151 West Esplanade, North Vancouver, BC V7M 3H9

regaffairs@icbc.com

ICBC INCREASE INDIVIDUAL IT CAPITAL PROJECT REPORTING THRESHOLD EXHIBIT B-1

June 25, 2026

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

Attention: Ms. Keshni Nand, Registrar, Regulatory Services

Re: Request to Increase ICBC's IT Capital Reporting Threshold

Dear Ms. Nand:

In this letter, the Insurance Corporation of British Columbia (ICBC) respectfully requests that the British Columbia Utilities Commission (BCUC) approve an increase to the information technology (IT) capital compliance reporting threshold for filing individual IT capital project reports established under Order G-139-18.[1] Specifically, ICBC requests that the reporting threshold for filing an individual IT capital project report be increased from $2 million to $5 million. ICBC will continue to provide project descriptions and expenditure details for IT capital projects with a spend of $2 million and above in its Annual IT Capital Expenditure Plan (Annual IT Plan) in accordance with the existing IT capital framework established under Order G-139-18.

ICBC submits that this request represents a reasonable and incremental next step in the evolution of IT capital reporting threshold since the BCUC first established direction regarding ICBC's IT capital reporting requirements in 2006.[2] The BCUC will retain the same level of visibility over ICBC's IT capital portfolio through annual reporting while individual project reporting will be focused on projects of greater financial materiality. This request recognizes ICBC's track record in successfully managing and delivering IT capital projects and the continued maturation of ICBC's IT project planning and governance framework.

[1] BCUC Order G-139-18 followed ICBC's April 26, 2018 Application to Streamline Information Technology Compliance Reporting Requirements (2018 IT Streamlining Application).
[2] The July 13, 2006 Decision on the 2006 Revenue Requirements Application (RRA) (Order G-86-06), pages 36 to 42.

This letter is organized as follows:

- ICBC provides the context for why the thresholds for IT reporting started very low and how they have progressively increased;
- ICBC outlines the maturation of its IT planning and governance;
- ICBC explains how the current threshold is increasingly outdated;
- ICBC confirms that the BCUC will retain ongoing visibility into IT projects, including those below the proposed threshold; and
- ICBC proposes a review process.

<u>The Original Reporting Framework Was Established When ICBC Was Building Its IT Capital Track Record</u>

The BCUC has increased ICBC's IT capital reporting thresholds in tandem with ICBC's IT maturity and track record.

The BCUC's IT capital reporting framework for ICBC was first established in the BCUC's July 2006 Decision, where it directed that ICBC provide details on IT capital projects of $500,000 or greater, before those projects were undertaken, together with an annual capital expenditure plan.[3] At that time, ICBC had only just been brought under BCUC regulation and the BCUC had minimal insight into ICBC's operations, IT capital governance and delivery practices. The BCUC also had concerns regarding the significance of ICBC's IT capital spending and its IT capital planning since ICBC had not yet established a formal IT capital reporting framework and did not have an extensive reporting history.

Later that same year, in its December 19, 2006 Letter No. L-82-06 regarding ICBC's IT capital reporting framework, the BCUC reiterated the same threshold. However, the BCUC stated it would be, in a future proceeding open to arguments that would place the trigger at a higher level. It also stated, "The Commission agrees that any reporting required of ICBC should not unduly delay any project. Once a mature IT capital planning process is in place, it may be sufficient for

[3] Ibid, page 42.

the Commission purposes to review the annual filing and dispense with individual project review except in exceptional circumstances." [4]

The BCUC subsequently increased the IT capital reporting threshold to $1 million in Order G-3-08. It once again foreshadowed the potential for future modifications as circumstances evolved:

> It is open to ICBC to suggest changes to the IT capital reporting process as experience is gained with the format and detail presented. Looking to the future, it may be that as new regulatory regimes for ICBC are considered, the need for continued IT capital reporting can be consolidated with other capital reporting processes established. [5]

After approximately 10 years, ICBC sought to increase the threshold again. In Order G-139-18, the BCUC established the current $2 million threshold for listing projects in ICBC's Annual IT Plan and providing individual IT capital reports. [6]

ICBC submits that the regulatory history, including the BCUC's commentary and the approved increases, demonstrates that the IT capital reporting framework was always intended to evolve with ICBC's circumstances. ICBC has acquired an additional eight years of experience since the last increase in the threshold, and during that time ICBC has developed a stronger record of planning, reporting and managing IT capital projects. The same principle that supported prior increases in the threshold thus supports ICBC's current request; the appropriate level of individual project reporting should be proportionate to the maturity of ICBC's planning and governance framework and the financial materiality of the projects being reported.

