



**ORDER NUMBER**  
**G-188-18**

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

and

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

and

Insurance Corporation of British Columbia  
2018 Basic Insurance Rate Design Application

**BEFORE:**

D. M. Morton, Panel Chair/Commissioner  
A. K. Fung, QC, Commissioner  
B. A. Magnan, Commissioner

on September 28, 2018

**ORDER**

**WHEREAS:**

- A. On August 9, 2018, by Orders in Council No. (OIC) 458/18 and 459/18, respectively, the Lieutenant Governor in Council directed the Insurance Corporation of British Columbia (ICBC) to apply to the British Columbia Utilities Commission (BCUC), by August 15, 2018, for approval of rate design amendments as set out in OIC 458/18 (the 2018 Rate Design Directive), and directed the BCUC to regulate and fix the rates using the factors, criteria and guidelines set out in OIC 458/18 within 45 days of ICBC's application.
- B. On August 15, 2018, in accordance with OIC 458/18, ICBC filed its 2018 Basic insurance Rate Design Application (Application). In the Application, ICBC submits that the new Basic insurance rate design set out in the Application is consistent with the legislative and regulatory framework in which ICBC and the BCUC operate, including government directives.
- C. ICBC sought BCUC approval of the amended Basic insurance Tariff (Tariff) pages in the 2018 Rate Design Directive, as provided in Appendix B of the Application. The effective dates of the Tariff amendments are as follows:
  - i. The majority of the rate design Tariff amendments are to be effective September 1, 2019. These amendments to the Tariff are Attachment 2 to the 2018 Rate Design Directive;
  - ii. Amendments to Rate Class and Territory Factors are to be effective September 1, 2019 and in each successive year up to and including 2028. These amendments to the Tariff are Attachment 3 to the 2018 Rate Design Directive; and

- iii. Increases to Driver Penalty Point Premiums and Driver Risk Premiums are to be effective November 1, 2018, with a subsequent increase to be effective November 1, 2019. These amendments to the Tariff are Attachments 4 and 5, respectively, to the 2018 Rate Design Directive.
- D. By Order G-152-18 dated August 16, 2018, the BCUC established a regulatory timetable that included a Streamlined Review Process (SRP) as well as ICBC and intervener oral arguments to be held on September 4, 2018 and September 6, 2018, respectively;
- E. On August 31, 2018, ICBC filed an errata and clarification to the Application. ICBC identified that there is a mislabelling of Table 2 on page 11 of Schedule D of the Tariff and submitted that the original column headings were incorrect;
- F. On September 4, 2018, Mr. McCandless, Movement of United Professionals, Mr. Litman, Toward Responsible Educated Attentive Driving, BC Old Age Pensioners' Organization *et al.*, Mr. Landale, ICBC, BCUC staff and the Panel participated at the SRP. Interveners who participated at the SRP also provided arguments. The BCUC received five letters of comments from the public by September 6, 2018; and
- G. The BCUC has reviewed and considered the Application in accordance with OICs 458/18 and 459/18.

**NOW THEREFORE** for the reasons attached as Appendix A to this Order, the BCUC orders as follows:

1. The Tariff pages set out in Attachment 2 to the 2018 Rate Design Directive, except for Table 2 on page 11 of Schedule D of the Tariff, are approved effective September 1, 2019.
2. Table 2 on page 11 of Schedule D of the Tariff as filed in the Application is not approved, as that table is not consistent with accepted actuarial practice. If ICBC wishes to file a consequential Tariff amendment, ICBC is requested to address the Panel's observation as outlined in the reasons attached as Appendix A to this Order.
3. The Tariff pages set out in Attachment 3 to the 2018 Rate Design Directive are approved effective September 1, 2019 and on September 1 of each successive year up to and including 2028.
4. The Tariff pages set out in Attachment 4 to the 2018 Rate Design Directive are approved effective November 1, 2018.
5. The Tariff pages set out in Attachment 5 to the 2018 Rate Design Directive are approved effective November 1, 2019.
6. ICBC is directed to file its communication plan with the BCUC for information purposes within 10 days of this Order and to inform the BCUC of any material modifications during the course of its rate design implementation. Additionally, ICBC is directed to provide any and all draft external communications related to the new rate design for BCUC review at least two business days prior to being finalized and released to the public.
7. ICBC is directed to submit the following compliance filings to allow the BCUC to track ICBC's progress on the IT changes related to the new rate design. Cost information is not required to be included in these compliance filings as long as any costs are not allocated to Basic insurance:
  - a) An IT project plan for the new rate design implementation within 30 days of this order;
  - b) IT project schedules for the new rate design implementation within 10 days of this order;

- c) IT progress reports for the new rate design implementation when material changes to the schedule occur; and
  - d) Internal reporting that is in place to track the progress of the IT changes currently provided to the ICBC Board or executive team; and
8. ICBC is directed to file on an annual basis a report on the results and impact of the new rate design starting December 31, 2021. The report should include a minimum of the following:
- Observations on the new rate design variables and rating factors, including those factors and their eligibility requirements which are: i) unchanged or, ii) updated/additional factors, under the new rate design;
  - Whether it may be appropriate to implement changes to the new rate design variables and rating factors based on actuarial analysis using recent historical loss data;
  - Whether it may be appropriate to implement changes to the new rating algorithm; and
  - Impact of behavioural changes subsequent to the new rating algorithm, and new rate design variables and rating factors, if any. This may include a hindsight test of the assumptions that underlie the intended revenue neutrality.

**DATED** at the City of Vancouver, in the Province of British Columbia, this 28<sup>th</sup> day of September 2018.

BY ORDER

*Original signed by:*

D. M. Morton  
Commissioner

Attachment

Insurance Corporation of British Columbia  
2018 Basic Insurance Rate Design Application

**REASONS FOR DECISION**

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## 1.0 Introduction

### 1.1 Background

On August 9, 2018, the Lieutenant Governor in Council (LGIC) issued Orders in Council No. (OIC) 458/18 and 459/18. The Government directive letter dated August 3, 2018 under OIC 458/18 directed the Insurance Corporation of British Columbia (ICBC) to apply to the British Columbia Utilities Commission (BCUC), by August 15, 2018, for rate design amendment approvals (the 2018 Rate Design Directive). OIC 459/18 required that the BCUC must, within 45 days of ICBC's application, regulate and fix the rates using the factors, criteria and guidelines set out in the 2018 Rate Design Directive.

#### *Order in Council 458/18*

In the 2018 Rate Design Directive, ICBC was directed to apply to the BCUC for approval of rate design amendments and of the accompanying amended or new pages of the ICBC Basic insurance Tariff (Tariff) in the order to achieve a number of listed items as outlined in the August 3, 2018 letter<sup>1</sup>.

The 2018 Rate Design Directive also states<sup>2</sup>:

ICBC is directed to incorporate any necessary consequential amendments to the attached Tariff pages to reflect, for example, intervening changes requested by ICBC and approved by the BCUC prior to the effective dates of the attached pages.

