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regaffairs@icbc.com

March 9, 2023

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

Attention: Ms. Sara Hardgrave, Acting Commission Secretary and Manager, Regulatory Services

Re: Insurance Corporation of British Columbia (ICBC) 2023 Revenue Requirements Application – Responses to Intervener Information Request No. 1

Dear Ms. Hardgrave:

Please find attached ICBC's responses to the Information Requests received from the following interveners in relation to the above proceeding:

- British Columbia Old Age Pensioners' Organization, et al (BCOAPO), received February 16, 2023 (Exhibit C4-2).
- Insurance Bureau of Canada (IBC), received February 16, 2023 (Exhibit C3-2).
- Movement of United Professionals (MoveUP), received February 16, 2023 (Exhibit C1-2).
- Richard McCandless (RM), received February 15, 2023 (Exhibit C2-2).

Sincerely,

Randy Yu
Senior Manager, Regulatory Affairs
/ls

Cc: Bill Carpenter, Vice President, Insurance, ICBC

Attachment

2023.1 RR BCOAPO.1.1

Reference: ACTUARIAL INDICATED RATE CHANGE ANALYSIS
Exhibit B-1, Chapter 3, Section A.1, Page 3-1 and Footnote 2 and Chapter 4, Section B.4, Page 4-5
Topic: Impact of Rate Change Floor on Required Premium

Preamble:

"This Application presents a proposed rate change of 0% for Policy Year (PY) 2023, which Special Direction IC2 …defines as encompassing Basic insurance policies sold during the 24-month period from April 1, 2023 to March 31, 2025…Special Direction IC2 sets a rate change floor of 0%...Special Direction IC2 states that…other than the 2021 policy year…the commission must not decrease existing rates." (Exhibit B-1, Chapter 3, Section A.1, Page 3-1 and Footnote 2)

"…the actuarial indicated rate change of -6.5% is the percent difference between the amount of premium that needs to be collected to cover PY 2023 costs including a capital provision, compared to the premiums customers would have paid in PY 2023 assuming no change in rates." (Exhibit B-1, Chapter 3, Section A.1, Page 3-1)

"As shown in Figure 4.2, the application of the rate change floor of 0% results in $421.4 million of premium in excess of PY 2023 required premium. This allows for a surplus of $402.9 million (equal to the $421.4 million of excess premium minus premium tax) to contribute to ICBC's Basic capital over the policy period." (Exhibit B-1, Chapter 4, Section B.4, Page 4-5)

Please confirm (or explain otherwise) that, if the BCUC was to make reductions to claims costs or operating expenses and/or increases to investment income for rate-setting purposes as a result of its review of the ICBC 2023 RRA, the practical effect of the Rate Change Floor from Special Direction IC2 is that the actuarial indicated rate change of -6.5% would increase to a higher indicated rate decrease, the Required Premium would decrease, and there would be an equal and offsetting increase to the Rate Change Floor impact of $421.4 million resulting in a 0% rate change for PY 2023.

Response:

ICBC confirms the intervener's interpretation.

2023.1 RR BCOAPO.2.1

Reference: ACTUARIAL INDICATED RATE CHANGE ANALYSIS
Exhibit B-1, Chapter 3, Section A.1, Page 3-2, Section A.2, Figure 3.1, Page 3-4, Section A.3, Figure 3.3, Page 3-7 and Appendix A.1
Topic: Summaries of the Components of Required Premium (Annualized) & Components of the Required Premium Per Policy

Preamble:

> **"…the actuarial indicated rate change is negative, largely due to an increase in projected investment income on new premiums collected and a decrease in the overall capital provision. These impacts are slightly offset by inflationary pressure on claims costs across all coverages." (Exhibit B-1, Chapter 3, Section A.1, Page 3-2)**
>
> **In Chapter 3 of the 2023 RRA, ICBC provides (i) Figure 3.1 - summary of the components of required premium for PY2023 and (ii) Figure 3.3 -components of summary of required premium per policy for PY2023. (Exhibit B-1, Chapter 3, Section A.2, Figure 3.1, Page 3-4 and Chapter 3, Section A.3, Figure 3.3, Page 3-7)**
>
> **In Chapter 3 of the 2023 RRA, ICBC provides Appendix A.1 – which includes a detailed comparison of a 12-month PY 2023 annualized premium (column 4) and a 12-month PY 2021 annualized premium (column 5). (Exhibit B-1, Chapter 3, Appendix A.1)**

Please review the BCOAPO analysis of the annualized required premium between PY 2023 and PY 2021 provided below and a) confirm the figures, or b) explain why the analysis is not correct and provide revised figures. (Please note that in order to obtain a breakdown of the PY 2021 annualized total loss & ALAE expenses by the specified sub-coverages for comparison to PY 2023 sub-coverages, it was necessary to allocate the Manual Basic claims cost of approximately $97.3 million as outlined in Appendix A.6 of the 2021 ICBC RRA. Column 1 of Appendix A.6 was allocated 35%to EAB-ED and 65% to EAB-Other based on the relative percentage of the non-manual claims costs, column 2 was allocated to BVDC and columns 3 to 6 were allocated to TPL. BCOAPO notes ICBC may wish to revise these allocations to ensure comparability between PY 2023 and PY 2021 on an annualized basis.)

ICBC 2023 RRA	PY 2023	PY 2021	$	%
Required Premium Analysis	**Annualized**	**Annualized**	**Inc (Dec)**	**Inc (Dec)**
$ Millions	**1**	**2**	**3**	**4**
BVDC Expenses	928	671	257	38.3%
EAB-ED Expenses	726	589	137	23.3%
EAB-Other Coverages Expenses	1,151	1,118	33	3.0%
TPL Expenses	155	136	19	14.0%
Total Loss & ALAE expenses	**2,960**	**2,514**	**446**	**17.7%**
Total ULAE expenses	283	228	55	24.1%
Total Claims Costs (A)	**3,243**	**2,742**	**501**	**18.3%**
General Expenses - Admin. & Other	75	74	1	1.4%
General Expenses - Insurance Services	83	67	16	23.9%
General Expenses - Non Insurance Services	139	128	11	8.6%
RSLM Expenses	47	50	(3)	-6.0%
Total Expenses (B)	**344**	**319**	**25**	**7.8%**
Brokers Fees	126	111	15	13.5%
Premium Tax	133	138	(5)	-3.6%
Total Broker Fees & Premium Tax (C)	**259**	**249**	**10**	**4.0%**
Total Costs Before Capital (D=A+B+C)	**3,846**	**3,310**	**536**	**16.2%**
Capital Provision	212	490	(278)	-56.7%
Rate Change Floor Impact	211	0	211	
Total Capital Amounts (E)	**423**	**490**	**(67)**	**-13.7%**
Total Expenses & Capital Amounts (F=D+E)	**4,269**	**3,800**	**469**	**12.3%**
Investment Income - Policyholder Funds	(782)	(524)	(258)	49.2%
Investment Income - Capital Available	(96)	(18)	(78)	433.3%
Miscellaneous Revenues	(148)	(111)	(37)	33.3%
Total Investment Income & Misc. (G)	**(1026)**	**(653)**	**(373)**	**57.1%**
Required Premium (H = F+G)	**3,243**	**3,147**	**96**	**3.1%**
Notes:				
Column 1 = 2023 RRA Appendix A.1 to A.5				
Column 2 = 2021 RRA Appendix A.1 to A.6				
Column 3 = Column 1 - Column 2				
Column 4 = Column 3/Column 2 * 100				

Response:

In the Application, Chapter 3, Figure 3.3, ICBC has distinguished between the proposed premium per policy and the required premium per policy. The proposed premium per policy includes the impact of the rate change floor which is present for PY 2023 but not for PY 2021. In making comparisons between the two policy years, ICBC is therefore referring to the proposed premium per policy to include all components, which have an impact on the proposed rate change.

The top four rows in the table provided in this information request (BVDC Expenses, EAB-ED Expenses, EAB-Other Expenses and TPL Expenses) refer to loss and allocated loss adjustment expenses (ALAE), calculated as the product of the modelled written risk exposure, frequency, severity, and large claims factor, adjusted for Bulk Claims Costs and Prospective Adjustments. Please see the Application, Chapter 3, Appendices A.3 to A.5, row (h) for further details. In addition, PY 2021 loss and ALAE per policy including Manual Basic claims is provided in the Application, Chapter 3, Figure 3.4 which confirms the intervener's approximate allocation of 35% EAB-ED and 65% EAB-Other.

Allowing for small rounding differences, ICBC confirms the figures in the table above except for required premium (row (H) which incorrectly includes the impact of the rate change floor ($211 million)). To correct this, row (H) should be labelled "Proposed Premium" rather than "Required Premium". For more information, please see the Application, Chapter 3, Figure 3.3.

2023.1 RR BCOAPO.2.2

Reference: ACTUARIAL INDICATED RATE CHANGE ANALYSIS
Exhibit B-1, Chapter 3, Section A.1, Page 3-2, Section A.2, Figure 3.1, Page 3-4, Section A.3, Figure 3.3, Page 3-7 and Appendix A.1
Topic: Summaries of the Components of Required Premium (Annualized) & Components of the Required Premium Per Policy

Preamble:

> **"…the actuarial indicated rate change is negative, largely due to an increase in projected investment income on new premiums collected and a decrease in the overall capital provision. These impacts are slightly offset by inflationary pressure on claims costs across all coverages." (Exhibit B-1, Chapter 3, Section A.1, Page 3-2)**
>
> **In Chapter 3 of the 2023 RRA, ICBC provides (i) Figure 3.1 - summary of the components of required premium for PY2023 and (ii) Figure 3.3 -components of summary of required premium per policy for PY2023. (Exhibit B-1, Chapter 3, Section A.2, Figure 3.1, Page 3-4 and Chapter 3, Section A.3, Figure 3.3, Page 3-7)**
>
> **In Chapter 3 of the 2023 RRA, ICBC provides Appendix A.1 – which includes a detailed comparison of a 12-month PY 2023 annualized premium (column 4) and a 12-month PY 2021 annualized premium (column 5). (Exhibit B-1, Chapter 3, Appendix A.1)**

Please confirm whether, from an overall rate-setting/ratepayer perspective, the annualized comparison of PY 2023 to PY 2021 required premiums can be reasonably summarized as follows:

> **The growth in the annualized required premium of $96 million or 3.1% between PY 2023 and PY 2021 is primarily a result of (i) an increase in total claims costs of $501 million or 18.3%; and largely offset by (ii) a $336 million total increase of investment income from policyholders and capital available and (iii) a $67 million decrease in total capital amounts from the capital provision and rate change floor impacts. Please also confirm that the $96 million or 3.1% increase in required premium represents the growth in auto insurance policies between PY 2023 and PY 2021 on an annualized basis.**

Response:

ICBC confirms that the difference between the annualized proposed premium for PY 2021 and the annualized proposed premium for PY 2023 is due to the impacts as provided in this information request (allowing for small rounding differences). The 3.1% growth between the annualized proposed premium of PY 2023 and PY 2021 also includes the +4.8% growth in written risk exposures for the period.

As also noted in the response to information request 2023.1 RR BCOAPO.2.1, this response pertains to the comparison between proposed premiums (rather than required premiums) since it includes the impact of the rate change floor ($211 million of annualized premium for PY 2023).

2023.1 RR BCOAPO.2.3

Reference: ACTUARIAL INDICATED RATE CHANGE ANALYSIS
Exhibit B-1, Chapter 3, Section A.1, Page 3-2, Section A.2, Figure 3.1, Page 3-4, Section A.3, Figure 3.3, Page 3-7 and Appendix A.1
Topic: Summaries of the Components of Required Premium (Annualized) & Components of the Required Premium Per Policy

Preamble:

> **"…the actuarial indicated rate change is negative, largely due to an increase in projected investment income on new premiums collected and a decrease in the overall capital provision. These impacts are slightly offset by inflationary pressure on claims costs across all coverages." (Exhibit B-1, Chapter 3, Section A.1, Page 3-2)**
>
> **In Chapter 3 of the 2023 RRA, ICBC provides (i) Figure 3.1 - summary of the components of required premium for PY2023 and (ii) Figure 3.3 -components of summary of required premium per policy for PY2023. (Exhibit B-1, Chapter 3, Section A.2, Figure 3.1, Page 3-4 and Chapter 3, Section A.3, Figure 3.3, Page 3-7)**
>
> **In Chapter 3 of the 2023 RRA, ICBC provides Appendix A.1 – which includes a detailed comparison of a 12-month PY 2023 annualized premium (column 4) and a 12-month PY 2021 annualized premium (column 5). (Exhibit B-1, Chapter 3, Appendix A.1)**

Please confirm the $501 million or 18.3% annualized increase in total claims costs between PY 2021 and PY 2023 is primarily a result of (i) a $257 million or 38.3% increase in BVDC expenses; (ii) a $137 million or 23.3% increase in EAB-ED expenses; and (iii) a $55 million or 24.1% increase in total ULAE expenses. If not so confirmed, please provide the full basis for the annualized increase in total claims costs between PY 2021 and PY 2023.

ICBC 2023 RRA	PY 2023	PY 2021	$	%
Required Premium Analysis	**Annualized**	**Annualized**	**Inc (Dec)**	**Inc (Dec)**
$ Millions	**1**	**2**	**3**	**4**
BVDC Expenses	928	671	257	38.3%
EAB-ED Expenses	726	589	137	23.3%
EAB-Other Coverages Expenses	1,151	1,118	33	3.0%
TPL Expenses	155	136	19	14.0%
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Total Claims Costs (A)	**3,243**	**2,742**	**501**	**18.3%**
General Expenses - Admin. & Other	75	74	1	1.4%
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Total Expenses (B)	**344**	**319**	**25**	**7.8%**
Brokers Fees	126	111	15	13.5%
Premium Tax	133	138	(5)	-3.6%
Total Broker Fees & Premium Tax (C)	**259**	**249**	**10**	**4.0%**
Total Costs Before Capital (D=A+B+C)	**3,846**	**3,310**	**536**	**16.2%**
Capital Provision	212	490	(278)	-56.7%
Rate Change Floor Impact	211	0	211	
Total Capital Amounts (E)	**423**	**490**	**(67)**	**-13.7%**
Total Expenses & Capital Amounts (F=D+E)	**4,269**	**3,800**	**469**	**12.3%**
Investment Income - Policyholder Funds	(782)	(524)	(258)	49.2%
Investment Income - Capital Available	(96)	(18)	(78)	433.3%
Miscellaneous Revenues	(148)	(111)	(37)	33.3%
Total Investment Income & Misc. (G)	**(1026)**	**(653)**	**(373)**	**57.1%**
Required Premium (H = F+G)	**3,243**	**3,147**	**96**	**3.1%**
Notes:				
Column 1 = 2023 RRA Appendix A.1 to A.5				
Column 2 = 2021 RRA Appendix A.1 to A.6				
Column 3 = Column 1 - Column 2				
Column 4 = Column 3/Column 2 * 100				

Response:

As noted in the response to information request 2023.1 RR BCOAPO.2.1, the top four rows in the table provided in the preamble are loss and allocated loss adjustment expenses (ALAE). Allowing for small rounding differences, ICBC confirms the statement in this information request.

2023.1 RR BCOAPO.2.4

Reference: ACTUARIAL INDICATED RATE CHANGE ANALYSIS
Exhibit B-1, Chapter 3, Section A.1, Page 3-2, Section A.2, Figure 3.1, Page 3-4, Section A.3, Figure 3.3, Page 3-7 and Appendix A.1
Topic: Summaries of the Components of Required Premium (Annualized) & Components of the Required Premium Per Policy

Preamble:

> **"…the actuarial indicated rate change is negative, largely due to an increase in projected investment income on new premiums collected and a decrease in the overall capital provision. These impacts are slightly offset by inflationary pressure on claims costs across all coverages." (Exhibit B-1, Chapter 3, Section A.1, Page 3-2)**
>
> **In Chapter 3 of the 2023 RRA, ICBC provides (i) Figure 3.1 - summary of the components of required premium for PY2023 and (ii) Figure 3.3 -components of summary of required premium per policy for PY2023. (Exhibit B-1, Chapter 3, Section A.2, Figure 3.1, Page 3-4 and Chapter 3, Section A.3, Figure 3.3, Page 3-7)**
>
> **In Chapter 3 of the 2023 RRA, ICBC provides Appendix A.1 – which includes a detailed comparison of a 12-month PY 2023 annualized premium (column 4) and a 12-month PY 2021 annualized premium (column 5). (Exhibit B-1, Chapter 3, Appendix A.1)**

Please confirm that the total amounts related to capital for the PY 2023 on an annualized basis are $423 million (total of the capital provision of $212 million and rate change floor impact of $211 million) and together represent approximately 13.0 % of the required premium ($423/$3,243). If not so confirmed, please explain and provide the correct figures.

Response:

As noted in the response to information request 2023.1 RR BCOAPO.2.1, the rate change floor impact is a component of proposed premium rather than the required premium. ICBC confirms that the total of the capital provision and the rate change floor represents approximately 13.0% of the proposed premium for PY 2023.

2023.1 RR BCOAPO.2.5

Reference: ACTUARIAL INDICATED RATE CHANGE ANALYSIS
Exhibit B-1, Chapter 3, Section A.1, Page 3-2, Section A.2, Figure 3.1, Page 3-4, Section A.3, Figure 3.3, Page 3-7 and Appendix A.1
Topic: Summaries of the Components of Required Premium (Annualized) & Components of the Required Premium Per Policy

Preamble:

> **"…the actuarial indicated rate change is negative, largely due to an increase in projected investment income on new premiums collected and a decrease in the overall capital provision. These impacts are slightly offset by inflationary pressure on claims costs across all coverages." (Exhibit B-1, Chapter 3, Section A.1, Page 3-2)**
>
> **In Chapter 3 of the 2023 RRA, ICBC provides (i) Figure 3.1 - summary of the components of required premium for PY2023 and (ii) Figure 3.3 -components of summary of required premium per policy for PY2023. (Exhibit B-1, Chapter 3, Section A.2, Figure 3.1, Page 3-4 and Chapter 3, Section A.3, Figure 3.3, Page 3-7)**
>
> **In Chapter 3 of the 2023 RRA, ICBC provides Appendix A.1 – which includes a detailed comparison of a 12-month PY 2023 annualized premium (column 4) and a 12-month PY 2021 annualized premium (column 5). (Exhibit B-1, Chapter 3, Appendix A.1)**

Please review the BCOAPO analysis of the required premium per policy between PY 2023 and PY 2021 provided below and either a) confirm the figures or b) explain and provide revised figures:

ICBC 2023 RRA			**$**	**%**
Required Premium per Policy Analysis	**PY 2023**	**PY 2021**	**Inc (Dec)**	**Inc (Dec)**
$ per Policy	**1**	**2**	**3**	**4**
BVDC Expenses	247	187	60	32.1%
EAB-ED Expenses	194	165	29	17.6%
EAB-Other Coverages Expenses	306	312	(6)	-1.9%
TPL Expenses	41	38	3	7.9%
Total Loss & ALAE expenses	**788**	**702**	**86**	**12.3%**
Total ULAE expenses	75	64	11	17.2%
Total Claims Costs (A)	**863**	**766**	**97**	**12.7%**
General & RSLM Expenses	92	89	3	3.4%
Broker Fees & Premium Tax	69	70	(1)	-1.4%
Total Expenses (B)	**161**	**159**	**2**	**1.3%**
Total Costs Before Capital (C=A+B)	**1,024**	**925**	**99**	**10.7%**
Capital Provision	57	137	(80)	-58.4%
Rate Change Floor Impact	56	0	56	
Total Capital Amounts (D)	**113**	**137**	**(24)**	**-17.5%**
Total Expenses & Capital Amounts (E=C+D)	**1,137**	**1,062**	**75**	**7.1%**
Investment Income - Policyholder Funds	(208)	(146)	(62)	42.5%
Investment Income - Capital Available	(26)	(5)	(21)	420.0%
Miscellaneous Revenues	(39)	(32)	(7)	21.9%
Total Investment Income & Misc. (F)	**(273)**	**(183)**	**(90)**	**49.2%**
Proposed Premium per Policy (G = E+F)	**864**	**879**	**(15)**	**-1.7%**
Notes:				
Columns 1 & 2 = 2023 RRA Figures 3.3 and 3.4				
Column 3 = Column 1 - Column 2				
Column 4 = Column 3/Column 2 * 100				

Response:

As noted in the response to information request 2023.1 RR BCOAPO.2.1, the top four rows in the table provided in this information request are loss and allocated loss adjustment expenses (ALAE) on a per policy basis. Allowing for small rounding differences, ICBC confirms the figures provided in the table.

2023.1 RR BCOAPO.2.6

Reference: ACTUARIAL INDICATED RATE CHANGE ANALYSIS
Exhibit B-1, Chapter 3, Section A.1, Page 3-2, Section A.2, Figure 3.1, Page 3-4, Section A.3, Figure 3.3, Page 3-7 and Appendix A.1
Topic: Summaries of the Components of Required Premium (Annualized) & Components of the Required Premium Per Policy

Preamble:

> **“…the actuarial indicated rate change is negative, largely due to an increase in projected investment income on new premiums collected and a decrease in the overall capital provision. These impacts are slightly offset by inflationary pressure on claims costs across all coverages.” (Exhibit B-1, Chapter 3, Section A.1, Page 3-2)**
>
> **In Chapter 3 of the 2023 RRA, ICBC provides (i) Figure 3.1 - summary of the components of required premium for PY2023 and (ii) Figure 3.3 -components of summary of required premium per policy for PY2023. (Exhibit B-1, Chapter 3, Section A.2, Figure 3.1, Page 3-4 and Chapter 3, Section A.3, Figure 3.3, Page 3-7)**
>
> **In Chapter 3 of the 2023 RRA, ICBC provides Appendix A.1 – which includes a detailed comparison of a 12-month PY 2023 annualized premium (column 4) and a 12-month PY 2021 annualized premium (column 5). (Exhibit B-1, Chapter 3, Appendix A.1)**

Please confirm whether, from an overall rate-setting/ratepayer perspective, the comparison of PY 2023 to PY 2021 required premiums per policy can be reasonably summarized as follows:

> **The reduction in the required premium per policy of $15 or 1.7% between PY 2023 and PY 2021 is primarily a result of (i) an increase in total claims costs of $97 per policy or 12.7% more than offset by; (ii) a $83 per policy total increase in the investment income from policyholder supplied funds and capital available for rate-setting; and (iii) a $24 per policy decrease in total capital amounts from the capital provision and rate change floor impacts.**

Response:

In the Application, Chapter 3, Figure 3.3, ICBC has distinguished between the proposed premium per policy and the required premium per policy. The proposed premium per policy includes the impact of the rate change floor which is present for PY 2023 but not for PY 2021. In making comparisons between the two policy years, ICBC is therefore referring to the proposed premium per policy to include all components which have an impact on the proposed rate change.

ICBC confirms that the proposed premium per policy is $15 lower for PY 2023 compared to PY 2021 due to the three components described in this information request.

2023.1 RR BCOAPO.2.7

Reference: ACTUARIAL INDICATED RATE CHANGE ANALYSIS
Exhibit B-1, Chapter 3, Section A.1, Page 3-2, Section A.2, Figure 3.1, Page 3-4, Section A.3, Figure 3.3, Page 3-7 and Appendix A.1
Topic: Summaries of the Components of Required Premium (Annualized) & Components of the Required Premium Per Policy

Preamble:

> **"…the actuarial indicated rate change is negative, largely due to an increase in projected investment income on new premiums collected and a decrease in the overall capital provision. These impacts are slightly offset by inflationary pressure on claims costs across all coverages." (Exhibit B-1, Chapter 3, Section A.1, Page 3-2)**
>
> **In Chapter 3 of the 2023 RRA, ICBC provides (i) Figure 3.1 - summary of the components of required premium for PY2023 and (ii) Figure 3.3 -components of summary of required premium per policy for PY2023. (Exhibit B-1, Chapter 3, Section A.2, Figure 3.1, Page 3-4 and Chapter 3, Section A.3, Figure 3.3, Page 3-7)**
>
> **In Chapter 3 of the 2023 RRA, ICBC provides Appendix A.1 – which includes a detailed comparison of a 12-month PY 2023 annualized premium (column 4) and a 12-month PY 2021 annualized premium (column 5). (Exhibit B-1, Chapter 3, Appendix A.1)**

Please confirm if the $97 or 12.7% increase in total claims costs per policy between PY 2023 and PY 2021 is primarily a result of: (i) a $60 or 32.1% increase in BVDC expenses per policy; (ii) a $29 or 17.6% increase in EAB-ED expenses per policy; and (iii) a $11 or 17.2% increase in total ULAE expenses per policy. If not so confirmed, please explain and provide the correct costs contributing to the increase in total claims costs per policy.

ICBC 2023 RRA			$	%
Required Premium per Policy Analysis	**PY 2023**	**PY 2021**	**Inc (Dec)**	**Inc (Dec)**
$ per Policy	**1**	**2**	**3**	**4**
BVDC Expenses	247	187	60	32.1%
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Proposed Premium per Policy (G = E+F)	**864**	**879**	**(15)**	**-1.7%**
Notes:				
Columns 1 & 2 = 2023 RRA Figures 3.3 and 3.4				
Column 3 = Column 1 - Column 2				
Column 4 = Column 3/Column 2 * 100				

Response:

As noted in the response to information request 2023.1 RR BCOAPO.2.1, BVDC expenses per policy and EAB-ED expenses per policy in the top four rows in the table provided in this information request are loss and allocated loss adjustment expenses (ALAE) on a per policy basis. Allowing for small rounding differences, ICBC confirms the statement in this information request.

2023.1 RR BCOAPO.2.8

Reference: ACTUARIAL INDICATED RATE CHANGE ANALYSIS
Exhibit B-1, Chapter 3, Section A.1, Page 3-2, Section A.2, Figure 3.1, Page 3-4, Section A.3, Figure 3.3, Page 3-7 and Appendix A.1
Topic: Summaries of the Components of Required Premium (Annualized) & Components of the Required Premium Per Policy

Preamble:

> **“…the actuarial indicated rate change is negative, largely due to an increase in projected investment income on new premiums collected and a decrease in the overall capital provision. These impacts are slightly offset by inflationary pressure on claims costs across all coverages.” (Exhibit B-1, Chapter 3, Section A.1, Page 3-2)**
>
> **In Chapter 3 of the 2023 RRA, ICBC provides (i) Figure 3.1 - summary of the components of required premium for PY2023 and (ii) Figure 3.3 -components of summary of required premium per policy for PY2023. (Exhibit B-1, Chapter 3, Section A.2, Figure 3.1, Page 3-4 and Chapter 3, Section A.3, Figure 3.3, Page 3-7)**
>
> **In Chapter 3 of the 2023 RRA, ICBC provides Appendix A.1 – which includes a detailed comparison of a 12-month PY 2023 annualized premium (column 4) and a 12-month PY 2021 annualized premium (column 5). (Exhibit B-1, Chapter 3, Appendix A.1)**

Considering the analysis and variance explanations outlined in BCOAPO IR’s 2.1 to 2.6, please explain how ICBC concluded that there are “slight inflationary pressures” on claims costs across all coverages.

Response:

ICBC would like to clarify that the Application did not state that ICBC has concluded that there are "slight inflationary pressures", but rather the quote shown in the Application, Chapter 3, paragraph 5 is: "These impacts are slightly offset by inflationary pressure on claims costs...”.

The recent increase in inflation is a significant factor on its own and has an unfavourable impact on the PY 2023 required premium. However, its impact is smaller than the favourable impacts from the capital provision and investment income on policyholder supplied funds (rows [5] and [7], respectively in the Application, Chapter 3, Figure 3.3). Thus, inflation provides a slight (or partial) offset to these larger, favourable factors.

2023.1 RR BCOAPO.2.9

Reference: ACTUARIAL INDICATED RATE CHANGE ANALYSIS
Exhibit B-1, Chapter 3, Section A.1, Page 3-2, Section A.2, Figure 3.1, Page 3-4, Section A.3, Figure 3.3, Page 3-7 and Appendix A.1
Topic: Summaries of the Components of Required Premium (Annualized) & Components of the Required Premium Per Policy

Preamble:

> **“…the actuarial indicated rate change is negative, largely due to an increase in projected investment income on new premiums collected and a decrease in the overall capital provision. These impacts are slightly offset by inflationary pressure on claims costs across all coverages.” (Exhibit B-1, Chapter 3, Section A.1, Page 3-2)**
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> **In Chapter 3 of the 2023 RRA, ICBC provides (i) Figure 3.1 - summary of the components of required premium for PY2023 and (ii) Figure 3.3 -components of summary of required premium per policy for PY2023. (Exhibit B-1, Chapter 3, Section A.2, Figure 3.1, Page 3-4 and Chapter 3, Section A.3, Figure 3.3, Page 3-7)**
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> **In Chapter 3 of the 2023 RRA, ICBC provides Appendix A.1 – which includes a detailed comparison of a 12-month PY 2023 annualized premium (column 4) and a 12-month PY 2021 annualized premium (column 5). (Exhibit B-1, Chapter 3, Appendix A.1)**

Considering that a large increase in investment income is providing the offset to a large increase in claim costs for the PY 2023 RRA, please provide ICBC’s views on the risks of significant rate increases in future RRA’s if claims cost escalation continues based on present forecast trends and there are no offsetting factors such as increases in investment income (increases in investment income may be a one-time occurrence as a result of movement of interest rates back to more normal levels).

Response:

The risk of future rate increases does exist. Assuming all other components of the Basic rate change perform as expected, it is the underlying loss and allocated loss adjustment expenses (ALAE) trend that will contribute to the ongoing Basic rate changes. Under the new Enhanced Care product, the loss and ALAE trend will be directly correlated to the increases in BC Consumer Price Index (CPI): if inflation continues to increase this will lead to upward pressures on the Basic rate need. The following paragraphs discuss ICBC's views on mitigating strategies and potential offsets to this upward pressure.

New Money Rate offset: At this time, ICBC expects both inflation and claims cost increases to moderate in the future, reducing the risk of significant rate changes in the future. This long-term view is also embedded in the current New Money Rate (NMR) which reflects how ICBC's assets are expected to perform over a 15-year horizon. Taking a longer-term view provides stability for rate setting in the event of short-term interest rate fluctuations; however, the Basic insurance rate need would be impacted by any change to the longer-term view of interest rates. While inflation has been high recently, the current forecast of inflation assumes that it will moderate back to the 2% per year Bank of Canada target. ICBC's current forecast expects claims to moderate as well, coinciding with easing inflationary pressures. However, if inflation continues to be higher than expected, putting upward pressure on claims costs, then the longer-term view of interest rates will also likely rise resulting in upward adjustment in ICBC's NMR (increasing investment income on policyholder supplied funds). This increase in the NMR will provide an offsetting favourable impact to the actuarial indicated rate change. This is largely what happened between PY 2021 and PY 2023.

Claims Mitigation Strategies: ICBC continues to effectively manage upward pressure on claims costs through claims cost management strategies including the following items. For more information, please see the Application, Chapter 7, Appendix 7B (Claims Cost Management):

- Support execution of evidence-based best practices in health care.
- Modernize ICBC's material damage programs.
- Streamline claims processes program.
- Continue the counter-fraud program.

Road Safety Programs: Over the years, ICBC partnering with Government and police have implemented several road safety campaigns and initiatives to help reduce the number of crashes, injuries and deaths on BC roads which also helps to offset overall claims costs. Please see the Application, Chapter 8, Appendix 8G (Road Safety) which provides an overview of the upcoming strategies and initiatives for road safety that will continue to mitigate the number of crashes and injuries seen on BC roads.

