



ORDER NUMBER
G-344-20

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
Rate Design Basic Insurance Tariff Amendments

BEFORE:

B. A. Magnan, Commissioner

on December 18, 2020

ORDER

WHEREAS:

- A. On September 18, 2020, the Insurance Corporation of British Columbia (ICBC) filed an application with the British Columbia Utilities Commission (BCUC) seeking approval of three Basic insurance tariff (Tariff) amendments (Application). The three proposed amendments are as follows:
 - i. Improving the process for customers to prove eligibility for the Distance Factor;
 - ii. Simplifying the listing of learner drivers for licensed driver training schools and institutes; and
 - iii. Adjusting Schedule C of the Tariff for Rate Classes 030 and 035 applicable to golf carts and utility vehicles to smooth the impact of the rate design transition, consistent with the approach to other rate classes.
- B. In the Application, ICBC submits that the proposed amendments maintain the intent of the rate design amendments set out Order in Council (OIC) No. 458/18 by enhancing fairness and, in respect of Rate Classes 030 and 035, continuing to transition the impacts from rate class and territory updates over a 10 year period to moderate customer impacts;
- C. ICBC proposes an effective date of February 1, 2021 for each of the three proposed amendments, and for Rate Classes 030 and 035, ICBC also proposes amendments to be effective September 1 of each successive year from 2021 to 2027. ICBC provides the amended Tariff pages reflecting the proposed amendments in Attachment A of the Application;

- D. On October 9, 2020, BCUC staff issued questions to ICBC regarding the Application. On October 19, 2020 and October 22, 2020, the BCUC received ICBC's response to BCUC staff questions;
- E. As part of ICBC's responses, ICBC requested approval of interim and non-refundable tariff amendments for Rate Classes 030 and 035 (Interim Request), effective February 1, 2021. ICBC also submitted that if interim approval is granted, it would need to remain until May 1, 2021 due to system and process capacity constraints;
- F. By Order G-282-20 dated November 3, 2020, the BCUC approved ICBC's Interim Request and established a regulatory timetable to invite public letters of comment on the Application;
- G. On November 10, 2020, the BCUC received one letter of comment from Jim MacQuarrie on behalf of the Protection Island Neighbourhood Association regarding the ICBC's proposed Tariff amendments related to golf cart insurance premiums. On November 24, 2020, ICBC provided its response to the letter of comment; and
- H. The BCUC has considered the evidentiary record and the submissions received and determines that the tariff amendments conform with the intent of OIC 458/18 and approval is warranted.

NOW THEREFORE the BCUC orders as follows:

- 1. The Tariff amendments set out in Attachment A of the Application related to the process for customers to prove eligibility for the Distance Factor are approved, effective February 1, 2021.
- 2. The Tariff amendments set out in Attachment A of the Application related to the listing of learner drivers for licensed driver training schools and institutes are approved, effective February 1, 2021.
- 3. For the reasons attached as Appendix A to this order, the Tariff amendments set out in Attachment A of the Application for Rate Classes 030 and 035 are approved on a permanent basis, effective May 1, 2021 and on September 1 of each successive year up to and including 2027.
- 4. ICBC is directed to file amended Tariff pages taking effect on February 1, 2021 and May 1, 2021 at least 30 days in advance of the effective dates for BCUC endorsement. Amended Tariff pages taking effect on September 1 in each successive year from 2021 through 2027 must be filed at least 60 days in advance of the effective date for BCUC endorsement.

DATED at the City of Vancouver, in the Province of British Columbia, this 18th day of December 2020.

BY ORDER

Original signed by:

B. A. Magnan
Commissioner

Attachment

Insurance Corporation of British Columbia
Rate Design Basic Insurance Tariff Amendments

REASONS FOR DECISION

Executive Summary

On September 18, 2020, the Insurance Corporation of British Columbia (ICBC) filed an application with the British Columbia Utilities Commission (BCUC) seeking approval of three Basic insurance tariff (Tariff) amendments (Application). In the Application, ICBC requests approval of the following Basic insurance Tariff amendments:

1. Improving the process for customers to prove eligibility for the Distance Factor;
2. Simplifying the listing of learner drivers for licensed driver training schools and institutes; and
3. Adjusting Schedule C of the Tariff for Rate Classes 030 and 035 applicable to golf carts and utility vehicles to smooth the impact of the rate design transition, consistent with the approach to other rate classes.

ICBC submits that the proposed amendments maintain the intent of the rate design amendments set out Order in Council (OIC) No. 458/18¹ by enhancing fairness and, in respect of Rate Classes 030 and 035, continuing to transition the impacts from rate class and territory updates over a 10 year period to moderate customer impacts.² ICBC submits that the proposed amendments are necessary based on the feedback it has received from customers since Basic insurance rate design changes³ took effect on September 1, 2019.⁴

ICBC proposes an effective date of February 1, 2021 for each of the three proposed amendments, and for Rates Classes 030 and 035, ICBC also proposes amendments to be effective September 1 of each successive year from 2021 to 2027.

