FASKEN
Own tomorrow

Fasken Martineau DuMoulin LLP
Barristers and Solicitors
Patent and Trade-mark Agents

550 Burrard Street, Suite 2900
Vancouver, British Columbia V6C 0A3
Canada

T +1 604 631 3131
+1 866 635 3131
F +1 604 631 3232
fasken.com

Matthew Ghikas
Direct +1 604 631 3191
Facsimile +1 604 632 3191
mghikas@fasken.com

May 16, 2023
File No.: 298298.00034/14797

By Electronic Filing

British Columbia Utilities Commission
Suite 410, 900 Howe Street
Vancouver, BC V6Z 2N3

Attention: Patrick Wruck, Commission Secretary

Dear Sirs/Mesdames:

Re: Insurance Corporation of British Columbia (ICBC) – 2023 Revenue Requirements Application

We enclose for filing ICBC's Final Submissions in the above-noted proceeding.

Yours truly,

FASKEN MARTINEAU DuMOULIN LLP

[Original signed by]

Matthew Ghikas
Personal Law Corporation

MG/pn
Enclosure

BRITISH COLUMBIA UTILITIES COMMISSION

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

2023 REVENUE REQUIREMENTS APPLICATION

FINAL SUBMISSIONS OF THE INSURANCE CORPORATION OF BRITISH COLUMBIA (ICBC)

May 16, 2023

FASKEN MARTINEAU DuMOULIN LLP

MATTHEW GHIKAS and MADISON GRIST

TABLE OF CONTENTS

PART ONE: INTRODUCTION

1. ICBC's requested approval of a Basic insurance rate change of 0% for Policy Year (PY) 2023[1] results from ICBC's actuaries estimating a required rate change of -6.5%, overlaid with the requirement in *Special Direction IC2*[2] that the BCUC cannot decrease existing rates.[3] The actuarially indicated rate decrease reflects the benefits of increased investment income on new premiums collected and a legislated decrease in the capital provision, offset by inflationary pressures on claims costs. Applying the rate change floor, the requested 0% rate change allows ICBC to rebuild capital, absorb impacts of unexpected adverse events, and supports ICBC's financial stability. ICBC respectfully submits that, in light of the evidence outlined in these Final Submissions, the BCUC should approve the proposed 0% rate change as being fair, just and reasonable.

2. In addition to the 0% rate change, ICBC also seeks the following approvals:[4]

(a) Adjusted deadlines for two compliance reports, to coincide with other filing deadlines for administrative efficiency, which is further addressed in Part Six below.

(b) To stop reporting on the Legal Representation Conversion Rate for future Revenue Requirements Applications (RRA). As discussed in Part Six below, this metric no longer provides a meaningful comparison with prior fiscal years in the context of the move from the legal based regime to Enhanced Care.

---

1 PY 2023 is defined as the 24-month period beginning on April 1, 2023 and ending on March 31, 2025.

2 *Special Direction IC2 to the British Columbia Utilities Commission*, BC Regulation 307/2004, as amended most recently by Order in Council 666/22, BC Reg 269/2022 (*Special Direction IC2*). See Exhibit B-8, 2023 RR MoveUP.UT.1 for the unofficial consolidation of *Special Direction IC2*.

3 ICBC has referred to this requirement as the "rate change floor".

4 A Draft Order was provided in 2023.1 RR BCUC.44.1. A revised Draft Order is attached to these submissions as Appendix A. The Draft Order has been revised to reflect that ICBC is seeking changes to the NMR and YCARS formulae to incorporate leverage moving forward, as discussed at the Workshop (Transcript Volume 1, p. 79, l. 26 – p. 80, l. 2 (Rye)).

(c) Changes to the formulae for the New Money Rate (NMR) and Yield on Capital Available for Rate Setting (YCARS), to formally incorporate leverage in ICBC's investment asset mix. The benefits of leverage for ICBC and Basic insurance policyholders are discussed in Part Four below.

3. ICBC's Final Submissions are organized around the following points:

(a) **Part Two: The Legal Framework** – Basic insurance rate setting continues to be governed by a unique legal framework, which ultimately drives the outcome of this Revenue Requirements Application (the "Application") – the 0% rate change.

(b) **Part Three**: **The Actuarial Rate Indication** – The actuarial rate indication of -6.5% reflects actuarial best estimates prepared and independently reviewed in accordance with accepted actuarial practice (AAP). ICBC is not aware of any AAP-compliant model adjustments or assumption changes that would bring the actuarial indicated rate change above the 0% rate change floor.

(c) **Part Four**: **Investments** – ICBC has introduced appropriate changes to its investment portfolio as part of its ongoing reviews. The key change is to incorporate the use of leverage in its asset mix, which increases expected returns with minimal risk (ultimately resulting in lower rates).

(d) **Part Five**: **Operating Expenses** – ICBC continues to take appropriate steps to manage operating costs.

(e) **Part Six: Other Approvals Sought** – ICBC's other ancillary approvals sought, noted in paragraph 2 above, are just and reasonable.

PART TWO: THE LEGAL FRAMEWORK

4. Basic insurance rate setting continues to be governed by a unique legal framework, as discussed in detail in Chapter 2 of the Application. *Special Direction IC2* is notable in this regard, and its legal effect is to circumscribe the BCUC's discretion when it comes to its determinations regarding Basic insurance rates.[5] In this Part, ICBC highlights elements of *Special Direction IC2* with particularly significant implications for the BCUC's rate determination in this Application:

(a) Specific to this Application, *Special Direction IC2* defines PY 2023, sets the rate change floor, and determines the capital provision used.

(b) As in prior RRAs, *Special Direction IC2* provides that rates must be determined in accordance with AAP.

5. As a preliminary matter, ICBC notes that the merits of Enhanced Care or rate design matters are beyond the scope of the current proceeding or outside of the jurisdiction established by the regulatory framework for the BCUC's regulation of Basic insurance.[6]

A. *SPECIAL DIRECTION IC2* DEFINES THE POLICY YEAR, SETS A RATE CHANGE FLOOR, AND DETERMINES THE CAPITAL PROVISION

6. *Special Direction IC2* defines PY 2023 as encompassing the 24-month period, beginning on April 1, 2023 and ending on March 31, 2025.[7] The BCUC's final order in this proceeding will therefore apply to the full 24-month period.

7. *Special Direction IC2* has been amended to remove the +/- 1.5 percentage point rate smoothing band that operated in prior years. It retains a rate change floor by specifying that the BCUC "must not decrease existing rates".[8] As discussed in Part Three, the actuarially indicated rate change (-6.5%) would remain negative (i.e., an indicated rate decrease) under a variety of sensitivities, such that the rate change floor governs to produce a proposed 0% rate change.

---

[5] *Utilities Commission Act,* RSBC 1996, c. 473, s. 3; *Insurance Corporation Act*¸ RSBC 1996, c. 226, s. 47.

[6] As discussed in BCUC Decision and Order G-307-21, Section 5.0. Similar matters were raised in Exhibit E-1, Letter of Comment of Richard T. Landale.

[7] *Special Direction IC2,* s. 1(1), "policy year", (b.3).

[8] *Special Direction IC2,* s. 3(1.11).