2023.1 RR BCOAPO.3.1

Reference: ACTUARIAL INDICATED RATE CHANGE ANALYSIS
Exhibit B-1, Chapter 3, Section B.1, Pages 3-12 to 3-15, Appendix C.2.0, Section C, Page C.2.0-4 and Chapter 8, Appendix 8A, Section E.2, Page 8A-29.
ICBC 2021 RRA, Exhibit B-1, Chapter 3, Section B.2.1, Pages 3-19 to 3-20
Topic: BVDC Frequency & Severity

Preamble:

In the 2021 RRA, ICBC projected BVDC frequency of 3.76% and severity of $4,889. (ICBC 2021 RRA, Exhibit B-1, Chapter 3, Section B.2.1, Figure 3.9, Page 3-19)

In the 2023 RRA, ICBC is projected BVDC frequency of 3.69% and severity of $6,672. (Exhibit B-1, Chapter 3, Section B.1, Figure 3.4, Page 3-12)

"…the current environment has made it difficult to assess where crash frequency will stabilize…a number of factors that are not expected to re-occur…economic volatility following Russia's invasion of the Ukraine." (Exhibit B-1, Chapter 3, Section B.1, Page 3-13)

"…ICBC deems it reasonable to assume that the pre-COVID-19 pandemic long-term downward trend will continue through PY 2023…ICBC has selected a slight downward trend of -1.0% per year based on the historical long-term downward trend." (Exhibit B-1, Chapter 3, Section B.1, Page 3-14)

"Reflecting both the upward trend in recent years and the anticipated impacts from MD RAAP programs, BVDC severity is expected to increase at a 6.3% annual rate throughout PY 2021." (ICBC 2021 RRA, Exhibit B-1, Chapter 3, Section B.2.1, Page 3-20)

"The selected forecast considers the steeper trend rates observed in recent years and includes an additional adjustment to capture the high cost of BVDC claim payments seem in the most recent two years…very high inflation in parts costs and vehicle prices…capacity issues in the vehicle repair industry and part shortages affected by disruption in supply chains…the PY 2023 forecast reflects an annualized trend of 7.9% plus an adjustment for elevated inflationary levels over the next few years…" (Exhibit B-1, Chapter 3, Section B.1, Pages 3-14 to 3-15)

"The combination of all these affects is not expected to subside substantially within the forecast period, over which inflation is also forecast to remain elevated…the actuaries have made an additional adjustment…which uses the forecast BC Consumer Price Index (CPI) Inflation, to the extent that it exceeds the typical level of general

> **inflation which would be embedded in the historical trend period. This adjustment…is applied…in addition to the underlying trend of 7.9%." (Exhibit B-1, Chapter 3, Appendix C.2.0, Section C, Page C.2.0-4)**
>
> **"In addition to the general increase in the complexity of vehicle technology over time, inflationary pressures on parts costs, labour and vehicle cash values related to supply chain issues have affected the average cost for 2021/22 claims, which has increased from 2020/21 and exceeds 2021/22 target. These recent trends were expected to subside through 2022/23, resulting in a target for 2022/23 claims set only moderately above the 20212/22 actual." (Exhibit B-1, Chapter 8, Appendix 8A, Section E.2, Page 8A-29)**

3.1 Please explain if ICBC has factored into its BVDC frequency projections the continuing economic volatility associated with the on-going Russian invasion of Ukraine, geo-political risks, inflationary pressures and significant potential for an economic.

3.1.1 If so, please detail how and where these were factored in.

3.1.2 If not, please explain why not.

Response:

In the Application, Chapter 3, paragraph 32, ICBC acknowledges that the economic volatility from the Russian invasion of Ukraine (and other events) have affected the most recent frequency point as it appears lower than the forecasted trend line. These events are short-term and can explain variances in the data, but they are not expected to reoccur for the forecast period for estimating PY 2023 BVDC frequency. As discussed in the response to information request 2023.1 RR BCUC.9.2.1, vehicle damage frequency has followed a general decline over the past two decades, mainly influenced by vehicle safety technology and improvements in road safety. A 10-year baseline model appears to capture this well, while not being overly influenced by large short-term variations, such as economic volatility from geo-political risks and inflationary pressures.

2023.1 RR BCOAPO.3.2

Reference: ACTUARIAL INDICATED RATE CHANGE ANALYSIS
Exhibit B-1, Chapter 3, Section B.1, Pages 3-12 to 3-15, Appendix C.2.0, Section C, Page C.2.0-4 and Chapter 8, Appendix 8A, Section E.2, Page 8A-29.
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inflation which would be embedded in the historical trend period. This adjustment…is applied…in addition to the underlying trend of 7.9%." (Exhibit B-1, Chapter 3, Appendix C.2.0, Section C, Page C.2.0-4)

"In addition to the general increase in the complexity of vehicle technology over time, inflationary pressures on parts costs, labour and vehicle cash values related to supply chain issues have affected the average cost for 2021/22 claims, which has increased from 2020/21 and exceeds 2021/22 target. These recent trends were expected to subside through 2022/23, resulting in a target for 2022/23 claims set only moderately above the 20212/22 actual." (Exhibit B-1, Chapter 8, Appendix 8A, Section E.2, Page 8A-29)

3.2 Please explain if ICBC has factored in the expected increase in working from home (WFH) arrangements into its BVDC frequency projections. For instance, would it not be reasonable to expect that the pre-COVID 19 trend would accelerate in PY 2023 and onward as a result of WFH considerations.

3.2.1 If so, please detail how and where this was factored into its BVDC frequency projections.

3.2.2 If not, please explain why not.

Response:

BVDC frequency forecasts have factored in working from home arrangements in two ways: the selection of the spring-off point and the selection of the trend rate.

For the spring-off point, ICBC assessed the pre-COVID pandemic level in relationship to the actual claims experience. Following the initial drop in frequency at the onset of the ongoing pandemic, the number of claims rose substantially in 2021/22 and is rising further in 2022/23. This has been occurring despite the presumed increase in working from home arrangements. The interaction between working location and crashes is complex, as less commute travel may be offset by increased local travel, and reduced road use by commuters may induce additional demand from other road users. Recent congestion data published by TomTom has ranked

Vancouver as having the second-worst traffic of any metro area in North America, suggesting that working from home arrangements have not led to a substantial improvement in this regard.[1]

Based on the information available, ICBC finds that it is reasonable to assume that the frequency will return to approximately its pre-COVID pandemic level.

As for the trend, the onset of the COVID-19 pandemic has changed where and how people work. However, working from home arrangements have not stabilized where businesses are still evolving their flexible work model. At the same time, there have been changes in other factors (including the mix of driver experience, and gas prices fluctuations) which may also influence crash frequency. At this time, there is not enough evidence to suggest that working from home arrangements, in combination with other factors affecting driving behaviours over time, will change the BVDC frequency trend from the 10-year pre-COVID model. ICBC believes its current selection of the 10-year trend is consistent with the general modest decline in crash frequency trend observed over the past two decades. Therefore, this model was deemed reasonable for the frequency trend forecast.

[1] Emily Silva, *Metro Vancouver has the worst traffic congestion in Canada, according to this ranking | CTV News*, (February 23, 2023), accessed on February 24, 2023, https://bc.ctvnews.ca/metro-vancouver-has-some-of-the-worst-traffic-in-north-america-study-finds-1.6286875

2023.1 RR BCOAPO.3.3

Reference: ACTUARIAL INDICATED RATE CHANGE ANALYSIS
Exhibit B-1, Chapter 3, Section B.1, Pages 3-12 to 3-15, Appendix C.2.0, Section C, Page C.2.0-4 and Chapter 8, Appendix 8A, Section E.2, Page 8A-29.
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inflation which would be embedded in the historical trend period. This adjustment…is applied…in addition to the underlying trend of 7.9%." (Exhibit B-1, Chapter 3, Appendix C.2.0, Section C, Page C.2.0-4)

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Please provide a summary analysis of the differences between the 6.3% underlying BVDC trend in PY 2021 and the 7.9% underlying BVDC trend in PY 2023 – from the detailed information contained in the Technical Appendices.

Response:

The table below summarizes the numbers used in determining the underlying BVDC severity forecasts for PY 2021 and PY 2023 from each of their respective Revenue Requirements Applications (RRA). Although the historical data is split into loss quarter points for modelling, data at an annual (fiscal loss year) level is provided to simplify the presentation and does not detract from this summary analysis.

The main difference between the 5-year BVDC severity trends of 6.3% in the 2021 RRA and 7.9% in the current Application is the removal of the oldest two fiscal loss years (FLY) (2016 to 2017) and the addition of data for two new fiscal loss years (2021 to 2022) that are included in the PY 2023 selected model. The latest two fiscal years have seen much steeper year over year increases (9.4% and 11.9%) than previous years, and likewise steeper than the modelled forecast at the time of the 2021 RRA. The steeper trend from these years is therefore the main contributor to the increase in the trend produced by the model for PY 2023 in the current Application.

Fiscal Loss Year	5-year (FLY 2016 to 2020) Exponential Model Forecasts for PY 2021			5-year (FLY 2018 to 2022) Exponential Model Forecasts for PY 2023		
	Incurred	**Year over Year Change**	**Modelled**	**Incurred**	**Year over Year Change**	**Modelled**
2015	2,938			2,941		
2016	3,205	9.1%	3,227	3,198	8.8%	
2017	3,448	7.6%	3,430	3,445	7.7%	
2018	3,687	6.9%	3,642	3,687	7.0%	
2019	3,833	3.9%	3,869	3,842	4.2%	
2020	4,101	7.0%	4,105	4,092	6.5%	
2021			4,368	4,475	9.4%	
2022			4,641	5,009	11.9%	5,009
2023			4,931			5,626
2024			5,239			6,158
2025						6,664
2026						7,198
Source:	RRA 2021 Application, Appendix C.6.0, Figure C.6.3		RRA 2021 Application, Appendix C.6.0, Figure C.6.3	Current Application, Appendix C.2.1, Column (4)		Current Application, Appendix C.2.1, Column (5)

2023.1 RR BCOAPO.3.4

Reference: ACTUARIAL INDICATED RATE CHANGE ANALYSIS
Exhibit B-1, Chapter 3, Section B.1, Pages 3-12 to 3-15, Appendix C.2.0, Section C, Page C.2.0-4 and Chapter 8, Appendix 8A, Section E.2, Page 8A-29.
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“Reflecting both the upward trend in recent years and the anticipated impacts from MD RAAP programs, BVDC severity is expected to increase at a 6.3% annual rate throughout PY 2021.” (ICBC 2021 RRA, Exhibit B-1, Chapter 3, Section B.2.1, Page 3-20)

“The selected forecast considers the steeper trend rates observed in recent years and includes an additional adjustment to capture the high cost of BVDC claim payments seem in the most recent two years…very high inflation in parts costs and vehicle prices…capacity issues in the vehicle repair industry and part shortages affected by disruption in supply chains…the PY 2023 forecast reflects an annualized trend of 7.9% plus an adjustment for elevated inflationary levels over the next few years…” (Exhibit B-1, Chapter 3, Section B.1, Pages 3-14 to 3-15)

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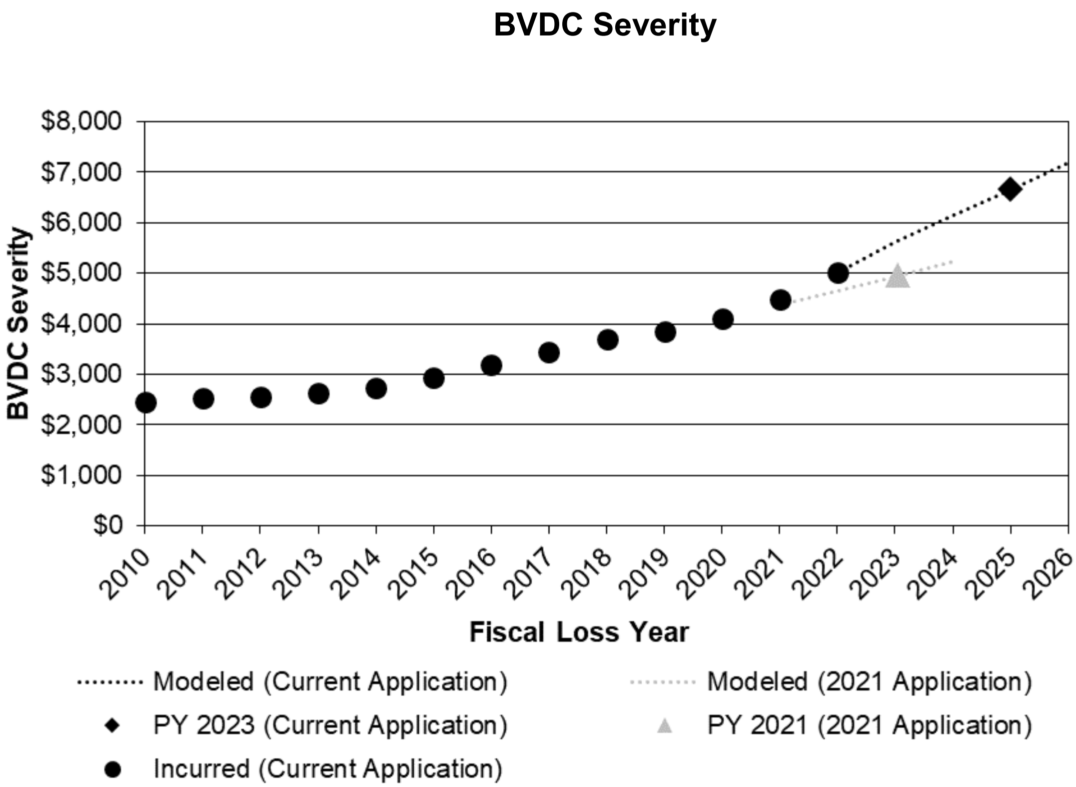
Please (i) provide the total of the underlying trend of 7.9% and the adjustment for excess inflation for the BVDC severity trend that is forecast by ICBC in PY 2023 (i.e. the total % trend forecast for PY 2023 that is comparable to the 6.3% trend forecast from PY 2021) and (ii) explain how this total underlying trend % results in the increased in the BVDC severity of 36.5% between PY 2021 and PY 2023 ($6,672/$4,889 = +36.5%).

Response:

ICBC interprets this request as seeking to have a better understanding of the contributing factors to the growth in the Basic Vehicle Damage Coverage (BVDC) severity forecast presented in the 2021 Revenue Requirements Application (2021 RRA) ($4,889), compared to the BVDC severity forecast in the current Application ($6,672). The main contributing factor to this difference is a steeper selected trend line (10% annualized) which is due to several factors as highlighted in the Application, Chapter 3, paragraph 35. The majority of the remaining difference is due to the emergence of higher BVDC claims costs over the recent years, resulting in a higher observed starting point versus the previous forecast from the 2021 RRA (as seen by the observed black points over the forecasted gray line in the Application, Chapter 3, Figure 3.6, which is reproduced below).



The following paragraphs provide the answers to the intervener's questions.

i.

The total of the underlying trend of 7.9% and the adjustment for excess inflation for the BVDC severity trend that is forecast by ICBC in PY 2023 is 10% (annualized). Note that this trend represents the annualized forecasted growth from the incurred severity as at fiscal loss year (FLY) 2022 of $5,009 (as shown in the Application, Chapter 3, Appendix C.2.1, column (4)) compared to the PY 2023 forecasted severity of $6,672 (as shown in the Application, Chapter 3, Appendix C.2.1 column (5)). The midpoint to midpoint of these comparison points represents a 3-year period.

ii.

In order to compare the severities on a like-for-like basis, the PY 2021 severity forecast of $4,889 in the 2021 RRA needs to be adjusted for Manual Basic costs since these costs are now embedded in the severities shown in the current Application. If the PY 2021 severity forecast is restated to include Manual Basic costs, it would be $4,962, and the annualized growth between PY 2021 and PY 2023 using this restated severity is 16%. Note the midpoint to midpoint of these comparison points represents a 2-year period. This restated value is provided, and the requested comparison is discussed, in the response to information request 2023.1 RR BCUC.3.4.

2023.1 RR BCOAPO.3.5

Reference: ACTUARIAL INDICATED RATE CHANGE ANALYSIS
Exhibit B-1, Chapter 3, Section B.1, Pages 3-12 to 3-15, Appendix C.2.0, Section C, Page C.2.0-4 and Chapter 8, Appendix 8A, Section E.2, Page 8A-29.
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"The combination of all these affects is not expected to subside substantially within the forecast period, over which inflation is also forecast to remain elevated…the actuaries have made an additional adjustment…which uses the forecast BC Consumer Price Index (CPI) Inflation, to the extent that it exceeds the typical level of general

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Please explain why the actuaries have made an adjustment for excess inflation to the BVDC underlying trend – when ICBC's own evidence from Appendix 8A of the RRA is that the trends are expected to subside through 2022/23.

Response:

The reference to the Application, Chapter 8, Appendix 8A, Section E.2 in the preamble to this information request is to the affordability measure "Average Cost for a Vehicle Claim" and the results shown are those published in the annual Service Plan tabled in February 2022.

The difference in assumptions between what was used in the actuarial analysis and what is discussed in the Application, Chapter 8, Appendix 8A is therefore due to timing. At the time of the budget process for fiscal year 2022/23, in advance of the annual Service Plan tabled in February 2022, ICBC's expectation was that cost pressures related to supply chain issues would be transitory, and would subside through 2022/23. This is noted in the Application, Chapter 8, Appendix 8A, Section E.2, and stated in past tense, to give context to the level of the 2022/23 target, which was set based on current assumptions as at that time.

Since that time, the cost of vehicle damage claims has continued to increase. ICBC's current view is that these cost pressures are not expected to subside substantially within the forecast period, as noted in the Application, Chapter 3, Appendix C.2.0, Section C (BVDC Severity).

2023.1 RR BCOAPO.3.6

Reference: ACTUARIAL INDICATED RATE CHANGE ANALYSIS
Exhibit B-1, Chapter 3, Section B.1, Pages 3-12 to
3-15, Appendix C.2.0, Section C, Page C.2.0-4 and Chapter 8, Appendix 8A, Section E.2, Page 8A-29.
ICBC 2021 RRA, Exhibit B-1, Chapter 3, Section B.2.1, Pages 3-19 to 3-20
Topic: BVDC Frequency & Severity

Preamble:

In the 2021 RRA, ICBC projected BVDC frequency of 3.76% and severity of $4,889. (ICBC 2021 RRA, Exhibit B-1, Chapter 3, Section B.2.1, Figure 3.9, Page 3-19)

In the 2023 RRA, ICBC is projected BVDC frequency of 3.69% and severity of $6,672. (Exhibit B-1, Chapter 3, Section B.1, Figure 3.4, Page 3-12)

"…the current environment has made it difficult to assess where crash frequency will stabilize…a number of factors that are not expected to re-occur…economic volatility following Russia's invasion of the Ukraine." (Exhibit B-1, Chapter 3, Section B.1, Page 3-13)

"…ICBC deems it reasonable to assume that the pre-COVID-19 pandemic long-term downward trend will continue through PY 2023…ICBC has selected a slight downward trend of -1.0% per year based on the historical long-term downward trend." (Exhibit B-1, Chapter 3, Section B.1, Page 3-14)

"Reflecting both the upward trend in recent years and the anticipated impacts from MD RAAP programs, BVDC severity is expected to increase at a 6.3% annual rate throughout PY 2021." (ICBC 2021 RRA, Exhibit B-1, Chapter 3, Section B.2.1, Page 3-20)

"The selected forecast considers the steeper trend rates observed in recent years and includes an additional adjustment to capture the high cost of BVDC claim payments seem in the most recent two years…very high inflation in parts costs and vehicle prices…capacity issues in the vehicle repair industry and part shortages affected by disruption in supply chains…the PY 2023 forecast reflects an annualized trend of 7.9% plus an adjustment for elevated inflationary levels over the next few years…" (Exhibit B-1, Chapter 3, Section B.1, Pages 3-14 to 3-15)

"The combination of all these affects is not expected to subside substantially within the forecast period, over which inflation is also forecast to remain elevated…the actuaries have made an additional adjustment…which uses the forecast BC Consumer Price Index (CPI) Inflation, to the extent that it exceeds the typical level of general

inflation which would be embedded in the historical trend period. This adjustment…is applied…in addition to the underlying trend of 7.9%." (Exhibit B-1, Chapter 3, Appendix C.2.0, Section C, Page C.2.0-4)

"In addition to the general increase in the complexity of vehicle technology over time, inflationary pressures on parts costs, labour and vehicle cash values related to supply chain issues have affected the average cost for 2021/22 claims, which has increased from 2020/21 and exceeds 2021/22 target. These recent trends were expected to subside through 2022/23, resulting in a target for 2022/23 claims set only moderately above the 20212/22 actual." (Exhibit B-1, Chapter 8, Appendix 8A, Section E.2, Page 8A-29)

3.6 Is there any inherent double counting in the BVDC severity forecasts for the 2023 PY by using a 7.9% trend that includes inflationary impacts and then adding an additional adjustment for excess inflation.

3.6.1 If so, please detail how ICBC compensated for this in its Application.

3.6.2 If not, please explain ICBC's analysis of the issue.

Response:

There is an inherent potential for double counting in the approach taken for Basic Vehicle Damage Coverage (BVDC) severity forecasts, by using inflationary factors to adjust on top of an underlying trend. However, the potential is reduced by limiting the adjustment to excess inflation, and only adjusting the forecast to the extent that inflation is expected to exceed what is considered a "normal" level. While there is some subjectivity to what would be considered the "normal" level of underlying inflation, ICBC has assumed it to be 2%, which is in line with the Bank of Canada's target level. To the extent that the actual (unobservable) effect of inflation on the cost of Basic vehicle damage claims over the historical period was greater or less than 2%, this approach could include some double-counting or under-prediction. As a reasonableness check, based on the BC Consumer Price Index, the average rate of inflation for fiscal year periods 2018 to 2022, used in BVDC severity forecasts, was 2.1%, which is consistent with the assumption made.

2023.1 RR BCOAPO 3.7

Reference: ACTUARIAL INDICATED RATE CHANGE ANALYSIS
Exhibit B-1, Chapter 3, Section B.1, Pages 3-12 to 3-15, Appendix C.2.0, Section C, Page C.2.0-4 and Chapter 8, Appendix 8A, Section E.2, Page 8A-29.
ICBC 2021 RRA, Exhibit B-1, Chapter 3, Section B.2.1, Pages 3-19 to 3-20
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Preamble:

In the 2021 RRA, ICBC projected BVDC frequency of 3.76% and severity of $4,889. (ICBC 2021 RRA, Exhibit B-1, Chapter 3, Section B.2.1, Figure 3.9, Page 3-19)

In the 2023 RRA, ICBC is projected BVDC frequency of 3.69% and severity of $6,672. (Exhibit B-1, Chapter 3, Section B.1, Figure 3.4, Page 3-12)

"…the current environment has made it difficult to assess where crash frequency will stabilize…a number of factors that are not expected to re-occur…economic volatility following Russia's invasion of the Ukraine." (Exhibit B-1, Chapter 3, Section B.1, Page 3-13)

"…ICBC deems it reasonable to assume that the pre-COVID-19 pandemic long-term downward trend will continue through PY 2023…ICBC has selected a slight downward trend of -1.0% per year based on the historical long-term downward trend." (Exhibit B-1, Chapter 3, Section B.1, Page 3-14)

"Reflecting both the upward trend in recent years and the anticipated impacts from MD RAAP programs, BVDC severity is expected to increase at a 6.3% annual rate throughout PY 2021." (ICBC 2021 RRA, Exhibit B-1, Chapter 3, Section B.2.1, Page 3-20)

"The selected forecast considers the steeper trend rates observed in recent years and includes an additional adjustment to capture the high cost of BVDC claim payments seem in the most recent two years…very high inflation in parts costs and vehicle prices…capacity issues in the vehicle repair industry and part shortages affected by disruption in supply chains…the PY 2023 forecast reflects an annualized trend of 7.9% plus an adjustment for elevated inflationary levels over the next few years…" (Exhibit B-1, Chapter 3, Section B.1, Pages 3-14 to 3-15)

"The combination of all these affects is not expected to subside substantially within the forecast period, over which inflation is also forecast to remain elevated…the actuaries have made an additional adjustment…which uses the forecast BC Consumer Price Index (CPI) Inflation, to the extent that it exceeds the typical level of general

inflation which would be embedded in the historical trend period. This adjustment…is applied…in addition to the underlying trend of 7.9%." (Exhibit B-1, Chapter 3, Appendix C.2.0, Section C, Page C.2.0-4)

"In addition to the general increase in the complexity of vehicle technology over time, inflationary pressures on parts costs, labour and vehicle cash values related to supply chain issues have affected the average cost for 2021/22 claims, which has increased from 2020/21 and exceeds 2021/22 target. These recent trends were expected to subside through 2022/23, resulting in a target for 2022/23 claims set only moderately above the 20212/22 actual." (Exhibit B-1, Chapter 8, Appendix 8A, Section E.2, Page 8A-29)

Please provide an estimate of the PY 2023 annualized BVDC expense cost (comparable to the $928 million per Appendix A.1) and BVDC expense per policy (comparable to the $247 from Figure 3.4) without the adjustment for excess inflation (i.e. using the 7.9% underlying trend only).

Response:

ICBC interprets "annualized BVDC expense cost (comparable to the $928 million per Appendix A.1)" to mean Loss and allocated loss adjustment expense (ALAE), as defined in the Application, Chapter 3, Appendix A.0, on the Basic Vehicle Damage Coverage (BVDC) sub-coverage. Please note that the annualized Loss and ALAE for BVDC of $928 million provided in this information request is calculated by taking the value provided in the Application, Chapter 3, Appendix A.2 column (1) of $1,855 million and dividing by two years. Under the requested scenario of using the 7.9% underlying BVDC severity trend, the annualized BVDC Loss and ALAE would be $875 million.

ICBC interprets "BVDC expense per policy (comparable to the $247 from Figure 3.4)" to mean the above amount stated on a per-policy basis. Under the requested scenario, the BVDC Loss and ALAE per policy would be $233.

Moreover, the requested scenario would have a -1.7 percentage point (ppt) impact on the actuarial indicated rate change or about a $112 million reduction in Required Premium for

PY 2023. Due to the application of the rate change floor, this would have no impact on the 0% proposed rate change.

Please see the response to information request 2023.1 RR BCUC.9.2.4 for a summary of all sensitivities and their impacts on the PY 2023 actuarial indicated rate change discussed in the information requests.

2023.1 RR BCOAPO.4.1

Reference: ACTUARIAL INDICATED RATE CHANGE ANALYSIS
ICBC 2023 RRA, Exhibit B-1, Chapter 3, Section B.1, Figure 3.4, Page 3-12, Appendix C.1.0, Section B, Page C.1.0-2 and C.1.0-4, Section C, Figure C1.0 2, Page C.1.0-4, Section E, Page C.1.0-7 to C.1.0-8; ICBC 2021 RRA, Chapter 3, Section B.1, Figure 3.4, Page 3-13
Topic: EAB-ED Severity & Frequency

Preamble:

In the 2021 RRA, ICBC projected EAB-ED frequency of 0.23% and severity of $55,073. (ICBC 2021 RRA, Chapter 3, Section B.1, Figure 3.4, Page 3-13)

In the 2023 RRA, ICBC is projected EAB-ED frequency of 0.25% and severity of $77,765. (Exhibit B-1, Chapter 3, Section B.1, Figure 3.4, Page 3-12)

"Because there is not sufficient historical data under Enhanced Care to support a reliable regression model, ICBC has used an alternate approach to forecast EAB frequency…relies on the assumption that the propensity to incur an inquiry claim against each of the EAB sub-coverages, in the event of a crash will be relatively stable over time…can be derived from the…BVDC frequency forecast, based on the observed propensity to claim relative to BVDC claims". (Exhibit B-1, Chapter 3, Appendix C.1.0, Section B, Page C.1.0-2)

In Figure C.1.0 2 – ICBC calculated an EAB-ED propensity to BVDC of 7% and a frequency spring-off point of 0.26%. (Exhibit B-1, Chapter 3, Appendix C.1.0, Section B, Figure C.1.0 2, Page C.1.0-2)
"The EAB-ED…frequency trend is set equal to the BVDC frequency trend of -1.0% per year and applied from a spring-off point for FLY 2022." (Exhibit B-1, Chapter 3, Appendix C.1.0, Section E, Figure 3.4, Page C.1.0-7)

"Under EAB-ED, the indemnities paid to claimants are subject to annual increases based on the rate of inflation as reflected in the BC CPI (capped at 6.0%)…In order to determine the trend due to factors other than inflation…non-inflationary trend…the actuaries have referred to historical data from Weekly Benefits (AB-WB) under the legal-based product. ICBC actuaries selected a non-inflationary severity trend of 2.2% for EAB-ED…The selected severity trend is based on the non-inflationary trend and the BP CPI…." (Exhibit B-1, Chapter 3, Appendix C.1.0, Section E, Page C.1.0-7 to C.1.0-8)

In Figure C.1.0 3 – ICBC provided BC CPI Inflation of 2.4% (2024), 2.2% (2025) and 2.0% (2026+) resulting in an EAB-ED selected trend of 4.6% (2024), 4.4% (2025) and 4.2% (2025+) which are weighted 0.25, 0.50 and 0.25, respectively. (Exhibit B-1, Chapter 3, Appendix C.1.0, Section C, Figure C.1.0 2, Page C.1.0-4)

Please confirm (or explain otherwise) that any adjustments to the BVDC frequency determined by the BCUC for rate-setting purposes in the 2023 RRA would impact the EAB-ED considering that ICBC calculated an EAB-ED propensity to the BVDC of 7%.

Response:

ICBC confirms this statement.

2023.1 RR BCOAPO.4.2

Reference: ACTUARIAL INDICATED RATE CHANGE ANALYSIS
ICBC 2023 RRA, Exhibit B-1, Chapter 3, Section B.1, Figure 3.4, Page 3-12, Appendix C.1.0, Section B, Page C.1.0-2 and C.1.0-4, Section C, Figure C1.0 2, Page C.1.0-4, Section E, Page C.1.0-7 to C.1.0-8; ICBC 2021 RRA, Chapter 3, Section B.1, Figure 3.4, Page 3-13
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Preamble:

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"The EAB-ED…frequency trend is set equal to the BVDC frequency trend of -1.0% per year and applied from a spring-off point for FLY 2022." (Exhibit B-1, Chapter 3, Appendix C.1.0, Section E, Figure 3.4, Page C.1.0-7)

"Under EAB-ED, the indemnities paid to claimants are subject to annual increases based on the rate of inflation as reflected in the BC CPI (capped at 6.0%)…In order to determine the trend due to factors other than inflation…non-inflationary trend…the actuaries have referred to historical data from Weekly Benefits (AB-WB) under the legal-based product. ICBC actuaries selected a non-inflationary severity trend of 2.2% for EAB-ED…The selected severity trend is based on the non-inflationary trend and the BP CPI…." (Exhibit B-1, Chapter 3, Appendix C.1.0, Section E, Page C.1.0-7 to C.1.0-8)

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Please explain the nature and drivers of non-inflationary cost pressures that are encompassed in the 2.2% non-inflationary trend for EAB-ED.

Response:

The non-inflationary trend is the aggregate effect of the mix of factors influencing severity over time, such as the age and profession of claimants, and the duration of their disabilities. ICBC does not have a measure on how each factor affects the EAB-ED severity trend individually, as the impacts are integrated with each other.