The Panel approves the tariff amendments.

¹ [OIC No. 458/18](#) approved and ordered on August 9, 2018 – Direction to ICBC regarding new rate design tariff amendments

² Exhibit B-1, p. 1.

³ These rate designs changes were approved by BCUC Orders G-188-18, G-244-18, G-109-19, G-203-19 and G-335-19.

⁴ Exhibit B-1, pp. 1–2.

1.0 Application

On September 18, 2020, the Insurance Corporation of British Columbia (ICBC) filed an application with the British Columbia Utilities Commission (BCUC) seeking approval of three Basic insurance tariff (Tariff) amendments (Application). In the Application, ICBC requests approval of the following Basic insurance Tariff amendments:

1. Improving the process for customers to prove eligibility for the Distance Factor;
2. Simplifying the listing of learner drivers for licensed driver training schools and institutes; and
3. Adjusting Schedule C of the Tariff for Rate Classes 030 and 035 applicable to golf carts and utility vehicles to smooth the impact of the rate design transition, consistent with the approach to other rate classes.

ICBC submits that the proposed amendments maintain the intent of the rate design amendments set out Order in Council (OIC) No. 458/18⁵ by enhancing fairness and, in respect of Rate Classes 030 and 035, continuing to transition the impacts from rate class and territory updates over a 10 year period to moderate customer impacts.⁶ ICBC submits that the proposed amendments are necessary based on the feedback it has received from customers since Basic insurance rate design changes⁷ took effect on September 1, 2019.⁸

ICBC proposes an effective date of February 1, 2021 for each of the three proposed amendments, and for Rates Classes 030 and 035, ICBC also proposes amendments to be effective September 1 of each successive year from 2021 to 2027.

1.1 Review Process

The review of the Application consisted of BCUC staff questions and responses from ICBC. The BCUC invited public letters of comment on the Application.

As part of its responses, ICBC requested approval of interim and non-refundable tariff amendments for Rate Classes 030 and 035 (Interim Request), effective February 1, 2021.⁹ ICBC also submitted that if interim approval is granted, it would need to remain until May 1, 2021 due to system and process capacity constraints. On November 3, 2020, the BCUC approved ICBC's Interim Request.

The BCUC received on letter of comment from Jim MacQuarrie on behalf of the Protection Island Neighbourhood Association on November 10, 2020, regarding the ICBC's proposed Tariff amendments related to golf cart insurance premiums. ICBC provided its reply comments on November 24, 2020. The BCUC did not receive any submissions on the proposed changes related to the eligibility for Distance Factor and the listing of learner drivers.

In these reasons, the Panel will address the following two issues raised by Mr. MacQuarrie regarding the Tariff amendment proposals for Rate Class 030 and 035:

⁵ [OIC No. 458/18](#) approved and ordered on August 9, 2018 – Direction to ICBC regarding new rate design tariff amendments

⁶ Exhibit B-1, p. 1.

⁷ These rate designs changes were approved by BCUC Orders G-188-18, G-244-18, G-109-19, G-203-19 and G-335-19.

⁸ Exhibit B-1, pp. 1–2.

⁹ Exhibit B-2-1, BCUC Staff Questions 1.1.1

1. Whether refunds should be issued to those customers who insured golf carts and utility vehicles; and
2. Whether a 10 year transition period for rate class and territory updates for Rate Classes 030 and 035 should be applied.

2.0 Issues Arising

Rate Class 030 is the rate class for golf carts, neighbourhood golf carts, u-drive golf carts, and utility vehicles operated for transportation on limited access islands. Rate Class 035 is the rate class for utility vehicles and snowmobiles/snow vehicles used by law enforcement and also used for farm, industrial, maintenance, or landscaping use and for u-drive utility vehicles and snowmobiles/snow vehicles. ICBC submits that these two rate classes represent slightly more than 7,000 customers, which is a small subset of ICBC's overall 3.8 million customers.¹⁰

ICBC proposes amendments to Schedule C of the Tariff for Rate Classes 030 and 035 because ICBC has discovered that many of these customers experienced Basic insurance premium increases due to them not being eligible for a driver discount under the new rate design model.¹¹ ICBC submits that the proposed changes ensure that these customers' Basic insurance premiums more accurately reflect their risk, and smooth the impact of the 10 year rate design transition directed by OIC No. 458/18 for these customers and is consistent with the approach to other rate classes.¹² ICBC states, since 10 years of Schedule C Vehicle Rate Class and Territory Factors were previously approved,¹³ ICBC is proposing amendments to Schedule C for the remaining years 2 through 9 of this transition period. Based on ICBC's calculations, no changes are required for the final year (year 10, starting September 1, 2028).¹⁴ ICBC states that "all work that underlies this proposal is performed in accordance with accepted actuarial practice."¹⁵