8. *Special Direction IC2* also dictates the capital provision used for PY 2023. The Capital Management Plan in existence on May 27, 2016 applies, except that the capital maintenance and build or release provisions of that plan have been replaced by a capital provision of 7% of the required premium.[9] As a result of this direction, the BCUC is not tasked with evaluating the appropriate Capital Management Plan or provision amount on this Application. ICBC has included the directed capital provision in the actuarial rate indication.[10]

B. *SPECIAL DIRECTION IC2* PROVIDES THAT RATES MUST BE DETERMINED IN ACCORDANCE WITH AAP

9. As in previous years, *Special Direction IC2* requires rates to be set using AAP. As Kelly Aimers, ICBC's Chief Actuary, described at the Workshop, "at a high level, [AAP] refers to the manner in which actuaries must perform their work."[11] AAP means that work is performed in accordance with the Rules of Professional Conduct (Rules) and the Standards of Practice (SOP) of the Canadian Institute of Actuaries, as well as the appropriate Guidance Materials.[12] AAP constrains the judgment that actuaries employ, thus circumscribing the potential outcomes of actuarial analysis. AAP contemplates that actuarial analysis is always subject to legislative requirements, such that the other requirements of *Special Direction IC2* including the rate change floor prevail.[13]

10. The following components of AAP, which are described in Chapter 3, Appendix 3A, are particularly relevant for this Application. ICBC's actuaries, and the external reviewing actuary (Mr. Weiland of Eckler Limited), have applied these principles in prior RRAs and the BCUC's past decisions note ICBC's use of these principles:[14]

(a) **Rates Should Cover Costs**: AAP starts from the premise that the indicated rate must provide for all costs, subject only to law and a provision for "profit". In the

---

9 *Special Direction IC2,* s. 3(1)(e.2) and s. 1(1), "capital provision".
10 Exhibit B-1, Application, Chapter 3, pp. 3-4 and 3-6.
11 Transcript Volume 1, p. 18, ll. 16, 17 (Aimers).
12 Exhibit B-1, Application, Chapter 3, Appendix 3A, p. 3A-1.
13 Transcript Volume 1, p. 18, l. 26 – p. 19, l. 1 (Aimers).
14 See, for example, BCUC Decision and Order G-307-21, pp. 8-9.

context of the Basic insurance "closed system", where all profits flow directly into capital, it is a provision for capital (which is set by *Special Direction IC2*) rather than profit.[15] In this case, the actuarial rate indication for PY 2023 rates must be determined with reference to the claims associated with policies written in PY 2023. For greater clarity, claims under the older legal-based models have limited impact on the actuarial indicated rate for PY 2023. As Ms. Aimers described, "legal-based claims and expenses do not directly impact the rate indication".[16] However, changes in costs "will flow through to Basic capital" and "if the remaining open legal-based claims emerge unfavourably compared to our current estimates, that will result in a lower capital level".[17]

(b) **Unbiased Best Estimates**: Section 2620.02 of the SOP states that: "The actuary should select appropriate methods, techniques and assumptions recognizing that such elements depend on the circumstances affecting the work and that a variety of actuarial methods may be appropriate to derive an indicated rate."[18] Ms. Aimers described what it means to prepare an unbiased best estimate as follows: "our estimates are based on all information, including favourable or unfavourable data, and there is no conservatism in a best estimate."[19] ICBC's actuaries have used unbiased best estimates in preparing the actuarial indicated rate change.[20]

(c) **Actuaries Can Rely on Third-Party Data**: Section 1440.03 of the SOP states that "[w]here data specific to the client are not available or not relevant, the actuary would consider using industry data, population data, or other published data with

---

15 Exhibit B-1, Application, Chapter 3, Appendix 3A, pp. 3A-2, 3A-3. This principle is reflected in Section 2620.01 of the Standards of Practice of the Canadian Institute of Actuaries, which states: "The best estimate present value of cash flows relating to the revenue at the indicated rate should equal the best estimate present value of cash flows relating to the corresponding claim costs and expense costs, plus the present value of a provision for profit, over a specified period of time."

16 Transcript Volume 1, p. 21, ll. 1-2 (Aimers).

17 Transcript Volume 1, p. 21, ll. 2-6 (Aimers).

18 Exhibit B-1, Application, Chapter 3, Appendix 3A, p. 3A-3.

19 Transcript Volume 1, p. 19, ll. 13-16 (Aimers).

20 Exhibit B-1, Application, Chapter 3, p. 3-18, Appendix 3A, p. 3A-3; Transcript Volume 1, p. 27, ll. 7-9 (Aimers).

suitable adjustments where relevant and appropriate."[21] As Ms. Aimers explained, the use of external data "is acceptable as long as we make adjustments that are relevant and appropriate".[22] Additionally, Section 1440.11 of the SOP provides that "when placing reliance on [data prepared by another party] the actuary would consider the qualifications, competence, integrity, and objectivity of the party providing the data".[23] As discussed below in Part Three, in the absence of sufficient data under Enhanced Care, ICBC actuaries have appropriately relied on certain external data from Manitoba Public Insurance (MPI) to estimate frequency for Permanent Impairment coverages and to estimate severity for Medical Rehabilitation, Enhanced Disability and Permanent Impairment coverages.

(d) **Assumptions Must be Reasonable, Both Individually and in Aggregate**: AAP requires that the actuarial indicated rate be prepared based on assumptions that are not only reasonable on their own, but also appropriate in aggregate. Section 1620.29 of the SOP states: "The assumptions that the actuary selects or for which the actuary takes responsibility, other than alternative assumptions selected for the purpose of sensitivity testing, would be independently reasonable and appropriate in the aggregate."[24] ICBC's own analysis accords with this principle. As in prior Applications, the requirement for inputs to be appropriate in aggregate constrains the use of "hold all other assumptions constant" sensitivity analyses and cautions against piecemeal updates or modelling adjustments.

11. As further explained in Part Three below, the evidence in this proceeding supports a finding that ICBC has followed AAP in preparing the actuarial indicated rate change and, ultimately, in proposing that rates remain unchanged.

---

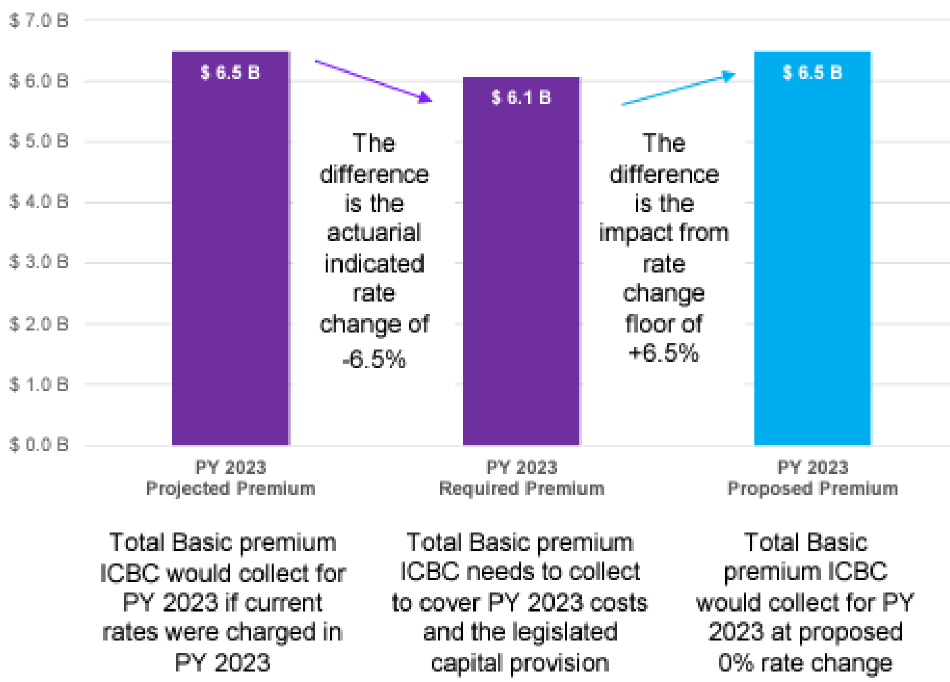
[21] Exhibit B-1, Application, Chapter 3, Appendix 3A, p. 3A-4.
[22] Transcript Volume 1, p. 19, ll. 20-21 (Aimers).
[23] Exhibit B-1, Application, Chapter 3, Appendix 3A, p. 3A-4.
[24] Exhibit B-1, Application, Chapter 3, Appendix 3A, p. 3A-7.