2023.1 RR BCOAPO.4.3

Reference: ACTUARIAL INDICATED RATE CHANGE ANALYSIS
ICBC 2023 RRA, Exhibit B-1, Chapter 3, Section B.1, Figure 3.4, Page 3-12, Appendix C.1.0, Section B, Page C.1.0-2 and C.1.0-4, Section C, Figure C1.0 2, Page C.1.0-4, Section E, Page C.1.0-7 to C.1.0-8; ICBC 2021 RRA, Chapter 3, Section B.1, Figure 3.4, Page 3-13
Topic: EAB-ED Severity & Frequency

Preamble:

In the 2021 RRA, ICBC projected EAB-ED frequency of 0.23% and severity of $55,073. (ICBC 2021 RRA, Chapter 3, Section B.1, Figure 3.4, Page 3-13)

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In Figure C.1.0 2 – ICBC calculated an EAB-ED propensity to BVDC of 7% and a frequency spring-off point of 0.26%. (Exhibit B-1, Chapter 3, Appendix C.1.0, Section B, Figure C.1.0 2, Page C.1.0-2)
"The EAB-ED…frequency trend is set equal to the BVDC frequency trend of -1.0% per year and applied from a spring-off point for FLY 2022." (Exhibit B-1, Chapter 3, Appendix C.1.0, Section E, Figure 3.4, Page C.1.0-7)

"Under EAB-ED, the indemnities paid to claimants are subject to annual increases based on the rate of inflation as reflected in the BC CPI (capped at 6.0%)…In order to determine the trend due to factors other than inflation…non-inflationary trend…the actuaries have referred to historical data from Weekly Benefits (AB-WB) under the legal-based product. ICBC actuaries selected a non-inflationary severity trend of 2.2% for EAB-ED…The selected severity trend is based on the non-inflationary trend and the BP CPI…." (Exhibit B-1, Chapter 3, Appendix C.1.0, Section E, Page C.1.0-7 to C.1.0-8)

In Figure C.1.0 3 – ICBC provided BC CPI Inflation of 2.4% (2024), 2.2% (2025) and 2.0% (2026+) resulting in an EAB-ED selected trend of 4.6% (2024), 4.4% (2025) and 4.2% (2025+) which are weighted 0.25, 0.50 and 0.25, respectively. (Exhibit B-1, Chapter 3, Appendix C.1.0, Section C, Figure C.1.0 2, Page C.1.0-4)

Please (i) confirm (or otherwise explain) that the total EAB-ED selected trend for PY 2023 is 4.4% (4.6%, 4.4% and 4.2% - weighted 0.25, 0.50 and 0.25 for 2024, 2025 and 2026+, respectively) or (ii) provide the calculation of the equivalent total EAB-ED selected trend % for PY 2021 and (iii) explain how this total underlying trend % results in the increased in the EAB-ED severity of 41.2% between PY 2021 and PY 2023 ($77,765/$55,073 = +41.2%).

Response:

ICBC interprets this information request as seeking to have a better understanding of the contributing factors to the growth in the EAB-ED severity forecasts as presented in the 2021 RRA ($55,073) compared to the forecast in this Application ($77,765). The main contributing factor to the difference is the impact of indexation and Manual Basic costs. These costs are now embedded in the severities shown in the current Application but were not in the values shown in the 2021 RRA. Once the PY 2021 EAB-ED severity value is adjusted to account for these adjustments, the annualized year over year growth between the two policy periods is 3.7%.

The following paragraphs provide the answers to the intervener's questions.

(i)

The EAB-ED severity trend that is forecast by ICBC in PY 2023 is 4.8% (annualized). Note that this trend represents the annualized forecasted growth from the incurred severity as at fiscal loss year (FLY) 2022 of $67,701 compared to the PY 2023 forecasted severity of $77,765 (both are shown in the Application, Chapter 3, Appendix C.1.2, col (2)). The midpoint to midpoint of these comparison points represents a period of just under 3 years (2.96 years, accounting for the first EAB-ED claims occurring 1 month into FLY 2022, with the introduction of Enhanced Care on May 1, 2021).

(ii)

The equivalent annualized severity trend for PY 2021 is 3.9%, as discussed in the 2021 RRA, Chapter 3, Section B.1.2, page 3-17.

(iii)

In order to compare the severities on a like for like basis, the PY 2021 severity forecast of $55,073 in the 2021 RRA needs to be adjusted for indexation and Manual Basic costs since these costs are now embedded in the severities shown in this Application. If the PY 2021 severity forecast is restated to include indexation and Manual Basic costs it would be $72,342, and the annualized trend rate between PY 2021 and PY 2023 using this restated severity is 3.7%. Note the midpoint to midpoint of these comparison points represents a two-year period. This restated value is provided, and the requested comparison discussed, in the response to information request 2023.1 RR BCUC.3.3.

2023.1 RR BCOAPO.5.1

Reference: ACTUARIAL INDICATED RATE CHANGE ANALYSIS
Exhibit B-1, Chapter 3, Appendix A.1
Topic: Factors Driving the Increase in ULAE Expenses

Preamble:

On Appendix A.1, ICBC indicates that Unallocated Loss Adjustment Expenses (ULAE) are forecast to increase from approximately $228 million in PY 2021 annualized to $283 million in PY 2023 annualized, an increase of approximately $55 million or 24.1%. (Exhibit B-1, Chapter 3, Appendix A.1, Columns 4 and 5, Row b)

Please provide a summary of the nature and drivers of the significant increase (24.1%) in annualized ULAE expenses between PY 2021 and PY 2023.

Response:

The $55 million or 24.1% increase in unallocated loss adjustment expenses (ULAE) can be broken down into a 4.8% growth in written risk exposure (as provided in the response to information request 2023.1 RR BCOAPO.2.2), and an 18.4% increase in average ULAE costs between the PY 2021 forecast in the 2021 RRA and the PY 2023 forecast in this Application.

Please see the Application, Chapter 3, Appendix B.0 for discussion on the forecast risk exposure, and the response to information request 2023.1 RR BCUC.2.2 for discussion on the increase in average ULAE cost.

2023.1 RR BCOAPO.6.1

Reference: ACTUARIAL INDICATED RATE CHANGE ANALYSIS
Exhibit B-1, Chapter 3, Section C.2, Figure 3.9, Page 3-20
Topic: Sensitivity Analysis of Inflation Rate Assumptions
Preamble:
ICBC provides a sensitivity analysis on the percentage point impact on the actuarial indicated rate change of a number of key variables in Figure 3.9 of Chapter 3 of the 2023 RRA. The increase or decrease in inflation assumptions (%) vary by year between increases and decreases. (Exhibit B-1, Chapter 3, Section C.2, Figure 3.9, Page 3-20)

Please update Figure 3.9 to also include the percentage point impact on the actuarial indicated rate change of a 1.0% increase or decrease to the inflation rate for 2023 to 2027+.

Response:

A 1 percentage point (ppt) increase in the inflation forecast is 8.0%, 4.9%, 3.4%, 3.2% and 3.0% for fiscal years 2023 through 2027+, respectively. The impact on the actuarial indicated rate change is +5.7 ppts or a $369 million increase in required premium for PY 2023. Due to the application of the rate change floor, this would have no impact on the 0% proposed rate change.

A 1 ppt decrease in the inflation assumption is 6.0%, 2.9%, 1.4%, 1.2%, and 1.0% for fiscal years 2023 through 2027+, respectively. The impact on the actuarial indicated rate change is -4.7 ppts or a $307 million decrease in required premium for PY 2023. Due to the application of the rate change floor, this would have no impact on the 0% proposed rate change.

As with the sensitivity analysis in the Application, Chapter 3, Figure 3.9, these scenarios are provided for the purpose of evaluating the sensitivity of the rate indication to each alternative assumption, while all other assumptions are unchanged. They do not result in an updated rate indication that accords with Accepted Actuarial Practice.

Please see the response to information request 2023.1 RR BCUC.9.2.4 for a summary of all sensitivities and their impacts on the PY 2023 actuarial indicated rate change discussed in the information requests.

2023.1 RR BCOAPO.7.1

Reference: Capital Management Plan
Exhibit B-1, Chapter 1, Section D, Figure 1.2, Page 1-6, Chapter 4, Sections A and B.1, Pages 4-1 to 4-2, Chapter 8, Appendix 8A, Section D.2.2.3, Pages 8A-17 to 8A-18; and ICBC 2021 RRA, Attachment 7A.1, Section C.2.1, Figure 7A.1.5, Page 7A.1-10
Topic: ICBC Capital Management Plan & Financial Position/Outlook

Preamble:

In Figure 1.2 – Response to BCUC directives related to Order G-307-21, ICBC indicates that it conducted an information workshop on June 23, 2022 with respect to the design of its new Capital Management Plan that it had expected to file with the BCUC as part of its 2023 RRA. (Exhibit B-1, Chapter 1, Section D, Figure 1.2, Page 1-6)

"…Special Direction IC2 was amended to provide directions for policy year (PY) 2023…the requirement…to set the rate in a manner that allows ICBC to maintain a Minimum Capital Test (MCT) of 100% is not in effect for PY 2023…the Basic CMP includes a capital management target of 145% CT…Special Direction IC2 requires the BCUC to set rates in a manner that ensures ICBC maintains minimum capital equal to 100% MCT…However, these requirements are not in effect for PY 2023…the amendments…suspend all aspects of the Basic CMP that are dependent on the MCT. The MCT ratios…have no impact on the proposed rate change for PY 2023." (Exhibit B-1, Chapter 4, Sections A and B.1, Pages 4-1 to 4-2)

In Figure 8A.5, ICBC provides a calculation of the Basic MCT by risk component and in Figure 8A.6, ICBC provides a calculation of the Basic capital available components. These figures indicate that the 2021/22 actual net income was $1.302 billion and the MCT ratio was 92%, as compared to the 2021/22 outlook of $477 million and 78%, respectively. These figures indicate that the 2022/23 outlook net loss is projected at $17 million and the MCT ratio is expected to decrease to 91%. (Exhibit B-1, Chapter 8, Appendix 8A, Section D.2.2.3, Pages 8A-17 to 8A-18)

In the 2021 RRA, ICBC's actual 2019/20 MCT ratio was (18%) and it forecast a 2020/21 Outlook MCT of 5% in the original RRA. (ICBC 2021 RRA, Attachment 7A.1, Section C.2.1, Figure 7A.1.5, Page 7A.1-10)

Please (i) provide a summary of the factors that led to a 2021/22 actual net income of $1.302 billion as compared to an outlook of $477 million and (ii) confirm, or otherwise explain, that the $592 million change in unrealized losses for 2021/22 relates to decreases in the valuation of bonds and equities as a result of turmoil in the financial markets.

Response:

i) The 2021/22 actual Basic net income of $1.302 billion is higher (more favourable) by $825 million as compared to the Q2 2021/22 Outlook Basic net income of $477 million. This is primarily due to:

- Higher than forecast investment income – Investment income was higher by approximately $400 million due to higher-than-expected equity capital distributions. ICBC realized much of its 2021/22 investment income before the initial impacts of inflation and impacts of the war in Ukraine impacted the global investment markets (ICBC had realized $923 million by December 31, 2021).
- Favourable claims costs – Claims costs were approximately $790 million lower due to a higher discount rate and lower-than-expected bodily injury severity than what was expected in the forecast.
- A partial offset to the favourable claims and investment income was the lower-than-forecast earned premiums because of the $396 million Relief Rebate provided to customers.

ii) ICBC confirms an unfavourable $592 million net change in available for sale financial assets for 2021/22 Basic actuals. This was the result of volatility in the financial markets led by higher interest rates resulting in a decline in market values of investment assets. This was also due to ICBC realizing more of the investment gains than forecasted into investment income. Therefore, ICBC's unfavourable net change in available for sale financial assets in fiscal 2021/22 was due to deteriorating global investment markets by year end fiscal 2021/22, as well as the result of realizing higher than expected investment gains in 2021/22.

2023.1 RR BCOAPO.7.2

Reference: Capital Management Plan
Exhibit B-1, Chapter 1, Section D, Figure 1.2, Page 1-6, Chapter 4, Sections A and B.1, Pages 4-1 to 4-2, Chapter 8, Appendix 8A, Section D.2.2.3, Pages 8A-17 to 8A-18; and ICBC 2021 RRA, Attachment 7A.1, Section C.2.1, Figure 7A.1.5, Page 7A.1-10
Topic: ICBC Capital Management Plan & Financial Position/Outlook

Preamble:

In Figure 1.2 – Response to BCUC directives related to Order G-307-21, ICBC indicates that it conducted an information workshop on June 23, 2022 with respect to the design of its new Capital Management Plan that it had expected to file with the BCUC as part of its 2023 RRA. (Exhibit B-1, Chapter 1, Section D, Figure 1.2, Page 1-6)

"…Special Direction IC2 was amended to provide directions for policy year (PY) 2023…the requirement…to set the rate in a manner that allows ICBC to maintain a Minimum Capital Test (MCT) of 100% is not in effect for PY 2023…the Basic CMP includes a capital management target of 145% CT…Special Direction IC2 requires the BCUC to set rates in a manner that ensures ICBC maintains minimum capital equal to 100% MCT…However, these requirements are not in effect for PY 2023…the amendments…suspend all aspects of the Basic CMP that are dependent on the MCT. The MCT ratios…have no impact on the proposed rate change for PY 2023." (Exhibit B-1, Chapter 4, Sections A and B.1, Pages 4-1 to 4-2)

In Figure 8A.5, ICBC provides a calculation of the Basic MCT by risk component and in Figure 8A.6, ICBC provides a calculation of the Basic capital available components. These figures indicate that the 2021/22 actual net income was $1.302 billion and the MCT ratio was 92%, as compared to the 2021/22 outlook of $477 million and 78%, respectively. These figures indicate that the 2022/23 outlook net loss is projected at $17 million and the MCT ratio is expected to decrease to 91%. (Exhibit B-1, Chapter 8, Appendix 8A, Section D.2.2.3, Pages 8A-17 to 8A-18)

In the 2021 RRA, ICBC's actual 2019/20 MCT ratio was (18%) and it forecast a 2020/21 Outlook MCT of 5% in the original RRA. (ICBC 2021 RRA, Attachment 7A.1, Section C.2.1, Figure 7A.1.5, Page 7A.1-10)

Please provide a copy of ICBC's audited financial statements for the 2020/21 and 2021/22 fiscal years.

Response:

ICBC's audited financial statements for the 2020/21 and 2021/22 fiscal years are available in the Annual Service Plan Report on icbc.com.

- Link to ICBC's audited financial statements for FY 2020/21 (pages 37 to 114): Insurance Corporation of British Columbia 2020/21 Annual Service Plan Report (icbc.com)
- Link to ICBC's audited financial statements for FY 2021/22 (pages 34 to 108): Insurance Corporation of British Columbia 2021/22 Annual Service Plan Report (icbc.com)

2023.1 RR BCOAPO.7.3

Reference: Capital Management Plan
Exhibit B-1, Chapter 1, Section D, Figure 1.2, Page 1-6, Chapter 4, Sections A and B.1, Pages 4-1 to 4-2, Chapter 8, Appendix 8A, Section D.2.2.3, Pages 8A-17 to 8A-18; and ICBC 2021 RRA, Attachment 7A.1, Section C.2.1, Figure 7A.1.5, Page 7A.1-10
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Please:
(i) summarize of the factors that has resulted in ICBC forecasting an outlook net loss of $17 million for 2022/23,
(ii) confirm or explain that ICBC's forecast is that the change in unrealized loss will improve by $510 million in 2022/23 (movement from a $592 million loss in 2021/22 to a 82 million loss in 2022/23),

(iii) explain how the forecast change in unrealized loss of $510 million (a gain of $510 million) factors into the actuarial indicated rate change provided in Chapter 3 of the 2023 RRA.

Response:

(i) Please see the response to information request 2023.1 RR RM.2.1 for the full income statement forecast for fiscal year (FY) 2022/23. Factors that result in ICBC forecasting an outlook net loss of $17 million for 2022/23 are summarized below:

- **Unfavorable factors:** Since the beginning of FY 2022/23, there has been unusually high inflation, causing significant deterioration in the global financial markets and unprecedented repricing of interest rate expectations resulting in a decline in both equity and fixed income asset prices to date. ICBC has experienced significant realized and unrealized investment losses in FY 2022/23. Investment income of $233 million reflects lower than expected equity distributions and trading losses on bonds. The investment impairment loss of $341 million reflects prolonged impairment[1] on the Emerging Market equity fund and an expected prolonged impairment on the Corporate Bond fund.
- **Favorable factors:** Claims costs are lower than expected as a result of:
    - A higher rate to discount claims.
    - Lower frequency seen in Enhanced Accident Benefits (EAB) and Basic Vehicle Damage Coverage (BVDC) claims.
    - Favorable emergence from prior year EAB claims.
    - Operating expenses are also expected to be favorable as a result of lower staffing levels and lower pension expense due to an increase in the discount rate.

(ii) The *Net change in available for sale financial assets* is also referred to as the *Change in unrealized gains/losses*. The *Net change in available for sale financial assets* represents the

[1] A prolonged impairment occurs when the market value of an investment asset is less than the cost value for 15 consecutive months. A prolonged impairment is not booked into actuals until the 15 months has occurred, and this would be at March 31, 2023; whereas the Outlook forecast already reflects it.

change in market value of investment assets during the year, as compared to the change in the cost. All changes during the year are captured in *Net change in available for sale financial assets*. The changes are due to volatility of the global investment market values and when investment gains or losses are recognized in investment income.

The *Net change in available for sale financial assets* in FY 2021/22 is the result of:

- Deterioration of the global investment market values in the last quarter of FY 2021/22.
- The triggering of higher-than-expected (unrealized) equity capital distributions and investment gains being realized to investment income, the offsetting impact being reflected in *Net change in available for sale financial assets*, during FY 2021/22.

ICBC has forecast a loss of $82 million for the *Change in unrealized gains/losses* in Q2 2022/23 which is much lower as compared to FY 2021/22.

ICBC has realized significant losses to investment income in fiscal 2022/23, including a forecasted $341 million investment impairment loss. Because the impairment loss is to be recognized in investment income (net income), the offsetting impact removes the unfavourable impact from *Net change in available for sale financial assets* (reducing the loss showing in *Change in unrealized gains/losses*).

(iii) The cumulative impact of annual changes to the *Net change in available for sale financial assets* are reflected in Basic Equity in Other Components of Equity. Please refer to the Equity section of Attachment A in the response to information request 2023.1 RR RM.2.1, which shows the continuity for the components of Equity.

Basic Equity factors into the actuarial rate indication as the primary component of Capital Available for Rate Setting (CARS) (please refer to the Application, Chapter 3, Appendix F.1.) Capital Available is used to calculate the Investment Income on Capital Available for Rate Setting. Investment income for rate setting reduces the required premium and indicated rate change.

2023.1 RR BCOAPO.7.4

Reference: Capital Management Plan
Exhibit B-1, Chapter 1, Section D, Figure 1.2, Page 1-6, Chapter 4, Sections A and B.1, Pages 4-1 to 4-2, Chapter 8, Appendix 8A, Section D.2.2.3, Pages 8A-17 to 8A-18; and ICBC 2021 RRA, Attachment 7A.1, Section C.2.1, Figure 7A.1.5, Page 7A.1-10
Topic: ICBC Capital Management Plan & Financial Position/Outlook

Preamble:

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In Figure 8A.5, ICBC provides a calculation of the Basic MCT by risk component and in Figure 8A.6, ICBC provides a calculation of the Basic capital available components. These figures indicate that the 2021/22 actual net income was $1.302 billion and the MCT ratio was 92%, as compared to the 2021/22 outlook of $477 million and 78%, respectively. These figures indicate that the 2022/23 outlook net loss is projected at $17 million and the MCT ratio is expected to decrease to 91%. (Exhibit B-1, Chapter 8, Appendix 8A, Section D.2.2.3, Pages 8A-17 to 8A-18)

In the 2021 RRA, ICBC's actual 2019/20 MCT ratio was (18%) and it forecast a 2020/21 Outlook MCT of 5% in the original RRA. (ICBC 2021 RRA, Attachment 7A.1, Section C.2.1, Figure 7A.1.5, Page 7A.1-10)

Please provide ICBC's projected statement of Financial Position, Statement of Operations, Statement of Comprehensive Income (Loss), Statement of Changes in Equity and Statement of Cash Flows for 2022/23 Outlook, 2023/24 forecast, 2024/25 forecast and 2025/26 forecast.

Response:

Please refer to ICBC's 2023/24 – 2025/26 Service Plan, tabled on February 28, 2023, for ICBC's latest Service Plan forecast, which provides a forecast up to the end of the 2025/26 fiscal year.

Forecast information in the Service Plan consists of the corporate "Summary Financial Outlook" and "Operating Costs by Nature". The additional financial statements listed in the preamble are not provided for financial forecasts. For the latest financial statements of actual results, which include all the statements listed above in the preamble, please refer to ICBC's 2021/22 Annual Service Plan Report.

For forecast information on ICBC's Basic insurance line of business at Q2 and consistent with the Application, please refer to the response to information request 2023.1 RR RM.2.1.

2023.1 RR BCOAPO.7.5

Reference: Capital Management Plan
Exhibit B-1, Chapter 1, Section D, Figure 1.2, Page 1-6, Chapter 4, Sections A and B.1, Pages 4-1 to 4-2, Chapter 8, Appendix 8A, Section D.2.2.3, Pages 8A-17 to 8A-18; and ICBC 2021 RRA, Attachment 7A.1, Section C.2.1, Figure 7A.1.5, Page 7A.1-10
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In Figure 8A.5, ICBC provides a calculation of the Basic MCT by risk component and in Figure 8A.6, ICBC provides a calculation of the Basic capital available components. These figures indicate that the 2021/22 actual net income was $1.302 billion and the MCT ratio was 92%, as compared to the 2021/22 outlook of $477 million and 78%, respectively. These figures indicate that the 2022/23 outlook net loss is projected at $17 million and the MCT ratio is expected to decrease to 91%. (Exhibit B-1, Chapter 8, Appendix 8A, Section D.2.2.3, Pages 8A-17 to 8A-18)

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Please:
(i) provide Figures 8A.5 and 8A.6 for the 2023/24, 2024/25 and 2025/26 forecast years including calculations of the forecast MCT and Basic capital available for those fiscal years,
(ii) comment on the level of net income or loss that are forecast for 2023/24, 2024/25 and 2025/26,
(iii) comment on the change in unrealized gains or loss that are forecast for 2023/24, 2024/25 and 2025/26.

Response:

The 2025/26 forecast has not been included as it has no impact on the 2023 Application.

(i) Please see Attachment A – Figures 8A.5 and 8A.6 Updated with 2023/24 and 2024/25 Forecast Years

(ii) For the Basic forecast of net income and unrealized gains and losses for fiscal years 2023/24 and 2024/25, please see the response to information request 2023.1 RR RM.2.1.

There has been considerable uncertainty and volatility in relation to the direction of claims costs and investment returns over the last year and this uncertainty has been taken into consideration in the development of the forecasts for fiscal 2023/24 and 2024/25.

Claims risks that have been experienced and are considered most likely to arise in the forecast period are:

- Changes in claims emergence and severity under the new Enhanced Care products
- Higher material damage costs due to higher inflation on severities and claim amounts impacting Basic Vehicle Damage Coverage.
- Changes in large bodily injury claims emergence and severity on older legal-based claims.
- Increase in Consumer Price Index inflation forecasts impacting the cost of Enhanced Care claims.
- The possibility of prolonged, sustained inflation.

Investment risk consists of continued volatility of global investment markets due to geopolitical events, significant risk for investment income due to economic slowdown (i.e., recession) and sustained inflation and high interest rates.

If risks and adverse events do not materialize, the Basic net income in the forecasts will be more favourable.

(iii) *Net change in available for sale financial assets*, is also referred to interchangeably as *Change in unrealized gains/losses*. *Net change in available for sale financial assets* is the result of:

- The change in market value of investment assets as compared to the cost. Any change during the year is captured in the line item, N*et change in available for sale financial assets,* during the year. A net change can be the result of a few things:
  - The recognition or triggering of investment gains and losses to investment income. This results in an entry to *Investment income* to recognize the gains or loss, and an offsetting entry to *Net change in available for sale financial assets*.
  - As noted above, the *Net change in available for sale financial assets* reflects changes in the market value of investment assets during the year. Due to the volatility of the global investment markets over the last year, we have seen significant deterioration in the market value of investment assets.

ICBC has experienced significant realized and unrealized investment losses in fiscal 2022/23. The unexpectedly high and persistent inflation and rising interest rates in 2022 have resulted in a significant decline in both equity and fixed income asset prices over fiscal 2022/23. The forecast reflects an economic slowdown in 2023/24, and a mild recovery from the downturn is expected through fiscal 2024/25.

Effective April 1, 2023, ICBC will implement International Financial Reporting Standards (IFRS) 9 and 17 changes. Please see the Application, Chapter 2, and Figure 2C.2 for an overview of the IFRS 9 and 17 impacts.

2023.1 RR BCOAPO.7.5 – Attachment A – Figures 8A.5 and 8A.6 Updated with 2023/24 and 2024/25 Forecast Years

Figures 8A.5 and 8A.6 Updated with 2023/24 and 2024/25 Forecast Years

Figure 8A.5

Line	Components of MCT Ratio ($ Millions)	2021/22 Outlook[1]	2021/22 Actual	2022/23 Outlook [2]	2023/24 Forecast [2,3]	2024/25 Forecast [2,3]
[A]	**Total Capital Available**	**1,838**	**2,233**	**2,110**	**2,256**	**2,352**
	Components of Capital Required					
[B]	Insurance Risk	1,126	1,038	991	900	827
[C]	Market Risk	2,121	2,247	2,184	2,175	2,164
[D]	Credit Risk	309	379	318	294	298
[E]	Operational Risk	382	381	377	368	362
[F]	Diversification Credit	408	393	375	348	326
[G]	Total Capital Required at 150% MCT [B]+[C]+[D]+[E]-[F]	**3,530**	**3,652**	**3,495**	**3,389**	**3,325**
[H]	**Total Minimum Capital Required ([G]/1.5)**	**2,353**	**2,435**	**2,330**	**2,259**	**2,217**
[I]	**MCT Ratio ([A] / [H])**	**78%**	**92%**	**91%**	**100%**	**106%**

[1] The 2021/22 Outlook is measured as of Q2 of FY 2021/22.

[2] The 2022/23 - 2024/25 figures are forecasts as of Q2 2022/23.

[3] See Figure 8A.6 for Calculation of Basic Capital Available.

Figure 8A.6

Line	Components of Capital Available ($ millions)	2021/22 Outlook	2021/22 Actual	2022/23 Outlook [2]	2023/24 Forecast [2]	2024/25 Forecast [2]
[A]	**Opening Equity**	**1,228**	**1,228**	**2,274**	**1,889**	**2,094**
	Change During the Year:					
[B]	Net Income (Loss)	477	1,302	(17)	312	164
[C]	Pension and Post-Retirement Benefits Actuarial Gain / (Loss)	33	336	(4)	-	-
[D]	Change in Unrealized Gains / (Loss), NCI and Other [1]	156	(592)	(82)	125	169
[E]	**Ending Equity [A]+[B]+[C]+[E]**	**1,894**	**2,274**	**2,171**	**2,325**	**2,427**
[F]	Intangible Assets	(56)	(41)	(61)	(69)	(74)
[G]	**Total Capital Available [E] + [F]**	**1,838**	**2,233**	**2,110**	**2,256**	**2,352**

[1] NCI refers to non-controlling interest. Change in Unrealized Gains/(Loss) is also referred to as Net Change in Available for Sale Assets.

[2] The 2022/23 - 2024/25 figures are forecast as of Q2 2022/23.

2023.1 RR BCOAPO.7.6

Reference: Capital Management Plan
Exhibit B-1, Chapter 1, Section D, Figure 1.2, Page 1-6, Chapter 4, Sections A and B.1, Pages 4-1 to 4-2, Chapter 8, Appendix 8A, Section D.2.2.3, Pages 8A-17 to 8A-18; and ICBC 2021 RRA, Attachment 7A.1, Section C.2.1, Figure 7A.1.5, Page 7A.1-10
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Preamble:

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"…Special Direction IC2 was amended to provide directions for policy year (PY) 2023…the requirement…to set the rate in a manner that allows ICBC to maintain a Minimum Capital Test (MCT) of 100% is not in effect for PY 2023…the Basic CMP includes a capital management target of 145% CT…Special Direction IC2 requires the BCUC to set rates in a manner that ensures ICBC maintains minimum capital equal to 100% MCT…However, these requirements are not in effect for PY 2023…the amendments…suspend all aspects of the Basic CMP that are dependent on the MCT. The MCT ratios…have no impact on the proposed rate change for PY 2023." (Exhibit B-1, Chapter 4, Sections A and B.1, Pages 4-1 to 4-2)

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In the 2021 RRA, ICBC's actual 2019/20 MCT ratio was (18%) and it forecast a 2020/21 Outlook MCT of 5% in the original RRA. (ICBC 2021 RRA, Attachment 7A.1, Section C.2.1, Figure 7A.1.5, Page 7A.1-10)

Please provide the June 23, 2022 CMP workshop presentations and a summary of the direction that ICBC was intending with respect to changes in the CMP as presented at the workshop, as well as any notes/summary on the feedback obtained from interested parties.

Response:

Please see Attachment A – ICBC Capital Management Plan Presentation for a copy of the ICBC Capital Management Plan (CMP) presented and shared with attendees of the Information Session for BCUC Staff and Interveners held on June 23, 2022.

The intent of the information session was to follow-up with a commitment made by ICBC during the 2021 RRA proceeding to hold a CMP workshop no sooner than the summer of 2022.[1] In making the commitment, ICBC also noted there was work needed to update its risks to account for the change to Enhanced Care and the current environment, as well as consultations with Government before filing a proposed CMP. In summary, the information session provided an overview of the importance of capital and having a CMP. The presentation also included a synopsis of the components of the current CMP, as last approved by the BCUC, recent changes that may affect ICBC's management of capital and opportunities for improvement. ICBC did not receive any written comments or feedback on the information session and all questions asked by the participants in the session were seeking clarification on the various aspects of the presentation.

[1] 2021 Revenue Requirements Proceeding, ICBC Reply Argument, pp. 8–9.

2023.1 RR BCOAPO.7.6 – Attachment A – ICBC Capital Management Plan Presentation

ICBC Capital Management Plan

Information Session for BCUC Staff and Interveners

June 23, 2022

Land Acknowledgement

We would like to begin this meeting by acknowledging the land that we are presenting from today is the un-ceded traditional land of the **Musqueam**, **Squamish**, and **Tsleil-Waututh** people, on which we are privileged to live and work everyday.

Agenda

- Key takeaways
- The importance of capital
- What has changed
- Opportunities
- Wrap up / Next steps
- Questions and feedback

Key Takeaways

1) Capital targets and a Capital Management Plan (CMP) are important for ICBC and its policyholders to protect against the financial impacts from adverse events and to promote rate stability.
2) ICBC's business and the external environment have changed – will impact the proposed capital targets and CMP.
3) Opportunities for improvement / consideration exist.

Why is Capital and a CMP Important ?

Why does ICBC need Capital?

- Capital is needed to maintain the financial sustainability of the insurance system, protecting customers from the financial impact of adverse situations (> $500M).
- Capital can also be used to support more stable and predictable rates.

- Most Federally Regulated P&C Companies are subject to capital requirements set by the federal OSFI[1], and measured using MCT[2].
- ICBC is not regulated by OSFI but some of the concepts are included in SD IC2.

[1] Office of the Superintendent of Financial Institutions
[2] Minimum Capital Test

Why does ICBC need a Capital Management Plan (CMP)?

- The capital management plan prescribes the amount of capital ICBC should maintain on its Basic business, the pace at which capital is built up from rates, and when and how capital will be used to increase rate stability and predictability.

- The CMP must balance between maintaining financial sustainability and stable and predictable rates. Holding sufficient capital supports ICBC to maintain financial sustainability and provide short term rate stability in the event of adverse situations.

Capital Levels are Expressed as % MCT

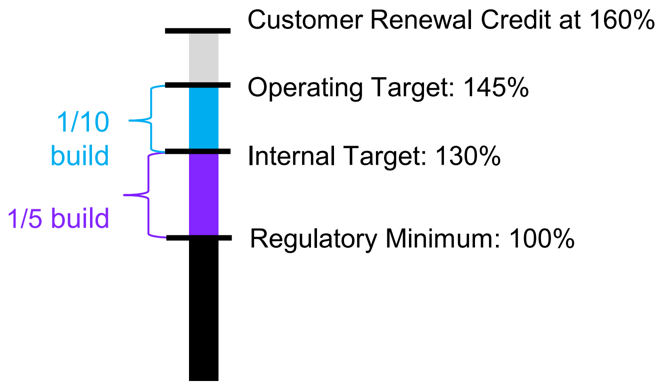
- OSFI's Minimum Capital Test (% MCT) guideline uses a risk-based formula to calculate the minimum capital required, and defines the capital / assets that are available to meet the minimum standard.
- The MCT for an Insurer is defined as the **Capital Available** divided by the **Capital Required**.
  - **Capital Available** includes only those capital elements available to absorb future losses.
  - **Capital Required** is the summation of OSFI stipulated capital charges for risks such as unpaid claims and premium liabilities, equity risk, interest rate risk, and counterparty default risk.
- MCT is <u>not a solvency test</u>.
  - Falling below 100% MCT does <u>not</u> mean that the Insurer has less assets than liabilities.