<u>ICBC's IT Capital Governance Has Matured Since the Current Threshold Was Established</u>

Since 2018 when the BCUC last considered the individual project threshold, ICBC has continued to strengthen its IT capital governance and project delivery practices through agile delivery approaches and structured governance processes.

ICBC now operates a comprehensive, end-to-end corporate initiative governance framework for IT investments, with executive oversight and consistent controls applied throughout the project lifecycle. This framework includes formal portfolio governance through the Strategic Portfolio Oversight Team and Strategic Portfolio Executive Team, which oversee initiative prioritization,

[4] BCUC Letter No. L-82-06 dated December 19, 2006, page 2.
[5] The January 9, 2008 Decision on the 2007 RRA, BCUC (Order G-3-08), page 64.
[6] BCUC Order G-139-18 dated July 26, 2018, Reasons for Decision, page 4.

funding allocation, resource capacity, risk escalation and approval of material changes across ICBC's IT portfolio. Approval thresholds have been clearly established, and the definition of material scope and capacity changes has been further refined, strengthening decision-making consistency while improving transparency across the portfolio. More complex initiatives may have their funding released in portions tied to project milestones and may be required to participate in governance review gates, intended to ensure continued alignment with strategic objectives and expected business outcomes. All business change and renewal initiatives are subject to centralized financial reviews and ongoing reporting that provides timely visibility into scope, schedule, budget and delivery risks.

ICBC's filing history over nearly two decades reflects a mature, disciplined approach to IT capital governance and delivery. Scope, schedule and budget are managed transparently, with material developments communicated to the BCUC through the Annual IT Plan and, where applicable, individual project filings. In addition, IT capital initiatives are assessed against ICBC's IT Strategic Plan and broader corporate objectives, including system reliability, security, operational resilience, customer service and responsible cost management.

These strengthened internal project controls and improved oversight reduces overall project risk, which ICBC submits should provide the BCUC with increased confidence that higher IT reporting thresholds are appropriate and timely.

A $5 Million Individual IT Capital Reporting Threshold Accounts for Industry and General Inflationary Trends

The rising complexity of contemporary IT delivery, in addition to general inflationary trends, are rendering the current reporting threshold increasingly outdated.

Modern IT initiatives increasingly involve heightened cybersecurity requirements, more complex system integration, expanded data considerations and a greater reliance on specialized third-party expertise and vendor-managed delivery models. These factors contribute to higher overall project costs and, in some cases, longer timelines, particularly for larger or more highly integrated initiatives spanning multiple business functions.

Moreover, wholly apart from the above considerations, the current $2 million reporting threshold for individual IT capital projects no longer reflects the same level of financial materiality as it did in 2018. Based on Statistics Canada CPI data, $2 million in 2018 is equivalent to approximately

$2.5 million in today's dollars, indicating a material erosion in the real value of the threshold. IT-specific costs, including labour, licensing, and specialized infrastructure, have shown growth trends that exceed general inflation benchmarks, suggesting that the effective erosion in the real value of the threshold may be greater than CPI alone would indicate.[7]

Workload and Regulatory Efficiency

ICBC submits that a $5 million threshold better aligns reporting effort with project materiality.

While the project-specific reports themselves are relatively concise, considerable work goes into their preparation. On an end-to-end basis, from initial information gathering and drafting through internal review, approval, to filing the report with the BCUC, the process can take more than two months. The overall timeline and level of effort may be greater if BCUC information requests are issued and responses are required.