PART THREE: THE ACTUARIAL INDICATED RATE CHANGE

12. In this Part, ICBC outlines the evidence on the various components of the actuarial rate indication. ICBC has summarized the steps involved in the calculation of the actuarial indicated rate change in Chapter 3 of the Application.[25] At the Workshop, Kelly Aimers, ICBC's Chief Actuary, and Andrew Loach, Corporate Actuary (both also members of the Casualty Actuarial Society and Fellows of the Canadian Institute of Actuaries),[26] further explained how ICBC arrived at the actuarial indicated rate change. The analytical framework that ICBC's actuaries have employed to determine the actuarial indicated rate change, including its components, largely tracks that employed in RRAs for many years.[27] As in the previous RRA, the transition to Enhanced Care has necessitated reliance on both internal and external data in its actuarial analysis.

13. At a high level, and as depicted in the figure below,[28] the PY 2023 required premium is an estimate of how much premiums need to change to pay for the net costs attributable to PY 2023 and the legislated capital provision. The actuarial analysis indicates that ICBC requires 6.5% less premium than would be collected based on current rates. The required premium is then subject to the rate change floor, which leads to the PY 2023 proposed premium and 0% rate change.

25 Exhibit B-1, Application, Chapter 3, pp. 3-3 - 3-6.
26 Transcript Volume 1, p. 11, ll. 20-25, p. 12, l. 24 – p. 13, l. 7.
27 Exhibit B-1, Application, Chapter 3, p. 3-1.
28 Exhibit B-6-1, Workshop Presentation, slide 17.



14. ICBC submits that the evidence discussed below demonstrates the reasonableness of ICBC's actuarial rate indication, including ICBC's actuarial estimate of required premium. The sections in this Part address, in turn, the following supporting points:

(a) The main drivers of the actuarial indicated rate decrease are a lower directed capital provision and higher investment income (a higher new money rate), offset by inflationary pressures on claims costs.

(b) ICBC's actuaries have determined the rate indication in accordance with AAP, as is required by *Special Direction IC2*. In particular, ICBC's actuaries have used appropriate estimation methods and modelling approaches, including appropriate reliance on external information. The model adjustments explored in the information requests and at the Workshop do not impact the actuarial indicated rate change such that it would overcome the rate change floor.

(c) ICBC is a closed system for Basic insurance, such that variances from actuarial estimates remain in the Basic insurance business - they are reflected in Basic capital for the benefit of policyholders.

A. THE MAIN DRIVERS OF REQUIRED PREMIUM INCLUDE A LOWER (DIRECTED) CAPITAL PROVISION AND HIGHER INVESTMENT INCOME

15. The following table demonstrates these main drivers and presents the components of required premium per policy.[29] It shows that the main drivers of the -6.5% actuarial indicated rate change are a lower capital provision, directed by *Special Direction IC2*, and a higher new money rate (reflecting an increase in projected investment income on new premiums), which were offset by inflationary pressures on claims costs.[30]

Components of Required Premium		Required Premium per Policy	
		PY 2023	PY 2021
[1]	Loss and Allocated Loss Adjustment Expenses	$789	$702
[2]	Unallocated Loss Adjustment Expenses	$75	$64
[3]	Road Safety and Loss Management and General Expenses	$92	$89
[4]	Broker Fees and Premium Tax	$69	$70
[5]	Capital Provision	$57	$137
[6]	Miscellaneous Revenue	($39)	($31)
[7]	Investment Income on Policyholder Supplied Funds	($208)	($146)
[8]	Investment Income on Capital Available for Rate Setting	($26)	($5)
Total - Required Premium per Policy		**$808**	**$879**

Unfavourable inflationary impacts.

Favourable due to smaller capital provision compared to PY 2021.

Favourable due to higher new money rate.

B. ICBC PREPARED THE ACTUARIAL INDICATED RATE CHANGE ACCORDING TO AAP AND LEGISLATION

16. *Special Direction IC2* requires the BCUC to fix Basic insurance rates based on AAP, key aspects of which are described in Part Two above. The evidence supports that the actuarial indicated rate change reflects AAP.

17. ICBC employs several qualified actuaries and ensures that all work is appropriately peer reviewed. An external actuary (William T. Weiland of Eckler Limited) also reviews the rate indication for adherence to AAP.

---

29 Exhibit B-6-1, Workshop Presentation, Slide 16.

30 Transcript Volume 1, p. 14, ll. 2-11 (Aimers).

18. ICBC’s Chief Actuary, Ms. Kelly Aimers, has certified that the rate indication was prepared in accordance with AAP. Her certification states:[31]

> I, Kelly Aimers, am an Associate of the Casualty Actuarial Society and a Fellow of the Canadian Institute of Actuaries and have derived the actuarial indicated rate change of -6.5% in accordance with accepted actuarial practice in Canada, on behalf of the Insurance Corporation of British Columbia, for Basic coverage in respect of all rate class categories of automobile insurance, to be effective April 1, 2023 for both new and renewal business.
>
> I have reviewed the data, methods, and assumptions underlying this actuarial indicated rate change for reasonableness and consistency, and I believe the data, methods, and assumptions are reliable and sufficient for the determination of the actuarial indicated changes in average rate level.

Kelly Aimers	December 15, 2022
Signature of Actuary	Date

19. Mr. Weiland, the long-serving external reviewing actuary, has also certified the rate indication as being prepared in accordance with AAP:[32]

> I, William T. Weiland, am a Fellow of the Casualty Actuarial Society and a Fellow of the Canadian Institute of Actuaries. I have reviewed the actuarial indicated rate change requirements for Basic coverage prepared by Kelly Aimers for the Insurance Corporation of British Columbia as set out in the document “Actuarial Indicated Rate Change Analysis”, dated 15 December, 2022.
>
> In my opinion, the actuarial indicated changes in average rate level presented in this Chapter have been calculated in accordance with accepted actuarial practice in Canada.

W. T. Weiland	December 15, 2022
Signature of Actuary	Date

---

31 Exhibit B-1, Application, Chapter 3, p. 3-22

32 Exhibit B-1, Application, Chapter 3, p. 3-22.

C. ICBC'S ACTUARIES HAVE USED APPROPRIATE ESTIMATION METHODS AND MODELLING APPROACHES

20. As in past years, ICBC's actuaries used reasonable approaches and methodologies for forecasting costs. In particular, as discussed below, ICBC's responses to information requests and Workshop questions reinforced that (a) its reliance on external information was appropriate and (b) its frequency and severity trend approaches were reasonable. Ultimately, ICBC's actuaries cannot foresee any change in assumption or approach that would accord with AAP and change the actuarial indicated rate change to bring it above the rate change floor.[33] That is, the evidence demonstrates that the rate change floor is determinative of this Application.