Pause for Questions

Components of ICBC’s CMP

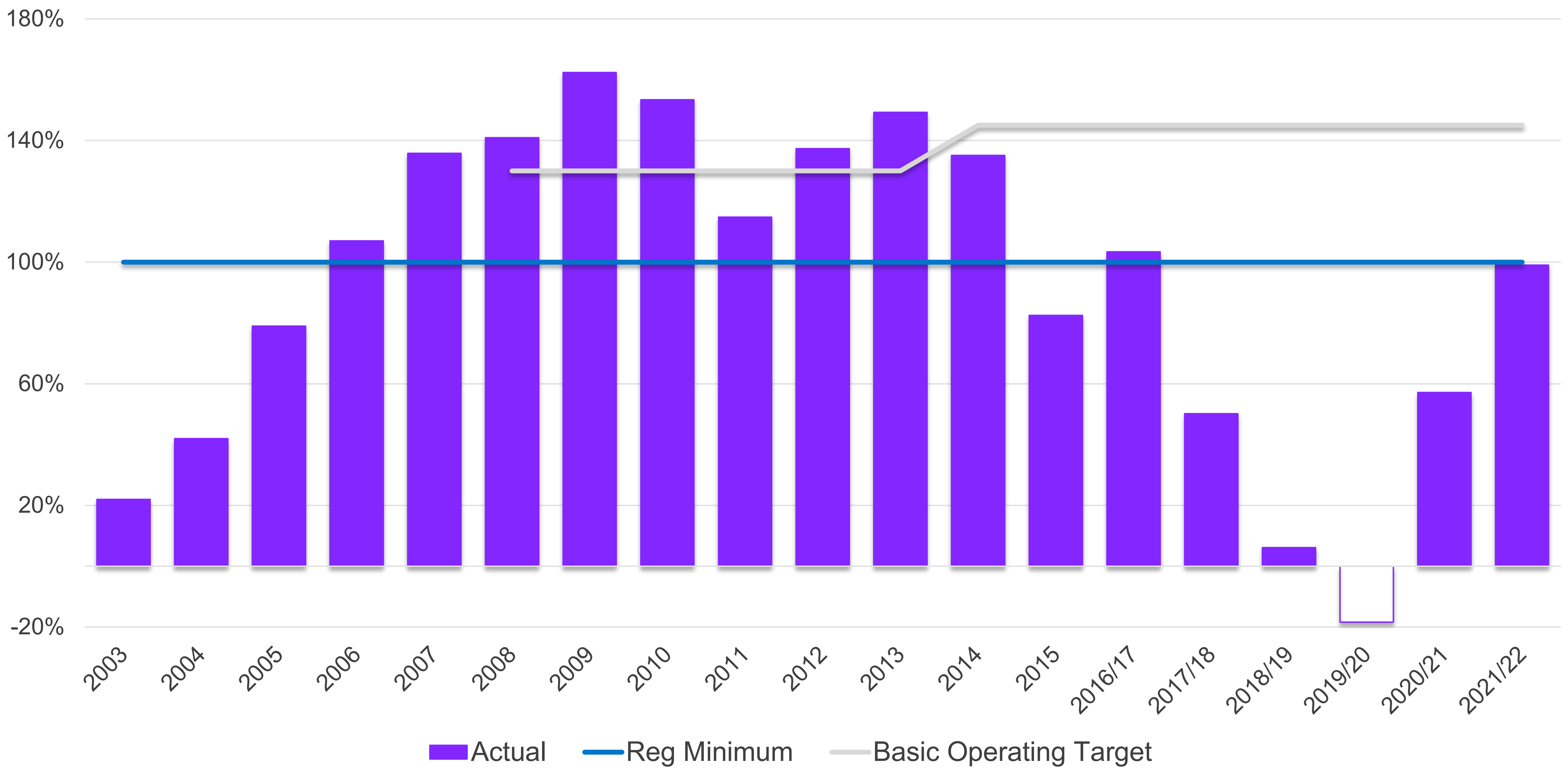
- **Regulatory Minimum Target (%MCT):** established in 2003 consistent with OSFI’s minimum required for Federally regulated P&C insurers
- **Internal Target: (% MCT)** target level of capital based on ICBC’s risk appetite, excluding the impact from rate smoothing under the current CMP
- **Operating Target: (%MCT)** target level of capital, accounting for impacts of rate smoothing
- **Capital Build**: a mechanism to increase capital levels through premiums to achieve the target
- **Capital Release**: a mechanism to release capital under certain conditions if capital exceeds its target
- **Capital Maintenance**: applied to keep pace with capital required
- **Rate Smoothing Framework**: how capital is utilized to help mitigate short term rate volatility by implementing a cap / floor on the overall Basic rate change

ICBC’s Current Basic CMP: Overview



- **Regulatory Minimum:** 100% MCT
  - A capital restoration plan is required when capital falls below this level
- **Internal Target:** 130% MCT
  - Set to withstand a 1 in 10 year adverse scenario without falling below the regulatory minimum of 100% (excluding impacts of rate smoothing)
- **Operating Target:** 145% MCT
  - Set as a 15 pts MCT rate smoothing margin above the Internal Target
- **Capital Build:** Formulaic approach based on actual and target MCT:
  - 1/10 of (Operating Target – max [Internal Target, Current MCT]) +
  - 1/5 of (Internal Target – Current MCT)
- **Capital Release**: 160% MCT
  - Return excess capital above 160% MCT to customers through a customer renewal credit
- **Capital Maintenance**: Formulaic approach estimated by the increase in long term growth in costs applied to a transient capital target
- **Rate Smoothing Band**: Basic rate change is capped + / - 1.5 pts from prior rate change

Historical Minimum Capital Test (MCT) for ICBC's Basic Insurance



Comparison to other Canadian Public Insurers

- Along with ICBC, Manitoba Public Insurance and Saskatchewan Government Insurance are not regulated by OSFI, but also use the MCT framework to measure capital adequacy.
- Manitoba Public Insurance has a target MCT ratio of 100%.
- Saskatchewan Government Insurance has a target of 140%

Pause for Questions

What has changed and how does that impact ICBC's capital management?

How ICBC's Basic Insurance Risk Profile Differs from Other Insurers

There are benefits and costs to ICBC's unique position as the Public Insurer in British Columbia.

- No competition risk / take all comers
- Implicitly backstopped by government
- ICBC's Basic rates do not include a profit margin
- ICBC's rate setting includes an objective to provide relatively stable and predictable rates
- ICBC's insurance portfolio is less diversified by line of business (all Auto insurance) and geography (all customers in BC).

Developments Affecting ICBC's Risk and Capital

- Enhanced Care (May 1, 2021) includes indexing of costs tied to BC CPI inflation
- Injury care has a longer investment horizon compared to the prior legal based model
- Greater uncertainty of costs since Enhanced Care is a new product to BC with our oldest claim not yet even 14 months old – ICBC is relying on external information to estimate future costs
- More volatility in the investment portfolio now: ICBC has a higher proportion of investment assets allocated to equities, resulting in higher long-run returns which supports lower rates, but this also leads to higher short term volatility to capital.

Pause for Questions

Opportunities

ICBC Basic Capital Targets

- **Regulatory Minimum:** 100% MCT was set as a target by regulation in 2004. The minimum has been suspended since 2018.
- **Internal Target:** 130% was set in 2008 to provide a margin over the regulatory minimum, based on ICBC's risk profile. Set to withstand a 1 in 10 year adverse scenario without falling below the regulatory minimum of 100% (excluding impacts of rate smoothing).
- **Operating Target:** 145% was set in 2014 to provide an additional margin over the Internal Target to reflect that additional capital may be used due to rate smoothing.

Targets were set to ensure ICBC retained capital above the Regulatory Minimum in most circumstances. Combining the risk-based margins with the regulatory minimum, holding capital at the target level enabled ICBC to retain some capital in nearly all circumstances.

ICBC’s Basic Targets: Opportunities

ICBC’s business and the external environment have changed. These changes need to be reflected in the proposed capital targets to ensure ICBC has adequate protection.

- Current targets no longer provide the same level of protection against adverse scenarios.
  - ➢ Opportunity: incorporate changes in ICBC’s risk and align with government views
- Current targets follow prior OSFI guidelines for capital management.
  - ➢ Opportunity: consider updating to reflect new OSFI guidelines
- New targets to maintain principles that ICBC retains capital above the Regulatory Minimum in most circumstances, and retains some capital in nearly all circumstances.
  - – New targets still need to reflect impacts from the rate smoothing framework

Capital Provisions

- Capital build has not been applied since 2010, except in Policy Year 2021.
- Capital release mechanism has not been applied because capital levels have not reached the maximum target prescribed.
- Capital maintenance has not impacted the rate changes since PY 2016 due to government direction. Its re-introduction would add complexity to the CMP.

ICBC’s Capital Build and Release Provisions: Opportunities

Current Capital Provisions are complex and can lead to volatility in rate changes – opportunity to simplify formula and de-link the impacts on Basic rates from capital levels

- Current capital build is calculated based on a complex tiered formula using ICBC’s actual MCT compared to its capital targets.
  - ➢ Opportunity to simplify capital build provision – e.g., current capital build is a flat ppt of rate (11.5).
- The amount of capital build is tied to the capital level and target which impacts the required rate. Any volatility in capital is passed to policyholders (e.g., adverse event).
  - ➢ Opportunity to de-link the capital build from the capital level / targets.

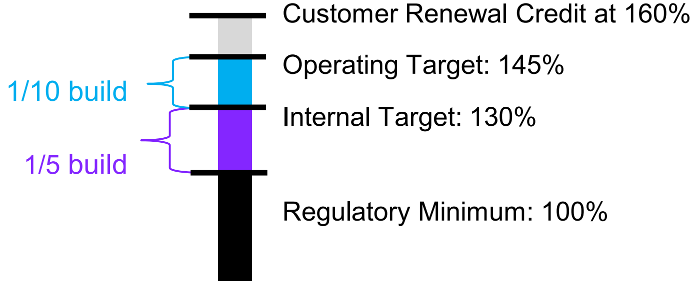


Illustration of Current Challenges: Complexity of formula

1) Complexity of Formula:

Assuming Actual MCT is 100% and the Internal Target is 130% and the Operating Target is 145% the capital build component of the Basic rate indication is as follows:

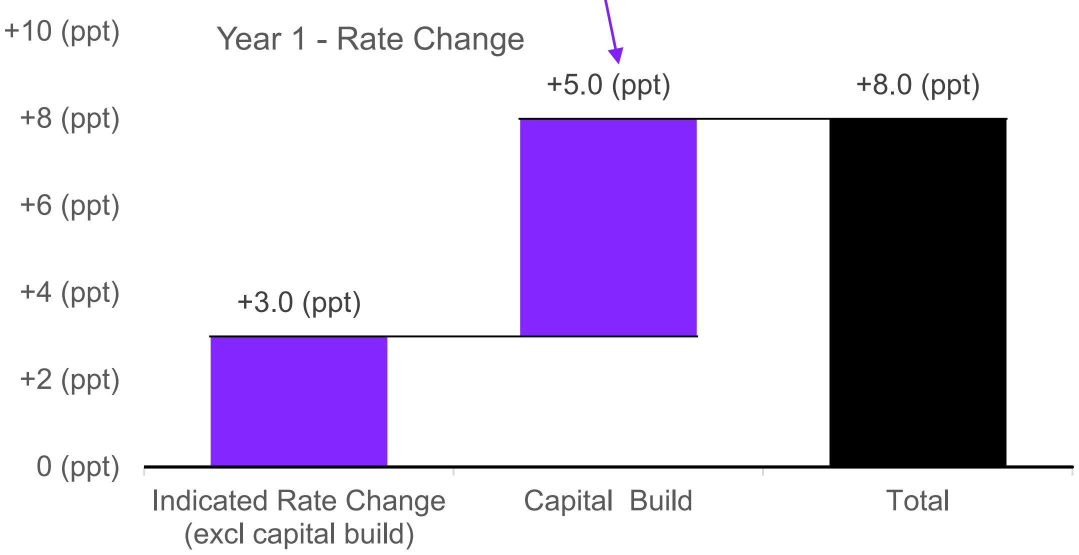
= 1/10 of (Operating Target – max [Internal Target, Current MCT]) +1/5 of (Internal Target – Current MCT)

= 1/10*(145% – 130%) + 1/5*(130% – 100%)
= 1.5% + 6%
= 7.5% MCT is equivalent to **5 ppt of Rate** (1ppt rate = 1.5 ppt MCT)

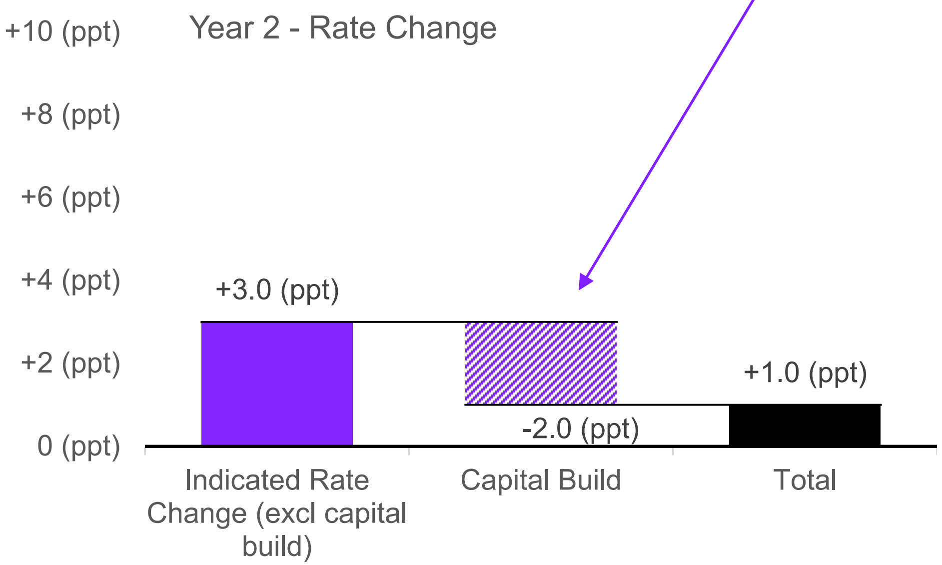
Illustration of Current Challenges: Volatility of rate impacts

2) Volatility of Rate Impact: The amount of capital build is tied to the capital level and target which impacts the required rate. Any volatility in capital is passed to policyholders (e.g., adverse event).

Year 1 Scenario: Prior to Year 1, capital was at the operating target. Subsequently, the capital levels were depleted due to significant unfavourable investment returns causing the Actual MCT to drop to 100%. Based on the formula, this translates to a +5 ppt capital build impact on the basic rate change.



Year 2 Scenario: Capital level increases to 115% MCT due to favourable investment returns. Based on the formula, rates only need 3 ppt of capital build. Since 5 ppts are already included in the current rates, this leads to an unwind of 2 ppts of capital build already embedded.



Pause for Questions

Rate Smoothing

- Current rate smoothing framework was included in SD IC2 in 2013 and when applied has been used to keep rates within a +/- 1.5 ppt band of the prior year's rate change number.
- In recent years the framework was used to keep rates affordable but did not allow ICBC to cover its costs.
- Framework was suspended for PY 2021

ICBC’s Rate Smoothing Framework: Opportunities

Opportunity to better align the rate smoothing framework with current cost drivers (predictable) and capital levels (financial sustainability)

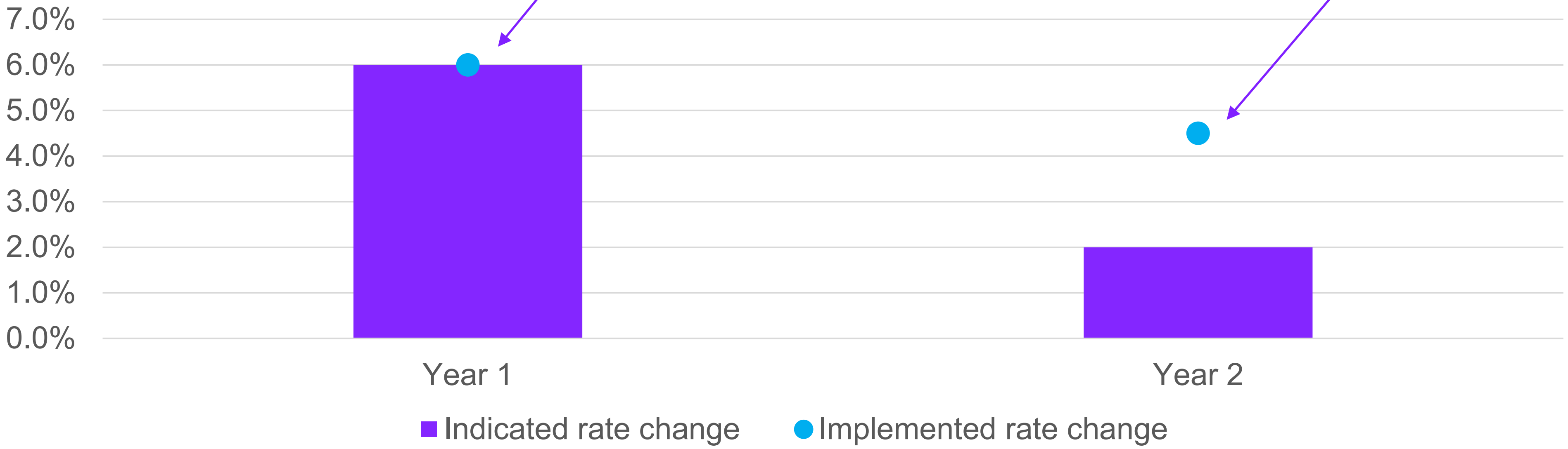
- Enhanced care benefits are tied to inflationary increases.
  - ➢ Opportunity: Align framework with changes in inflation supporting increased predictability in rate changes.
- Current framework has less flexibility for dealing with decreases in cost trends
  - ➢ Opportunity: Better align framework with the principle of rate affordability: allow for lower rate changes when cost trends have declined
- Rate capping is independent of ICBC’s level of capitalization. This can put ICBC in an adverse financial situation.
  - ➢ Opportunity: Align the framework with ICBC’s capital levels to support financial sustainability

Illustration of Current Challenges: Framework does not align with current cost drivers

Projection of Rate Changes

Example: Year 1 inflation is close to 6% leading to a 6% indicated rate need. For this example we assume that the current framework allows for a 6% rate change.

By Year 2, inflation returns to the historical average at 2%, supporting a 2% indicated rate change. However the current rate smoothing framework does not allow rate changes to drop any further than 1.5 ppts compared to the prior year. Therefore rates are set at 4.5% which is 2.5 ppts higher than indication.



Pause for Questions

Conclusion

Summary of Key Takeaways

Summary of the key considerations for the upcoming capital and CMP proposal

1) Capital targets and a Capital Management Plan (CMP) are important for ICBC and its policyholders to protect against the financial impacts from adverse events and to promote rate stability.
2) ICBC's business and the external environment have changed – will impact the proposed capital targets and CMP.
3) Opportunities for improvement / consideration exist.
   - Capital Targets: Update targets to reflect changes in ICBC's business and external environment and maintain principles that ICBC retains capital above the Regulatory Minimum in most circumstances, and retains some capital in nearly all circumstances
   - Capital Provisions: Simplify calculation and de-link the impacts on Basic rates from capital levels to minimize volatility in rate changes
   - Rate Smoothing: Promote predictable and more affordable rates and support financial sustainability

Next Steps

- Update risks, consider feedback, and complete capital modelling
- Consult with government
- Finalize proposal for the Revenue Requirements Application due December 15, 2022

Questions

Appendix

ICBC's Risk Appetite Informs Capital Targets

In setting the targets, ICBC needs to consider the following questions:

- What types of risks does ICBC want capital to mitigate?
  - E.g., Long term insurance risk (ability to absorb substantial cost increase)
  - E.g., Short term rate volatility risk (allow time to address issue)
- What is the minimum amount of capital ICBC should hold?
  - E.g., 100% MCT: OSFI regulatory minimum, current minimum in IC2
- What probability can ICBC accept of falling below the minimum?
  - E.g., 10% chance of falling below minimum (1 in 10 years)

What does a private-market insurer consider?

- Risks that would have an impact on the insurer's ability to continue operations (would not include rate volatility)
- Capital held should remain above 150% OSFI target
- OSFI baseline expects approximately a 0.5% change of depleting all capital (1 in 200 years)
- Insurers would also limit the change of falling below 150% to no more than a 10% change (1 in 10 years)

2023.1 RR BCOAPO.7.7

Reference: Capital Management Plan
Exhibit B-1, Chapter 1, Section D, Figure 1.2, Page 1-6, Chapter 4, Sections A and B.1, Pages 4-1 to 4-2, Chapter 8, Appendix 8A, Section D.2.2.3, Pages 8A-17 to 8A-18; and ICBC 2021 RRA, Attachment 7A.1, Section C.2.1, Figure 7A.1.5, Page 7A.1-10
Topic: ICBC Capital Management Plan & Financial Position/Outlook

Preamble:

In Figure 1.2 – Response to BCUC directives related to Order G-307-21, ICBC indicates that it conducted an information workshop on June 23, 2022 with respect to the design of its new Capital Management Plan that it had expected to file with the BCUC as part of its 2023 RRA. (Exhibit B-1, Chapter 1, Section D, Figure 1.2, Page 1-6)

"…Special Direction IC2 was amended to provide directions for policy year (PY) 2023…the requirement…to set the rate in a manner that allows ICBC to maintain a Minimum Capital Test (MCT) of 100% is not in effect for PY 2023…the Basic CMP includes a capital management target of 145% CT…Special Direction IC2 requires the BCUC to set rates in a manner that ensures ICBC maintains minimum capital equal to 100% MCT…However, these requirements are not in effect for PY 2023…the amendments…suspend all aspects of the Basic CMP that are dependent on the MCT. The MCT ratios…have no impact on the proposed rate change for PY 2023." (Exhibit B-1, Chapter 4, Sections A and B.1, Pages 4-1 to 4-2)

In Figure 8A.5, ICBC provides a calculation of the Basic MCT by risk component and in Figure 8A.6, ICBC provides a calculation of the Basic capital available components. These figures indicate that the 2021/22 actual net income was $1.302 billion and the MCT ratio was 92%, as compared to the 2021/22 outlook of $477 million and 78%, respectively. These figures indicate that the 2022/23 outlook net loss is projected at $17 million and the MCT ratio is expected to decrease to 91%. (Exhibit B-1, Chapter 8, Appendix 8A, Section D.2.2.3, Pages 8A-17 to 8A-18)

In the 2021 RRA, ICBC's actual 2019/20 MCT ratio was (18%) and it forecast a 2020/21 Outlook MCT of 5% in the original RRA. (ICBC 2021 RRA, Attachment 7A.1, Section C.2.1, Figure 7A.1.5, Page 7A.1-10)

Please provide an update on ICBC's intentions with respect to reviewing the CMP and if the outcome of this review is expected to be provided with the next ICBC RRA.

Response:

As discussed in the Application, Chapter 4, paragraph 19, ICBC is planning to file a new Basic Capital Management Plan (CMP) by December 15, 2024, as part of the 2025 Revenue Requirements Application (RRA).

2023.1 RR BCOAPO.8.1

Reference: INVESTMENTS

Exhibit B-1, Chapter 5, Section B.2.3, Page 5-4, Section D.1, Page 5-7, Section D.2, Page 5-8 and Appendix 5A, Section A, Page 5A-1

Topic: ICBC Investment Strategy & ALM Study

Preamble:

"ICBC uses BCI's 15-year annualized return forecasts as the source of expected returns for each asset class for the purposes of calculating the New Money Rate. Due to rising interest rates and geopolitical events, BCI updated its forecasts in August and the updated figures were used for the purposes of determining the PY 2023 New Money Rate." (Exhibit B-1, Chapter 5, Section B.2.3, Page 5-4)

"The New Money Rate for PY 2023 of 5.72% is 160 basis points higher than the New Money Rate of 4.12% calculated using the April 2021 SIPP submitted as part of the 2021 RRA Proceeding. The increase is largely attributable to a shift of fixed income assets to higher yielding credit instruments, higher expected returns in select asset classes and higher allocations to less liquid but higher yielding asset classes…The increase is attributable to the shifts in the weighting of the strategic asset mix, including a lower weighting of Short Bonds and Global Equity and a higher weight of illiquid and higher yielding assets like Private Equity and Infrastructure." (Exhibit B-1, Chapter 5, Section D.1, Page 5-7)

"The Yield on Capital Available for Rate Setting for the first and second 12-month period are 176 and 196 basis points higher than the second 12-month period in the previous filing, respectively. This increase is attributable largely to higher yields on fixed income investments generally as well as a shift in allocation toward higher yielding fixed income assets…The Yield on Capital Available for Rate Setting for the first 12-month period is 4.77% and for the second 12-month period is 4.97%." (Exhibit B-1, Chapter 5, Section D.2, Page 5-8)

"Other revisions to the SIPP relate to findings from the most recently completed asset-liability management study and its implications on the strategic asset mix for ICBC's investment portfolio…" (Exhibit B-1, Appendix 5A, Section A, Page 5A-1)

Please provide ICBC's assessment of how appropriate the BCI 15-year annualized return forecast from August of 2022 is for rate-setting purposes, given the recent volatility in the financial markets and monetary tightening by central banks.

Response:

ICBC's investment portfolio is designed to support the Enhanced Care model over the long-term and is positioned to withstand short-term volatility in order to assist in keeping rates low and stable. BCI's 15-year annual return forecast from August 2022 provides long-term return expectations using economic outlook and data available. The methodology of using BCI's 15-year capital market assumptions for rate-setting purposes is still appropriate since the Enhanced Care model focuses on a longer time horizon for paying out benefits on claims. Consequently, a long-term view for the investment portfolio is in alignment with the Enhanced Care model as premiums will be invested longer before being used to pay out costs.

2023.1 RR BCOAPO.8.2

Reference: INVESTMENTS

Exhibit B-1, Chapter 5, Section B.2.3, Page 5-4, Section D.1, Page 5-7, Section D.2, Page 5-8 and Appendix 5A, Section A, Page 5A-1

Topic: ICBC Investment Strategy & ALM Study

Preamble:

"ICBC uses BCI's 15-year annualized return forecasts as the source of expected returns for each asset class for the purposes of calculating the New Money Rate. Due to rising interest rates and geopolitical events, BCI updated its forecasts in August and the updated figures were used for the purposes of determining the PY 2023 New Money Rate." (Exhibit B-1, Chapter 5, Section B.2.3, Page 5-4)

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"The Yield on Capital Available for Rate Setting for the first and second 12-month period are 176 and 196 basis points higher than the second 12-month period in the previous filing, respectively. This increase is attributable largely to higher yields on fixed income investments generally as well as a shift in allocation toward higher yielding fixed income assets…The Yield on Capital Available for Rate Setting for the first 12-month period is 4.77% and for the second 12-month period is 4.97%." (Exhibit B-1, Chapter 5, Section D.2, Page 5-8)

"Other revisions to the SIPP relate to findings from the most recently completed asset-liability management study and its implications on the strategic asset mix for ICBC's investment portfolio…" (Exhibit B-1, Appendix 5A, Section A, Page 5A-1)

Please provide an estimate of the breakdown of the annualized increase in Investment Income on Policyholder Supplied funds of $258 million (Appendix A.1 – row r, column 4 less column 5) and the 160 basis point increase in the New Money Rate between (i) changes in the strategic investment mix and (ii) changes in the forecast returns.

Response:

Please note that the New Money Rate (NMR) has increased by 204 basis points between the value used in the 2021 Revenue Requirements Application (RRA) and the current Application, rather than 160 basis points as referenced in this information request. The NMR of 4.12% referred to in this information request was calculated using the April 2021 Statement of Investment Policies and Procedures (SIPP) which was submitted as a part of the 2021 Revenue Requirements Proceeding. ICBC used this value to estimate the 160 basis point change in the Application, Chapter 5, paragraph 26. However, the April 2021 SIPP was released after the date of the 2021 RRA (December 15, 2020) and was not used to calculate the NMR for Policy Year (PY) 2021. The NMR has increased by 204 basis points, from 3.68% in the 2021 RRA (Chapter 5, Figure 5.4) to 5.72% in the current Application (Chapter 5, Figure 5.4).

Please see the table below for the requested breakdown of the annualized increase in the investment income on policyholder supplied funds and the increase in the NMR from PY 2021 to PY 2023. In addition to impacts from changes in the strategic asset mix and changes in forecast yields, there is also an impact from a change in cash flow payment patterns that contributes to the increase in investment income on policyholder supplied funds.

Component	New Money Rate (basis points)	Annualized Investment Income on Policyholder Supplied Funds ($ millions)
Changes in Forecast Yields Impact	143	$136
Changes in Strategic Asset Mix Impact	61	58
Changes in Cash Flow Payment Patterns	-	63
Total	**204**	**$258**

2023.1 RR BCOAPO.8.3

Reference: INVESTMENTS

Exhibit B-1, Chapter 5, Section B.2.3, Page 5-4, Section D.1, Page 5-7, Section D.2, Page 5-8 and Appendix 5A, Section A, Page 5A-1

Topic: ICBC Investment Strategy & ALM Study

Preamble:

"ICBC uses BCI's 15-year annualized return forecasts as the source of expected returns for each asset class for the purposes of calculating the New Money Rate. Due to rising interest rates and geopolitical events, BCI updated its forecasts in August and the updated figures were used for the purposes of determining the PY 2023 New Money Rate." (Exhibit B-1, Chapter 5, Section B.2.3, Page 5-4)

"The New Money Rate for PY 2023 of 5.72% is 160 basis points higher than the New Money Rate of 4.12% calculated using the April 2021 SIPP submitted as part of the 2021 RRA Proceeding. The increase is largely attributable to a shift of fixed income assets to higher yielding credit instruments, higher expected returns in select asset classes and higher allocations to less liquid but higher yielding asset classes…The increase is attributable to the shifts in the weighting of the strategic asset mix, including a lower weighting of Short Bonds and Global Equity and a higher weight of illiquid and higher yielding assets like Private Equity and Infrastructure." (Exhibit B-1, Chapter 5, Section D.1, Page 5-7)

"The Yield on Capital Available for Rate Setting for the first and second 12-month period are 176 and 196 basis points higher than the second 12-month period in the previous filing, respectively. This increase is attributable largely to higher yields on fixed income investments generally as well as a shift in allocation toward higher yielding fixed income assets…The Yield on Capital Available for Rate Setting for the first 12-month period is 4.77% and for the second 12-month period is 4.97%." (Exhibit B-1, Chapter 5, Section D.2, Page 5-8)

"Other revisions to the SIPP relate to findings from the most recently completed asset-liability management study and its implications on the strategic asset mix for ICBC's investment portfolio…" (Exhibit B-1, Appendix 5A, Section A, Page 5A-1)

Please provide an estimate of the breakdown of the annualized increase in Investment Income on Capital Available for Rate Setting of $78 million (Appendix A.1 – row s, column 4 less column 5) and the 176 to 196 basis point increase in the Yield on Capital Available for Rate Setting between (i) changes in the strategic investment mix and (ii) changes in the forecast returns.

Response:

Please see the table below for the requested breakdown of the annualized increase in the investment income on capital available for rate setting (CARS) from Policy Year (PY) 2021 to PY 2023. In addition to changes in the strategic asset mix and changes in forecast yields, there is an impact from the change in capital available.

Component	Yield on CARS PY 2023-1 vs. PY 2021-2 (basis points)	Yield on CARS PY 2023-2 vs. PY 2021-2 (basis points)	Annualized Investment Income on CARS PY 2023 vs. PY 2021 ($ millions)
Change in Forecast Yield Impact	144	136	$28
Change in Current Weighting of Assets	33	61	11
Change in Capital Available for Rate Setting	-	-	39
Total	**176**	**196**	**$78**

Notes:
PY 2021-2 is the second 12-month period for PY 2021.
PY 2023-1 is the first 12-month period for PY 2023.
PY 2023-2 is the second 12-month period for PY 2023.