Continuity in the rate design is important. However, some of the Tariff pages do not become effective for some time. It should be recognized that unforeseen circumstances can arise that may necessitate changes to the Tariff language to ensure the original intent is achieved. In the event that ICBC identifies, after approval of the attached amended and new pages to the Tariff, that further changes are necessary to achieve the original intent, then ICBC should bring those changes forward to the BCUC for approval after consultation with the ministry responsible.

#### *Order in Council 459/18*

By OIC 459/18 dated August 9, 2018, the LGIC amended Special Direction IC2 to the BCUC. The new amendment adds section 3(1)(o) which requires that the BCUC must, within 45 days of ICBC's application, regulate and fix the rates using the factors, criteria and guidelines set out in the 2018 Rate Design Directive.

### 1.2 The application and approvals sought

On August 15, 2018, in accordance with OIC 458/18, ICBC filed its 2018 Basic insurance Rate Design Application (Application). In the Application, ICBC submits that the new Basic insurance rate design set out in the Application is consistent with the legislative and regulatory framework in which ICBC and the BCUC operate, including government directives. ICBC sought BCUC approval of the amended Tariff pages in the 2018 Rate Design Directive, as provided in Appendix B of the Application.

On August 31, 2018, ICBC filed an errata and clarification to the Application. ICBC identified that there is a mislabelling of Table 2 on page 11 of Schedule D of the Tariff and submitted that the original column headings were incorrect.

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<sup>1</sup> Order in Council No. 458/18, Letter dated August 3, 2018, pp. 2–4.

<sup>2</sup> Ibid., p. 4.

### **1.3 Application review process**

By Order G-152-18 dated August 16, 2018, the Panel established a public proceeding and a regulatory timetable for the review of the Application, which included a Streamlined Review Process (SRP) as well as ICBC and intervener oral arguments to be held on September 4, 2018 and September 6, 2018, respectively. The SRP was intended to expedite the flow of information between ICBC, registered interveners and the BCUC by incorporating the benefits of a workshop, information requests and an oral hearing into one efficient process.

In the period between August 17 and 27, 2018, the Panel approved the following eight requests to intervene:

- Richard McCandless (McCandless)
- Movement of United Professionals (MoveUP)
- Todd Litman (Litman)
- Rachael D'Silva (D'Silva)
- Henry Liu (Liu)
- Towards Responsible Educated Attentive Driving (TREAD)
- Richard T. Landale (Landale)
- British Columbia Old Age Pensioners' Organization et al. (BCOAPO)

On August 28, 2018, questions to ICBC in advance of the SRP were filed by the BCUC, McCandless, Litman, Liu, TREAD and Landale. ICBC responded to the written questions submitted by the participants in advance of the SRP on September 3, 2018. On September 4, 2018, McCandless, MoveUP, Litman, TREAD, BCOAPO, Landale, ICBC, BCUC staff, and the Panel participated at the SRP. Intervenors who participated at the SRP provided intervener arguments. The BCUC also received five letters of comment from the public by September 6, 2018.

## **2.0 Determinations on approvals sought**

### **2.1 BCUC jurisdiction in the context of this Rate Design Application**

#### **2.1.1 Is BCUC jurisdiction constrained by government direction?**

The threshold issue that the Panel must address is the extent of the BCUC's regulatory jurisdiction over the review of the Application in light of its enabling statute and the government directives made to ICBC and the BCUC pursuant to OICs 458/18 and 459/18 respectively.

As noted above, on August 9, 2018, the LGIC issued OIC 458/18 approving the 2018 Rate Design Directive, of which a copy, without its attachments, is reproduced in Attachment A to these Reasons. The 2018 Rate Design Directive directs ICBC to apply to the BCUC by August 15, 2018 for approval of the rate design amendments as set out in that directive and the attached amended or new pages of the Tariff. The 2018 Rate Design Directive begins by stating that the Tariff amendments "will improve fairness in B.C.'s insurance system" and will "build on recently-enacted legislative changes."<sup>3</sup>

The LGIC issued the companion OIC 459/18 dated August 9, 2018, approving amendments to Special Direction IC2. Those amendments direct the BCUC to regulate and fix the new ICBC rates within 45 days of ICBC applying to BCUC pursuant to the 2018 Rate Design Directive. On August 15, 2018, ICBC filed its Application seeking BCUC

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<sup>3</sup> *ibid.*, p. 2.

approval of the new rate design and Tariff amendments within 45 days of the filing date, i.e. by September 29, 2018.

In undertaking its review of the Application, the BCUC notes that as a creature of statute, it only has the authority conferred upon it by the *Utilities Commission Act (UCA)*, in conjunction with the *Insurance Corporation Act (ICA)*, and must exercise its jurisdiction in accordance with the provisions of that enabling legislation.

Section 47 of the ICA clearly states that the BCUC “must comply” with government directions. Absent any challenge to the validity of government directions or ambiguity in its wording, the BCUC has no discretion to deviate from them. In this regard, government directions are legally binding upon the BCUC and the BCUC must implement and give effect to those directions as applicable.

### **2.1.2 Combined effect of Special Direction IC2 and OICs 458/18 and 459/18 on BCUC jurisdiction to review the Application**

Pursuant to the power under section 47 of the ICA, the LGIC issued Special Direction IC2 in 2004 providing direction to the BCUC relating to its regulation of ICBC’s Basic insurance. Since 2004, Special Direction IC2 has been amended several times by a series of Orders in Council, the latest of which is OIC 459/18 which added subparagraph (o) to section 3(1) effective August 9, 2018.

Specifically, section 3(1)(o) states:

With respect to the exercise of its powers and functions under the Act in relation to the corporation generally, the commission must do all of the following:

....(o) despite paragraph (j), within 45 days of the corporation applying in accordance with the government directive dated August 3, 2018 for a redesign of rates, regulate and fix the rates using the factors, criteria and guidelines set out in that government directive.

Once again, the language in the direction to the BCUC is mandatory: “the commission must...regulate and fix the rates using the factors, criteria and guidelines set out in the government directive” within 45 days of ICBC’s filing of the Application.

OIC 458/18 directs ICBC to apply to the BCUC for approval of the design amendments as further set out in the August 3 government letter and the attached Tariff pages.

The letter states that the new rate design Tariff amendments will “improve fairness in BC’s insurance system.” It goes on to list a number of bullet points that describe various objectives that the rate design must meet. In particular, it is stated that ICBC’s “policies are to consider:<sup>4</sup>

- all drivers of a vehicle,
- the number of years licensed to a maximum of 40 years, and
- at-fault crashes within the most recent 10 years.”

The combined effect of the revisions to Special Direction IC2 and OICs 458/18 and 459/18 mean that the Panel must satisfy itself that the new rate design proposed reflect the factors, criteria and guidelines set out in the 2018 Rate Design Directive. Provided that we are satisfied on the basis of the evidence that the new rate design and attached Tariff amendments satisfy that criterion, we must approve them within 45 days of their filing in order to comply with Special Direction IC2.

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<sup>4</sup> Ibid., pp. 1–2.