(a) ICBC Will Continue to Reduce Its Reliance on MPI Data Over Time as ICBC Collects More Data under Enhanced Care

21. As of the time of preparing this Application, ICBC had 16 months of data under Enhanced Care. As a result, it has lessened its reliance on MPI data as compared to the 2021 RRA. That said, MPI data continues to fill gaps in ICBC's own claims experience, with appropriate adjustments to reflect differences between the two provinces and products.[34] The following table summarizes the data sources used for each forecast:[35]

<table>
<tr><th rowspan="2">Sub-coverage</th><th colspan="2">2021 RRA</th><th colspan="2">2023 RRA</th></tr>
<tr><th>Frequency</th><th>Severity</th><th>Frequency</th><th>Severity</th></tr>
<tr><td>Medical Rehabilitation (MR)</td><td>ICBC legal-based MR</td><td>MPI
ICBC legal-based MR</td><td>ICBC EAB-MR
ICBC legal-based MR</td><td>MPI
ICBC legal-based MR</td></tr>
<tr><td>Enhanced Disability (ED)</td><td>MPI
ICBC legal-based Weekly Benefits (WB)</td><td>MPI
ICBC legal-based WB
StatsCan
Other External Sources</td><td>ICBC EAB-ED
ICBC legal-based WB</td><td>MPI
ICBC EAB-ED
ICBC legal-based WB
StatsCan</td></tr>
<tr><td>Permanent Impairment (PI)</td><td rowspan="2">PI & DB combined
MPI
ICBC legal-based DB</td><td rowspan="2">PI & DB combined
MPI
StatsCan</td><td>MPI
ICBC BVDC</td><td>MPI
StatsCan
ICBC EAB-DB</td></tr>
<tr><td>Death Benefits (DB)</td><td>ICBC EAB-DB
ICBC legal-based DB</td><td>ICBC EAB-DB
ICBC legal-based DB</td></tr>
</table>

22. As shown above, in most cases ICBC's frequency estimates have moved towards using more of ICBC's own data as compared to the previous RRA. However, MPI's data continues to fill gaps for ICBC's severity data given ICBC's limited claims experience under the new and expanded

---

33 Exhibit B-1, Application, Chapter 3, p. 3-20; Transcript Volume 1, p. 14, l. 25 – p. 15, l. 1 (Aimers).
34 Transcript Volume 1, p. 32, ll. 6-11 (Aimers); Exhibit B-1, Application, Technical Appendix C.1.0.
35 Exhibit B-6-1, Workshop Presentation, Slide 23.

benefits offered under Enhanced Care. With the limited historical information under Enhanced Care, and given the similarities between ICBC and MPI, it remains reasonable to rely on MPI's data (with appropriate adjustments).

(b) ICBC Considered Relevant External Influences to Determine Whether they Should Be Incorporated Into the Forecasting Models

23. Ms. Aimers explained at the Workshop that, for a model to be consistent with AAP, it should account for current circumstances and historical data, and most importantly, it should produce a reasonable forecast.[36] At a high level, Ms. Aimers summarized the steps in forecasting loss trends, a key input in the actuarial rate indication, as follows:[37]

(a) ICBC begins with a baseline model, which relies on the last 10 years of historical data. ICBC actuaries fit a simple exponential trend to that data.

(b) With that baseline model, ICBC actuaries determine whether it provides a good fit for the data. In other words, whether the baseline model produces a reasonable forecast or whether there are any other sources of data that could produce a meaningful improvement to the estimate. In doing so, ICBC relies on regression statistics to measure the model's fit; however, statistics alone cannot be used to determine a predictive model, which requires a consideration of emerging trends or underlying factors that can affect the historical data.

(c) Applying expert judgment, ICBC therefore considers whether any additional economic or social influences should be incorporated into its final selected model.

24. Overall, ICBC's modelling has struck the appropriate balance between added accuracy and simplicity, and most importantly, providing a reasonable prediction. In particular, ICBC has demonstrated that it took reasonable approaches in determining what external information necessitated incorporation into modelling. For example, ICBC explained:[38]

---

36 Transcript Volume 1, p. 31, l. 26 – p. 32, l. 4 (Aimers).
37 Transcript Volume 1, p. 32, l. 5 – p. 33, l. 15 (Aimers).
38 Exhibit B-3, 2023.1 RR.BCUC.4.4.2.

ICBC did consider external data in the course of forecasting PY 2023 written risk exposure. However, external data is not relied on if it does not provide meaningful improvement to ICBC's forecast.

As described in the Application, Chapter 3, Appendix B.0, paragraph 7, a simple regression model is the preferred model if it fits the historical exposure data well and produces a reasonable and intuitive forecast. A more complex model is chosen only if it provides a significant improvement over the simple model. This approach provides an appropriate balance between a model's goodness of fit and its simplicity.

Therefore, if a simple regression model produces a reasonable and intuitive result and can be validated by known influences, ICBC may not need to select an econometric model. Variables may be tested to provide useful information. However, variables will not be adopted if they do not provide meaningful improvements to the forecast. For example, ICBC monitors population estimates and projections for BC published by BC Stats as Personal written risk exposure has generally followed BC's population growth. However, ICBC ultimately determined that internal data was sufficient to provide a good balance between goodness of fit and simplicity and that any changes in external data, such as population growth rates, would not significantly improve the simple regression model.

25. Among other things, ICBC's actuaries considered the impacts of growing immigration,[39] COVID-19,[40] and technological improvements in vehicle safety[41] on its forecasts. The absence of explicit model adjustments does not mean that the information was not considered.

(c) ICBC's Approaches to Basic Vehicle Damage Coverage (BVDC) Frequency and Severity Trends Are Reasonable

26. The evidence demonstrates that all of ICBC's loss cost forecasts accord with AAP. They represent ICBC's best estimates, they were informed by expert judgment, and available data was appropriately considered. The evidence regarding ICBC's approach to BVDC frequency and severity trends, which were of particular interest to participants in this proceeding, are the focus of the following paragraphs.

---

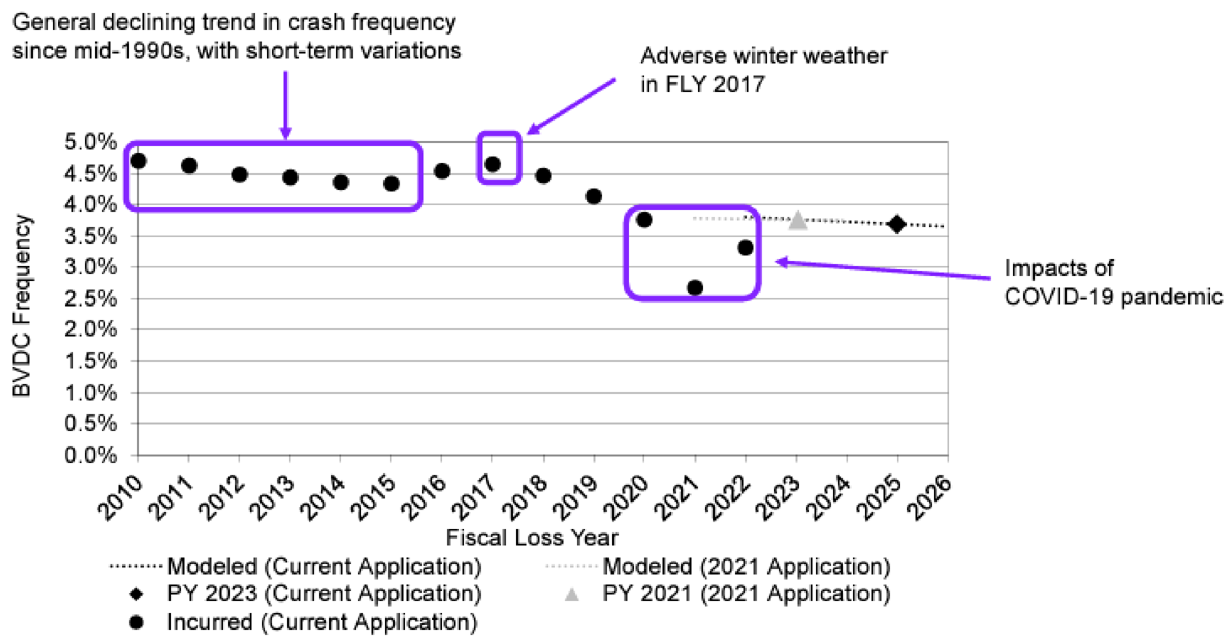
39 Exhibit B-3, 2023.1 RR BCUC.4.4, and 2023.1 RR BCUC.5.1.