2023.1 RR BCOAPO.8.4

Reference: INVESTMENTS

Exhibit B-1, Chapter 5, Section B.2.3, Page 5-4, Section D.1, Page 5-7, Section D.2, Page 5-8 and Appendix 5A, Section A, Page 5A-1

Topic: ICBC Investment Strategy & ALM Study

Preamble:

"ICBC uses BCI's 15-year annualized return forecasts as the source of expected returns for each asset class for the purposes of calculating the New Money Rate. Due to rising interest rates and geopolitical events, BCI updated its forecasts in August and the updated figures were used for the purposes of determining the PY 2023 New Money Rate." (Exhibit B-1, Chapter 5, Section B.2.3, Page 5-4)

"The New Money Rate for PY 2023 of 5.72% is 160 basis points higher than the New Money Rate of 4.12% calculated using the April 2021 SIPP submitted as part of the 2021 RRA Proceeding. The increase is largely attributable to a shift of fixed income assets to higher yielding credit instruments, higher expected returns in select asset classes and higher allocations to less liquid but higher yielding asset classes…The increase is attributable to the shifts in the weighting of the strategic asset mix, including a lower weighting of Short Bonds and Global Equity and a higher weight of illiquid and higher yielding assets like Private Equity and Infrastructure." (Exhibit B-1, Chapter 5, Section D.1, Page 5-7)

"The Yield on Capital Available for Rate Setting for the first and second 12-month period are 176 and 196 basis points higher than the second 12-month period in the previous filing, respectively. This increase is attributable largely to higher yields on fixed income investments generally as well as a shift in allocation toward higher yielding fixed income assets…The Yield on Capital Available for Rate Setting for the first 12-month period is 4.77% and for the second 12-month period is 4.97%." (Exhibit B-1, Chapter 5, Section D.2, Page 5-8)

"Other revisions to the SIPP relate to findings from the most recently completed asset-liability management study and its implications on the strategic asset mix for ICBC's investment portfolio…" (Exhibit B-1, Appendix 5A, Section A, Page 5A-1)

Please provide a copy of ICBC's most recent asset-liability management (ALM) study used to set the strategic investment mix for the investment portfolio and a summary of the key findings of the ALM study that have influenced the strategic investment mix.

Response:

The last ALM study was initiated in April 2020.

For a summary of the key findings, please see the response to information request 2021.1 RR BCOAPO.13.1.

ICBC retained BCI to undertake the ALM study and BCI presented it to ICBC in the form of a presentation slide deck.

BCI has not consented to disclosing the presentation slide deck. BCI has indicated that the presentation is confidential and that disclosing the presentation could reveal information that is commercially sensitive to BCI, including BCI's strategies and approach to asset allocation recommendations.

2023.1 RR BCOAPO.9.1

Reference: OPERATING EXPENSES & ALLOCATION INFORMATION
Exhibit B-1, Chapter 6, Section A, Page 6-1
Topic: Top-Down Operating Expense Cost Control

Preamble:

> **"ICBC strives to be a low-cost, operationally excellent organization by keeping controllable operating expenses as low as possible while still ensuring it is adequately staffed to maintain appropriate service levels and manage claims…ICBC is continuing to focus on prudent management of administration costs and seeking to improve and simplify business processes. ICBC anticipates its staffing requirements in legal-based claims-related areas to gradually reduce as injury claims that occurred prior to the implementation of Enhanced Care continue to settle." (Exhibit B-1, Chapter 6, Section A, Page 6-1)**

9.1 Please explain if ICBC's senior management have issued or are subject to any guidelines or overall budget targets with respect to operating expenses for the three-year period 2023/24 to 2025/26.

9.1.1 If yes, please provide the guidelines and targets.

9.1.2. If not, please explain why not.

Response:

ICBC's senior management issued the following guidelines to develop the operating expense forecast for the 2023/24 to 2025/26 three-year period.

Vacancy management:

Approximately 63% of controllable operating expenses relate to compensation; therefore, Management focused efforts on controlling compensation costs by managing vacancies. ICBC's senior management issued direction that all hires require approval by the department leader or above. All divisions were challenged to absorb work within the existing full time equivalent (FTE) complement and reduce lower priority work.

Head-count changes:

ICBC will proceed with new hires only to address staffing needs to reach and maintain adequate service levels in contact centres as traffic volume returns to levels that existed prior to the COVID-19 pandemic, to address the backlog of driver knowledge and road tests and for initiatives to support ICBC's 2025 Corporate Strategy.

ICBC uses an integrated staffing model, which uses projected business/work volumes (in the case of claims, actuarially forecasted claims intake and pending levels by claims type), productivity/workload benchmarks expectations, as well as retirement, promotion and training assumptions to forecast staffing requirements across claims-related roles.

Staffing requirement in claims-related areas is expected to gradually reduce as injury claims that occurred prior to the implementation of Enhanced Care continue to settle. This gradual reduction in staff is expected to be met by voluntary staff attrition (retirements and resignations).

All staffing requirements are discussed with senior management and are endorsed by Executive Leadership Team.

Compensation increases:

For Bargaining Unit employees, salary level changes and length-of-service wage adjustments are based on the BC General Employees' Union's tentative agreement (July 1, 2022 to June 30, 2025). ICBC received a letter dated September 26, 2022 setting out the terms on which the government has approved the 2022 bargaining plan. Please see the response to information request 2023.1 RR BCUC.30.1 for percentage negotiated wage increases in the Collective Agreement. For Management and Confidential employees, the increase in salaries are assumed to be in-line with proposed wage increases for BU employees.

Inflation and contractual commitments:

Non-compensation expenses should increase within the range of inflation and previously negotiated contract price increase. ICBC uses the British Columbia Consumer Price Index as a guide for forecasting increases in non-compensation operating expenses. This rate of inflation has been chosen as a proxy for increases in operating expenses. The rate of inflation is reviewed regularly for the operating expense forecast.

2023.1 RR BCOAPO.9.2

Reference: OPERATING EXPENSES & ALLOCATION INFORMATION
Exhibit B-1, Chapter 6, Section A, Page 6-1
Topic: Top-Down Operating Expense Cost Control

Preamble:

> **"ICBC strives to be a low-cost, operationally excellent organization by keeping controllable operating expenses as low as possible while still ensuring it is adequately staffed to maintain appropriate service levels and manage claims…ICBC is continuing to focus on prudent management of administration costs and seeking to improve and simplify business processes. ICBC anticipates its staffing requirements in legal-based claims-related areas to gradually reduce as injury claims that occurred prior to the implementation of Enhanced Care continue to settle." (Exhibit B-1, Chapter 6, Section A, Page 6-1)**

Please provide a description and quantification of the various initiatives that ICBC has underway to improve productivity and reduce operating expenses for the 2023/24, 2024/25 and 2025/26 forecast years.

Response:

ICBC's total costs are comprised of claims costs, deferred premiums acquisition costs adjustment, commissions, premium taxes and corporate operating expenses. ICBC defines operating expenses as either controllable or non-controllable as some of ICBC's operating expenses, such as year-to-year changes in pension and post-retirement benefit expense, are driven by factors that are mainly beyond ICBC's direct control. Approximately 63% of ICBC's controllable operating expenses are comprised of compensation and benefits (FTEs). Given this, efforts to reduce operating expenses are largely aimed at controlling compensation costs. Therefore, ICBC's senior management efforts on controlling compensation costs include issuing guidelines as described in the response to information request 2023.1 RR BCOAPO.9.1 and explained below:

<u>Vacancy management:</u> ICBC's senior management issued direction that all hires require approval by the department leader or above. All divisions were challenged to absorb work within the existing FTE complement and reduce lower priority work.

Head-count increase: ICBC will proceed with new hires only to address staffing needs to reach and maintain adequate service levels in contact centers as traffic volume returns to levels that existed prior to the COVID-19 pandemic, to address the backlog of driver knowledge and road tests and for initiatives to support ICBC’s 2025 corporate strategy. All staffing requirements are discussed with senior management and are endorsed by Executive Leadership Team.

Integrated Workforce Planning Model: ICBC’s integrated workforce planning model considers multiple factors and inputs to determine staffing requirements. For non-call centre areas, these include:

- Actual and projected business/work volumes (in the case of claims, actuarially forecasted claims intake by claims type and pending levels; in the case of driver licensing, forecasted transaction volumes by type).
- Productivity/workload benchmarks expectations, as well as actual and forecasted attrition (retirements and resignations).,
- Actual and projected shrinkage (employee availability, taking into account vacation, absenteeism and other non-direct working time and activities such as training and coaching).,
- Employee experience levels.

Workload benchmarks are typically expressed in terms of total expected work activity per FTE per month or year, total volume intake per FTE per month, average volume pending per FTE, or a combination thereof. These benchmarks are reflective of historical and projected performance (including efficiencies already realized or expected in the future where applicable) and are reviewed and updated regularly to reflect changes in business processes, operating environment, and efficiencies. Non-call centre models are refreshed and reviewed monthly.

For call centre areas, staffing requirements are determined based on a target service level for each call centre, which is typically designed to achieve an optimal balance between several key performance metrics, including customer tolerance with respect to call wait times, call abandonment rate, and staff occupancy. Similar to non-call centre models, the call centre models also consider multiple other factors including actual and projected call volumes, call average handle time, actual and forecasted attrition, shrinkage, and employee experience levels. Long-term call centre models, which look ahead at full fiscal year, are refreshed monthly, while short-term models (which look ahead two days to three weeks) are refreshed both daily and weekly.

For other business areas not supported through staffing models, staffing levels are determined based on the anticipated business needs, taking into account historical staffing levels, expected attrition, anticipated workload and organizational initiatives and priorities.

Corporate Stretch: The corporate stretch is unspecified cost savings required to meet the controllable operating expense budget targets, where details of cost savings are not yet determined at the time the budget is established. All divisions are challenged to seek additional cost reduction opportunities during the year in the form of corporate stretch.

ICBC is about mid-way through its five-year Corporate Strategy which defines our priorities to 2025 and is making significant progress on goals of being affordable, customer driven, smart and efficient, and future focused as ICBC continue to provide the products and services British Columbians rely on. Additionally, the Streamline Claims Processes Program (SCPP) project is underway and is anticipated to take two to three years to complete. SCPP will improve processes to remove redundant activities, speed up task completion and automate routine processes. These changes will improve the ability for both customers and external providers to interact with ICBC, as well as enhance the overall on-the-job experience of employees. ICBC also monitors a closely related set of corporate performance measures under its corporate strategy; these are captured in ICBC's 2022/23 – 2024/25 Service Plan. For more detail on ICBC's corporate strategy, please refer to the Application, Chapter 8, Appendix 8A.

2023.1 RR BCOAPO.9.3

Reference: OPERATING EXPENSES & ALLOCATION INFORMATION
Exhibit B-1, Chapter 6, Section A, Page 6-1
Topic: Top-Down Operating Expense Cost Control

Preamble:

> **"ICBC strives to be a low-cost, operationally excellent organization by keeping controllable operating expenses as low as possible while still ensuring it is adequately staffed to maintain appropriate service levels and manage claims…ICBC is continuing to focus on prudent management of administration costs and seeking to improve and simplify business processes. ICBC anticipates its staffing requirements in legal-based claims-related areas to gradually reduce as injury claims that occurred prior to the implementation of Enhanced Care continue to settle." (Exhibit B-1, Chapter 6, Section A, Page 6-1)**

9.3 Please explain if ICBC has included any stretch targets or productivity assumptions to offset operating expense forecast increases as part of its operating cost budgeting processes.

9.3.1 If yes, please file on the record the stretch targets or productivity assumptions and the associated reductions in operating expense forecasts for the 2023/24, 2024/25 and 2025/26 forecast years.

9.3.2 If not, please explain why not.

Response:

At the time the Application was prepared, detailed budgets for the 2023/24, 2024/25 and 2025/26 forecasts had not been developed. The 2023/24, 2024/25 and 2025/26 forecasts were developed using 2022/23 outlook as the basis and adjusted for expected known changes as of August 31, 2022. The forecast is developed using high-level estimates and is not prepared at the same level of granularity as budget and outlook. In the absence of more specific information with respect to anticipated changes in corporate operating expenses, ICBC has to make high-level assumptions in order to arrive at forecasts.

There were no specific stretch targets or productivity assumptions included in operating expense forecasts for the 2023/24, 2024/25 and 2025/26 forecast years. Please see the responses to information requests 2023.1 RR BCOAPO.9.1 and 2023.1 RR BCOAPO.9.2 for guidelines issued by ICBC's senior management in developing the operating expenses forecast and management's efforts on controlling operating expenses for the 3-year period from 2023/24 to 2025/26 fiscal years.

2023.1 RR BCOAPO.9.4

Reference: OPERATING EXPENSES & ALLOCATION INFORMATION
Exhibit B-1, Chapter 6, Section A, Page 6-1
Topic: Top-Down Operating Expense Cost Control

Preamble:

> **"ICBC strives to be a low-cost, operationally excellent organization by keeping controllable operating expenses as low as possible while still ensuring it is adequately staffed to maintain appropriate service levels and manage claims…ICBC is continuing to focus on prudent management of administration costs and seeking to improve and simplify business processes. ICBC anticipates its staffing requirements in legal-based claims-related areas to gradually reduce as injury claims that occurred prior to the implementation of Enhanced Care continue to settle." (Exhibit B-1, Chapter 6, Section A, Page 6-1)**

9.4 Please explain if ICBC has developed any internal performance metrics to measure the effectiveness and efficiency of its controllable operating expenses.

9.4.1 If yes, please describe these metrics.

9.4.2 If not, please explain why not.

Response:

ICBC exercises strict oversight over its operating expenses on an ongoing basis. ICBC's senior management performs monthly review of the actual operating expenses compared to budget and updates/monitors the outlook as appropriate. The 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.

Senior management actively evaluates ICBC's performance against the measures set out in its Service Plan to ensure that ICBC is operating efficiently in comparison to industry. This is monitored through the Operating Expense Ratio and Loss Adjustment Expense Ratio. The property and casualty industry operating expense ratio benchmark for 2021 was 31%.[1] ICBC's

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[1] MSA Research Inc., MSA Benchmark Report, Property and Casualty, Canada, 2021. Total Canadian Property Casualty Industry (including Lloyds, excluding ICBC and Saskatchewan Auto Fund).

2021/22 result of 23.4%[2] (7.6% below the industry standard) demonstrates ICBC's ongoing operational efficiency.

Additionally, each year ICBC identifies its budget demands based on business requirements. Budget demands continue to increase due to upward cost pressures such as inflation and annual wage increases negotiated in collective agreements. ICBC's senior management exercises various cost mitigation strategies (e.g., vacancy management, postponing or re-scheduling timing of certain expenditures or projects, etc.) to offset upward pressures and control rising costs. All divisions are challenged to seek additional cost reduction opportunities during the year in the form of corporate stretch.[3]

[2] ICBC approved the Relief Rebate ($396 million); this resulted in lower earned premiums. Excluding the rebate, the 2021/22 operating expense ratio would be 21.6 percent.
[3] A corporate stretch is a general cost reduction amount introduced in order to meet the corporate budget target in a "top to bottom" budget setting approach.

2023.1 RR BCOAPO.10.1

Reference: OPERATING EXPENSES & ALLOCATION INFORMATION
Exhibit B-1, Chapter 3, Appendix A.1
Topic: General Operating Expenses Included in the 2023 PY Rate Indication

Preamble:

> **In Appendix A.1, ICBC indicates that the annualized General Expenses related to Administration & Other, Insurance Services and Non-Insurance Services are increasing from approximately $269 million ($74 + $67 + 128) in PY2021 (column 5, rows e, f and g) to $297 million ($75 + $83 + 139) in PY2023 (column 4, rows e, f and g). (Exhibit B-1, Chapter 3, Appendix A.1)**

Please confirm that total General Expenses in the 2023 PY Rate Indication are increasing by $28 million ($297-$269) or 10.4% over the 2021 PY Rate Indication, on an annualized basis.

Response:

Allowing for small rounding differences, ICBC confirms that the Application, Chapter 3, Appendix A.1 indicates that total General Expenses in the PY 2023 rate indication are increasing by $28 million over General Expenses in the PY 2021 rate indication on an annualized basis.

2023.1 RR BCOAPO.10.2

Reference: OPERATING EXPENSES & ALLOCATION INFORMATION
Exhibit B-1, Chapter 3, Appendix A.1
Topic: General Operating Expenses Included in the 2023 PY Rate Indication

Preamble:

> **In Appendix A.1, ICBC indicates that the annualized General Expenses related to Administration & Other, Insurance Services and Non-Insurance Services are increasing from approximately $269 million ($74 + $67 + 128) in PY2021 (column 5, rows e, f and g) to $297 million ($75 + $83 + 139) in PY2023 (column 4, rows e, f and g). (Exhibit B-1, Chapter 3, Appendix A.1)**

Please explain the reasons for (i) the $16 million ($83-$67) or 23.9% increase in Insurance Services general expenses and (ii) the $11 million ($139-$128) or 8.6% increase in the Non-Insurance Services general expenses between the annualized PY 2023 and PY 2021.

Response:

The reasons for the increases in general expenses between Policy Year (PY) 2021 and PY 2023 are described below. For reference, PY 2021 includes the annualized Insurance and Non-insurance Services lines of business general expense forecast for the three fiscal years 2021/22, 2022/23 and 2023/24; whereas, PY 2023 includes annualized Insurance and Non-insurance Services lines of business general expense forecast for the three fiscal years 2023/24, 2024/25 and 2025/26.

i. **Insurance Services General Expense -** the increase between PY 2021 and PY 2023 is mainly due to:

   - Increase in Merchant Fees. The annualized merchant fees forecast included in the PY 2021 took into account lower FY 2021/22 credit card volumes forecast attributed to the COVID-19 pandemic as well as merchant fee refunds attributed to the COVID19, ECC and Relief Rebate customer refunds. The annualized merchant fees forecast captured in the policy year 2023 is based on the outer year forecast driven by FY 2021/22 actuals, which saw an increase in credit card transaction volumes as compared to FY 2021/22 forecast used in 2021 RRA filing.

- <u>Increase in Insurance Services Project Expense.</u> This supports ICBC's 5-year corporate strategy, which defines priorities to 2025 (including International Registration Plan, Usage-Based Insurance product and Insurance Sales & Services Modernization).

ii. **Non-Insurance Services General Expense** - the increase between PY 2021 and PY 2023 is mainly due to:

- <u>Increase in Driver Services Expense.</u> This increase is mainly due to higher compensation, resulting from the increase in staffing as recruitment continues to fill vacancies to address staffing needs to maintain adequate service levels in driver licensing offices. Further increases are due to anticipated general wage increases that will be negotiated under the Collective Agreement and approved by the Public Sector Employers' Council (PSEC) Secretariat.

- <u>Increase in Non-Insurance Services Project Expense.</u> This supports ICBC's 5-year corporate strategy, which defines priorities to 2025 (including Affinity Plates Program and Licence Plate Number Series Expansion).

2023.1 RR BCOAPO.11.1

Reference: OPERATING EXPENSES & ALLOCATION INFORMATION
Exhibit B-1, Chapter 6, Section D.1, Figure 6.2, Page 6-10, Section D.1.2, Figure 6.4, Page 6-14 and Chapter 8, Appendix 8C, Figure 8C.1, Page 8C-2; 2021 ICBC RRA, Chapter 6, Section D.1, Figure 6.3, Page 6-11
Topic: Corporate Operating Expenses by Expense Category

Preamble:

> **ICBC provides a breakdown of Corporate Operating Expenses by Expense Category and between Controllable (including Net Compensation) and Pension & Post-Retirement Benefit Expense for 2021/22 Actual, 2022/23 Outlook, 2023/24 Forecast, 2024/25 Forecast and 2025/26 Forecast in Figure 6.2 and 2019/20 Actual, 2020/21 Outlook, 2020/21 Actual, 2021/22 Actual and 2022/23 Outlook in Figure 8C.1 of the 2023 RRA. (Exhibit B-1, Chapter 6, Section D.1, Figure 6.2, Page 6-10 and Chapter 8, Appendix 8C, Figure 8C.1, Page 8C-2)**
>
> **ICBC provided a breakdown of Corporate Operating Expenses by Expense Category and between Controllable (including Net Compensation) and Pension & Post-Retirement Benefit Expense for 2019/20 Actual, 2020/21 Outlook, 2021/22 Forecast, 2022/23 Forecast and 2023/24 Forecast in Figure 6.3 of the 2021 RRA. (ICBC 2021 RRA, Chapter 6, Section D.1, Figure 6.3, Page 6-11)**
>
> **ICBC provides a schedule of average FTE's by employee group between 2021/22 Actual and 2025/26 Forecast in Figure 6.4 of the 2023 RRA. (Exhibit B-1, Chapter 6, Section D.1.2, Figure 6.4, Page 6-14)**

Please explain why controllable operating expenses are $49 million ($821-$772) or 6.3% higher in the 2022/23 Outlook in the 2023 RRA as compared to the 2022/23 Forecast in the 2021 RRA.

Response:

At the time the 2021 RRA was prepared, detailed budgets for the 2021/22, 2022/23 and 2023/24 forecasts had not been developed. The 2021/22, 2022/23 and 2023/24 forecasts were developed using 2020/21 outlook as the basis and adjusted for expected known changes as of August 31, 2020. The forecast was developed using high-level estimates and was not prepared at the same level of granularity as budget and outlook. In the absence of more specific information with respect to anticipated changes in corporate operating expenses, ICBC made high-level assumptions in order to arrive at forecasts. Please see Attachment A - Response to Information Request 2021.1 RR BCOAPO.16.1, which sets out the guidelines to develop the operating expense forecasts for the 2021/22 to 2023/24 3-year period.

The increase in controllable operating expense forecast in the 2023 RRA is mainly driven by the following factors:

- $25 million higher project expenses mainly due to various planned critical sustainment projects, annual renewal and maintenance and other project expenses to support ICBC's 2025 strategy. Some of this work was delayed or deferred in prior years as resources were focused on the delivery of the Rate Affordability Action Plan project and more recently, the Enhanced Care (ACE) project.
- $24 million higher net compensation costs mainly driven by rising inflation and higher cost of living. Net compensation includes salaries and employee benefits but does not include pension and post-retirement benefit expenses. Employee benefits that are part of net compensation include extended health and dental, basic life insurance, long-term disability for Management and Confidential employees, WorkSafeBC, Employment Insurance, Canada Pension Plan and Employee Health Tax costs. In general, changes in compensation costs are attributable to a combination of factors including the number of FTEs, negotiated wage increases for unionized employees, merit increases for management and confidential employees and changes in employee benefits costs.
- $8 million higher merchant fee expense. The merchant fees forecast included in the 2021 RRA took into account lower credit card volumes attributed to COVID-19 pandemic and lower premiums due to the implementation of Enhanced Care. The merchant fees forecast included in the 2023 RRA takes into account higher premium forecast, resulting from expected growth in vehicle volume as volumes return to pre-pandemic levels.

2023.1 RR BCOAPO.11.1 – Attachment A – Response to Information Request 2021.1 RR BCOAPO.16.1

2021.1 RR BCOAPO.16.1 Reference: ICBC 2021 RRA, Chapter 6 Section B – Operating Expenses for Actuarial Rate Indication, pages 6-4 to 6-5
Operating Expense Guidelines and Productivity Assumptions

Preamble: In the referenced Chapter, ICBC states:

> **15. The operating expense forecasts are prepared based on the information available as of August 31, 2020. The forecast years are developed using expected changes in business impacting cost drivers (transaction volume, initiatives in progress, key priorities, etc.).**
>
> **16…..Senior management reviews these estimates to ensure it reflects anticipated business needs.**

Please explain if ICBC's senior management issued any guidelines or overall budget targets with respect to operating expenses for the three-year period 2021/22 to 2023/24? If yes, please provide the guidelines and targets. If not, please explain why not.

Response:

ICBC's senior management issued the following guidelines to develop the operating expense forecast for the 2021/22 to 2023/24 three-year period.

- <u>Vacancy management</u>:

  Approximately 63% of controllable operating expenses relate to compensation, therefore Management focused efforts on controlling compensation costs by managing vacancies. ICBC's senior management issued direction that ICBC would only proceed with hiring of critical positions. In addition, all hires required approval by the hiring division executive and CEO. All divisions were challenged to absorb work within the existing full time equivalent (FTE) complement and reduce lower priority work.

- <u>Head-count changes:</u>

  ICBC will proceed with new hires only to support the transition to Enhanced Care, increase in claims as volume returns to pre-pandemic level, and for initiatives to support ICBC's 2025 strategy.

  ICBC uses an integrated workforce planning model to determine appropriate staffing levels to support Enhanced Care and the wind down of full tort (pre- April 1, 2019) and modified tort (April 1, 2019 – April 30, 2021) claims. There will be a temporary increase in overall staffing levels in 2021/22 as ICBC transitions to Enhanced Care as ICBC will be managing injury claims that fall under three different insurance models. However, the staff required to support full tort and modified tort are expected to gradually reduce as ICBC continues to manage and progressively wind down those claims. This gradual reduction in staff is expected to be met by voluntary staff attrition (retirements and resignations).

All staffing requirements are discussed with senior management and are endorsed by Executive Leadership Team.

- Compensation increase:

  For Bargaining Unit employees, salary level changes and length-of-service wage adjustments are a result of contractual terms of the new Collective Agreement (2019 – 2022). ICBC assumed a salary increase of 2% for Management and Confidential employees.

- Inflation and contractual commitments:

  Non-compensation expenses should increase within the range of inflation and previously negotiated contract price increase. ICBC uses the British Columbia Consumer Price Index (BC CPI) as a guide for forecasting increases in non-compensation operating expenses (estimated rate of inflation of 2%). This rate of inflation has been chosen as a proxy for increases in operating expenses. The rate of inflation is reviewed regularly for the operating expense forecast.

2023.1 RR BCOAPO.11.2

Reference: OPERATING EXPENSES & ALLOCATION INFORMATION
Exhibit B-1, Chapter 6, Section D.1, Figure 6.2, Page 6-10, Section D.1.2, Figure 6.4, Page 6-14 and Chapter 8, Appendix 8C, Figure 8C.1, Page 8C-2; 2021 ICBC RRA, Chapter 6, Section D.1, Figure 6.3, Page 6-11
Topic: Corporate Operating Expenses by Expense Category

Preamble:

ICBC provides a breakdown of Corporate Operating Expenses by Expense Category and between Controllable (including Net Compensation) and Pension & Post-Retirement Benefit Expense for 2021/22 Actual, 2022/23 Outlook, 2023/24 Forecast, 2024/25 Forecast and 2025/26 Forecast in Figure 6.2 and 2019/20 Actual, 2020/21 Outlook, 2020/21 Actual, 2021/22 Actual and 2022/23 Outlook in Figure 8C.1 of the 2023 RRA. (Exhibit B-1, Chapter 6, Section D.1, Figure 6.2, Page 6-10 and Chapter 8, Appendix 8C, Figure 8C.1, Page 8C-2)

ICBC provided a breakdown of Corporate Operating Expenses by Expense Category and between Controllable (including Net Compensation) and Pension & Post-Retirement Benefit Expense for 2019/20 Actual, 2020/21 Outlook, 2021/22 Forecast, 2022/23 Forecast and 2023/24 Forecast in Figure 6.3 of the 2021 RRA. (ICBC 2021 RRA, Chapter 6, Section D.1, Figure 6.3, Page 6-11)

ICBC provides a schedule of average FTE's by employee group between 2021/22 Actual and 2025/26 Forecast in Figure 6.4 of the 2023 RRA. (Exhibit B-1, Chapter 6, Section D.1.2, Figure 6.4, Page 6-14)

Please explain why controllable operating expenses are $63 million ($848-$785) or 8.0% higher for the 2023/24 Forecast in the 2023 RRA as compared to the 2023/24 Forecast in the 2021 RRA.

Response:

The increase of $63 million in controllable operating expenses forecast for the 2023/24 forecast in the 2023 RRA as compared to the 2023/24 forecast in the 2021 RRA is mainly driven by the following factors:

- $43 million higher net compensation costs.
- $20 million higher project expenses.
- $6 million higher merchant fee expenses.

Please see the response to information request 2023.1 RR BCOAPO.11.1 for explanations on the increase in controllable operating expenses. Similar reasons explain the increase in controllable operating expenses for the 2023/24 forecast in the 2023 RRA as compared to the 2023/24 forecast in the 2021 RRA.

2023.1 RR BCOAPO.11.3

Reference: OPERATING EXPENSES & ALLOCATION INFORMATION
Exhibit B-1, Chapter 6, Section D.1, Figure 6.2, Page 6-10, Section D.1.2, Figure 6.4, Page 6-14 and Chapter 8, Appendix 8C, Figure 8C.1, Page 8C-2; 2021 ICBC RRA, Chapter 6, Section D.1, Figure 6.3, Page 6-11
Topic: Corporate Operating Expenses by Expense Category

Preamble:

> **ICBC provides a breakdown of Corporate Operating Expenses by Expense Category and between Controllable (including Net Compensation) and Pension & Post-Retirement Benefit Expense for 2021/22 Actual, 2022/23 Outlook, 2023/24 Forecast, 2024/25 Forecast and 2025/26 Forecast in Figure 6.2 and 2019/20 Actual, 2020/21 Outlook, 2020/21 Actual, 2021/22 Actual and 2022/23 Outlook in Figure 8C.1 of the 2023 RRA. (Exhibit B-1, Chapter 6, Section D.1, Figure 6.2, Page 6-10 and Chapter 8, Appendix 8C, Figure 8C.1, Page 8C-2)**
>
> **ICBC provided a breakdown of Corporate Operating Expenses by Expense Category and between Controllable (including Net Compensation) and Pension & Post-Retirement Benefit Expense for 2019/20 Actual, 2020/21 Outlook, 2021/22 Forecast, 2022/23 Forecast and 2023/24 Forecast in Figure 6.3 of the 2021 RRA. (ICBC 2021 RRA, Chapter 6, Section D.1, Figure 6.3, Page 6-11)**
>
> **ICBC provides a schedule of average FTE's by employee group between 2021/22 Actual and 2025/26 Forecast in Figure 6.4 of the 2023 RRA. (Exhibit B-1, Chapter 6, Section D.1.2, Figure 6.4, Page 6-14)**

Please confirm that (i) Controllable Costs are forecast to increase $142 million ($902-760) or 18.7% between 2021/22 Actual and 2025/26 Forecast in the 2023 RRA and (ii) the average annual rate of increase in Controllable Costs over that 4-year period is 4.7% (18.7%/4) per year.

Response:

Confirmed, controllable operating expenses are forecast to increase by $142 million between 2021/22 Actual and 2025/26 Forecast. Please see the response to information request 2023.1 RR BCUC.27.1 for the reasons for the year-over-year increase.

The table below shows the compounded annual growth rate (CAGR) between 2021/22 Actual and 2025/26 Forecast.

Controllable Operating Expenses ($ Millions)						
2021/22 Actual	**2022/23 Outlook**	**2023/24 Forecast**	**2024/25 Forecast**	**2025/26 Forecast**	**Increase 2021/22 to 2025/26**	**CAGR 2021/22 to 2025/26**
$760	$821	$848	$870	$902	$142	4.4%

2023.1 RR BCOAPO.11.4

Reference: OPERATING EXPENSES & ALLOCATION INFORMATION
Exhibit B-1, Chapter 6, Section D.1, Figure 6.2, Page 6-10, Section D.1.2, Figure 6.4, Page 6-14 and Chapter 8, Appendix 8C, Figure 8C.1, Page 8C-2; 2021 ICBC RRA, Chapter 6, Section D.1, Figure 6.3, Page 6-11
Topic: Corporate Operating Expenses by Expense Category

Preamble:

> **ICBC provides a breakdown of Corporate Operating Expenses by Expense Category and between Controllable (including Net Compensation) and Pension & Post-Retirement Benefit Expense for 2021/22 Actual, 2022/23 Outlook, 2023/24 Forecast, 2024/25 Forecast and 2025/26 Forecast in Figure 6.2 and 2019/20 Actual, 2020/21 Outlook, 2020/21 Actual, 2021/22 Actual and 2022/23 Outlook in Figure 8C.1 of the 2023 RRA. (Exhibit B-1, Chapter 6, Section D.1, Figure 6.2, Page 6-10 and Chapter 8, Appendix 8C, Figure 8C.1, Page 8C-2)**
>
> **ICBC provided a breakdown of Corporate Operating Expenses by Expense Category and between Controllable (including Net Compensation) and Pension & Post-Retirement Benefit Expense for 2019/20 Actual, 2020/21 Outlook, 2021/22 Forecast, 2022/23 Forecast and 2023/24 Forecast in Figure 6.3 of the 2021 RRA. (ICBC 2021 RRA, Chapter 6, Section D.1, Figure 6.3, Page 6-11)**
>
> **ICBC provides a schedule of average FTE's by employee group between 2021/22 Actual and 2025/26 Forecast in Figure 6.4 of the 2023 RRA. (Exhibit B-1, Chapter 6, Section D.1.2, Figure 6.4, Page 6-14)**

Please explain why Net Compensation is forecast to increase $74 million ($564-$490) or 15.1% between the 2021/22 Actual and 2025/26 Forecast in the 2023 RRA, despite the forecast decrease in FTE's of 24 (5,497-5,521) during that 4-year period.