The first paragraph of the 2018 Rate Design Directive indicates that the Tariff amendments “will improve fairness in B.C.’s insurance system.”<sup>5</sup> The second paragraph then directs ICBC to apply by August 15, 2018 for BCUC “approval of rate design amendments as set out in this letter and the attached amended or new pages of the Tariff in order to achieve” a series of bulleted objectives that follow.

ICBC submits, and the Panel acknowledges, that there are four key objectives for the rate design changes as set out on pages 1 and 2 of the 2018 Rate Design Directive:

1. Revenue neutrality;
2. No more than 35% of basic policy holders are to experience a premium increase (excluding the impact of a general rate change or changes to driver penalty points/driver risk premium);
3. With the exception of taxi base rates, rates associated with territory and rate class are to reflect recent historical loss data where available and be set according to accepted actuarial practice, and the rate impact changes are to be spread over 10 years; and
4. Non-fleet policies are to consider all drivers of a vehicle, the number of years licensed (to a maximum of 40) and the number of at-fault crashes within the most recent 10 years, based on a data driven approach and accepted actuarial practice.

Combined with the other objectives laid out in the August 3, 2018 letter, this defines the scope of the Panel’s jurisdiction. Does this set of Tariff amendments satisfy these objectives and improve fairness? If so, then they must be approved.

The clear wording of the government direction means that in our review of ICBC’s new rate design and Tariff amendments, the UCA’s section 59 standard - “not unjust, unreasonable, unduly discriminatory or unduly preferential rate” – does not apply. In this regard, we acknowledge that we are departing from what may be considered “normal practice” in reviewing rate design applications. However, in this instance we have no discretion to deviate from the clear language of the government direction to the BCUC. To warrant BCUC approval in accordance with the terms of Special Direction IC2, ICBC’s new rate design and Tariff amendments need only to reflect “the factors, criteria and guidelines set out” in the government directive to ICBC. Nothing more is needed.

## **2.2 The Tariff revisions, the Errata Tariff and consequential amendments**

### **2.2.1 Status of proposed Tariff amendments**

Having considered the jurisdictional issue, the BCUC must then consider whether the Tariff amendment pages themselves form part of the 2018 Rate Design Directive such that the BCUC must give effect to them in their entirety in order to comply with Special Direction IC2. In other words, in complying with government direction to the BCUC, can the BCUC, on its own volition or upon request by a party, substitute other Tariff amendments in place of those set out in the Tariff pages attached to the 2018 Rate Design Directive?

#### *Position of the Parties*

At the SRP on September 4, 2018, in response to a question from the Panel Chair to ICBC’s external actuary as to the degree of latitude available in the 2018 Rate Design Directive, ICBC’s counsel offered the following submission:

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<sup>5</sup> Ibid., p. 1.



...the interpretation in essence of how ICBC is approaching the directive is that the directive encompasses the cover letter as well as the tariff pages. So the contents of the tariff pages are part of the directive, and they reflect policy decisions every bit as much as the cover letter does.

So if I were to articulate how the directive should be read in ICBC's submission, it's if you flip to the directive, what you'll see in the introductory paragraph – and I can just summarize this – but the directive is to apply for approval of the rate design amendment set out in this letter and the attached amended or new pages from the ICBC basic insurance tariff in order to achieve the following, and then there's a list of bulleted objectives. And so the exercise from ICBC's perspective is for the Commission to be reviewing whether or not what's in the tariff pages delivers on the objectives that are listed in the bullets.<sup>6</sup>

On September 6, 2018, during Oral Argument, ICBC's counsel made a similar submission in these terms:

...the role of the Commission under the government directive is to assess whether the directed pages that are included with the directive meet the objectives, the bulleted objectives in the letter. All of them, that meet all of the directives in the bulleted letter and approve them if they do.<sup>7</sup>

ICBC's counsel then went on to say "The tariff provisions are part and parcel of the government directive."<sup>8</sup> ICBC's counsel further submitted that the standard approach to statutory interpretation is to look at the words not just in isolation but in the context of the overall document and having regard to the intention of the drafter, in this case Cabinet.

In support of the argument that ICBC is being directed to apply for approval of the Tariff pages and that the Tariff pages themselves are incorporated into the directive, ICBC's counsel referred to the following in the 2018 Rate Design Directive:

On page 1, the direction to ICBC to apply for approval of the amendments "as set out in this letter and the attached amended or new pages of the ICBC Basic Insurance Tariff";

The reference set out in the last bullet on page 3 to "Changes noted above...either as set out above or in more detail in the attached amended and new Tariff pages" followed by a reference to "The attached amended and new pages of the Tariff" as including "amendments and new pages that are: a) to be effective September 1, 2019 (Attachment 2)"; and

On page 4, the direction to ICBC "to incorporate any necessary consequential amendments to the attached Tariff pages to reflect, for example, intervening changes requested by ICBC and approved by the BCUC prior to the effective dates of the attached pages" and the references to the "Tariff pages" and the "attached amended and new pages to the Tariff" in the subsequent paragraph.

This lead ICBC to conclude, based on the surrounding wording and context, that "the directive overall isn't just the cover letter, it's the entire package."<sup>9</sup>

In Oral Argument, MoveUP agreed with that interpretation, stating "that the tariff is as much a part of the directive and as, shall we say, gift-wrapped by an Order in Council...as anything else contained in the letter."<sup>10</sup>

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<sup>6</sup> SRP Transcript Volume 1, pp. 69–70.

<sup>7</sup> Oral Argument Transcript Volume 2, p. 229.

<sup>8</sup> Oral Argument Transcript Volume 2, pp. 240–241.

<sup>9</sup> Oral Argument Transcript Volume 2, pp. 253–255.

### *BCUC determination*

The Panel agrees with ICBC and MoveUP that the 2018 Rate Design Directive must be read as a whole, with regard to its context. The various references to the attached Tariff pages included in that directive support the Panel finding that they form part and parcel of that directive. The Panel further finds that those amended Tariff pages are necessary to give effect to the proposed rate design changes contemplated in the directive. Without those amended pages, the proposed new rate design changes cannot be implemented. **Therefore, the Panel determines that the attached Tariff pages form part of the 2018 Rate Design Directive.**

#### **2.2.2 Errata Tariff amendments**

On August 31, 2018, ICBC filed an errata and clarification to the Application (Errata) and identified that there was a mislabelling of Table 2 on page 11 of Schedule D of the Tariff. The original Table 2 filed as part of the Application had column headings which referred to “Number of CCPs [Chargeable Claim Payment] Aged Less than 3 Whole Years” and “Number of CCPs Aged 3 or More Whole Years.” In the Errata, ICBC explained that the column headings were in fact mislabelled and should be corrected as follows<sup>11</sup>:

The values that are presented in the table are based on a statistical analysis in accordance with accepted actuarial practice using the number of CCPs aged less than 2 whole years and the number of CCPs aged 2 or more whole years. The column headings do not accurately represent the values in the table nor the analysis that was undertaken to develop the table.

The mislabelled number was carried forward into the Application and is referenced on Chapter 3, page 3-12, in paragraph 27. Any occurrence of “three years” in that paragraph should be “two years.”

