / Commissioner