Response:

The factors contributing to the increase in net compensation between 2021/22 actual and 2022/23 outlook are discussed in the Application, Chapter 6, paragraph 33. The increase in net compensation expense is mainly driven by an increase in average FTEs, which is required to maintain adequate service levels in contact centres and driver licensing offices as traffic volume returns to levels that existed prior to the COVID-19 pandemic. Additionally, the increase in net compensation expenses is also attributed to general wage increases as negotiated under the Collective Agreement and merit increases for Management and Confidential staff.

In 2023/24, staffing is expected to remain relatively consistent with 2022/23 outlook and the increase in net compensation is mainly driven by rising inflation and higher cost of living. Please refer to the Application, Chapter 6, paragraph 34 for further information on the factors contributing to the increase in net compensation for this period.

The responses to information requests 2023.1 RR BCUC.30.2 and 2023.1 RR BCUC.31.1 address factors that contribute to the increase in net compensation in 2023/24, 2024/25 and 2025/26 forecast years, which are partially offset by a forecast reduction in the average number of FTEs.

2023.1 RR BCOAPO.11.5

Reference: OPERATING EXPENSES & ALLOCATION INFORMATION
Exhibit B-1, Chapter 6, Section D.1, Figure 6.2, Page 6-10, Section D.1.2, Figure 6.4, Page 6-14 and Chapter 8, Appendix 8C, Figure 8C.1, Page 8C-2; 2021 ICBC RRA, Chapter 6, Section D.1, Figure 6.3, Page 6-11
Topic: Corporate Operating Expenses by Expense Category

Preamble:

ICBC provides a breakdown of Corporate Operating Expenses by Expense Category and between Controllable (including Net Compensation) and Pension & Post-Retirement Benefit Expense for 2021/22 Actual, 2022/23 Outlook, 2023/24 Forecast, 2024/25 Forecast and 2025/26 Forecast in Figure 6.2 and 2019/20 Actual, 2020/21 Outlook, 2020/21 Actual, 2021/22 Actual and 2022/23 Outlook in Figure 8C.1 of the 2023 RRA. (Exhibit B-1, Chapter 6, Section D.1, Figure 6.2, Page 6-10 and Chapter 8, Appendix 8C, Figure 8C.1, Page 8C-2)

ICBC provided a breakdown of Corporate Operating Expenses by Expense Category and between Controllable (including Net Compensation) and Pension & Post-Retirement Benefit Expense for 2019/20 Actual, 2020/21 Outlook, 2021/22 Forecast, 2022/23 Forecast and 2023/24 Forecast in Figure 6.3 of the 2021 RRA. (ICBC 2021 RRA, Chapter 6, Section D.1, Figure 6.3, Page 6-11)

ICBC provides a schedule of average FTE's by employee group between 2021/22 Actual and 2025/26 Forecast in Figure 6.4 of the 2023 RRA. (Exhibit B-1, Chapter 6, Section D.1.2, Figure 6.4, Page 6-14)

Please explain why Net Compensation is forecast to increase $24 million ($564-$540) or 4.4% between the 2023/24 Forecast and the 2025/26 Forecast in the 2023 RRA, despite the forecast decrease in FTE's of 114 (5,497-5,611) during that 2-year period.

Response:

Please see the responses to information requests 2023.1 RR BCUC.30.2 and 2023.1 RR BCUC.31.1 for factors contributing to the increase in net compensation in 2023/24, 2024/25 and 2025/26 forecast years, partially offset by a forecast reduction in the average number of FTEs.

2023.1 RR BCOAPO.11.6

Reference: OPERATING EXPENSES & ALLOCATION INFORMATION
Exhibit B-1, Chapter 6, Section D.1, Figure 6.2, Page 6-10, Section D.1.2, Figure 6.4, Page 6-14 and Chapter 8, Appendix 8C, Figure 8C.1, Page 8C-2; 2021 ICBC RRA, Chapter 6, Section D.1, Figure 6.3, Page 6-11
Topic: Corporate Operating Expenses by Expense Category

Preamble:

> **ICBC provides a breakdown of Corporate Operating Expenses by Expense Category and between Controllable (including Net Compensation) and Pension & Post-Retirement Benefit Expense for 2021/22 Actual, 2022/23 Outlook, 2023/24 Forecast, 2024/25 Forecast and 2025/26 Forecast in Figure 6.2 and 2019/20 Actual, 2020/21 Outlook, 2020/21 Actual, 2021/22 Actual and 2022/23 Outlook in Figure 8C.1 of the 2023 RRA. (Exhibit B-1, Chapter 6, Section D.1, Figure 6.2, Page 6-10 and Chapter 8, Appendix 8C, Figure 8C.1, Page 8C-2)**
>
> **ICBC provided a breakdown of Corporate Operating Expenses by Expense Category and between Controllable (including Net Compensation) and Pension & Post-Retirement Benefit Expense for 2019/20 Actual, 2020/21 Outlook, 2021/22 Forecast, 2022/23 Forecast and 2023/24 Forecast in Figure 6.3 of the 2021 RRA. (ICBC 2021 RRA, Chapter 6, Section D.1, Figure 6.3, Page 6-11)**
>
> **ICBC provides a schedule of average FTE's by employee group between 2021/22 Actual and 2025/26 Forecast in Figure 6.4 of the 2023 RRA. (Exhibit B-1, Chapter 6, Section D.1.2, Figure 6.4, Page 6-14)**

Please provide ICBC's assumptions (percentage and dollars) with respect to general wage increases contained in the 2023/24, 2024/25 and 2025/26 operating expense forecasts, for both bargaining unit and non-bargaining unit employees.

Response:

For Bargaining Unit employees, the current Collective Agreement expired on June 30, 2022 and collective bargaining is currently in progress. Therefore, the wage increases for July 1, 2022 through March 31, 2023 (2022/23), 2023/24 and 2024/25 were determined based on the BC General Employees' Union's tentative agreement (2022 - 2025). Please see response to the information request 2023.1 RR BCUC.30.1 for percentage negotiated wage increases in the Collective Agreement. Also discussed in that response is the forecasted gross wage increase of 2% for 2025/26.

General wage increases (merit increase) percentage for management and confidential employees were kept in line with Bargaining Unit employees.

The table below shows the provision for wage increases for Bargaining Unit and Management and Confidential employees that were included in the 2023/24 to 2025/26 operating expense forecasts.

Wage Increase for Bargaining Unit and Management and Confidential Employees

Wage Increase (in $ Millions)	2023/24 Forecast	2024/25 Forecast	2025/26 Forecast
Bargaining Unit	$17.0	$10.3	$6.7
Management and Confidential	4.1	3.6	2.4
Total	**$21.1**	**$13.9**	**$9.1**

2023.1 RR BCOAPO.11.7

Reference: OPERATING EXPENSES & ALLOCATION INFORMATION
Exhibit B-1, Chapter 6, Section D.1, Figure 6.2, Page 6-10, Section D.1.2, Figure 6.4, Page 6-14 and Chapter 8, Appendix 8C, Figure 8C.1, Page 8C-2; 2021 ICBC RRA, Chapter 6, Section D.1, Figure 6.3, Page 6-11
Topic: Corporate Operating Expenses by Expense Category

Preamble:

> **ICBC provides a breakdown of Corporate Operating Expenses by Expense Category and between Controllable (including Net Compensation) and Pension & Post-Retirement Benefit Expense for 2021/22 Actual, 2022/23 Outlook, 2023/24 Forecast, 2024/25 Forecast and 2025/26 Forecast in Figure 6.2 and 2019/20 Actual, 2020/21 Outlook, 2020/21 Actual, 2021/22 Actual and 2022/23 Outlook in Figure 8C.1 of the 2023 RRA. (Exhibit B-1, Chapter 6, Section D.1, Figure 6.2, Page 6-10 and Chapter 8, Appendix 8C, Figure 8C.1, Page 8C-2)**
>
> **ICBC provided a breakdown of Corporate Operating Expenses by Expense Category and between Controllable (including Net Compensation) and Pension & Post-Retirement Benefit Expense for 2019/20 Actual, 2020/21 Outlook, 2021/22 Forecast, 2022/23 Forecast and 2023/24 Forecast in Figure 6.3 of the 2021 RRA. (ICBC 2021 RRA, Chapter 6, Section D.1, Figure 6.3, Page 6-11)**
>
> **ICBC provides a schedule of average FTE's by employee group between 2021/22 Actual and 2025/26 Forecast in Figure 6.4 of the 2023 RRA. (Exhibit B-1, Chapter 6, Section D.1.2, Figure 6.4, Page 6-14)**

Please provide ICBC's assumptions (percentage and dollars) with respect to individual length of service adjustments and merit increases that are contained in the 2023/24, 2024/25 and 2025/26 operating expense forecasts, for both bargaining unit and non-bargaining unit employees.

Response:

For bargaining unit employees, individual length of service adjustments are provided based on an employee's progression from one salary step to the next and there are no merit increases. These adjustments are not included in the general wage increase numbers that are shown in the response to information request 2023.1 RR BCOAPO.11.6.

The current Collective Agreement expired on June 30, 2022 and collective bargaining is currently in process. The individual length of service adjustments for July 1, 2022 through March 31, 2023 (2022/23), 2023/24 and 2024/25 were determined based on the BC General Employees' Union's tentative agreement (2022 - 2025). Individual length of service adjustment for July 1, 2025 through March 31, 2026 (2025/26) were kept consistent with 2024/25.

Based on historical trends for individual length of service adjustments for Bargaining Unit employees, a provision of approximately 1.1% of Bargaining Unit salaries was included in the forecasts for 2023/24, 2024/25 and 2025/26 as shown in the table below.

Bargaining Unit Length of Service Adjustments

($ millions)	2023/24 Forecast	2024/25 Forecast	2025/26 Forecast
Length of Service Adjustments	$3.4	$3.5	$3.5

For management and confidential employees, there are no length of service adjustments. Additionally, merit increases are included in the gross wage increases for management and confidential employees that are set out in the response to information request 2023.1 RR BCOAPO.11.6.

2023.1 RR BCOAPO.11.8

Reference: OPERATING EXPENSES & ALLOCATION INFORMATION
Exhibit B-1, Chapter 6, Section D.1, Figure 6.2, Page 6-10, Section D.1.2, Figure 6.4, Page 6-14 and Chapter 8, Appendix 8C, Figure 8C.1, Page 8C-2; 2021 ICBC RRA, Chapter 6, Section D.1, Figure 6.3, Page 6-11
Topic: Corporate Operating Expenses by Expense Category

Preamble:

> **ICBC provides a breakdown of Corporate Operating Expenses by Expense Category and between Controllable (including Net Compensation) and Pension & Post-Retirement Benefit Expense for 2021/22 Actual, 2022/23 Outlook, 2023/24 Forecast, 2024/25 Forecast and 2025/26 Forecast in Figure 6.2 and 2019/20 Actual, 2020/21 Outlook, 2020/21 Actual, 2021/22 Actual and 2022/23 Outlook in Figure 8C.1 of the 2023 RRA. (Exhibit B-1, Chapter 6, Section D.1, Figure 6.2, Page 6-10 and Chapter 8, Appendix 8C, Figure 8C.1, Page 8C-2)**
>
> **ICBC provided a breakdown of Corporate Operating Expenses by Expense Category and between Controllable (including Net Compensation) and Pension & Post-Retirement Benefit Expense for 2019/20 Actual, 2020/21 Outlook, 2021/22 Forecast, 2022/23 Forecast and 2023/24 Forecast in Figure 6.3 of the 2021 RRA. (ICBC 2021 RRA, Chapter 6, Section D.1, Figure 6.3, Page 6-11)**
>
> **ICBC provides a schedule of average FTE's by employee group between 2021/22 Actual and 2025/26 Forecast in Figure 6.4 of the 2023 RRA. (Exhibit B-1, Chapter 6, Section D.1.2, Figure 6.4, Page 6-14)**

Please (i) explain why Professional, Administrative & Other Expenses are forecast to increase $38 million ($171-$133) or 28.6% between 2021/22 Actual and 2025/26 Forecast and (ii) confirm that the average annual rate of increase of Professional, Administrative & Other Expenses over that 4-year period is 7.2% (28.6%/4) per year.

Response:

The 2023/24, 2024/25 and 2025/26 forecasts were developed using 2022/23 outlook as the basis and were adjusted for expected known changes as of August 31, 2022. These outer year forecasts were developed using high-level estimates and were not prepared at the same level of granularity as the 2022/23 outlook. Professional, administrative and other expenses are forecast to increase to $171 million in 2025/26. This reflects an increase of $38 million over the 2021/22 actuals of $133 million. The table below sets out the various categories of professional, administrative and other expenses and the Compounded Annual Growth Rate (CAGR) from 2021/22 actual to 2025/26 forecast.

Professional, Administrative and Other Expenses

($ Millions)[1]	2021/22 Actual	2022/23 Outlook	2023/24 Forecast	2024/25 Forecast	2025/26 Forecast	Increase 2021/22 to 2025/26	CAGR 2021/22 to 2025/26
Building Operating Expenses	$23	$25	$25	$26	$27	$4	4.1%
Computer Costs	31	32	34	36	39	8	5.9%
Professional Services	19	20	21	21	22	3	3.7%
Staff Related Expenses including Training	5	8	8	9	9	4	15.8%
Other Operating Expenses	55	61	65	70	74	19	7.7%
Professional, Administrative and Other Expenses	**$133**	**$146**	**$154**	**$162**	**$171**	**$38**	**6.5%**

[1] Rounding may affect totals.

Building operating expenses are expected to increase by $4 million, primarily due to increase in operating costs for existing facilities which are driven by inflation and higher property values. These include increase in property tax, security, utilities, and other miscellaneous expenses.

Computer costs are expected to increase by $8 million, primarily due to higher subscription cost for Microsoft 365 (productivity software), additional business process automation software, and provisional sustainment costs from future projects supporting ICBC's 2025 Corporate Strategy. Please see the response to the information request 2023.1 RR BCUC.27.3 for explanation on sustainment expenses forecast for 2023/24 to 2025/26.

Professional services are expected to increase by $3 million due to inflation and contractual commitments, resulting in higher costs for legal, actuarial, audit, language translation services, IT consulting and support, and other miscellaneous services.

Staff related expenses, including staff training, travel and accommodation, employment expenses and others are expected to increase by $4 million. With the implementation of Enhanced Care on May 1, 2021, some processes were completely redesigned, contributing to a steep learning curve for new Enhanced Care claims employees, thus, contributing to higher staff training expenses. Additionally, travel and accommodation and other expense patterns are expected to return to normal, compared to 2021/22, which was lower due to COVID-19 impacts.

Other operating expenses are expected to increase by $19 million. This includes miscellaneous expenses such as bad debt expenses, printing stationery and supplies, advertising, promotion, postage, outside information processing, telecommunications, vehicle expenses, and bank charges. Individually, these expenses are expected to increase at or under $1 million due to inflation and contractual commitments.

2023.1 RR BCOAPO.11.9

Reference: OPERATING EXPENSES & ALLOCATION INFORMATION
Exhibit B-1, Chapter 6, Section D.1, Figure 6.2, Page 6-10, Section D.1.2, Figure 6.4, Page 6-14 and Chapter 8, Appendix 8C, Figure 8C.1, Page 8C-2; 2021 ICBC RRA, Chapter 6, Section D.1, Figure 6.3, Page 6-11
Topic: Corporate Operating Expenses by Expense Category

Preamble:

ICBC provides a breakdown of Corporate Operating Expenses by Expense Category and between Controllable (including Net Compensation) and Pension & Post-Retirement Benefit Expense for 2021/22 Actual, 2022/23 Outlook, 2023/24 Forecast, 2024/25 Forecast and 2025/26 Forecast in Figure 6.2 and 2019/20 Actual, 2020/21 Outlook, 2020/21 Actual, 2021/22 Actual and 2022/23 Outlook in Figure 8C.1 of the 2023 RRA. (Exhibit B-1, Chapter 6, Section D.1, Figure 6.2, Page 6-10 and Chapter 8, Appendix 8C, Figure 8C.1, Page 8C-2)

ICBC provided a breakdown of Corporate Operating Expenses by Expense Category and between Controllable (including Net Compensation) and Pension & Post-Retirement Benefit Expense for 2019/20 Actual, 2020/21 Outlook, 2021/22 Forecast, 2022/23 Forecast and 2023/24 Forecast in Figure 6.3 of the 2021 RRA. (ICBC 2021 RRA, Chapter 6, Section D.1, Figure 6.3, Page 6-11)

ICBC provides a schedule of average FTE's by employee group between 2021/22 Actual and 2025/26 Forecast in Figure 6.4 of the 2023 RRA. (Exhibit B-1, Chapter 6, Section D.1.2, Figure 6.4, Page 6-14)

Please confirm that (i) Pension & Post-Retirement Benefit Expenses are forecast to decrease $48 million ($53-$101) or 47.5% between 2021/22 Actual and 2025/26 Forecast and (ii) that the primary reason for this decrease is the increase in the Pension & Post-Retirement Benefit Discount Rates over that period of time.

Response:

(i) Confirmed. Pension & post-retirement benefit expenses are forecast to decrease by $48 million between 2021/22 actual and 2025/26 forecast.

(ii) Please see responses to the following information requests for the primary reasons for the decrease:

- 2023.1 RR BCUC.33.2 for the decrease from $101 million in 2021/22 actual to $66 million in 2022/23 outlook and;

- 2023.1 RR BCUC.33.3 for the decrease from 2022/23 outlook of $66 million to $53 million for 2023/24 to 2025/26 forecasts.

2023.1 RR BCOAPO.11.10

Reference: OPERATING EXPENSES & ALLOCATION INFORMATION
Exhibit B-1, Chapter 6, Section D.1, Figure 6.2, Page 6-10, Section D.1.2, Figure 6.4, Page 6-14 and Chapter 8, Appendix 8C, Figure 8C.1, Page 8C-2; 2021 ICBC RRA, Chapter 6, Section D.1, Figure 6.3, Page 6-11
Topic: Corporate Operating Expenses by Expense Category

Preamble:

> **ICBC provides a breakdown of Corporate Operating Expenses by Expense Category and between Controllable (including Net Compensation) and Pension & Post-Retirement Benefit Expense for 2021/22 Actual, 2022/23 Outlook, 2023/24 Forecast, 2024/25 Forecast and 2025/26 Forecast in Figure 6.2 and 2019/20 Actual, 2020/21 Outlook, 2020/21 Actual, 2021/22 Actual and 2022/23 Outlook in Figure 8C.1 of the 2023 RRA. (Exhibit B-1, Chapter 6, Section D.1, Figure 6.2, Page 6-10 and Chapter 8, Appendix 8C, Figure 8C.1, Page 8C-2)**
>
> **ICBC provided a breakdown of Corporate Operating Expenses by Expense Category and between Controllable (including Net Compensation) and Pension & Post-Retirement Benefit Expense for 2019/20 Actual, 2020/21 Outlook, 2021/22 Forecast, 2022/23 Forecast and 2023/24 Forecast in Figure 6.3 of the 2021 RRA. (ICBC 2021 RRA, Chapter 6, Section D.1, Figure 6.3, Page 6-11)**
>
> **ICBC provides a schedule of average FTE's by employee group between 2021/22 Actual and 2025/26 Forecast in Figure 6.4 of the 2023 RRA. (Exhibit B-1, Chapter 6, Section D.1.2, Figure 6.4, Page 6-14)**

Please provide (i) the Pension & Post-Retirement Benefit Discount Rates for 2021/22 Actual, 2022/23 Outlook, 2023/24 Forecast, 2024/25 Forecast and 2025/26 Forecast and (ii) the sensitivity of Operating Expenses to a 1.0% change (increase and decrease) in Pension & Post-Retirement Benefit Discount Rates for the 2022/23 Outlook, 2023/24 Forecast, 2024/25 Forecast and 2025/26 Forecast.

Response:

The table below shows the discount rate used, and the impact of a 1% change in the discount rate on the pension and post-retirement benefit expenses.

($ Millions)	2021/22 Actual	2022/23 Outlook	2023/24 Forecast	2024/25 Forecast	2025/26 Forecast
Discount rate	3.3%	4.1%	4.9%	4.9%	4.9%
Impact of 1% decrease in the discount rate on pension and post-retirement benefit expenses[1]	50	49	45	45	45
Impact of 1% increase in the discount rate on pension and post-retirement benefit expenses[1]	(64)	(60)	(55)	(55)	(55)

[1] These are impacts that are estimated at a point in time and intended to provide a high-level of sensitivity to discount rate changes.

2023.1 RR BCOAPO.12.1

Reference: OPERATING EXPENSES & ALLOCATION INFORMATION

Exhibit B-1, Chapter 6, Section D.1.2, Figure 6.4, Page 6-14, Chapter 8, Appendix 8C, Section E, Figure 8C.5, Page 8C-10; and ICBC 2021 RRA, Chapter 6, Section D.1.1.1, Figure 6.5, Page 6-15

Topic: Average FTE's by Employee Group & Division

Preamble:

> **ICBC provides a breakdown of Average FTE's by Employee Group for 2021/22 Actual, 2022/23 Outlook, 2023/24 Forecast, 2024/25 Forecast and 2025/26 Forecast in Figure 6.4 and 2019/20 Actual, 2020/21 Outlook, 2020/21 Actual, 2021/22 Actual and 2022/23 Outlook in Figure 8C.5 of the 2023 RRA. (Exhibit B-1, Chapter 6, Section D.1.2, Figure 6.4, Page 6-14 and Chapter 8, Appendix 8C, Section E, Figure 8C.5, Page 8C-10)**
>
> **ICBC provided a breakdown of Average FTE's by Employee Group for 2019/20 Actual, 2020/21 Outlook, 2021/22 Forecast, 2022/23 Forecast and 2023/24 Forecast in Figure 6.3 of the 2021 RRA. (ICBC 2021 RRA, Chapter 6, Section D.1.1.1, Figure 6.5, Page 6-15)**

Please explain why Net Compensation is only $3 million ($490-$493) or -0.6% lower in the 2021/22 Actual from the 2023 RRA as compared to the 2021/22 Forecast from the 2021 RRA, despite the fact that Average FTE's are 247 (5,521-5,768) or 4.3% lower between the 2023 RRA and 2021 RRA.

Response:

The fiscal year (FY) 2021/22 actual net compensation of $490 million in the 2023 RRA is $3 million lower than 2021/22 forecast net compensation of $493 million in the 2021 RRA. The decrease is mainly due to 277 lower average FTEs (i.e., ICBC FTEs as per the 2021 RRA were 5,750 and ICBC FTEs as per the 2023 RRA are 5,473). The FTEs were lower due to higher attrition rates and recruitment challenges.

The 2021/22, 2022/23 and 2023/24 forecasts in the 2021 RRA were developed using 2020/21 Outlook as the basis and adjusted for expected known changes as of August 31, 2020. The forecast was developed using high-level estimates and was not prepared at the same level of granularity as budget and outlook. Consequently, some of the information was not available when these forecasts were developed in the 2021 RRA. As such, below are some factors that contributed to an increase in costs offsetting the decrease of lower average FTEs.

- **Roll-in impact of Gainsharing target into base salary:** As part of the 2019-2022 Collective Agreement, MoveUP and ICBC agreed to eliminate the Gainsharing plan effective April 1, 2020. This means that, for the impacted employees, there was a 0.78% salary increase effective September 1, 2020 and a further 1.0% salary increase effective March 1, 2021.
- **Increase in employee benefit costs:** ICBC experienced higher than anticipated increases in employee benefit costs. For example, starting in 2019, the Canada Pension Plan contribution has been gradually increasing, and there has been increases in extended health and dental costs, etc. These increases result in additional costs of benefits to ICBC.
- Other increases include net compensation increase due to changes in staff mix, individual job progression, promotion and other factors.

2023.1 RR BCOAPO.12.2

Reference: OPERATING EXPENSES & ALLOCATION INFORMATION

Exhibit B-1, Chapter 6, Section D.1.2, Figure 6.4, Page 6-14, Chapter 8, Appendix 8C, Section E, Figure 8C.5, Page 8C-10; and ICBC 2021 RRA, Chapter 6, Section D.1.1.1, Figure 6.5, Page 6-15

Topic: Average FTE's by Employee Group & Division

Preamble:

> **ICBC provides a breakdown of Average FTE's by Employee Group for 2021/22 Actual, 2022/23 Outlook, 2023/24 Forecast, 2024/25 Forecast and 2025/26 Forecast in Figure 6.4 and 2019/20 Actual, 2020/21 Outlook, 2020/21 Actual, 2021/22 Actual and 2022/23 Outlook in Figure 8C.5 of the 2023 RRA. (Exhibit B-1, Chapter 6, Section D.1.2, Figure 6.4, Page 6-14 and Chapter 8, Appendix 8C, Section E, Figure 8C.5, Page 8C-10)**
>
> **ICBC provided a breakdown of Average FTE's by Employee Group for 2019/20 Actual, 2020/21 Outlook, 2021/22 Forecast, 2022/23 Forecast and 2023/24 Forecast in Figure 6.3 of the 2021 RRA. (ICBC 2021 RRA, Chapter 6, Section D.1.1.1, Figure 6.5, Page 6-15)**

Please explain why Net Compensation is $24 million ($516-$492) or 4.5% higher in the 2022/23 Outlook from the 2023 RRA as compared to the 2022/23 Forecast from the 2021 RRA, despite the fact that Average FTE's are 70 (5,637-5,707) or 1.2% lower between the 2023 RRA and 2021 RRA.

Response:

The 2021/22, 2022/23 and 2023/24 forecasts in the 2021 RRA were developed using 2020/21 outlook as the basis and adjusted for expected known changes as of August 31, 2020. The 2022/23 forecast in the 2021 RRA was developed using high-level estimates and was not prepared at the same level of granularity as budget and outlook.

The increase of $24 million in 2022/23 outlook net compensation of $516 million in the 2023 RRA, as compared to the 2022/23 forecast net compensation of $492 million in the 2021 RRA is mainly driven by rising inflation and higher cost of living, despite lower average FTEs. Please see the response to the information request 2023.1 RR BCUC.30.4 for factors contributing to higher than anticipated net compensation costs.

2023.1 RR BCOAPO.12.3

Reference: OPERATING EXPENSES & ALLOCATION INFORMATION

Exhibit B-1, Chapter 6, Section D.1.2, Figure 6.4, Page 6-14, Chapter 8, Appendix 8C, Section E, Figure 8C.5, Page 8C-10; and ICBC 2021 RRA, Chapter 6, Section D.1.1.1, Figure 6.5, Page 6-15

Topic: Average FTE's by Employee Group & Division

Preamble:

> **ICBC provides a breakdown of Average FTE's by Employee Group for 2021/22 Actual, 2022/23 Outlook, 2023/24 Forecast, 2024/25 Forecast and 2025/26 Forecast in Figure 6.4 and 2019/20 Actual, 2020/21 Outlook, 2020/21 Actual, 2021/22 Actual and 2022/23 Outlook in Figure 8C.5 of the 2023 RRA. (Exhibit B-1, Chapter 6, Section D.1.2, Figure 6.4, Page 6-14 and Chapter 8, Appendix 8C, Section E, Figure 8C.5, Page 8C-10)**
>
> **ICBC provided a breakdown of Average FTE's by Employee Group for 2019/20 Actual, 2020/21 Outlook, 2021/22 Forecast, 2022/23 Forecast and 2023/24 Forecast in Figure 6.3 of the 2021 RRA. (ICBC 2021 RRA, Chapter 6, Section D.1.1.1, Figure 6.5, Page 6-15)**

Please explain why Net Compensation is $43 million ($540-$497) or 8.7% higher in the 2023/24 Forecast from the 2023 RRA as compared to the 2023/24 Forecast from the 2021 RRA, despite the fact that Average FTE's are 18 (5,611-5,629) or 0.3% lower between the 2023 RRA and 2021 RRA.

Response:

The increase of $43 million in 2022/23 outlook net compensation of $540 million in the 2023 RRA, as compared to the 2022/23 forecast net compensation of $497 million in the 2021 RRA is mainly driven by rising inflation and higher cost of living, despite lower average FTEs. Please see the response to the information request 2023.1 RR BCUC.30.4 for factors contributing to higher than anticipated net compensation costs.

2023.1 RR BCOAPO.12.4

Reference: OPERATING EXPENSES & ALLOCATION INFORMATION

Exhibit B-1, Chapter 6, Section D.1.2, Figure 6.4, Page 6-14, Chapter 8, Appendix 8C, Section E, Figure 8C.5, Page 8C-10; and ICBC 2021 RRA, Chapter 6, Section D.1.1.1, Figure 6.5, Page 6-15

Topic: Average FTE's by Employee Group & Division

Preamble:

> **ICBC provides a breakdown of Average FTE's by Employee Group for 2021/22 Actual, 2022/23 Outlook, 2023/24 Forecast, 2024/25 Forecast and 2025/26 Forecast in Figure 6.4 and 2019/20 Actual, 2020/21 Outlook, 2020/21 Actual, 2021/22 Actual and 2022/23 Outlook in Figure 8C.5 of the 2023 RRA. (Exhibit B-1, Chapter 6, Section D.1.2, Figure 6.4, Page 6-14 and Chapter 8, Appendix 8C, Section E, Figure 8C.5, Page 8C-10)**
>
> **ICBC provided a breakdown of Average FTE's by Employee Group for 2019/20 Actual, 2020/21 Outlook, 2021/22 Forecast, 2022/23 Forecast and 2023/24 Forecast in Figure 6.3 of the 2021 RRA. (ICBC 2021 RRA, Chapter 6, Section D.1.1.1, Figure 6.5, Page 6-15)**

Please provide a revised version of the 3 tables in Figure 8C.5 that include columns and the FTE figures for 2023/24 Forecast, 2024/25 Forecast and 2025/26 Forecast – for (i) FTE's by Division & Employee Group (BU, M&C and Contractors) (ii) Management and Confidential FTE's by Division and (iii) Bargaining Unit FTE's by Division.

Response:

Below is the updated version of the three tables, including 2023/24, 2024/25 and 2025/26 forecasts.

Average FTEs represent the sum of the number of FTEs measured at each month of the year, divided by the number of months in the fiscal year. It represents an average over a period of time, rather than a point in time.

Average Number of FTEs by Division and by Employee Group[1]

Employee Group[1,2]	**2023/24 Forecast**	**2024/25 Forecast**	**2025/26 Forecast**
Bargaining Unit	4,280	4,195	4,198
Management and Confidential	1,301	1,281	1,269
Contractors	30	30	30
Total ICBC FTEs (including contractors)	**5,611**	**5,506**	**5,497**

Management and Confidential (M&C) Employee Group FTEs

Division[1,2]	**2023/24 Forecast**	**2024/25 Forecast**	**2025/26 Forecast**
Claims Injury and Legal Services	327	307	298
Claims Customer and Material Damage Services	252	255	254
Insurance	93	93	93
Customer Experience and Public Affairs	80	80	80
Information Services	154	154	154
Finance	111	111	111
Driver Licensing and Corporate Affairs	157	155	153
Executive	14	14	14
Human Resources	113	113	113
Total M&C FTEs	**1,301**	**1,281**	**1,269**

Bargaining Unit (BU) Employee Group FTEs

Division[1,2]	**2023/24 Forecast**	**2024/25 Forecast**	**2025/26 Forecast**
Claims Injury and Legal Services	1,002	896	870
Claims Customer and Material Damage Services	1,468	1,497	1,516
Insurance	376	378	379
Customer Experience and Public Affairs	59	59	59
Information Services	531	531	531
Finance	138	138	138
Driver Licensing and Corporate Affairs	679	670	677
Human Resources	27	27	27
Total BU FTEs	**4,280**	**4,195**	**4,198**

[1] Rounding may affect totals and percentages. Restated to conform to the current presentation format.
[2] Total FTEs exclude FTEs relating to RAAP, ACE, and government initiatives that are cost recoverable. The Transformation Program ended in 2016/17; therefore, there are no associated FTEs in subsequent periods.