ICBC attached to the Errata filing a corrected Schedule D with a new Table 2 reflecting the new column headings. ICBC seeks the Panel’s approval on the new Table 2 in place of the previous Table 2 filed as part of its Application.

### *Panel discussion*

In determining the extent of the BCUC’s jurisdiction regarding the Errata, the Panel considers the following factors to be relevant:

- As ICBC acknowledges and as supported by the actuarial analysis filed by way of an ICBC undertaking,<sup>12</sup> Table 2 is “one of those tables that is addressed in the bullet that requires adherence to accepted actuarial practice,” and “if you have a 3 in the heading of that table incorrectly and all of the data in the table is reflecting as if it was 2, that is an incongruous situation that is inconsistent with accepted actuarial practice”;<sup>13</sup>
- ICBC further acknowledges that the BCUC has the jurisdiction to reject a portion of the Tariff “in the event that you conclude that the objective in the bullets is not met by the attached Tariff pages, full stop”;<sup>14</sup>
- Despite that, ICBC urges that the Panel should instead adopt a “reconciliation approach” to interpreting the 2018 Rate Design Directive in light of its stated objectives and exercise the discretion to make the

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<sup>10</sup> *ibid.*, p. 320.

<sup>11</sup> Exhibit B-1-1, p. 1.

<sup>12</sup> SRP Transcript Volume 1, p. 187; Exhibit B-5.

<sup>13</sup> Oral Argument Transcript Volume 2, p. 244.

<sup>14</sup> *ibid.*, p. 245.

change in the Errata as part of its Order and “fix the tariff” to ensure that Table 2 is in accordance with accepted actuarial practice;<sup>15</sup>

- Similarly, MoveUP urges this Panel to exercise its own judgment in the proper statutory construction of the bundle of legislative instruments that is before it. MoveUP further submits that the Panel has room to exercise its own judgment about how to interpret the tasks that have been assigned to it so long as its conclusions are within the range of reasonable alternatives;<sup>16</sup>
- BCOAPO et al. adopts MoveUP’s submission in its Oral Argument, to the effect that the Panel has the discretion to approve the Application with the Errata and give effect to the principles and statutory interpretation outlined above;<sup>17</sup>
- The 2018 Rate Design Directive contemplates that ICBC may apply to the BCUC for approval of “any necessary consequential amendments to the attached Tariff pages to reflect, for example, intervening changes requested by ICBC and approved by the BCUC prior to the effective dates of the attached pages”; and
- The 2018 Rate Design Directive also anticipates, after BCUC approval of the attached amended and new Tariff pages, that if ICBC determines that further changes “are necessary to achieve the original intent,” ICBC should, after consultation with the ministry responsible, bring them forward to the BCUC for further approval.

Having considered the above evidence and arguments, the Panel agrees with ICBC’s submission that if the Panel is satisfied that a part of the Tariff is inconsistent with the stated objectives in the 2018 Rate Design Directive, it has the jurisdiction to reject that part of the Tariff for failure to satisfy one or more of the stated objectives. In fact, pursuant to section 47 of the ICA, the Panel must do so in light of the binding nature of the Orders-in-Council approving and giving effect to government directions. Once issued, Orders-in-Council have the force of law and those who are subject to such laws, including the BCUC, must comply with them fully.

### **2.3 Specific approvals granted**

The 2018 Rate Design Directive requests that the actuarial analysis account for revenue neutrality during the first year of implementation.<sup>18</sup> ICBC’s actuarial analysis assumed that there would be no change in either customer mix or customer behaviour as a result of the new rate design.<sup>19</sup> ICBC submits that it would monitor customer behaviour in order to assess the various components in the new rate design.<sup>20</sup> However, ICBC indicated that understanding why policyholders have changed their behaviour as a result of rate design would be difficult.<sup>21</sup>

Whether the new rate design is actually capable of achieving the objectives depend on ICBC’s own historical data and analysis and how the data are actually incorporated into the actuarial models. The materials filed in support of the Application attempt to explain the basis of the rate design and how the stated objectives are reflected in the new rate design. In addition, at the SRP, ICBC led a witness panel comprising of the President and CEO of ICBC (Nicolas Jimenez), Director of Pricing and Regulatory Affairs (Kelly Aimers) and an external actuary (William Weiland of Eckler), who collectively gave a presentation on the new rate design, the customer impacts and actuarial assessment of the actuarial models used in the new rate design.

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<sup>15</sup> *ibid.*, pp. 249 and 251.

<sup>16</sup> *ibid.*, p. 325.

<sup>17</sup> *ibid.*, pp. 328-329.

<sup>18</sup> Exhibit B-1, p. 3-29; OIC 458/18, Letter dated August 3, 2018, p. 2.

<sup>19</sup> Exhibit B-1, p. 3-26; SRP Transcript Volume 1, pp. 87-88, 136-137.

<sup>20</sup> Exhibit B-2, BCUC Question (Q) 7.4, BCUC Q 8.4, TREAD Q 7.3.

<sup>21</sup> SRP Transcript Volume 1, pp. 137, 174.

The Panel notes that as a result of the 45 day compressed timeframe for assessing this Application as mandated by Special Direction IC2, neither the BCUC nor the interveners have had sufficient time or opportunity to test the validity of the actuarial models and data used in the new rate design or to have independent experts validate that information. This marks a departure from the BCUC's normal rate design review proceedings where evidence, including expert evidence, is subject to independent testing, examination and a rigorous process of information requests and analysis and review of responses. Unfortunately, in this instance, time does not permit a fulsome testing and review of all of the evidence. This was also noted by a number of parties.<sup>22</sup>

By way of example, the only independent assurance that the parties have been given about the appropriateness and validity of the proposed rate design from an actuarial perspective is the opinion given at the SRP by the external actuary engaged by ICBC, to this effect:

- As a result of our work there were no unresolved differences between the results of ICBC's models and the results of models Eckler replicated using its own software.
- The base rate, combined discount factor, rate class and territory factor, learner premium, and other discounts and factors are applied properly in the model.
- The actuarial models built by ICBC as part of the 2018 Rate Design are according to AAP (Accepted Actuarial Practice).<sup>23</sup>

Had time permitted, the BCUC would have in the normal course attempted to fully probe the appropriateness and validity of the ICBC actuarial models. Where necessary and appropriate, this would be done through our independent experts. However, given the 45 day deadline for its decision on the Application, it is simply unable to do so. Accordingly, the Panel has no choice but to rely on the opinion of ICBC's own internal actuarial expert (Ms. Aimers) as well as ICBC's external actuary (Mr. Weiland of Eckler) to satisfy itself that the new rate design is indeed in accordance with accepted actuarial practice.