Letter of Comment

On behalf of the Protection Island Neighbourhood Association, Mr. MacQuarrie submits that the organization is gratified that ICBC is making efforts to address the significant increase in insurance premiums that golf cart customers have experienced since the implementation of the new rate design.¹⁶ Mr. MacQuarrie, however, believes that the financial damage has already been incurred and warrants a refund. In addition, he submits that insurance rates, as per the new rate schedule, "will be altered over a period of ten years to eventually reflect the appropriate actuarial rates. This appears to allow a continuation of the overcharging on our low-risk vehicles for no apparent reason."¹⁷ He requests that the BCUC "review the non-refundable basis of the new tariff schedule and instruct ICBC to base its golf cart insurance premiums on actuarial data without delay."¹⁸

¹⁰ Exhibit B-1, p. 4

¹¹ Exhibit B-1, p. 4

¹² Exhibit B-1, p.4

¹³ Order G-188-18

¹⁴ Exhibit B-2-1, ICBC response to BCUC Staff Question 6.4

¹⁵ Exhibit B-2-1, ICBC response to BCUC Staff Questions 6.1

¹⁶ Exhibit E-1, p.1

¹⁷ Exhibit E-1, p.1

¹⁸ Exhibit E-1, p.1

ICBC Response to Letter of Comment

In response, ICBC submits, “there are no additional adjustments (i.e., refunds to customers), since the Rate Class 030 and 035 Basic insurance premium for policies issued from September 1, 2019 to January 31, 2021 are calculated in accordance with the Basic Insurance Tariff that is in effect for this period of time. ICBC is precluded by the *Utilities Commission Act* from departing from the BCUC approved rate schedule in force at that time.”¹⁹

ICBC submits that the Application maintains the intent of the Government directive letter dated August 3, 2018 under OIC 458/18 regarding the Basic insurance rate design (2018 Government Directive). ICBC submits the 2018 Government Directive states “rates associated with territory and rate class are to reflect 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.” In ICBC’s submission, allowing customers in Rate Classes 030 and 035 to be rated according to the final year 10 would be against the 2018 Government Directive and would be unfair to customers in other rate classes who are currently subject to the 10 year transition.²⁰

Panel Determination

The Panel approves the Tariff amendments as proposed by ICBC for Rate Classes 030 and 035 on a permanent basis, effective May 1, 2021 and on September 1 of each successive year up to and including 2027.

The Panel notes that the letter of comment generally supports the proposed amendment. The letter of comment focuses on requesting a refund for insurance premiums already paid and eliminating the adjustments being spread over a 10 year transition period applied to golf carts. The Panel has considered the evidentiary record and the submissions received and determines that ICBC’s proposed tariff amendments conform with OIC No. 458/18 to set rates using the factors, criteria and guidelines set out in the government directive.

Refunds

In regard to Mr. MacQuarrie’s refund request for golf cart customers, the Panel considers that granting a refund on premiums already paid that were collected in accordance with an approved tariff would result in retroactive ratemaking. Retroactive ratemaking means to replace or substitute rates (higher or lower) that were charged during a past period. Retroactive ratemaking is generally prohibited, and the Panel finds no compelling reason to deviate from this common law principle in the current Application. The Panel accepts ICBC’s submission that Rate Classes 030 and 035 Basic insurance premiums are charged in accordance with the existing Tariff in effect that reflects the rate design under the 2018 Government Directive. The adjustments contained in the approved amendments in this Application, beginning February 1, 2021 and May 1, 2021, will be applied on a go-forward basis.

Transition Period

With respect to the issue of the 10 year transition period applied to Rate Class 030 and 035, the Panel agrees with ICBC that keeping the transition period as proposed maintains the intent of the 2018 Government Directive. The *Insurance Corporation Act* sets out the role of the BCUC’s regulation of ICBC’s Basic insurance and the BCUC must follow government directives when regulating and fixing rates using the factors, criteria and guidelines as provided, including the 2018 Government Directive. In addition, ICBC confirms that calculations are performed in accordance with accepted actuarial practice and that the proposed amendments have been reviewed by the Ministry of Attorney General. Accordingly, the Panel accepts that the proposed adjustments with a 10 year transition period is in accordance with the intent of government direction. The Panel finds that it

¹⁹ Exhibit B-3, p. 2

²⁰ Exhibit B-3, p. 2

is restricted to depart from spreading the rate impact changes for a period sooner than 10 years.