40 Exhibit B-3, 2023.1 RR BCUC.4.1 and 2023.1 RR BCUC.4.3.2.

41 Exhibit B-3, 2023.1 RR BCUC.9.4.2, 2023.1 RR BCUC.9.4.3 and 2023.1 RR BCUC.10.2; Exhibit B-8 2023 RR BCUC.UT.2.

The Model Selected for BVDC Frequency is Appropriate

27. ICBC has demonstrated that its selected model for BVDC frequency, a 10-year simple regression ending at the third quarter of fiscal loss year 2020, is appropriate. In selecting this approach, ICBC considered the general declining trend corresponding to improvements in road and vehicle safety, as well as more recent short-term variations in fiscal loss years 2015-2020, including adverse winter weather in 2017 and from the pandemic,[42] as demonstrated by Slide 25 of Exhibit B-6-1:



28. ICBC has provided detailed explanations in response to information requests and questions at the Workshop for why it was reasonable to select the 10-year model for BVDC frequency rather than shorter-term models.[43]

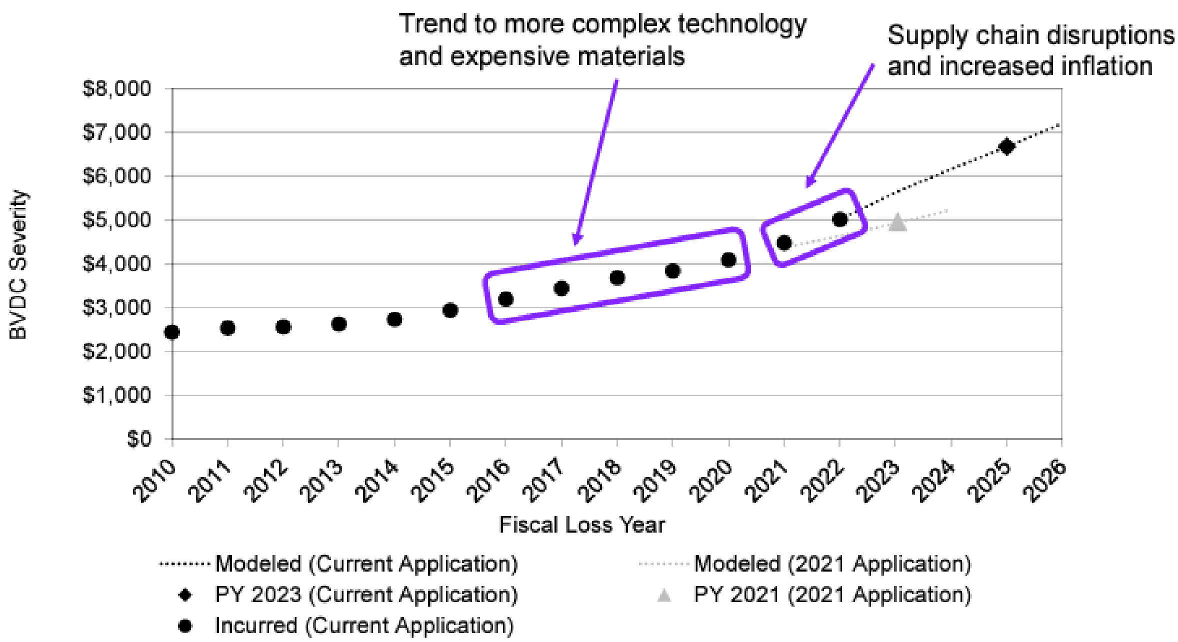
The Model Selected for BVDC Severity is Appropriate

29. ICBC's model for BVDC severity is a five-year simple regression with an adjustment for elevated forecasted inflation. In selecting this approach, ICBC has accounted for recent increases

[42] Exhibit B-3, 2023.1 RR BCUC.9.2; Transcript Volume 1, p. 35, l. 20 – p. 37, l. 6 (Aimers).

[43] Exhibit B-3, 2023.1 RR BCUC.9.2, 2023.1 RR BCUC.9.2.1, 2023.1 RR BCUC.9.2.2; Transcript Volume 1, p. 48, l. 12 – p. 49, l. 6 (Loach); Exhibit B-8 2023 RR BCUC.UT.1.

in vehicle and parts prices and a trend towards more complex technology and expensive materials, as demonstrated by Slide 28 of Exhibit B-6-1:



30. ICBC's use of a five-year model (versus a 10-year baseline) is consistent with what it used in the 2021 RRA to give more weight to these recent cost pressures. In addition to the shorter-term model, ICBC has also applied an adjustment to account for elevated inflation, which it reasonably expects will continue over the next few years (beyond what is already reflected in the five-year trend).[44]

D. THE CLOSED SYSTEM ENSURES THAT FORECAST VARIANCES REMAIN WITHIN THE BASIC INSURANCE BUSINESS

31. Unlike public utilities, Basic insurance is a "closed system" where funds are retained within the Basic insurance business and ICBC pays no dividends to government. The closed system addresses the inherent uncertainty involved in forecasting future claims costs. As Ms. Aimers explained, this "means that if there is a difference between what we collect in premiums now, which is based on an estimate of required costs, and what those costs eventually emerge

[44] Transcript Volume 1, p. 40, l. 5 – p. 41, l. 12 (Aimers); Exhibit B-3, 2023.1 RR BCUC.9.4.2.

to be over time, that difference, whether favourable or unfavourable, stays in the Basic system through Basic capital."[45] As a result, Basic insurance capital serves to mitigate unanticipated events.

45 Transcript Volume 1, p. 15, ll. 14-19 (Aimers).

PART FOUR: INVESTMENTS

32. ICBC's investment portfolio is designed to support the payment of claims and keep rates low and stable. ICBC described its investment portfolio, objectives and governance in Chapter 5 of the Application. At the Workshop, Kevin Rye, Associate Director of Investment, Governance Strategy and Operations explained the key components of ICBC's investment portfolio and how they feed into the rate indication. In this Part, ICBC explains the key changes to its investment portfolio and makes the following points:

(a) The investment asset mix has appropriately evolved with the transition to Enhanced Care; and

(b) Formally introducing leverage into the asset mix will increase expected returns with only minimal increased risk.

A. ICBC'S ASSET MIX HAS EVOLVED WITH THE TRANSITION TO ENHANCED CARE

33. Asset mix is the main determinant of the return of ICBC's investment portfolio.[46] As such, ICBC works closely with its investment manager, British Columbia Investment Management Corporation (BCI), to get the asset mix right. Mr. Rye elaborated:[47]

> In determining a portfolio that is appropriate for ICBC, we work with BCI closely to model several portfolio scenarios to look at a range of possible outcomes, worst-case scenarios for each individual asset mix under consideration. We also have BCI conduct specific scenario modelling, so, for example, a high inflation scenario, to see how an individual portfolio might perform under specific circumstances. So, once we've gone through all of those modelling and scenario processes, we will land on a portfolio that we deem is the best fit for ICBC.