At the SRP, ICBC's external actuary described the scope of his review in these terms:

So in relation to the 2018 rate design application, we were asked to review the actuarial models that had been developed by ICBC actuaries. And the objective of that was to ensure that they were in accordance with accepted actuarial practice."<sup>24</sup>

At the same time, the actuary provided this caveat:

So, we're opining on what they have done, and is it in accordance with accepted actuarial practice. There is not a unique solution, if I could use those words, as to how the rate design should be constructed. So there are judgments. But our role wasn't to examine alternative models, it was to review what they did in light of accepted actuarial practice. Had we encountered something that was, like, really offside, then I guess you could think of that as leading to alternate models, because we would have pointed out to them that they ought to change what they're doing here. But we didn't encounter anything of that sort.<sup>25</sup>

While not precluding the possibility that other or even better rate design models may exist, for the purpose of this Application, ICBC's external actuary has opined that the model proposed by ICBC is in accordance with accepted actuarial practice (with the exception of the Errata to be discussed further on).

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<sup>22</sup> Oral Argument Transcript Volume 2, pp. 322–323, 327–328, 339–340, 343–345.

<sup>23</sup> Oral Argument Transcript Volume 2, SRP Presentation, September 4, 2018, p. 66.

<sup>24</sup> SRP Transcript Volume 1, p. 58.

<sup>25</sup> Ibid., pp. 67–68.

As for the other stated objectives, on its face, the new rate design appears to be revenue neutral. As ICBC emphasized at the SRP presentation, the goal of the new rate design is to determine how to slice up the current cost allocation pie, not to decide how big the pie needs to be (i.e. revenue requirements). ICBC stated: “Rate design, simply put, is about allocating Basic insurance costs among customers in a revenue neutral way.”<sup>26</sup>

In response to BCUC Questions, ICBC confirms that the directed Tariff pages for which ICBC seeks approval meet the objective from the 2018 Rate Design Directive on the two-thirds/one-third split (i.e. two-thirds of customers will pay lower basic insurance premiums than they do now while one-third will see an increase). Those customers who will see the largest rate increases are those drivers who are at greatest risk of being found at-fault for a crash.<sup>27</sup>

From a cost causation perspective, few would quarrel with the proposition that those who cause the most costs by being at fault for a crash, should rightfully bear a greater proportion of the insurance premiums since they are a more risky group. In that sense, a rate design scheme built on the basis that lower risk drivers ought to pay less and higher risk drivers ought to pay more certainly seems to be more intrinsically fair than the current scheme, in which about 80 percent of Basic policyholders receive the maximum insurance discount of about 43% regardless of their individual risk profiles.<sup>28</sup> As the Panel Chair observed at the SRP, the new rate design does not have to be the fairest scheme one could devise. It just needs to “improve fairness” as contemplated in the 2018 Rate Design Directive.<sup>29</sup> As TREAD’s final written argument states, “The improvements in fairness of premium levels for drivers in British Columbia that are reflected in ICBC’s Application for Approval of 2018 Rate Design for Universal Compulsory Automobile Insurance (Application) are much needed and woefully--overdue.”<sup>30</sup>

### *BCUC Determination*

The Panel finds that while other rate design models or alternative Tariff amendments may achieve the stated government objectives, the role of the BCUC is not to consider those options at this time. Pursuant to Special Direction IC2, once the Panel is satisfied that the current proposal and current Tariff amendments are consistent with the stated objectives, it must approve the proposed changes and Tariff amendments. Overall, the Panel finds no evidence to show that the Tariff amendments sought are inconsistent with the government-stated objectives, with the exception of the Errata Tariff page that ICBC identified. **In accordance with Special Direction IC2, and subject to the determination on Table 2 – Multiple CCP Factor as set out in page 11 of ICBC’s Basic Insurance Tariff Schedule D: Combined Driver Factor<sup>31</sup>, as laid out below, the Panel approves the ICBC new rate design and Tariff amendments as being in accordance with the “factors, criteria and guidelines” set out therein.**

In making this determination, the Panel notes the testimony of ICBC that it had not considered the effects of any behavioural changes caused by the rate design changes.<sup>32</sup> The Panel considers it a well-accepted principle that consumers respond to price signals and as a result, may modify their behaviour. There is no evidence whether the proposed rate design changes will provide such modification, and if they do, over what time frame. However, the Panel urges ICBC to consider this in order to inform future changes to its rate design. We will discuss this issue further in Section 5.0.

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<sup>26</sup> Ibid, pp. 5 and 12.

<sup>27</sup> Exhibit B-2, BCUC Q 1.2–3.

<sup>28</sup> SRP Transcript Volume 1, p. 13.

<sup>29</sup> Ibid., p. 102.

<sup>30</sup> TREAD Final Argument, p. 2.

<sup>31</sup> Exhibit B-1, Appendix B.

<sup>32</sup> Exhibit B-1, p. 3–26; SRP Transcript Volume 1 pp. 87–88, 136–137.

Based on the evidence, the Panel finds that Table 2 set out in the attached Tariff pages to the 2018 Rate Design Directive does not satisfy the stated objective of the rate design amendments being in accordance with accepted actuarial practice. Having so concluded, the Panel must reject the Table in order to fully comply with the terms of the Special Direction IC2 which require the BCUC to regulate and fix those rates in accordance with the “factors, criteria and guidelines set out” in the 2018 Rate Design Directive, of which Table 2 forms a part. Nowhere in the specific wording of section 3(1)(o) of Special Direction IC2, which is binding upon the BCUC by virtue of section 47 of the ICA, does it confer discretion on the BCUC to substitute a different Tariff amendment for that included in the 2018 Rate Design Directive.

Absent a different government direction or ambiguity in the wording of section 3(1)(o) of Special Direction IC2, the fact that the original Table 2 contains typographical errors that render it not in accordance with accepted actuarial practice, while regrettable, is simply not a problem that the BCUC has the discretion to fix. However inconvenient it may be for ICBC, the proper remedy is for ICBC to apply to the BCUC for approval of a consequential amendment as contemplated in the 2018 Rate Design Directive itself.

In the event that ICBC does bring forward a consequential amendment application on a timely basis for BCUC approval, the BCUC may deal with it expeditiously so as not to jeopardize the proposed effective date of the Tariff amendments.

Furthermore, as an observation relating to the Table 2 – Multiple CCP Factor section, the Panel notes that the wording under that section refers to “chargeable claim payments”, whereas ICBC’s supporting analysis in the SRP undertaking appears to refer to “Whole Years Since Crash.” If ICBC chooses to file a consequential Tariff amendment application, it may wish to include a clarification regarding the potential inconsistency between the two terms as those dates may differ substantially and have an actuarial impact on ICBC’s underlying analysis.

In summary, in respect of the proposed rate design changes and the attached Tariff amendment pages the Panel orders as follows:

- 1. The Tariff pages set out in Attachment 2 to the 2018 Rate Design Directive, except for Table 2 on page 11 of Schedule D of the Tariff, are approved effective September 1, 2019.**
- 2. Table 2 on page 11 of Schedule D of the Tariff as filed in the Application is not approved, as that table is not consistent with accepted actuarial practice. If ICBC wishes to file a consequential Tariff amendment application, ICBC is requested to address the Panel’s observation as outlined above.**
- 3. The Tariff pages set out in Attachment 3 to the 2018 Rate Design Directive are approved effective September 1, 2019 and on September 1 of each successive year up to and including 2028.**
- 4. The Tariff pages set out in Attachment 4 to the 2018 Rate Design Directive are approved effective November 1, 2018.**
- 5. The Tariff pages set out in Attachment 5 to the 2018 Rate Design Directive are approved effective November 1, 2019.**

The Panel recognizes that the new rate design changes are significant. In the next sections, as part of the BCUC’s regulatory oversight on Basic insurance, the Panel will address matters related to communication of the new rate design, information technology (IT) changes, and future assessment of the new rate design.