It is important to stress that it is less about the absolute *amount* of work required to prepare an individual IT capital report, and more about *when* ICBC has to do that work. Much of this work must occur during early project phases, requiring delivery teams to divert time and resources away from planning and implementation activities to support regulatory reporting. For projects in the $2 million to $5 million range, ICBC submits that this level of effort seems to be disproportionate to the incremental regulatory value of a standalone filing, particularly where portfolio-level visibility is otherwise maintained through the Annual IT Plan. Increasing the individual project reporting threshold to $5 million would reduce the overall internal workload associated with compliance reporting and promote a more efficient and focused regulatory process, while continuing to support meaningful BCUC oversight.

The BCUC Will Continue to Have Ongoing Visibility into ICBC's IT Portfolio

ICBC submits that the BCUC will retain full visibility into its IT capital spending.

First, ICBC's Annual IT Plan remains the primary mechanism through which the BCUC has visibility into ICBC's IT capital portfolio. The Annual IT Plan provides a multi-year view of actual

[7] According to Gartner's most recent worldwide IT spending forecast, global IT spending is projected to grow 13.5% in 2026, driven by increases in software, licensing and AI infrastructure costs, a rate substantially exceeding general consumer price inflation. While this reflects aggregate spending rather than pure price inflation, it provides directional evidence of sustained upward cost pressures in IT. See [Gartner Forecasts Worldwide IT Spending to Grow 13.5% in 2026, Totaling $6.31 Trillion].

and forecast IT capital expenditures, distinguishes between renewal and business change projects, and identifies projects exceeding the $2 million threshold for project-specific disclosure.

The Annual IT Plan preserves the BCUC's ability to monitor the level, composition, and trends of IT capital spending across the portfolio, while reserving individual project reporting for larger and more financially material initiatives.

Second, the BCUC receives an IT Strategic Plan from ICBC on a triennial basis, or sooner in the event of a material change to ICBC's corporate or IT strategy.[8] The IT Strategic Plan describes ICBC's enterprise-wide IT priorities and investment direction over a multi-year planning horizon, providing qualitative and strategic context for IT capital spending.

Third, in the event the BCUC believes additional scrutiny is warranted on any project listed in the Annual IT Plan, the BCUC retains the ability to request such information on any IT project, including those below the proposed $5 million individual project threshold.[9] Such circumstances could include material variances against project budgets or material expansion in scope.

Conclusion and Request

ICBC respectfully requests that the BCUC approve the proposed increase to the individual IT capital project reporting threshold from $2 million to $5 million. The proposed change is targeted and incremental, and it reserves the more detailed standalone individual IT project reports for projects of greater financial materiality (i.e., $5 million IT capital and above). The BCUC always retains the ability to inquire into projects below the threshold.

At this time, ICBC is not proposing any change to the existing $2 million threshold for project-specific disclosure in the Annual IT Plan. However, the same considerations outlined in this letter that justify an increase to the individual project reporting threshold also apply to the Annual IT Plan. General inflation alone would warrant a material increase in the threshold. If the BCUC considers that an increased reporting threshold in the Annual IT Plan is appropriate, ICBC would support it.

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[8] The requirement to file an IT Strategic Plan first originated in the ICBC 2006 Revenue Requirements Application (RRA) Decision and Order G-86-06, page 39, and further refined in the 2007 RRA Decision and Order G-3-08, pages 59 and 60. The triennial filing cycle was approved by Order G-139-18 at section 2.4.

[9] *Utilities Commission Act*, RSBC 1996, c. 473, s. 43; *Insurance Corporation Act* RSBC 1996, c. 228, ss. 44(1) and 44(3)(d).

Given the narrow scope of this application and the fact that it relates exclusively to compliance reporting requirements, ICBC proposes a written review process involving only the BCUC. If the BCUC considers additional public input to be appropriate, ICBC would suggest a limited written process, such as letters of comment followed by an ICBC reply submission.

ICBC remains available to respond to any questions the BCUC may have and to provide any additional information that may assist the BCUC in its consideration of this request.

Sincerely,

Randy Yu
Senior Manager, Regulatory Affairs

Cc: Chris Tupper, Vice President, Customer Experience and Corporate Affairs, ICBC