34. To achieve the portfolio that is the best fit with the transition to Enhanced Care, ICBC is gradually reducing its position in more liquid, lower returning assets to capture additional returns by investing in, among other things, corporate bonds, private debt, emerging markets and private

---

46 Transcript Volume 1, p. 63, ll. 22-23, p. 65, ll. 9-10 (Rye).
47 Transcript Volume 1, p. 64, ll. 17-26 (Rye).

equity.[48] At the same time, ICBC will maintain a strong liquidity position to cover claims and operating expenses, even under worst-case scenarios.[49] The most recent changes to ICBC's asset mix are as follows:[50]

Asset Class	Apr 2021 SIPP Target Weight	Jan 2022 SIPP Target Weight	Change
Fixed Income - Liquidity	**46%**	**44%**	**-2**
Money Market	5%	5%	-
Short Bonds	41%	39%	-2
Fixed Income - Credit	**20%**	**22%**	**+2**
Corporate Bonds	11%	12%	+1
Private Debt	1%	3%	+2
Mortgages (including Mezzanine Debt)	8%	7%	-1
Equity Assets	**32%**	**30%**	**-2**
Global Equity	29%	25%	-4
Emerging Market Equity	2%	2%	-
Private Equity	1%	3%	+2
Real Assets	**12%**	**14%**	**+2**
Real Estate	9%	10%	+1
Infrastructure & Renewable Resources	3%	4%	+1
Sub Total	**110%**	**110%**	**-**
Portfolio Leverage	**-10%**	**-10%**	**-**
Total Portfolio	**100%**	**100%**	**--**

35. The above changes to the asset mix are appropriate in light of the transition to Enhanced Care. Enhanced Care is expected to have longer and more predictable payment patterns, which supports the investment portfolio's ability to take on volatility and risk in exchange for higher long-term returns.[51] The assets to which ICBC is shifting its capital are a better fit for its long-term

48 Exhibit B-3, 2023.1 RR BCUC.22.5-6.
49 Exhibit B-3, 2023.1 RR BCUC.22.5-6; Transcript Volume 1, p. 67, ll. 7-16 (Rye).
50 Exhibit B-6-1, Workshop Presentation, Slide 39.
51 Exhibit B-3, 2023.1 RR BCUC.22.5-6.

requirements and are forecast to offer a higher return.[52] Mr. Rye explained the motivation for the change from more liquid to less liquid assets, while maintaining appropriate liquidity, as follows:[53]

> So, why the change from more liquid to less liquid assets? Generally, less liquid assets will provide an opportunity to generate higher returns. They also exhibit lower volatility, particularly real assets like real estate and infrastructure. So, those, again, are key determinant factors in why we moved towards this asset mix.
>
> Now, as we move to these less liquid assets, we are very aware that we need to maintain adequate liquidity within the portfolio to meet the claims' needs and our day-to-day operating expenses. So, we are regularly monitoring our liquidity position within the portfolio and we are ensuring that we maintain liquidity within the portfolio even under stress circumstances, so worst-case scenarios, that there's sufficient liquidity to meet our immediate and short-term liquidity needs and we're not putting ourselves at any risk by this change in the asset mix.
>
> In general, the new asset classes and the new asset mix are a good fit with the longer tail claims resulting from Enhanced Care and also assist with the objective of generating returns to keep premiums low and stable.

36. ICBC has also appropriately paced the asset mix transition. The original transition schedule was based on the estimated pace at which these new investments would be available in the market. However, over the past year BCI has been able to place more capital in these asset classes than originally estimated.[54] Mr. Rye explained:[55]

> The pace of the change takes into account both the mix of liabilities within our books from the old book's evolution to the new Enhanced Care claims as well as the availability of investment opportunities in these private and illiquid asset classes within the market. While we do want to get to that long-term asset mix, we are cautious that we don't want to overpay for those assets in furtherance of getting there too soon. These assets, you know, don't trade as readily as the public market, so you want to make sure that you're pacing yourself appropriately, getting into these asset classes, not taking on concentration risk or, as I said, overpaying for the assets simply to get there sooner.
>
> …

52 Exhibit B-3, 2023.1 RR BCUC.25.5.1.
53 Transcript Volume 1, p. 67, ll. 1-20 (Rye).
54 Exhibit B-3, 2023.1 RR BCUC.25.6.
55 Transcript Volume 1, p. 66, ll. 14-26 and p. 68 ll. 10-20 (Rye).

> [T]he pace of change is not dramatic. It is slow, but this change really takes into account opportunities that became available in the marketplace over the past year. With the decline in fixed income, asset values, and equity markets, a number of investors would have found themselves offside on their asset mix. In fact, they would be overweight in their private asset classes. Because we were seeking to gain more of those assets, this provided an opportunity for us. As those investors rebalance their portfolio, we could take advantage of that and slightly accelerate our transition into this new asset mix.

B. ICBC USES LEVERAGE TO INCREASE EXPECTED RETURNS

37. ICBC has allocated a 10% leverage target within its asset mix, which effectively increases the total assets available for investment. The level of leverage remains low, such that the benefits of leverage are being obtained without undue risk to ICBC or policyholders.[56]

38. In essence, leverage involves borrowing funds to reinvest at a higher rate to generate enhanced returns. Mr. Rye explained the main benefits of using leverage as follows:[57]

> The benefit of leverage is that it's expected to increase returns as the returns on these new invested assets will exceed the cost of employing that leverage. We use our high-quality Government of Canada bonds as collateral for our borrowing to keep the cost of borrowing as low as possible.
>
> A secondary benefit of leverage is that it can also be used to increase liquidity as an alternative to selling assets that we may otherwise choose to retain. Again, it's not the primary reason we would employ leverage, but it does give us some options in the case where we did need to raise liquidity in the short-term.

39. The additional funds provided by leverage (of approximately 10% of gross assets) are redeployed across the different asset classes such that the gross assets held would be 10% higher than the amount available before leverage (this is shown above in the Table reproduced from Slide 39 of Exhibit B-6-1).[58]

---

56 Transcript Volume 1, p. 71, ll. 24-25 (Rye).

57 Transcript Volume 1, p. 72, ll. 1-12 (Rye). The main benefits were similarly discussed in Exhibit B-3, 2023.1 RR BCUC.18.3.

58 Exhibit B-3, 2023.1 RR BCUC.18.1.1.

40. Leverage inherently adds a layer of volatility (which can swing positive or negative) to a portfolio. Over the long-term "the net impact is expected to be positive, though there will be volatility in the shorter-term".[59] The introduction of leverage consists of short-term borrowing, which "naturally introduces some short-term volatility in the form of interest rate risk into the process".[60] However, the short-term volatility is mitigated by the long-term horizon, the "fact that the returns generated are higher than the cost", and borrowing is staggered so that it does not mature at the same time (so the impacts of the changes in interest rates do not strike at the same time).[61]

41. ICBC noted at the Workshop that it has used leverage before, similarly "around the 10 percent range".[62] However, in the past leverage was treated "as a means of funding the monthly payment plan" rather than formally integrated into the asset mix.[63] The reasoning for the change was "to delink it from the payment plan receivables" so that ICBC's ability to use leverage is not tied to the amount of payment plan receivables it has.[64]

42. Overall, ICBC expects that the inclusion of leverage will have a small but positive impact on rates, keeping rates lower.[65] For example, for PY 2023, the inclusion of leverage has a favourable impact on the actuarial indicated rate change.[66] As presented at the Workshop, the inclusion of leverage has favourably impacted both the NMR and YCARS, which are the key investment calculations contributing to the actuarial indicated rate change.[67]

(a) Required Formula Changes to Include Leverage

43. With leverage formally included in the asset mix, ICBC also seeks consequential approvals to revise the NMR and YCARS formulae to include leverage moving forward. As clarified at the

---

59 Transcript Volume 1, p. 78, ll. 17-19 (Rye).
60 Transcript Volume 1, p. 72, ll. 14-16 (Rye).
61 Transcript Volume 1, p. 72, l. 17 – p. 73, l. 2 (Rye).
62 Transcript Volume 1, p. 76, l. 26 – p. 77, l. 3 (Rye).
63 Transcript Volume 1, p. 76, ll. 4-8 (Rye).
64 Transcript Volume 1, p. 76, ll. 17-23 (Rye).
65 Transcript Volume 1, p. 87, ll. 23-26 (Rye).
66 Exhibit B-6-1, Workshop Presentation, Slide 45.
67 Exhibit B-6-1, Workshop Presentation, Slide 46.