### **3.0 Communication of the new rate design**

The rate design changes outlined in the Application are significant and ICBC recognizes that this will have wide-ranging implications for customers, brokers, and ICBC employees. ICBC states that its change management

approach intends to ensure that customers have enough information to understand what affects the premiums they pay, that brokers understand the new rate design and have enough information to advise customers and complete transactions, and that ICBC employees understand these changes and how they affect their work assisting brokers, and their interactions with customers. ICBC intends to follow strategies tailored to the specific needs and requirements of these stakeholders.

The majority of the new rate design changes must come into effect September 1, 2019 as directed. At the SRP, ICBC indicated that it is applying significant resources and attention to the new rate design implementation<sup>33</sup>:

All to say that, you know, we are applying significant resources and significant attention in our implementation program to making sure we get the change right. Because, you know, we only have one chance to do it right, quite frankly.

In the circumstances that the effective date cannot be delivered, ICBC will have to pursue the matter with government to possibly delay the implementation and make the appropriate amendments<sup>34</sup>.

ICBC retained the services of Accenture and Ernst & Young in developing the readiness for change among ICBC's stakeholders and to provide support for the development and implementation of systems changes. ICBC states that the change management plan is intended to support implementation of the new rate design and will continually be updated as the project progresses.

The Application also suggests that the change management approach for rate design will be coordinated with the other government-directed initiatives that are part of the Rate Affordability Action Plan (RAAP).<sup>35</sup> ICBC states that the government directive with respect to the RAAP project was approved by OIC 084/18, and directs ICBC to fund the RAAP project costs from Optional insurance.

ICBC states that no change management costs related to the new rate design were incurred prior to March 5, 2018 and that the majority of costs for IT changes associated with the new rate design are fully funded by Optional insurance, in accordance with OIC 84/18.

While ICBC provided no further description or breakdown of the change management costs as a result of the Rate Design changes, nor responded to the question on whether there is any allocation of these costs to Basic Insurance,<sup>36</sup> it indicated that costs incurred prior to March 5, 2018 (amounting to approximately \$3.1 million) were allocated between Basic insurance and Optional insurance in accordance with the BCUC-approved cost allocation methodology. These costs were primarily associated with the Guidewire Rating Engine, for which ICBC filed an IT capital project report with the BCUC on April 16, 2018.<sup>37</sup>

ICBC further states that it will seek feedback from key stakeholders to measure the efficacy of its change management efforts and make amendments to the plan in response.<sup>38</sup> A table was provided in responses outlining the planned timing of its ongoing and upcoming communication initiatives for educating customers over the next year.<sup>39</sup>

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<sup>33</sup> SRP Transcript Volume 1 p. 81.

<sup>34</sup> SRP Transcript Volume 2 pp. 305–307.

<sup>35</sup> Exhibit B-1, Chapter 4, p. 4-1.

<sup>36</sup> Exhibit B-2, BCUC Q 11.1–3.

<sup>37</sup> Ibid., BCUC Q 15.2.

<sup>38</sup> Ibid., BCUC Q 11.6, 11.7.

<sup>39</sup> Ibid., BCUC Q 12.3.



### *BCUC determination*

The Panel is concerned with the magnitude of ICBC's rate design changes, which includes change management and proper communication with all of its stakeholders. A change of this magnitude should be managed to ensure a smooth and timely transition. During the SRP, Mr. Jimenez submits that "change management is going to be absolutely crucial" and that it represents the "bigger challenge" for ICBC given that a smooth implementation of the rate design changes will be of paramount importance.<sup>40</sup>

The Panel agrees with Mr. Jimenez's assessment of the importance of change management. Further, in regard to a timely transition, we also note the critical importance of the September 2019 implementation date.

However, we only have ICBC's high level summary of its plan in evidence. Given this concern, **the Panel directs ICBC to file its communication plan (as referenced in BCUC Question 12.3) to the BCUC for information purposes within 10 days of this Order and to inform the BCUC of any material modifications during the course of its rate design implementation. Additionally, the Panel further directs ICBC to provide any and all draft external communications related to the new rate design for BCUC review at least two business days prior to being finalized and released to the public.** This may include but is not limited to:

- Policy renewal reminders
- News releases
- Social media messaging
- Print, radio and video marketing
- Brochures at ICBC offices and broker offices
- Special campaigns targeted to customers (e.g. interactive online tools, quizzes etc.)

## **4.0 Information Technology changes**

In the Application, ICBC states that the new rate design will impact the way data is collected, structured and applied in assessing risk. The information technology (IT) changes associated with the new rate design will be largely centred on addressing these impacts.<sup>41</sup>

At the SRP, ICBC states it selected the September 1, 2019 launch date for the new rate design to ensure it had enough time to implement the needed IT changes while having a healthy buffer for testing.<sup>42</sup> ICBC states it is still developing what monitoring will look like for change management and the IT changes.<sup>43</sup> During Oral Argument, ICBC stated it will be reviewing its change management carefully and that some reporting to the BCUC would be reasonable. ICBC wants to ensure that this reporting does not provide an onerous burden on the people preparing additional reports as they are also trying to manage the change itself<sup>44</sup>.

### *BCUC determination*

The Panel has previously noted the critical importance of the September 1, 2019 delivery date<sup>45</sup>. The extensive IT changes must be in place in order to meet this delivery date. The Panel is concerned about the lack of information available at this point to track ICBC's progress on these IT changes. **Accordingly, the Panel requires the following compliance filings to allow the BCUC to track ICBC's progress on the IT changes related to the**

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<sup>40</sup> SRP Transcript Volume 1, p. 9.

<sup>41</sup> Exhibit B-1, p. 4-7.

<sup>42</sup> SRP Transcript Volume 1, p. 209.

<sup>43</sup> SRP Transcript Volume 1, p. 83.

<sup>44</sup> Oral Hearing Transcript, p. 295.

<sup>45</sup> SRP Transcript Vol 1, p. 81.



new rate design while limiting preparation time for ICBC as it utilizes, when possible, existing ICBC internal reports (cost information is not required to be included in these compliance filings as long as any costs are not allocated to Basic insurance):

- a. An IT project plan for the new rate design implementation within 30 days of this order;
- b. IT project schedules for the new rate design implementation within 10 days of this order;
- c. IT progress reports for the new rate design implementation when material changes to the schedule occur; and
- d. Internal reporting that is in place to track the progress of the IT changes currently provided to the ICBC Board or executive team.