2023.1 RR BCOAPO.12.5

Reference: OPERATING EXPENSES & ALLOCATION INFORMATION

Exhibit B-1, Chapter 6, Section D.1.2, Figure 6.4, Page 6-14, Chapter 8, Appendix 8C, Section E, Figure 8C.5, Page 8C-10; and ICBC 2021 RRA, Chapter 6, Section D.1.1.1, Figure 6.5, Page 6-15

Topic: Average FTE's by Employee Group & Division

Preamble:

> **ICBC provides a breakdown of Average FTE's by Employee Group for 2021/22 Actual, 2022/23 Outlook, 2023/24 Forecast, 2024/25 Forecast and 2025/26 Forecast in Figure 6.4 and 2019/20 Actual, 2020/21 Outlook, 2020/21 Actual, 2021/22 Actual and 2022/23 Outlook in Figure 8C.5 of the 2023 RRA. (Exhibit B-1, Chapter 6, Section D.1.2, Figure 6.4, Page 6-14 and Chapter 8, Appendix 8C, Section E, Figure 8C.5, Page 8C-10)**
>
> **ICBC provided a breakdown of Average FTE's by Employee Group for 2019/20 Actual, 2020/21 Outlook, 2021/22 Forecast, 2022/23 Forecast and 2023/24 Forecast in Figure 6.3 of the 2021 RRA. (ICBC 2021 RRA, Chapter 6, Section D.1.1.1, Figure 6.5, Page 6-15)**

Please confirm that (i) the number of Management & Confidential (M&C) FTE's are forecast to increase 138 (1,312-1,174) or 11.8% from 2019/20 Actual to 2022/23 Outlook and (ii) the number of Bargaining Unit (BU) FTE's are forecast to decrease 6 (4,281-4,287) or 0.1% from 2019/20 Actual to 2022/23 Outlook.

Response:

Confirmed. The number of Management and Confidential FTEs are forecasted to increase by 138 FTEs from the 2019/20 Actual to 2022/23 Outlook. Please see the response to information request 2023.1 RR BCOAPO.12.6 for an explanation of the increase.

The number of Bargaining Unit FTEs are forecasted to decrease by six FTEs from 2019/20 Actual to 2022/23 Outlook and remain relatively steady from 2023/24 Forecast to 2025/26 Forecast.

2023.1 RR BCOAPO.12.6

Reference: OPERATING EXPENSES & ALLOCATION INFORMATION

Exhibit B-1, Chapter 6, Section D.1.2, Figure 6.4, Page 6-14, Chapter 8, Appendix 8C, Section E, Figure 8C.5, Page 8C-10; and ICBC 2021 RRA, Chapter 6, Section D.1.1.1, Figure 6.5, Page 6-15

Topic: Average FTE's by Employee Group & Division

Preamble:

> **ICBC provides a breakdown of Average FTE's by Employee Group for 2021/22 Actual, 2022/23 Outlook, 2023/24 Forecast, 2024/25 Forecast and 2025/26 Forecast in Figure 6.4 and 2019/20 Actual, 2020/21 Outlook, 2020/21 Actual, 2021/22 Actual and 2022/23 Outlook in Figure 8C.5 of the 2023 RRA. (Exhibit B-1, Chapter 6, Section D.1.2, Figure 6.4, Page 6-14 and Chapter 8, Appendix 8C, Section E, Figure 8C.5, Page 8C-10)**
>
> **ICBC provided a breakdown of Average FTE's by Employee Group for 2019/20 Actual, 2020/21 Outlook, 2021/22 Forecast, 2022/23 Forecast and 2023/24 Forecast in Figure 6.3 of the 2021 RRA. (ICBC 2021 RRA, Chapter 6, Section D.1.1.1, Figure 6.5, Page 6-15)**

Please provide explanations for the more material increases in Management & Confidential FTE's from 2019/20 Actual to 2022/23 Outlook for the following Divisions from Figure 8C.5 of Appendix 8C (i) Insurance = +28 FTE's (ii) Customer Experience & Public Affairs = +24 FTE's (iii) Finance = +21 FTE's (iv) Drivers Licensing & Corporate Affairs = +20 FTE's and (v) Human Resources = + 35 FTE's.

Response:

The following summarizes the increases in Management and Confidential FTEs from 2019/20 actual to 2022/23 outlook.

- Insurance (+28 FTEs): The increase is primarily due to additional staffing required to refine Optional insurance pricing and support the 2025 strategy in Insurance Pricing. There was also a demand in Business Support Advisor and Business Process Advisors to serve new teams in Insurance Sustainment. ICBC operates on an integrated basis and, as discussed in the Application, Chapter 6, uses a BCUC-approved financial allocation methodology to allocate its operating costs between the Basic insurance, Non-insurance, and Optional insurance Lines of business.

- Customer Experience and Public Affairs (+24 FTEs): The increase is to support a new model that creates a customer experience partner for each line of business, additional staff to expand scope and depth of Customer/employee/stakeholder insights, and an increased focus to enhance the customer experiences.
- Finance (+21 FTEs): The increase is mainly from Operational Analytics due to a demand in supporting the Insurance division with workforce planning and the Information Governance project. The project's objective was to have robust data management and governance by implementing data quality management practices to drive smart and efficient decisions. There were also additional actuarial staff required to support Enhanced Care.
- Driver Licensing and Corporate Affairs (+20 FTEs): The increase is due to additional Special Investigation Unit investigators in Driver Licensing to address growth in the Driver Training industry to maintain regulatory capacity. In addition, additional managers were required in Driver Licensing Offices to maintain span of control as additional Bargaining Unit FTEs were hired to meet the higher volume.
- Human Resources (HR) (+35 FTEs): Increase to support the People Strategy, a corporate project to build a talented, diverse and engaged workforce, which required additional staffing to deliver on enhancing HR capabilities and improving the quality of HR services to assist other divisions.

2023.1 RR BCOAPO.12.7

Reference: OPERATING EXPENSES & ALLOCATION INFORMATION

Exhibit B-1, Chapter 6, Section D.1.2, Figure 6.4, Page 6-14, Chapter 8, Appendix 8C, Section E, Figure 8C.5, Page 8C-10; and ICBC 2021 RRA, Chapter 6, Section D.1.1.1, Figure 6.5, Page 6-15

Topic: Average FTE’s by Employee Group & Division

Preamble:

> **ICBC provides a breakdown of Average FTE’s by Employee Group for 2021/22 Actual, 2022/23 Outlook, 2023/24 Forecast, 2024/25 Forecast and 2025/26 Forecast in Figure 6.4 and 2019/20 Actual, 2020/21 Outlook, 2020/21 Actual, 2021/22 Actual and 2022/23 Outlook in Figure 8C.5 of the 2023 RRA. (Exhibit B-1, Chapter 6, Section D.1.2, Figure 6.4, Page 6-14 and Chapter 8, Appendix 8C, Section E, Figure 8C.5, Page 8C-10)**
>
> **ICBC provided a breakdown of Average FTE’s by Employee Group for 2019/20 Actual, 2020/21 Outlook, 2021/22 Forecast, 2022/23 Forecast and 2023/24 Forecast in Figure 6.3 of the 2021 RRA. (ICBC 2021 RRA, Chapter 6, Section D.1.1.1, Figure 6.5, Page 6-15)**

Please provide an explanation for the increase in Contractor FTE’s of 22 (44-22) or 100% from 2019/20 Actual to 2022/23 Outlook.

Response:

The increase in contractor FTEs from 2019/20 actual to 2022/23 outlook is due to an increase in project demand and complexity and the increasing use of contractors for sustaining operations at times when there are challenges in recruiting specialized staff.

ICBC employs contractors to support operational needs to provide specialized skills not readily available in the company and to meet temporary fluctuations in workload.

Please see the table below for the comparison of 2019/20 actual and 2022/23 outlook for contractor FTEs and project spending.

ICBC Contractor FTEs and Project Spending - 2019/20 Actual versus 2022/23 Outlook

	2019/20 Actual	2022/23 Outlook	Increase
Total Contractor FTEs	22	44	22
Project Spending ($ millions)[1]	37	75	38

[1] Project Spending includes both capital expenditures and expenses related to corporate projects. This excludes projects related to the Rate Affordability Action Plan and Enhanced Care.

2023.1 RR BCOAPO.13.1

Reference: BUSINESS OPERATIONS
Exhibit B-1, Chapter 7, Appendix 7A, Section D, Page 7A-3 and Figure 7A.1, Page 7A-4
Topic: Broker Renumeration Increases

Preamble:

> **"ICBC has committed to ensuring fair renumeration for Brokers…ICBC has a long history of managing broker Basic fees so as not to compound other cost pressures, in order to help keep Basic insurance premiums more affordable." (Exhibit B-1, Chapter 7, Appendix 7A, Section D, pg. 7A-3)**
>
> **ICBC provides a table of Broker Basic Fees for New, Renewal and Change Transactions in Figure 7A.1 (Exhibit B-1, Chapter 7, Appendix 7A, Section D, Figure 7A.1, pg. 7A-4)**

Please confirm that based on the fees outlined in Figure 7A.1, the Broker renumeration increased 8.0% in 2021, 1.5% in 2022 and 5.5% in 2023 for a total 3-year increase of approximately 15.6% or an average of approximately 5.2% per year.

Response:

ICBC confirms the broker remuneration increases as shown above, including the compounded total 3-year increase of approximately 15.6% and the average annual increase of 5.2%. Please note that expanding the scope to the last six years versus three years, the compound increase is still at 15.6%, whereas the average annual increase is only 2.6%; due to several years of no increases. Similarly, over the last 10 years the increase is 22.5%, or on average, 2.3% per year.

2023.1 RR BCOAPO.13.2

Reference: BUSINESS OPERATIONS
Exhibit B-1, Chapter 7, Appendix 7A, Section D, Page 7A-3 and Figure 7A.1, Page 7A-4
Topic: Broker Renumeration Increases

Preamble:

> **"ICBC has committed to ensuring fair renumeration for Brokers…ICBC has a long history of managing broker Basic fees so as not to compound other cost pressures, in order to help keep Basic insurance premiums more affordable." (Exhibit B-1, Chapter 7, Appendix 7A, Section D, pg. 7A-3)**
>
> **ICBC provides a table of Broker Basic Fees for New, Renewal and Change Transactions in Figure 7A.1 (Exhibit B-1, Chapter 7, Appendix 7A, Section D, Figure 7A.1, pg. 7A-4)**

Please explain how a 15.6% increase in Broker fees between 2020 and 2023 is fair and balanced to policyholders and is evidence of ICBC managing Broker fees so that they don't compound other cost pressures, such as increasing claims costs.

Response:

The cumulative Basic broker fee increase between 2020 and 2023, as outlined in the Application, Chapter 7, Appendix 7A, Figure 7A.1, is fair and balanced when considered in context with the seven years prior when brokers received zero or a very small increase. Over the three-year period between 2018 and 2020 when ICBC was experiencing considerable pressure on claims costs, brokers received no increase in Basic fees. With the introduction of Enhanced Care in 2021, claim costs pressures were significantly reduced and ICBC's financial position had improved, allowing ICBC to respond to the rising cost pressures our broker partners were facing, such as rising inflation and labour costs. Overall, the Basic broker fee increase has a minimal impact on Basic insurance rates.

2023.1 RR BCOAPO.14.1

Reference: BUSINESS OPERATIONS

Exhibit B-1, Chapter 7, Appendix 7B, Section A, Page 7B-2, Section C, Pages 7B-8 and 7B-10, Section C.2, Page 7B-13, Chapter 8, Appendix 8A, Section E.2, Page 8A-29
Topic: Delay of Revised Material Damage Strategy

Preamble:

> **"Continued modernization of ICBC's collision repair and glass programs and investment in technology to streamline claims processes will help to keep repair costs as low as possible and are part of ICBC's goals "To be Smart & Efficient" and "To Make Insurance Affordable". (Exhibit B-1, Chapter 7, Appendix 7B, Section A, Page 7B-2)**
>
> **The period from 2020 through 2022 has presented a unique set of conditions, which continue to have considerable influence on Material Damage (MD) program operations. Ongoing COVID-19 supply chain disruptions…a lack of microchip supply…The average cost to repair vehicles is increasing across the industry, which is consistent with higher average repair costs and vehicle values." (Exhibit B-1, Chapter 7, Appendix 7B, Section C, Page 7B-8)**
>
> **"Since the completion of PIBR, industry conditions, stemming from the macro economic impact of COVID-19, have changed considerably, placing further cost pressures on all MD suppliers. Specific to Collision Repairers, there has been a steady decrease in the number of facilities and technicians…In consideration of these factors, a strategic decision was made to increase collision repair supplier labour rates in excess of inflation in order to better support a sufficient number of repair facilities and qualified technicians…In response, ICBC is providing annual rate increases to all MD suppliers that could total up to approximately 19% over the next three years in an effort to help address ongoing cost pressures of these suppliers." (Exhibit B-1, Chapter 7, Appendix 7B, Section C, Page 7B-10)**
>
> **"In the 2021 Revenue Requirements Proceeding ICBC expected to define a long-term MD Strategy and roadmap by the end of calendar year 2021. However, given current industry conditions, including major supply chain disruptions and inflationary pressure, the MD strategy developed in 2021 requires revision, with an increased priority on securing the long-term supply of MD vendors and supporting technicians. An updated strategy will be available by the end of the 2022/23 fiscal year." (Exhibit B-1, Chapter 7, Appendix 7B, Section C.2, Page 7B-13)**
>
> **"ICBC is continuing to refine its Material Damage Strategy…to address the pressures faced by the collision repair industry and to fulfill its commitment to make insurance affordable for British Columbians." (Exhibit B-1, Chapter 8, Appendix 8A, Section E.2, Page 8A-29)**

14.1 Please explain whether ICBC is concerned from a mandate and policy perspective about providing significant MD rate increases of up to 19% in order to support privately-owned repair facilities in BC.

14.1.1 If not, please explain why.

14.1.2 If so, please explain how ICBC is addressing that concern in this application and/or going forward.

Response:

ICBC recognizes some material damage (MD) suppliers have been impacted by the COVID-19 pandemic and related changes to the market. Our business partners are facing significant challenges, including cost pressures due to inflation, attracting and retaining talent and a decline in capacity for vehicle repairs. ICBC has provided MD suppliers with a reasonable rate increase to address cost pressures. ICBC’s efforts strike a balance between providing MD suppliers with consistency, helping them plan for future years, and increasing capacity for vehicle repairs, while also supporting our commitment to keep rates affordable for British Columbians.

2023.1 RR BCOAPO.14.2

Reference: BUSINESS OPERATIONS

Exhibit B-1, Chapter 7, Appendix 7B, Section A, Page 7B-2, Section C, Pages 7B-8 and 7B-10, Section C.2, Page 7B-13, Chapter 8, Appendix 8A, Section E.2, Page 8A-29
Topic: Delay of Revised Material Damage Strategy

Preamble:

> **"Continued modernization of ICBC's collision repair and glass programs and investment in technology to streamline claims processes will help to keep repair costs as low as possible and are part of ICBC's goals "To be Smart & Efficient" and "To Make Insurance Affordable". (Exhibit B-1, Chapter 7, Appendix 7B, Section A, Page 7B-2)**
>
> **The period from 2020 through 2022 has presented a unique set of conditions, which continue to have considerable influence on Material Damage (MD) program operations. Ongoing COVID-19 supply chain disruptions…a lack of microchip supply…The average cost to repair vehicles is increasing across the industry, which is consistent with higher average repair costs and vehicle values." (Exhibit B-1, Chapter 7, Appendix 7B, Section C, Page 7B-8)**
>
> **"Since the completion of PIBR, industry conditions, stemming from the macro economic impact of COVID-19, have changed considerably, placing further cost pressures on all MD suppliers. Specific to Collision Repairers, there has been a steady decrease in the number of facilities and technicians…In consideration of these factors, a strategic decision was made to increase collision repair supplier labour rates in excess of inflation in order to better support a sufficient number of repair facilities and qualified technicians…In response, ICBC is providing annual rate increases to all MD suppliers that could total up to approximately 19% over the next three years in an effort to help address ongoing cost pressures of these suppliers." (Exhibit B-1, Chapter 7, Appendix 7B, Section C, Page 7B-10)**
>
> **"In the 2021 Revenue Requirements Proceeding ICBC expected to define a long-term MD Strategy and roadmap by the end of calendar year 2021. However, given current industry conditions, including major supply chain disruptions and inflationary pressure, the MD strategy developed in 2021 requires revision, with an increased priority on securing the long-term supply of MD vendors and supporting technicians. An updated strategy will be available by the end of the 2022/23 fiscal year." (Exhibit B-1, Chapter 7, Appendix 7B, Section C.2, Page 7B-13)**
>
> **"ICBC is continuing to refine its Material Damage Strategy…to address the pressures faced by the collision repair industry and to fulfill its commitment to make insurance affordable for British Columbians." (Exhibit B-1, Chapter 8, Appendix 8A, Section E.2, Page 8A-29)**

Please explain why, in the face of changing industry conditions, ICBC chose to delay the definition (and implementation) of a long-term MD strategy. For instance, in these types of changing industry conditions, isn't pursuing solutions based on a revised strategy, strategic objectives and implementation plans more effective and cost efficient over the long-run than continually increasing supplier rates?

Response:

ICBC completed its long-term MD Strategy in the latter part of the 2021 calendar year as discussed in the 2021 Revenue Requirements Application (RRA). As noted in the 2023 RRA (the Application), there has been a steady decrease in the number of facilities and technicians providing collision repairs. This decline has resulted in a shortfall in repair capacity and a corresponding increase in cycle-time (i.e., first notice of loss to repair completion) impacting customers.

The MD Strategy completed in 2021 was developed at a time when the impacts from the COVID-19 pandemic (e.g., major supply chain disruptions, inflationary pressure, labour shortages, etc.) were not yet fully apparent or understood. In order to make revisions, which increase the focus on supporting the long-term viability of the collision repair industry ICBC deemed it appropriate to delay the implementation of the long-term MD Strategy.

ICBC relies on its collision repair industry partners to complete repairs that are safe and cost effective. The long-term health of the collision repair industry is necessary to ensure that service providers are available for customers when and where they are needed, and are helping to manage storage, rental, loss of use, and towing costs. ICBC believes that a strategy that does not take the emerging workforce challenges into account cannot be successful.

As discussed in the Application, ICBC is already making efforts to address industry viability while addressing inflationary pressures. ICBC's MD Account Services team works closely with industry to improve performance; ICBC continues to support industry viability through a newly established apprenticeship support program. This program helps the collision repair and towing industries with issues related to labour shortages and training by providing funding for collision repair apprentices, and training that focuses on different themes that are critical for industry, such as safety and workplace culture. The program is designed to support British Columbians looking for a fulfilling career in the collision repair industry.

ICBC will have an updated strategy available by the end of the 2022/23 fiscal year.

2023.1 RR BCOAPO.14.3

Reference: BUSINESS OPERATIONS

Exhibit B-1, Chapter 7, Appendix 7B, Section A, Page 7B-2, Section C, Pages 7B-8 and 7B-10, Section C.2, Page 7B-13, Chapter 8, Appendix 8A, Section E.2, Page 8A-29
Topic: Delay of Revised Material Damage Strategy

Preamble:

> **"Continued modernization of ICBC's collision repair and glass programs and investment in technology to streamline claims processes will help to keep repair costs as low as possible and are part of ICBC's goals "To be Smart & Efficient" and "To Make Insurance Affordable". (Exhibit B-1, Chapter 7, Appendix 7B, Section A, Page 7B-2)**
>
> **The period from 2020 through 2022 has presented a unique set of conditions, which continue to have considerable influence on Material Damage (MD) program operations. Ongoing COVID-19 supply chain disruptions…a lack of microchip supply…The average cost to repair vehicles is increasing across the industry, which is consistent with higher average repair costs and vehicle values." (Exhibit B-1, Chapter 7, Appendix 7B, Section C, Page 7B-8)**
>
> **"Since the completion of PIBR, industry conditions, stemming from the macro economic impact of COVID-19, have changed considerably, placing further cost pressures on all MD suppliers. Specific to Collision Repairers, there has been a steady decrease in the number of facilities and technicians…In consideration of these factors, a strategic decision was made to increase collision repair supplier labour rates in excess of inflation in order to better support a sufficient number of repair facilities and qualified technicians…In response, ICBC is providing annual rate increases to all MD suppliers that could total up to approximately 19% over the next three years in an effort to help address ongoing cost pressures of these suppliers." (Exhibit B-1, Chapter 7, Appendix 7B, Section C, Page 7B-10)**
>
> **"In the 2021 Revenue Requirements Proceeding ICBC expected to define a long-term MD Strategy and roadmap by the end of calendar year 2021. However, given current industry conditions, including major supply chain disruptions and inflationary pressure, the MD strategy developed in 2021 requires revision, with an increased priority on securing the long-term supply of MD vendors and supporting technicians. An updated strategy will be available by the end of the 2022/23 fiscal year." (Exhibit B-1, Chapter 7, Appendix 7B, Section C.2, Page 7B-13)**
>
> **"ICBC is continuing to refine its Material Damage Strategy…to address the pressures faced by the collision repair industry and to fulfill its commitment to make insurance affordable for British Columbians." (Exhibit B-1, Chapter 8, Appendix 8A, Section E.2, Page 8A-29)**

14.3 Please explain if the increased priority of securing the long-term supply of MD vendors and supporting technicians in the revised MD strategy that will be shortly available is focused on reducing the rate of growth in MD costs (affordability) or is focused on providing increased support and rates to suppliers (sustainability of the supplier ecosystem) or both.

14.3.1 If both, please explain how ICBC will approach balancing both of these objectives in the development and execution of its revised MD Strategy.

Response:

The revisions to the long-term MD strategy are currently being developed and will focus on objectives and actions that will help support industry sustainability and viability. This will help to ensure that customers continue to have access to affordable vehicle repair services. ICBC's efforts strike a balance between providing MD suppliers with consistency and helping them plan for future years, while also supporting our commitment to keep rates affordable for British Columbians.

Beyond rate increases, ICBC is working with MD partners to address challenges, including issues related to labour shortages and training. ICBC is also working to create efficiencies for its partners by removing administrative obstacles and improving workflow.

For more information, please see the response to information request 2023.1 RR BCOAPO.14.2.

2023.1 RR BCOAPO.14.4

Reference: BUSINESS OPERATIONS

Exhibit B-1, Chapter 7, Appendix 7B, Section A, Page 7B-2, Section C, Pages 7B-8 and 7B-10, Section C.2, Page 7B-13, Chapter 8, Appendix 8A, Section E.2, Page 8A-29
Topic: Delay of Revised Material Damage Strategy

Preamble:

> **"Continued modernization of ICBC's collision repair and glass programs and investment in technology to streamline claims processes will help to keep repair costs as low as possible and are part of ICBC's goals "To be Smart & Efficient" and "To Make Insurance Affordable". (Exhibit B-1, Chapter 7, Appendix 7B, Section A, Page 7B-2)**
>
> **The period from 2020 through 2022 has presented a unique set of conditions, which continue to have considerable influence on Material Damage (MD) program operations. Ongoing COVID-19 supply chain disruptions…a lack of microchip supply…The average cost to repair vehicles is increasing across the industry, which is consistent with higher average repair costs and vehicle values." (Exhibit B-1, Chapter 7, Appendix 7B, Section C, Page 7B-8)**
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> **"Since the completion of PIBR, industry conditions, stemming from the macro economic impact of COVID-19, have changed considerably, placing further cost pressures on all MD suppliers. Specific to Collision Repairers, there has been a steady decrease in the number of facilities and technicians…In consideration of these factors, a strategic decision was made to increase collision repair supplier labour rates in excess of inflation in order to better support a sufficient number of repair facilities and qualified technicians…In response, ICBC is providing annual rate increases to all MD suppliers that could total up to approximately 19% over the next three years in an effort to help address ongoing cost pressures of these suppliers." (Exhibit B-1, Chapter 7, Appendix 7B, Section C, Page 7B-10)**
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>
> **"ICBC is continuing to refine its Material Damage Strategy…to address the pressures faced by the collision repair industry and to fulfill its commitment to make insurance affordable for British Columbians." (Exhibit B-1, Chapter 8, Appendix 8A, Section E.2, Page 8A-29)**

Please provide a summary of ICBC's vision and long-term objective with respect to its MD strategy. Please explain if the MD strategy entails moving from the current state to a future state that has design elements (outlined by the EY research summarized at the 2021 RRA) consistent with industry average or leading practices. Please also explain the cost implications of choosing to a future MD state that is consistent with industry average, as compared to leading practices.

Response:

ICBC works collaboratively with its material damage (MD) partners to benefit British Columbians through three repair programs: the collision repair program, the glass repair program and the commercial collision repair program. ICBC also works with towing and after-market parts suppliers across the province. Repair industry sustainability is key to ensuring our customers have access to repairs throughout BC. ICBC is working with industry representatives to support attraction and retention of key technical roles in automotive trades; improve access to education about incentives, grants and training for industry; and regularly review industry repair costs.

All of the items from the EY target operating model report which were not in scope for MD RAAP were considered as ICBC developed its long-term MD strategy. Please see Attachment A - Response to Information Request 2021.1 RR BCOAPO.8.1 for more information. As ICBC works to revise the long-term MD Strategy to better reflect the current challenges facing the repair industry and the MD book of business, this scope will be reassessed. As ICBC has not yet completed the revisions to the long-term MD strategy, ICBC cannot comment on which tactics will be implemented and the sequence of implementation of those tactics. ICBC is committed to making insurance affordable to British Columbians, and as part of that commitment the long-term MD strategy must take into account the costs and benefits associated with delivering industry average vs. leading edge practices. ICBC will align, prioritize, and integrate the MD strategy with the corporate strategy.

As indicated in the Application, ICBC expects to have the revisions to the strategy and roadmap complete by the end of fiscal year 2022/23.

2023.1 RR BCOAPO.14.4 – Attachment A – Response to Information Request 2021.1 RR BCOAPO.8.1

2021.1 RR BCOAPO.8.1 Reference: ICBC 2021 RRA, Chapter 4 – Appendix 4A
Section C.3 - MD Program Changes Improve Governance, Efficiency, and Effectiveness; pages 4A-17 to 4A-20
Section C.4 – Counter Fraud Program; pages 4A-20 to 4A-23
MD Modernization Programs and Counter Fraud Program

Preamble: In the referenced Appendix, ICBC states:

> **66. As part of the initiatives under the Rate Affordability Action Plan announced by Government in 2018, ICBC also undertook an evaluation of its current MD policies and programs to identify areas where efficiencies could be achieved in order to obtain the best value for customers. This included initial measures relating to glass claims which were implemented in June 2018. ICBC also began taking steps to modernize its MD programs for collision and glass repair facilities at the beginning of 2020. The new Collision and Glass programs (MD RAAP) focus on safe and proper repairs, governance, cycle time, operational efficiencies, windshield repair ratio (glass only), and customer experience. These programs reflect industry standards, evolving vehicle technologies, and ensure that customers receive safe and proper quality repairs and that ICBC is getting good value for the amount paid to suppliers. These redesigned programs introduce efficiencies and incentives that benefit customers and the collision and glass repair industry.**
>
> **67. The Collision Repair Program includes audit functionality modeled on industry best practices and is intended to increase repair facility governance while delivering operational efficiencies. The Glass Repair Program, which is primarily Optional insurance business, includes audit functionality and a benefit sharing program designed with a repair first rather than replace philosophy. Modernizing these programs is intended to reduce the pressure on rising MD costs and contribute to improved MD severity management. Most of these savings will be seen on the Optional insurance side of the business.**

Please elaborate on ICBC's understanding of leading practices of other Canadian jurisdictions with respect to MD modernization.

Response:

ICBC engaged Ernst & Young LLP (EY) to develop a target operating model identifying gaps between ICBC and leading practices in the Material Damage (MD) industry across North America. A summary of the findings from EY's July 2019 report, RAAP: Material Damage Target Operating Model, are in Figure 1 below. ICBC used elements of the analysis to inform the new Collision and Glass repair program focused on safe and proper repairs, governance, cycle time, operational efficiencies, windshield repair ratio (glass only), and customer experience. Not all observations from the EY Target Operating Model were determined to be within the scope of the MD RAAP project. Elements determined not in scope for MD RAAP are longer term strategies requiring investment in additional technology, process redesign, and the organization and will be considered as part of ICBC's longer term MD strategy.

Figure 1 – Leading Practice in the Material Damage Industry

Design Element	Leading Practice
Segmentation Strategy Not in scope for MD RAAP	• In addition to Fast Track handling, a growing percentage of claims are handled via touchless model. • Photo-based estimating and mobile customer interaction channels are widely available for damage appraisals. • Loss adjustment expense costs for both internal appraisal channels and external vendor tiers are consistently analysed and incorporated into the channelling strategy considerations. • Damage appraisals are strategically driven into the appropriate appraisal channels using method of inspection (MOI) analytics that considers damage complexity and claims characteristics. Field resources are only leveraged for highly complex claims and damages.
Roles and Responsibilities In scope for MD RAAP	• Job profiles accurately reflect current job responsibilities and there are definitive differences in job duties across titles. • Roles and responsibilities are incorporated into claim workflows and quality assurance (QA) practices. • Employees are in the right roles to optimize their skill sets and engagement. • Decision authority for process changes as it relates to the management of vendors is documented and communicated with all internal MD stakeholders.
Spans of Control In scope for MD RAAP	• Spans of control are defined and revisited when organizational changes occur (e.g., technology, structure, processes).
Authority Levels Items 1-2 Not in Scope for MD RAAP Item 3 is current state functionality	• Authority levels are based on performance and skill and are reviewed on an ongoing basis. • Authority hierarchy is embedded within the claim handling/estimating system and automatically routes to the appropriate authorizer, while also sending notices to other interested parties (e.g., underwriting) • In addition to financial thresholds, authority profiles include separation of duties and controls associated with issuing duplicate payments, adding vendors or payees and accessing sensitive claims.
Claim Intake Not in scope for MD RAAP	• Majority of new notices are reported via digital channels that are integrated into the claim system. • Integration includes on-demand uploading of relevant documents, video recording, pictures and coordination of immediate needs • Customers are able to easily be transferred to a live intake representative, adjuster, or vendor during the loss report, upon request.

Design Element	Leading Practice
Guidelines and Standard Work In scope for MD RAAP	• Guidelines and best practices are documented and formally updated on an ongoing basis. • Critical practices around the MD evaluation process focused parts usage, total loss determination, and refinish application are consistent, formal and are incorporated into standard claim workflows and QA practices. • Standard work is easily accessible, clear, segmented by role and is utilized frequently by staff. • There are appropriate levels of sign-off prior to the publishing of guideline updates.
Appraisal Assignment Method Not in Scope for MD RAAP	• Assignments are fully automated based on both claim characteristics and potential severity. Potential severity is evaluated automatically based on business rules that leverage data and analytics and there is a clear escalation process in place for the highest exposure claims • Low severity claims are routed for auto adjudication based on established business rules. • Potential total loss vehicles are identified at loss report and triaged immediately and with high accuracy based upon business rules, damage descriptions and characteristics.
Internal Performance Management In scope for MD RAAP	• There is a formal performance management methodology, including targets and metrics, that is focused on process compliance, claim outcomes and behaviors. • Performance review communications are formally reviewed with all internal stakeholders, consistent in frequency and used to develop staff. • Formally scheduled QA results are directly linked to performance reviews. • Internal performance incorporates organizational and vendor goals and performance expectations.
Quality Assurance Strategy In scope for MD RAAP	• QA strategy is linked to the organization's overall strategy, drives performance through value adding activities and improvement initiatives and assists with employee development through targeted training. • QA reporting is user friendly, relevant, and easy to access. Reporting identifies emerging trends and opportunities and these insights are used to provide frequent, actionable feedback to stakeholders. • QA's role is formally defined and communicated in the overall claim organization's strategy. In addition, standard work practices exist for QA representatives that will enable QA's execution of their role • Secondary level QA exists to formally review QA assessments performed by managers on their staff.
Frontline Manager File Involvement Partially in scope for MD RAAP	• Data and Analytics are used to identify which claims have the potential for extended durations and high severity. These claims are flagged and an automatic alert is sent to the manager to complete an open file review. • Proactive manager reviews are based on adjuster skills and capabilities, and assessed objectively through formal open case reviews. • Frontline managers perform structured and formal reviews on their staff based off an established review schedule. Their QA assessments are consistently and formally reviewed for accuracy by a centralized QA function, with results tied to frontline manager performance ratings.