Workshop, ICBC is seeking these revisions for PY 2023 and on a go forward basis.[68] A revised Draft Order reflecting this is attached to these submissions as Appendix A.

68 Transcript Volume 1, p. 79, l. 26 – p. 80, l. 2 (Rye).

PART FIVE: OPERATING EXPENSES

44. In this Part, ICBC addresses the evidence demonstrating that its forecast operating expenses are reasonable. In particular, ICBC emphasizes:

(a) ICBC has strong governance in place for managing operating costs, and is performing well under a key performance metric.

(b) Increases in controllable operating expenses are largely driven by wage increases under collective bargaining. Increases in project expenses are related to critical projects that support ICBC's 2025 corporate strategy.

A. ICBC HAS STRONG GOVERNANCE IN PLACE FOR MANAGING OPERATING COSTS

45. ICBC's senior management actively evaluates ICBC's performance against the measures set out in its Service Plan. Senior management also performs monthly reviews of the actual operating expenses compared to budget and monitors the outlook as appropriate. This analysis includes identifying the underlying drivers resulting in cost variances and their impact on the operating expenses outlook for the year and future year forecast.[69]

46. ICBC's efforts to manage costs are evidenced by its Expense Ratio – ICBC's 2021/22 result of 23.4% was 7.6% below (i.e., favourable compared to) the industry standard.[70]

B. CONTROLLABLE OPERATING EXPENSES ARE PREDOMINANTLY DRIVEN BY COMPENSATION COSTS

47. ICBC's total corporate operating expenses by line of business and allocation to Basic insurance are summarized in Figure 6.1 of the Application.[71] The four largest line items are: [72]

(a) **Net Compensation**, which is the largest driver of controllable operating expenses, accounting for approximately two-thirds of ICBC's controllable operating

[69] Exhibit B-5, 2023.1 RR BCOAPO.9.4.
[70] Exhibit B-5, 2023.1 RR BCOAPO.9.4.
[71] Exhibit B-1, Application, Chapter 6, p. 6-7.
[72] As highlighted in Exhibit B-6-1, Workshop Presentation, Slide 52.

expenses.[73] The main contributors to increases in Net Compensation are inflation and salary increases based on the Collective Agreement.[74]

(b) **Professional, Administrative and Other Expenses**, which are increasing primarily as a result of inflation.[75]

(c) **Project Expenses**, which are increasing to support critical sustainment projects and other initiatives to support ICBC's 2025 strategy.[76]

(d) **Pension and Post-Retirement Benefit Expenses**, which are non-controllable and decreases are driven by the market-based discount rate.[77]

	($ millions)	2019/20 Actual	2020/21 Actual	2021/22 Actual	2022/23 Outlook	2023/24 Forecast	2024/25 Forecast	2025/26 Forecast	Compound Annual Growth Rate FY2020 to FY2026
1	Net Compensation	451	449	490	516	540	551	564	3.8%
2	Professional, Administrative and Other Expenses	144	127	133	146	154	162	171	2.9%
3	Project and Depreciation expenses	57	55	66	86	80	80	86	7.0%
	Merchant Fees	43	44	37	40	41	43	46	1.1%
	Road Improvements and Traffic Safety	32	31	34	33	34	35	36	2.3%
	Controllable Operating Expenses	**727**	**706**	**760**	**821**	**848**	**870**	**902**	**3.7%**
4	Pension and Post-Retirement Benefit Expenses	92	68	101	66	53	53	53	-8.7%
	Total Corporate Operating Expenses	**818**	**774**	**862**	**887**	**901**	**923**	**955**	**2.6%**

48. ICBC expands on some larger areas of controllable cost increases, Net Compensation and Project Expenses, below.

73 Transcript Volume 2, p. 7, ll. 23-25 (Tamber).
74 Transcript Volume 2, p. 8, ll. 12-15 (Tamber).
75 Transcript Volume 2, p. 10, ll. 2-11 (Tamber).
76 Transcript Volume 2, p. 10, ll. 12-25 (Tamber).
77 Transcript Volume 2, p. 10, l. 26 – p. 11, l. 19 (Tamber).

(a) Net Compensation Increases Are Driven By Wage Increases Under the Collective Agreement

49. Inflation and salary increases, which are a response to the inflationary environment, are the main drivers of increases in compensation.[78] Given that approximately 63% of controllable operating expenses relate to compensation,[79] which is largely set under the Collective Agreement, controlling these costs depends on managing staffing levels. To manage costs, ICBC's senior management has directed that all hires require approval by the department leaders or above.[80] While controlling employee-related costs plays an important role in managing ICBC's overall operating expenses, ICBC also maintains employee experience as a top priority, as was thoroughly discussed in information requests.[81]

50. Net compensation is expected to increase in 2023/24, 2024/25 and 2025/26 forecast years mainly due to the general wage increases that have been determined based on the BC General Employees' Union's tentative agreement and will be negotiated under the Collective Agreement, reported and approved by the Public Sector Employers' Council.[82]

51. Overall, ICBC's full-time equivalent (FTE) forecast for 2025/26 is expected to be consistent with 2019/20 levels.[83] While FTE levels increased in 2021/22 and into 2022/23,[84] this increase is "temporary as ICBC manages injury claims that fall under the different insurance models".[85] At the Workshop, Mr. Tamber, ICBC's Corporate Controller and Acting Chief Financial Officer, explained that:[86]

> FTEs are expected to gradually reduce as injury claims that occurred prior to the implementation of Enhanced Care continue to settle. This reduction in FTEs is

78 Transcript Volume 2, p. 8, ll. 12-15 (Tamber).
79 Exhibit B-5, 2023.1 RR BCOAPO.9.1.
80 Exhibit B-5, 2023.1 RR BCOAPO.9.1.
81 Exhibit B-5, 2023.1 RR MoveUP.4.4 series.
82 Exhibit B-3, 2023.1 RR BCUC.30.1, 2023.1 RR BCUC.31.1.
83 Exhibit B-6-1, Workshop Presentation, Slide 53.
84 Exhibit B-6-1, Workshop Presentation, Slide 53.
85 Transcript Volume 2, p. 9, ll. 1-4 (Tamber). See also Exhibit B-3, 2023.1 RR BCUC.31.5.
86 Transcript Volume 2, p. 9, ll. 4-8 (Tamber).

expected to be met voluntarily through staff attrition, so resignations and retirements.

52. For greater clarity, consistent with rate setting on a PY basis, the costs associated with the FTE and compensation for claims personnel handling old legal-based claims are not part of the Unallocated Loss Adjustment Expense for PY 2023 and have already been expensed within the Unallocated Loss Adjustment Expense reserve.[87] As claims handling payments are made now and in the future, this will reduce the reserve set aside for their payment. There is no impact on the incurred expenses or the current actuarially indicated rate.