## 5.0 Future assessment of new rate design

In the SRP, parties explored the need for a future assessment of the new rate design, including the impact on policyholders and whether further changes may be needed. ICBC confirmed that a monitoring program to determine whether any material changes as a result of the new rate design have occurred, will be in place prior to the effective date of any Basic insurance rate design changes (i.e. starting September 1, 2019).<sup>46</sup> At this time, the monitoring program is still under development, including determining what data needs to be captured, how it will be captured, the frequency, and when sufficient data has been collected. ICBC anticipates that monitoring of the new rate design will be a “multi-year effort” as ICBC will first need to wait at least one year to capture the data and then take additional time to “take that information and analyze it and understand what it means.”<sup>47</sup> In the future, ICBC expects that certain assumptions which are included in the actuarial models will need to be changed as a result of its monitoring efforts, and confirms that currently no behavioural changes are built into the models.<sup>48</sup>

With respect to the specific timing of when sufficient data may be available, regarding the Unlisted Driver Protection Premium (UDPP), ICBC submitted in response to BCUC Question 7.4 that the earliest ICBC could deliver UDPP reporting would be 2021 “once one full policy cycle has occurred after the implementation of the new rate design and allowing ICBC enough time to analyze the results.”<sup>49</sup> When asked whether the 2021 timing is applicable to all reporting, ICBC clarified during the SRP that the timing is dependent on the new rate design change, stating:

Yes, it's actually a good example of showing the variability of the types of changes that we'll be able to measure that [*sic*] those that will be harder to discern in terms of the changes in rate design and consumer behaviour thereafter. But in this case, [UDPP] would be a more readily measurable variable than others. So within the context of this particular item and that time frame, I think that's realistic. But I don't think that's necessarily true for everything. Some might be earlier, some might be later.

Finally, with respect to the BCUC's role in monitoring the results of the new rate design, ICBC submits in final argument that the requirement to do reporting should accommodate the timing of when it has the necessary metrics in place, rather than specify a specific date which may precede when reporting can actually be prepared.<sup>50</sup>

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<sup>46</sup> SRP Transcript Volume 1, p. 84.

<sup>47</sup> Ibid., pp. 81–85.

<sup>48</sup> Ibid., pp. 82, 137.

<sup>49</sup> Exhibit B-2, BCUC Q 7.4.

<sup>50</sup> Oral Argument Transcript Volume 2, pp. 295–296.

### *Intervener arguments*

Interveners generally had no comment on this issue other than to support the need for future assessment of the rate design.

BCOAPO submits that “in future processes, [it will be] pursuing additional information pertaining to older drivers and retired drivers to determine what actual impact [the decision to decommission the senior's rate classes] will have.” In addition, BCOAPO will be examining “potential issues regarding the new resident provision and the Accenture costs for change management.”<sup>51</sup>

TREAD urges the BCUC “to be proactive in doing all within its authority and jurisdiction to continue to press ICBC to bring forward further changes and refinements in Basic rate design on a timely basis.”<sup>52</sup>

### *BCUC determination*

**ICBC is directed to file on an annual basis a report on the results and impact of the new rate design starting December 31, 2021. The report should include at minimum the following:**

- **Observations on the new rate design variables and rating factors, including those factors and their eligibility requirements which are: i) unchanged or, ii) updated/additional factors, under the new rate design;**
- **Whether it may be appropriate to implement changes to the new rate design variables and rating factors based on actuarial analysis using recent historical loss data;**
- **Whether it may be appropriate to implement changes to the new rating algorithm; and**
- **Impact of behavioural changes subsequent to the new rating algorithm, and new rate design variables and rating factors, if any. This may include a hindsight test of the assumptions that underlie the intended revenue neutrality.**

As noted in Section 2.1 of these Reasons for Decision, the directive to the BCUC in OIC 459/18 is to regulate and fix rates using the factors, criteria and guidelines set out in the government directive dated August 3, 2018 as it relates to the amended and new Tariff pages attached to that government directive. In the future, the Panel considers that any further changes to the amended and new Tariff pages which are brought forward to the BCUC for approval will be considered by the BCUC with due regard to the setting of a rate that is not unjust or unreasonable within the meaning of section 59 of the *UCA*. Accordingly, the Panel finds that an evaluation of the new rate design is warranted as experience with the new rating algorithm, and rate design variables and rating factors, is gained over time. In particular, the Panel notes in assessing the new rate design, ICBC did not include any assumptions regarding changes in behaviour arising from the new rate design, which would normally be considered in the usual regulatory practice when developing a new rate design. The Panel acknowledges BCOAPO's submission regarding future assessment of certain rate design rating variables and rating factors. The reporting directed above addresses these potential changes as part of an assessment of the results of the new rate design.

The reporting time frame provides ICBC sufficient time to collect data on those changes which are “more readily available” and report these items to the BCUC in a timely manner. Over time, as more information becomes available, the Panel expects that ICBC can and will provide an assessment of the remaining rate design changes and its impacts.

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<sup>51</sup> Oral Argument Transcript Volume 2, pp. 330–331.

<sup>52</sup> Tread Final Submissions, p.5, para. 14.

BCUC File: 56609

PROVINCE OF BRITISH COLUMBIA

ORDER OF THE LIEUTENANT GOVERNOR IN COUNCIL

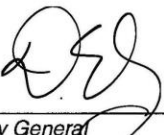
Order in Council No. 458 , Approved and Ordered

August 9, 2018

  
Lieutenant Governor

Executive Council Chambers, Victoria

On the recommendation of the undersigned, the Lieutenant Governor, by and with the advice and consent of the Executive Council, orders that approval is given to the attached government directive issued by the Attorney General to the Insurance Corporation of British Columbia dated August 3, 2018.

  
Attorney General

  
Presiding Member of the Executive Council

(This part is for administrative purposes only and is not part of the Order.)

Authority under which Order is made:

Act and section: Insurance Corporation Act, R.S.B.C. 1996, c. 228, s. 13

Other: \_\_\_\_\_



August 3, 2018

Ms. Joy MacPhail  
Board of Directors  
Executive Office  
Insurance Corporation of British Columbia  
517 – 151 West Esplanade  
North Vancouver BC V7M 3H9

Dear Ms. MacPhail:

Re: Letter of Direction – Rate Design Tariff Amendments

I am writing to provide direction to the Insurance Corporation of British Columbia (ICBC) regarding new rate design tariff amendments that will improve fairness in B.C.'s insurance system. These rate design tariff amendments will build on recently-enacted legislative changes.

ICBC is hereby directed to apply to the British Columbia Utilities Commission (BCUC), by August 15, 2018, for approval of rate design amendments as set out in this letter and the attached amended or new pages of the ICBC Basic Insurance Tariff (the Tariff) in order to achieve the following:

- Based on ICBC's information as of August 15, 2018, the changes related to rate design, with the exception of changes to the Driver Penalty Point Premium and Driver Risk Premium (DPP/DRP) described below, are to be revenue neutral for Basic insurance for the 12 months following the implementation date of September 1, 2019.
- No more than 35% of Basic policyholders are to experience a premium increase due to the combined effect of rate design changes effective September 1, 2019, (excluding the impact of a general rate change order or changes to DPP/DRP).
- Rates associated with territory and rate class are to reflect recent historical loss data where available and be set according to accepted actuarial practice, with the exception of taxi base rates which are to remain unchanged as government undertakes a broader review of modernizing passenger transportation. The impacts of these changes are to be spread over a 10 year period to moderate the change.