(b) Increases in Project Expenses Support Timely and Critical Initiatives

53. After the successful transition to Enhanced Care, ICBC is now prioritizing critical projects that were delayed or deferred as a result of capacity constraints during the transition. As a result, project expenses are expected to increase in 2022/23.[88] Project expenses include planned critical sustainment projects, annual renewal and maintenance, and other project expenses to support ICBC's 2025 corporate strategy, including Usage-based Insurance and the Streamline Claims Processes Program.[89] After a temporary increase in 2022/23, project expenses are expected to drop and then remain consistent with 2023/24 levels in future years.[90]

---

87 Exhibit B-3, 2023.1 RR BCUC.2.2; Exhibit B-1, Application, Chapter 3, Appendix C.6.0, Section B, p. C.6.0-2.
88 Transcript Volume 2, p. 10, ll. 12-25 (Tamber); Exhibit B-3, 2023.1 RR BCUC 26.3.
89 Exhibit B-6-1, Workshop Presentation, Slide 56.
90 Exhibit B-1, Application, Chapter 6, p. 6-17.

PART SIX: OTHER APPROVALS SOUGHT

54. In addition to the requested rate change of 0% and formula changes to the NMR and YCARS, ICBC also seeks the following approvals:

(a) A re-alignment of deadlines for two compliance reports, to better coincide with other filing deadlines; and

(b) To discontinue reporting on the Legal Representation Conversion Rate for future revenue requirements applications.

A. PROPOSED DATES FOR COMPLIANCE REPORTING ARE MORE EFFICIENT

55. *Special Direction IC2* exempts ICBC from the requirements to apply for a rate change order by December 15, 2023, but does not exempt ICBC from filing fiscal year 2023/24 annual compliance reports that are the subject of existing BCUC orders. In this Application, ICBC proposes adjusting the filing deadlines for two compliance reports:[91]

Compliance Report	Source of the Reporting Requirement	Existing Filing Deadline	Proposed Filing Deadline	Reason
Road Safety	Order G-81-15	September 30, 2023	December 15, 2024	There are no new programs requiring an update in FY2023/24.
Performance Measures	Letter L-10-16	August 31, 2023	December 15, 2023	To align the timing of the report with the filing of the IT Strategic Plan (which will be filed on December 15, 2023 per Order G-139-18) for administrative ease.

56. ICBC submits that the realignment of these deadlines delivers the benefit of enhanced regulatory efficiency without any prejudice or harm.

[91] Exhibit B-1, Application, Chapter 1, p. 1-5.

B. THE LEGAL REPRESENTATION CONVERSION RATE NO LONGER PROVIDES A USEFUL COMPARISON

57. ICBC proposes to discontinue reporting on the Legal Representation Conversion Rate (LRCR) in future revenue requirements applications. The LRCR tracked the legal-based Bodily Injury claims exposures that became represented, because representation was a significant driver of claims costs under the old legal-based models.[92] As the legislative changes that enabled Enhanced Care included provisions that limited actions arising from crashes in BC that occurred on or after May 1, 2021, there are few new legal-based claims being opened, such that the metric no longer provides a meaningful comparison with prior fiscal years (when ICBC was under legal-based insurance models).[93]

---

92 Exhibit B-1, Application, Chapter 8, Appendix 8F, Section C and C.1.

93 Exhibit B-1, Application, Chapter 1, p. 1-4, Chapter 8, Appendix 8F, Section C and C.1.

PART SEVEN: CONCLUSION

58. ICBC's requested rate change of 0% for PY 2023 is consistent with the requirements of *Special Direction IC2,* including the requirements to adhere to AAP and to apply the rate change floor. The actuarial indicated rate change for PY 2023, absent the rate change floor, would be a change of -6.5%. There are no known AAP-compliant model adjustments or assumptions that would change the actuarial rate indication sufficiently to overcome the rate change floor. In short, the proposed Basic insurance rate is fair, just and reasonable.

59. ICBC respectfully submits that the proposed 0% rate change, along with the other approvals provided in the attached revised Draft Order, should be approved as sought.

ALL OF WHICH IS RESPECTFULLY SUBMITTED.

Dated:	May 16, 2023	***[original signed by Matthew Ghikas]*** Matthew Ghikas Counsel for ICBC
Dated:	May 16, 2023	***[original signed by Madison Grist]*** Madison Grist Counsel for ICBC

Appendix A

bcuc
British Columbia
Utilities Commission

Suite 410, 900 Howe Street
Vancouver, BC Canada V6Z 2N3
bcuc.com

P: 604.660.4700
TF: 1.800.663.1385
F: 604.660.1102

ORDER NUMBER
G-xx-Year

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
2023 Revenue Requirements Application

BEFORE:
E.B. Lockhart, Panel Chair
B. A. Magnan, Commissioner
A. Pape-Salmon, Commissioner

on Month, Day, 2023

ORDER

WHEREAS:

A. On December 15, 2022, the Insurance Corporation of British Columbia (ICBC) filed an application with the British Columbia Utilities Commission (BCUC) for its 2023 Revenue Requirements for Universal Compulsory Automobile Insurance (Basic insurance), seeking a Basic insurance rate change order of 0% of current rates for the policy year commencing April 1, 2023 (PY 2023), among other requests (Application);

B. Pursuant to the *Insurance Corporation Act* and *Special Direction IC2 to the BCUC*, BC Regulation 307/2004, as amended (Special Direction IC2), the BCUC's jurisdiction with respect to the regulation of ICBC's revenue requirements and rates is restricted to Basic insurance. The BCUC has no jurisdiction over ICBC's Optional insurance business;

C. On December 12, 2022, the Lieutenant Governor General in Council approved Order in Council No. (OIC) 666/22 directing ICBC to file a 24-month Basic insurance revenue requirements application for PY 2023, and to reflect in the rates a capital provision equal to 7% of the required premium for PY 2023;

D. By Order G-2-23 dated January 10, 2023, the BCUC approved an interim rate change of 0% for all new or renewal policies with an effective date on or after April 1, 2023;

E. By Order G-2-23, the BCUC established, among other things, a regulatory timetable for the review of the Application, which included public notice, intervener registration, a round of BCUC and intervener information requests, and a workshop; and

F. The BCUC has reviewed the Application and evidence filed in the proceeding and makes the following determinations.

NOW THEREFORE the BCUC orders as follows:

1. ICBC is approved to maintain a rate change of 0% on a permanent basis for PY 2023.

2. ICBC is approved to defer the filing of its next annual Report on Road Safety from September 30, 2023 to December 15, 2024, to coincide with the filing of ICBC's next revenue requirements application.

3. ICBC is approved to defer the filing of the Report on Performance Measures from August 31, 2023 to December 15, 2023, to coincide with the filing of ICBC's Annual IT Capital Expenditures Report.

4. ICBC is approved to discontinue reporting on the Legal Representation Conversion Rate in future revenue requirements applications.

5. ICBC is approved to change the formula for the New Money Rate to include leverage for PY 2023 and on a go forward basis.

6. ICBC is approved to change the formula for the Yield on Capital Available for Rate Setting to include leverage for PY 2023 and on a go forward basis.

7. ICBC's request to keep the following information confidential is accepted:
    - The unredacted version of Chapter 8, Appendix 8J – 2022/23 Annual Information Technology Capital Expenditure Plan.
    - 2023.1 RR BCUC.43.1
    - 2023.1 RR BCUC.43.2
    - 2023.1 RR BCUC.43.3
    - 2023.1 RR BCUC.43.4
    - 2023.1 RR BCUC.43.5

8. ICBC is directed to comply with all other terms and directives in the decision that have been issued concurrently with this order.

DATED at the City of Vancouver, in the Province of British Columbia, this XX day of Month, 2023.

BY ORDER

(X. X. last name)
Commissioner