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Ministry of  
Attorney General

Office of the  
Attorney General

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- Based on a data driven approach and accepted actuarial practice, where applicable, non-fleet rated policies are to consider
  - all drivers of a vehicle,
  - the number of years licensed to a maximum of 40 years, and
  - at-fault crashes within the most recent 10 years.
- To address affordability for certain customer segments: non-fleet rated policies are to apply a factor based on Table A in Attachment 1; and a 15% discount for those customers who are aged 65 or older which will be reduced upon at-fault crashes.
- New residents are to be allowed to transfer up to 15 years of driver licensing experience from outside of BC with valid proof of that experience. New residents are not to provide out of province crash history and thus an added risk charge is to be applied for their first three years of driving in BC. The risk charge is to be no more than 15% and will decrease as the driver gains more experience in BC.
- Drivers that have had an at-fault crash while operating a vehicle for most commercial uses (i.e., excluding business use, artisan, and certain u-drive rate classes) are not to have that crash impact their risk profile on any personal-use vehicle.
- If drivers are listed on a non-fleet rated policy, a declaration of the principal driver is to be made. If more than one driver is listed, the principal driver's risk is to account for a 75% weight and the highest risk driver of the remaining drivers (excluding learners) is to be assigned a 25% weight.
- Drivers with learners status will not accumulate years licensed or at-fault crashes for the purposes of determining premium. To account for their risk, a policy that has multiple listed drivers with at least one of those drivers being a learner is to be charged a separate learners premium which can only vary by territory.
- If an unlisted driver with a valid BC licence has an at-fault crash, the registered owner of that vehicle is to be charged 15 times the premium differential had that driver been listed on the policy to a maximum of \$5,000. Additional coverage is to be provided, at a price, to protect customers from this charge who have unlisted incidental non- household, non-employee drivers.
- Drivers with 20 or more years of experience and no at-fault crashes within the last 10 years are to be allowed one at-fault crash that will not be considered in the assessment of their driver's risk. In addition, drivers are to be able to repay their at-fault claims that are under \$2,000 with these claims having no impact on their risk profile.
- Penalty premiums associated with DPP/DRP must be increased 20% in each of the next two years (on November 1, 2018 and November 1, 2019). In addition, for each policy year after 2020, DPP/DRP premium penalties are to change by the same percentage

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- number as the final general rate change order approved by the BCUC for that policy year.
- Excluding the impacts from changes in rate class, territory and learners premium, a customer renewing his or her Basic policy after September 1, 2019, is to see no more than a 20% increase compared to his or her prior policy year's premium provided that any listed driver whose risk profile affects the premium payable has not had a crash after September 1, 2019 and the principal operator has not changed.
- Rates are to incorporate a 10% discount for vehicles that are driven less than 5,000 kilometers in a year and a 10% discount for vehicles with manufacturer installed autonomous / automatic emergency braking systems to reflect the lower risk associated with these circumstances.
- Changes noted above are not to apply to most additional product certificates, and some are to apply differently to fleet, non-fleet and garage vehicle certificates, either as set out above or in more detail in the attached amended and new Tariff pages.

The attached amended and new pages of the Tariff include amendments and new pages that are:

- a) to be effective September 1, 2019 (Attachment 2),
- b) set out in a series of pages with respect to rate class and territory factors, one of each to be effective September 1, 2020, and in each successive year up to and including 2028 (Attachment 3),
- c) to increase the Driver Penalty Point Premium and Driver Risk Premium effective November 1, 2018 (Attachment 4), and
- d) to increase the Driver Penalty Point Premium and Driver Risk Premium effective November 1, 2019 (Attachment 5).

ICBC is directed to make this application as set out below.

The base rate specified in Section 1 of Attachment 2 should change to reflect the general rate change orders issued by the BCUC from time to time. Thus:

- a) ICBC is directed to apply for an order to change the base rate specified in Section 1 of Attachment 2 by the same percentage number as the general rate change order approved by the BCUC for the 2019 policy year;

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Ms. Joy MacPhail  
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- b) For each subsequent policy year, ICBC is directed to apply for an order to change the base rate by the same percentage number as the general rate change order approved by the BCUC for that policy year; and
- c) ICBC is directed to apply for an order to change the base rate as set out above as part of its application for approval of the rate design tariff amendments.

For each policy year after 2020, ICBC is directed to apply to the BCUC to change the Driver Penalty Point Premium and Driver Risk Premium specified in column B of Tables 1 to 5 in Attachment 5 by the same percentage number as the general rate change order approved by the BCUC for that policy year. The premium changes should be effective the first day of the first month that is at least 60 days following the BCUC's final general rate change order, so as to allow time for effective implementation.

ICBC is directed to incorporate any necessary consequential amendments to the attached Tariff pages to reflect, for example, intervening changes requested by ICBC and approved by the BCUC prior to the effective dates of the attached pages.

Continuity in the rate design is important. However, some of the Tariff pages do not become effective for some time. It should be recognized that unforeseen circumstances can arise that may necessitate changes to the Tariff language to ensure the original intent is achieved. In the event that ICBC identifies, after approval of the attached amended and new pages to the Tariff, that further changes are necessary to achieve the original intent, then ICBC should bring those changes forward to the BCUC for approval after consultation with the ministry responsible.

This letter of direction is a government directive within the meaning of that term defined in Special Direction IC2 to the British Columbia Utilities Commission (B.C. Reg. 307/2004) and replaces the government directive approved by OIC 39/2007.

Yours truly,



David Eby, QC  
Attorney General

PROVINCE OF BRITISH COLUMBIA

BCUC File: 56609

ORDER OF THE LIEUTENANT GOVERNOR IN COUNCIL

Order in Council No. 459, Approved and Ordered August 9, 2018

  
Lieutenant Governor

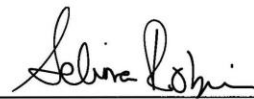
Executive Council Chambers, Victoria

On the recommendation of the undersigned, the Lieutenant Governor, by and with the advice and consent of the Executive Council, orders that section 3 (1) of Special Direction IC2 to the British Columbia Utilities Commission, B.C. Reg. 307/2004, is amended

(a) *in paragraph (c) by striking out* “paragraphs (g), (j), (k), (l), (m) and (n)” *and substituting* “paragraphs (g), (j), (k), (l), (m), (n) and (o)”, *and*

(b) *by adding the following paragraph:*

(o) despite paragraph (j), within 45 days of the corporation applying in accordance with the government directive dated August 3, 2018 for a redesign of rates, regulate and fix the rates using the factors, criteria and guidelines set out in that government directive.

  
Attorney General  
Presiding Member of the Executive Council

(This part is for administrative purposes only and is not part of the Order.)

Authority under which Order is made:

Act and section: Insurance Corporation Act, R.S.B.C. 1996, c. 228, s. 47

Other: OIC 647/2004

R20234317