Design Element	Leading Practice
Vendor Contract Management In scope for MD RAAP	• Utilization of contracts and service level agreements focused on process, billing compliance and quality, with flexibility to terminate an agreement based off of performance • Vendor profiles are formally tracked through self-service, automated technology that notifies the insurer and vendor when an update to the profile is required. The profile is updated to incorporate certifications, equipment, technical capabilities, licensing, performance and other vendor specific information.
Vendor Quality Assurance In scope for RAAP MD	• Vendor effectiveness is evaluated through a QA and performance management process, with service level agreements and tiering heavily tied to QA performance. • A formal vendor management program exists that measures quality, accuracy, and customer experience by use of a formal QA strategy and assessment process.
Vendor Channeling Strategy (Offering Strategy) In scope for MD RAAP	• An effective vendor channeling strategy exists that rewards top performing vendors through incentives (volume) and is regularly reviewed, updated, and published. There is strategy buy in at all levels of the organization. • Potential repair vendors are offered to customers clearly displaying key differentiating factors between vendors, assisting with the customer choice. • There is ongoing training provided to key stakeholders that make vendor referrals (brokers, adjusters, First Notice of Loss (FNOL), etc.) on appropriate vendor referral communication methods to customers.
Vendor Assignment Notification Not in scope for MD RAAP	• Automated dispatch of contracted vendors are based on location, vendor performance, and severity, and requests are electronically sent to the vendor in real time. • The vendor receives all relevant damage, loss, and coverage information upon assignment in an easy to read format. • Services are requested and coordinated using digital channels and the vendor contacts the customer within hours based on the customer's preferred contact method.
Skills and Development In scope for MD RAAP	• Skill development is planned and implemented at every level in the organization so that a combination of technical, customer service, and leadership skills are present. • A formal competency assessment is conducted in conjunction with performance assessments and QA feedback and is utilized in training opportunity identification at the enterprise and individual levels. • A formal MD training program exists with highly technical MD focused resources who develop training materials and deliver formal training programs. • Training resources have formal and documented feedback sessions with MD leadership and QA specialists to identify departmental and individual contributor training needs.

Design Element	Leading Practice
Career Pathing Strategy In scope for MD RAAP	• Formal career pathing includes a competency framework that translates an organization's objectives into measurable actions on the part of the employees, while also incorporating formal mentorships. • Formal career pathing exists with options available for the progression of current staff within their current roles as well as progression into promotional roles. • There is a strategic focus on developing formal progression plans for applicable employees that is followed up upon on an ongoing basis.
File Calibration Practices In scope for MD RAAP	• A set schedule of field and desk calibrations exists for all teams (monthly, quarterly, and yearly) that is consistently performed and adhered to. • Results of calibrated audits are reviewed, validated and distributed to the organization after signoff of key stakeholders. • New initiatives and quality standards are clearly communicated to the claims staff to ensure awareness of business goals.

In addition to the EY Target Operating Model, ICBC's understanding of leading practices of other Canadian jurisdictions with respect to MD modernization includes:

- An average windshield repair ratio greater than 45% for public carriers, and between 46%-58% for private carriers. Leading practice links repair ratio to glass industry compensation, vendor promotion, or contractual terms. Incentivizing a higher repair ratio is in scope for MD RAAP.
- Sole sourcing or preferred sourcing of glass claims from notice of loss, glass repair/replacement, and billing to the insurer. Though sole sourcing or preferred sourcing is common in other jurisdictions it was not in scope for MD RAAP.

2023.1 RR BCOAPO.14.5

Reference: BUSINESS OPERATIONS

Exhibit B-1, Chapter 7, Appendix 7B, Section A, Page 7B-2, Section C, Pages 7B-8 and 7B-10, Section C.2, Page 7B-13, Chapter 8, Appendix 8A, Section E.2, Page 8A-29
Topic: Delay of Revised Material Damage Strategy

Preamble:

> **"Continued modernization of ICBC's collision repair and glass programs and investment in technology to streamline claims processes will help to keep repair costs as low as possible and are part of ICBC's goals "To be Smart & Efficient" and "To Make Insurance Affordable". (Exhibit B-1, Chapter 7, Appendix 7B, Section A, Page 7B-2)**
>
> **The period from 2020 through 2022 has presented a unique set of conditions, which continue to have considerable influence on Material Damage (MD) program operations. Ongoing COVID-19 supply chain disruptions…a lack of microchip supply…The average cost to repair vehicles is increasing across the industry, which is consistent with higher average repair costs and vehicle values." (Exhibit B-1, Chapter 7, Appendix 7B, Section C, Page 7B-8)**
>
> **"Since the completion of PIBR, industry conditions, stemming from the macro economic impact of COVID-19, have changed considerably, placing further cost pressures on all MD suppliers. Specific to Collision Repairers, there has been a steady decrease in the number of facilities and technicians…In consideration of these factors, a strategic decision was made to increase collision repair supplier labour rates in excess of inflation in order to better support a sufficient number of repair facilities and qualified technicians…In response, ICBC is providing annual rate increases to all MD suppliers that could total up to approximately 19% over the next three years in an effort to help address ongoing cost pressures of these suppliers." (Exhibit B-1, Chapter 7, Appendix 7B, Section C, Page 7B-10)**
>
> **"In the 2021 Revenue Requirements Proceeding ICBC expected to define a long-term MD Strategy and roadmap by the end of calendar year 2021. However, given current industry conditions, including major supply chain disruptions and inflationary pressure, the MD strategy developed in 2021 requires revision, with an increased priority on securing the long-term supply of MD vendors and supporting technicians. An updated strategy will be available by the end of the 2022/23 fiscal year." (Exhibit B-1, Chapter 7, Appendix 7B, Section C.2, Page 7B-13)**
>
> **"ICBC is continuing to refine its Material Damage Strategy…to address the pressures faced by the collision repair industry and to fulfill its commitment to make insurance affordable for British Columbians." (Exhibit B-1, Chapter 8, Appendix 8A, Section E.2, Page 8A-29)**

Please provide a list and description of the strategic objectives or actions that are being contemplated in the revised MD strategy that will be shortly available and the expected timeframe of the implementation of each of these strategic actions.

Response:

As noted in the referenced preamble to this information request, ICBC expects to have the revisions to the long-term MD strategy and roadmap complete by the end of fiscal year 2022/23 (March 31, 2023). ICBC is committed to making insurance affordable for all British Columbians and to the sustainability of the supplier ecosystem.

The revisions to the long-term MD strategy are currently being developed and will focus on objectives and actions that will help support industry sustainability and viability. ICBC’s efforts strike a balance between providing MD suppliers with consistency and helping them plan for future years, while also supporting our commitment to keep rates affordable for British Columbians.

As the revisions to the long-term MD strategy have yet to be completed, ICBC cannot comment at this time on which tactics will be implemented and the sequence of implementation of those tactics. ICBC needs to align, prioritize, and integrate the MD strategy with the corporate strategy before committing to specific strategic objectives or actions and implementation timelines.

2023.1 RR BCOAPO.14.6

Reference: BUSINESS OPERATIONS

Exhibit B-1, Chapter 7, Appendix 7B, Section A, Page 7B-2, Section C, Pages 7B-8 and 7B-10, Section C.2, Page 7B-13, Chapter 8, Appendix 8A, Section E.2, Page 8A-29
Topic: Delay of Revised Material Damage Strategy

Preamble:

> **"Continued modernization of ICBC's collision repair and glass programs and investment in technology to streamline claims processes will help to keep repair costs as low as possible and are part of ICBC's goals "To be Smart & Efficient" and "To Make Insurance Affordable". (Exhibit B-1, Chapter 7, Appendix 7B, Section A, Page 7B-2)**
>
> **The period from 2020 through 2022 has presented a unique set of conditions, which continue to have considerable influence on Material Damage (MD) program operations. Ongoing COVID-19 supply chain disruptions…a lack of microchip supply…The average cost to repair vehicles is increasing across the industry, which is consistent with higher average repair costs and vehicle values." (Exhibit B-1, Chapter 7, Appendix 7B, Section C, Page 7B-8)**
>
> **"Since the completion of PIBR, industry conditions, stemming from the macro economic impact of COVID-19, have changed considerably, placing further cost pressures on all MD suppliers. Specific to Collision Repairers, there has been a steady decrease in the number of facilities and technicians…In consideration of these factors, a strategic decision was made to increase collision repair supplier labour rates in excess of inflation in order to better support a sufficient number of repair facilities and qualified technicians…In response, ICBC is providing annual rate increases to all MD suppliers that could total up to approximately 19% over the next three years in an effort to help address ongoing cost pressures of these suppliers." (Exhibit B-1, Chapter 7, Appendix 7B, Section C, Page 7B-10)**
>
> **"In the 2021 Revenue Requirements Proceeding ICBC expected to define a long-term MD Strategy and roadmap by the end of calendar year 2021. However, given current industry conditions, including major supply chain disruptions and inflationary pressure, the MD strategy developed in 2021 requires revision, with an increased priority on securing the long-term supply of MD vendors and supporting technicians. An updated strategy will be available by the end of the 2022/23 fiscal year." (Exhibit B-1, Chapter 7, Appendix 7B, Section C.2, Page 7B-13)**
>
> **"ICBC is continuing to refine its Material Damage Strategy…to address the pressures faced by the collision repair industry and to fulfill its commitment to make insurance affordable for British Columbians." (Exhibit B-1, Chapter 8, Appendix 8A, Section E.2, Page 8A-29)**

14.6 Please explain if the Actuarial Rate Indication Analysis in Chapter 3 of the 2023 RRA factors in the potential impacts of the revised MD strategy into the forecasts of claims costs for 2023/24, 2024/25 and 2025/26.

14.6.1 If not, please explain why not.

Response:

The actuarial indicated rate change for PY 2023 did not include any potential impacts of the revised MD strategy because it does not meet the criteria required for inclusion as a prospective adjustment. As stated in the Application, Chapter 7, Appendix 7B and Section C.2, "An updated strategy will be available by the end of the 2022/23 fiscal year." When the updated strategy is available, it will be assessed against the criteria to determine if a prospective adjustment will be included in the actuarial indicated rate change for PY 2025. For more information on the criteria required to include a prospective adjustment (e.g., timing, causal relationship to claims costs or savings, estimable costs or savings, and significant impact), please see the Application, Chapter 3, Appendix C.5.0, Section B.

2023.1 RR BCOAPO.15.1

Reference: COMPLIANCE REPORTING
Exhibit B-1, Chapter 8, Section A, Page 8-1, Appendix 8A, Section A, Page 8A-1, Section C.1, Page 8A-5
Topic: Alignment & Role of Performance Measures for Rate Setting

Preamble:

> **This Chapter continues to assemble all the BCUC-directed compliance measures, as discussed in Section B, separate from the rate-related content comprising the rest of the Application. This structure allows readers to identify and focus on the content supporting the requested rate change from the content discussing ICBC's ongoing performance, which has no direct impact on rates." (Exhibit B-1, Chapter 8, Section A, Page 8-1)**
>
> **"The purpose of the BCUC-Approved Performance Measures is to provide information that will help the BCUC assess whether ICBC's provision of Basic insurance service to customers is adequate, efficient, just and reasonable…ICBC also monitors a closely related set of corporate performance measures under its corporate strategy; these are captured in ICBC's 2022/23 – 2024/25 Service Plan (Service Plan)." (Exhibit B-1, Chapter 8, Appendix 8A, Section A, Page 8A-1)**
>
> **"Rate setting is prospective. It sets rates for the upcoming policy year…Due to the different timelines and components, providing a direct cause-and-effect relationship between performance measures and actuarial indicated rate change is not feasible." (Exhibit B-1, Chapter 8, Appendix 8A, Section C.1, Page 8A-5)**

Please provide:
(i) a table that compares and contrasts the BCUC approved performance measures with the performance measures contained in ICBC's 2022/23 to 2024/25 Service Plan, and
ii) ICBC's views as to the level of alignment between the BCUC and Service Plan performance measures.

Response:

The following table compares the set of BCUC-Approved Performance Measures with the set of Service Plan 2022/23-2024/25 Performance Measures:

Performance Measure	BCUC-Approved Performance Measure	Service Plan 2022/23-2024/25 Performance Measure
Driver Licensing Satisfaction	Yes	Yes ("Customer Satisfaction for Driver Licensing Services")
Insurance Service Satisfaction	Yes	Yes ("Customer Satisfaction for Insurance Services")
Customer Services Satisfaction (FNOL & Closed Claims)	Yes	Yes ("Customer Satisfaction for Claims Services")
Basic MCT Ratio	Yes	No
Basic Loss Ratio	Yes	No
Investment Return	Yes	No
Loss Adjustment Expense Ratio (LAER)	Yes	Yes
Insurance Expense Ratio (Corporate)	Yes	No
Expense Ratio (Corporate)	Yes	Yes ("Operating expense ratio")
Basic Insurance Expense Ratio	Yes	No
Basic Non-Insurance Expense Ratio	Yes	No
Jurisdictional comparison of year-over-year rate changes	No	Yes
Percentage of claims costs that goes to customers	No[1]	Yes
Average cost for a vehicle-related claim	No[1]	Yes
On-time delivery of defined digital capabilities	No	Yes
Employee opinion survey results	No	Yes

[1] While "percentage of claims costs that goes to customers" and "average cost for a vehicle-related claim" are not BCUC-approved performance measures, ICBC opted to provide some discussion of these two measures in Section E of Appendix 8A - Performance Measures of the 2023 RRA, for additional insight.

As discussed in the Application, Appendix 8A, the performance measures in the Service Plan 2022/23-2024/25 are designed to allow ICBC to monitor its performance against its strategy. The compliance performance measures for BCUC are intended to provide information that will help BCUC assess whether ICBC's provision of Basic insurance service to customers is adequate, efficient, just and reasonable. Alignment is useful where possible, however the different purpose of each set of measures means they will not be the same.

2023.1 RR BCOAPO.15.2

Reference: COMPLIANCE REPORTING
Exhibit B-1, Chapter 8, Section A, Page 8-1, Appendix 8A, Section A, Page 8A-1, Section C.1, Page 8A-5
Topic: Alignment & Role of Performance Measures for Rate Setting

Preamble:

> **This Chapter continues to assemble all the BCUC-directed compliance measures, as discussed in Section B, separate from the rate-related content comprising the rest of the Application. This structure allows readers to identify and focus on the content supporting the requested rate change from the content discussing ICBC's ongoing performance, which has no direct impact on rates." (Exhibit B-1, Chapter 8, Section A, Page 8-1)**
>
> **"The purpose of the BCUC-Approved Performance Measures is to provide information that will help the BCUC assess whether ICBC's provision of Basic insurance service to customers is adequate, efficient, just and reasonable…ICBC also monitors a closely related set of corporate performance measures under its corporate strategy; these are captured in ICBC's 2022/23 – 2024/25 Service Plan (Service Plan)." (Exhibit B-1, Chapter 8, Appendix 8A, Section A, Page 8A-1)**
>
> **"Rate setting is prospective. It sets rates for the upcoming policy year…Due to the different timelines and components, providing a direct cause-and-effect relationship between performance measures and actuarial indicated rate change is not feasible." (Exhibit B-1, Chapter 8, Appendix 8A, Section C.1, Page 8A-5)**

Please explain if ICBC views the BCUC performance measures as lagging (past oriented) and its Service Plan performance measures as leading (forward oriented). If so, has ICBC considered applying to the BCUC for changes to better align the performance measures.

Response:

ICBC does not consider either the BCUC or the Service Plan performance measures as solely past-oriented or future-oriented. Both reports include past results (actuals) and future targets (outlooks).

The key difference between the BCUC and Service Plan performance measures comes from their purpose. The purpose of the measures within the Service Plan is to create a framework to monitor the execution of ICBC's corporate strategy, while the purpose of the BCUC performance measures is to provide information that will help the BCUC assess whether ICBC's provision of Basic insurance service to customers is adequate, efficient, just and reasonable.

Within both reports, performance measure actuals and outlooks are considered.

2023.1 RR BCOAPO.15.3

Reference: COMPLIANCE REPORTING
Exhibit B-1, Chapter 8, Section A, Page 8-1, Appendix 8A, Section A, Page 8A-1, Section C.1, Page 8A-5
Topic: Alignment & Role of Performance Measures for Rate Setting

Preamble:

> **This Chapter continues to assemble all the BCUC-directed compliance measures, as discussed in Section B, separate from the rate-related content comprising the rest of the Application. This structure allows readers to identify and focus on the content supporting the requested rate change from the content discussing ICBC's ongoing performance, which has no direct impact on rates." (Exhibit B-1, Chapter 8, Section A, Page 8-1)**
>
> **"The purpose of the BCUC-Approved Performance Measures is to provide information that will help the BCUC assess whether ICBC's provision of Basic insurance service to customers is adequate, efficient, just and reasonable…ICBC also monitors a closely related set of corporate performance measures under its corporate strategy; these are captured in ICBC's 2022/23 – 2024/25 Service Plan (Service Plan)." (Exhibit B-1, Chapter 8, Appendix 8A, Section A, Page 8A-1)**
>
> **"Rate setting is prospective. It sets rates for the upcoming policy year…Due to the different timelines and components, providing a direct cause-and-effect relationship between performance measures and actuarial indicated rate change is not feasible." (Exhibit B-1, Chapter 8, Appendix 8A, Section C.1, Page 8A-5)**

Given that rate setting is prospective in nature, please explain why ICBC does not see the role of the BCUC performance measures as contributing to setting rates on a prospective basis. For instance, does ICBC believe that trends in the BCUC performance measures cannot be used to identify necessary adjustments to the actuarial indications for rate setting purposes.

Response:

The BCUC performance measures are intended to provide information that will help the BCUC assess whether ICBC's provision of Basic insurance service to customers is adequate, efficient, just and reasonable. Information provided on the performance measures gives a historical view, as well as targets or outlooks for the next two fiscal years, on the operational and financial health of ICBC. This does not translate into projection of all of the future costs that inform the analysis supporting the actuarial indicated rate change.

The actuarial indicated rate change is determined using models and projections which must be in accordance with Accepted Actuarial Practice; see the Application, Appendix 3A for details. One example of an actuarial projection is claims and related cost payments which go out up to 50 years in the future.

2023.1 RR BCOAPO.15.4

Reference: COMPLIANCE REPORTING
Exhibit B-1, Chapter 8, Section A, Page 8-1, Appendix 8A, Section A, Page 8A-1, Section C.1, Page 8A-5
Topic: Alignment & Role of Performance Measures for Rate Setting

Preamble:

> **This Chapter continues to assemble all the BCUC-directed compliance measures, as discussed in Section B, separate from the rate-related content comprising the rest of the Application. This structure allows readers to identify and focus on the content supporting the requested rate change from the content discussing ICBC's ongoing performance, which has no direct impact on rates." (Exhibit B-1, Chapter 8, Section A, Page 8-1)**
>
> **"The purpose of the BCUC-Approved Performance Measures is to provide information that will help the BCUC assess whether ICBC's provision of Basic insurance service to customers is adequate, efficient, just and reasonable…ICBC also monitors a closely related set of corporate performance measures under its corporate strategy; these are captured in ICBC's 2022/23 – 2024/25 Service Plan (Service Plan)." (Exhibit B-1, Chapter 8, Appendix 8A, Section A, Page 8A-1)**
>
> **"Rate setting is prospective. It sets rates for the upcoming policy year…Due to the different timelines and components, providing a direct cause-and-effect relationship between performance measures and actuarial indicated rate change is not feasible." (Exhibit B-1, Chapter 8, Appendix 8A, Section C.1, Page 8A-5)**

15.4 Please indicate if ICBC has included any stretch targets in its Service Plan performance measures in order to encourage exceptional performance for the years 2023/24 to 2025/26.

15.4.1 If yes, please provide and describe the stretch targets.

15.4.2. If not, please explain why not.

Response:

No, ICBC does not include stretch targets for Service Plan performance measures. However, most targets do reflect plans for improvement. For example, in the 2023/24 – 2025/26 Service Plan, tabled on February 28, 2023, the customer service measures for each of driver licensing, insurance, and claims are targeted to achieve a one percentage point incremental increase each year for the next three years, reflecting ICBC's commitment to long-term improvements in customer experience.

2023.1 RR BCOAPO.15.5

Reference: COMPLIANCE REPORTING
Exhibit B-1, Chapter 8, Section A, Page 8-1, Appendix 8A, Section A, Page 8A-1, Section C.1, Page 8A-5
Topic: Alignment & Role of Performance Measures for Rate Setting

Preamble:

> **This Chapter continues to assemble all the BCUC-directed compliance measures, as discussed in Section B, separate from the rate-related content comprising the rest of the Application. This structure allows readers to identify and focus on the content supporting the requested rate change from the content discussing ICBC's ongoing performance, which has no direct impact on rates." (Exhibit B-1, Chapter 8, Section A, Page 8-1)**
>
> **"The purpose of the BCUC-Approved Performance Measures is to provide information that will help the BCUC assess whether ICBC's provision of Basic insurance service to customers is adequate, efficient, just and reasonable…ICBC also monitors a closely related set of corporate performance measures under its corporate strategy; these are captured in ICBC's 2022/23 – 2024/25 Service Plan (Service Plan)." (Exhibit B-1, Chapter 8, Appendix 8A, Section A, Page 8A-1)**
>
> **"Rate setting is prospective. It sets rates for the upcoming policy year…Due to the different timelines and components, providing a direct cause-and-effect relationship between performance measures and actuarial indicated rate change is not feasible."**
>
> **(Exhibit B-1, Chapter 8, Appendix 8A, Section C.1, Page 8A-5)**

Please explain if ICBC is of the view that the efficiency performance measures contained in Section D.2.3 of Appendix 8A are not comparable with prior or later years as a result of the COVID-19 rebates that significantly lowered the Basic premiums earned denominator.

Response:

They are comparable; however, in comparing them against other years, it is important to take into consideration the rebates that ICBC issued in 2020/21 and 2021/22.

ICBC issued two COVID-19 rebates in 2020/21, lowering corporate premiums earned by $950 million, which includes lowering Basic insurance premiums by $522.5 million. This impacted the financial and efficiency ratio results for 2020/21, which must be taken into consideration when comparing that year's results against results from other years and against targets/outlooks for future years. Similarly, in 2021/22, ICBC issued the Relief Rebate of $396 million, which resulted in lower earned premiums for 2021/22 and impacted financial and efficiency ratio results. This must also be taken into consideration when comparing the result for 2021/22 against other years.

2023.1 RR IBC.1.1-2

Reference: Application Overview

Exhibit B-1, Chapter 1, p. 1-1

Paragraph 2 on page 1-1 states,"In this Application, ICBC requests BCUC approval of a rate change of 0% for Policy Year (PY) 2023…"

1.1 If ICBC's Application for a 0% rate change in Basic insurance rate is approved by the BCUC, what will ICBC's Basic average premium be for each period of April 1, 2023 to March 31, 2024 and of April 1, 2024 to March 31, 2025?

1.2 Of the premiums in 1.1, what will be ICBC's average premium for private passenger vehicles? What will be the average premium for commercial vehicles?

Response:

Please see the table below that provides ICBC's Basic average premium for each of the requested 12-month periods assuming the 0% rate proposal is approved. Note ICBC does not forecast average premium for private passenger vehicles; however, it is available by line of business split between Personal, Commercial, Trailers, Off Road Vehicles (ORV), and Manual Basic (Manual Basic comprises special coverages for commercial policyholders with unique needs, such as garage service operators and distance-rated taxis).

Policies Written in	Projected Average Premium for Policies Written					
	Personal	Commercial*	Trailers	ORV	Manual Basic*	Basic Total
April 1, 2023 to March 31, 2024	816	1,160	45	33	1,702	864
April 1, 2024 to March 31, 2025	818	1,148	45	33	1,683	865
PY 2023	817	1,154	45	33	1,693	864

*Commercial and Manual Basic average premium include the fleet retrospective adjustment (please see the Application, Chapter 3, Appendices B.1.1, B.1.2, and B.3 for more information).

2023.1 RR IBC.1.3-4

Reference: Application Overview

Exhibit B-1, Chapter 1, p. 1-1

Paragraph 2 on page 1-1 states,"In this Application, ICBC requests BCUC approval of a rate change of 0% for Policy Year (PY) 2023…"

1.3 If ICBC's Application for a 0% rate change in Basic insurance rate is approved by the BCUC, what will ICBC's total average premium be for each period of April 1, 2023 to March 31, 2024 and of April 1, 2024 to March 31, 2025?

1.4 Of the premiums in 1.3, what will be ICBC's average premium for private passenger vehicles? What will be the average premium for commercial vehicles?

Response:

Basic average premium is provided in the response to information request 2023.1 RR IBC.1.1-2. Total average premium, which includes ICBC's Optional insurance business, is not provided as ICBC's Optional insurance business is a competitive business and out of scope for this Application.

2023.1 RR IBC.1.5-6

Reference: Application Overview

Exhibit B-1, Chapter 1, p. 1-1

Paragraph 2 on page 1-1 states,"In this Application, ICBC requests BCUC approval of a rate change of 0% for Policy Year (PY) 2023…"

1.5 What is ICBC's forecasted Basic average premium for PY 2024?

1.6 Of the premiums in 1.5, what will be ICBC's average premium for private passenger vehicles? What will be the average premium for commercial vehicles?

Response:

ICBC assumes that "PY 2024" refers to the 12-month period starting April 1, 2024 and ending March 31, 2025. Please see the response to information request 2023.1 RR IBC.1.1-2 for the requested information.

2023.1 RR IBC.1.7-8

Reference: Application Overview

Exhibit B-1, Chapter 1, p. 1-1

Paragraph 2 on page 1-1 states,"In this Application, ICBC requests BCUC approval of a rate change of 0% for Policy Year (PY) 2023…"

1.7 What is ICBC's forecasted total average premium for PY 2024?

1.8 Of the premiums in 1.7, what will be ICBC's average premium for private passenger vehicles? What will be the average premium for commercial vehicles?

Response:

ICBC cannot provide the requested forecasted total average premiums for the reason provided in the response to information request 2023.1 RR IBC.1.3-4. Basic average premium for the period April 1, 2024 to March 31, 2025 is provided in the response to information request 2023.1 RR IBC.1.1-2.

2023.1 RR IBC.2.1-2

Reference: Application Overview
Exhibit B-1, Chapter 1, pp. 1-2 - 1-3

Paragraph 9 on pages 1-2 - 1-3 indicates the parameters regarding the Application including the amendments to Special Direction IC2:

The provision to set rates in a manner that allows ICBC to maintain MCT at 100% is suspended for PY 2023.

2.1 What specific financial sources will ICBC use to achieve a Basic MCT of 100% after April 1, 2025?

2.2 Will ICBC do a capital build following PY 2023?

Response:

As provided in the response to information request 2023.1 RR IBC.11.2, ICBC is projected to achieve a Basic MCT of 100% in fiscal year 2023/24 and expected to maintain it above 100% in fiscal year 2024/25. Therefore, as at this time, ICBC does not expect to require any additional financial resources, other than what is already included in Basic premiums, to maintain a Basic MCT of 100% after April 1, 2025.

Based on the recent amendments to *Special Direction IC2*, Basic rates must include a capital provision that is 7% of required premium. If there are any proposed changes to this capital provision beyond PY 2023 they will require a change in *Special Direction IC2*.

2023.1 RR IBC.3.1-2

Reference: Actuarial Indicated Rate Change Analysis
Exhibit B-1, Chapter 3, p. 3-4
Figure 3.1 – Summary of the Components of Required Premium ($000's)

Figure 3.1 on page 3-4 indicates Total Claims and Related Costs of $6,578,969 for PY 2023.

3.1 What is the estimated average claims cost for PY 2023?

3.2 What is the estimated claims count for PY 2023?

Response:

ICBC interprets "estimated average claims cost" to mean Severity, as defined in the Application, Chapter 3, Appendix A.0. The estimated PY 2023 severities by sub-coverage are shown in the Application, Chapter 3, Figure 3.4. The severity values in Figure 3.4 exclude the expectation for large loss and exclude Bulk claims cost. Combining the severities across sub-coverages to provide a single value as contemplated by this information request may not produce a meaningful value, as the calculation represents a mix of many distinct types of claims. However, if a PY 2023 severity were calculated on the same basis for all sub-coverages combined, the value would be $12,989.

ICBC interprets "estimated claims count" to mean claim exposures, which is the basis used in the Application. The estimated claim exposure count for PY 2023 for each sub-coverage, is shown in the table below. The sum of claim exposure counts across sub-coverages is 453,520. It should be noted that this sum represents the combination of claim exposures from distinct sub-coverages, so the number itself may not provide useful information without additional context.

2023 RRA Sub-Coverage	PY 2023 Claim Exposure Counts
Enhanced Accident Benefits (EAB)	
Medical and Rehabilitation (EAB-MR)	123,758
Enhanced Disability (EAB-ED)	18,591
Permanent Impairment (EAB-PI)	12,550
Death Benefits (EAB-DB)	1,494
Basic Vehicle Damage Coverage (BVDC)	276,825
Third Party Liability (TPL)	
TPL-Property Damage (TPL-PD)	18,694
TPL-Out of Province Bodily Injury (TPL-OOP BI)	1,608

The claim count and severity figures provided in this response can be combined to reproduce the Loss and ALAE component of the Total Claims and Related Costs in the Application, Chapter 3, Figure 3.1 on page 3-4 referenced in this information request, by adding an expectation for large losses and including Bulk claims costs. These calculations are shown for each sub-coverage in the Application, Chapter 3, Appendices A.3 to A.5.

2023.1 RR IBC.3.3-4

Reference: Actuarial Indicated Rate Change Analysis
Exhibit B-1, Chapter 3, p. 3-4
Figure 3.1 – Summary of the Components of Required Premium ($000's)

Figure 3.1 on page 3-4 indicates a Required Premium of $6,063,325 for PY 2023.

3.3 What percentage of the indicated required premium accounts for private passenger vehicles?

3.4 What percentage of the indicated premium accounts for commercial vehicles?

Response:

ICBC no longer analyzes its claims costs separately between its Personal and Commercial lines of business, as outlined in the 2021 Revenue Requirements Proceeding (2021 RRA, Chapter 3, Appendix A.0.1, paragraph 19, and in the response to information request 2021.1 RR IBC.4.5). The requested breakdowns of the indicated required premium are therefore not available. However, please refer to this Application, Chapter 3, Appendix B.0, Figure B.0.1 for a summary of the projected PY 2023 premium at current rate level separated by the segments that are available: Personal, Commercial, Trailers, Off-Road Vehicles (ORV's), and Manual Basic.

2023.1 RR IBC.4.1-3

Reference: Actuarial Indicated Rate Change Analysis
Exhibit B-1, Chapter 3, p. 3B-2
Appendix 3B Overview of Appendices and Technical Appendices

Paragraph 5 on page 3B-2 sets out the sub-coverages under Enhanced Care including Basic Vehicle Damage Coverage.

4.1 What is the average premium for Basic Vehicle Damage Coverage for PY 2023?

4.2 What is the lowest premium for Basic Vehicle Damage Coverage for PY 2023?

4.3 What is the highest premium for Basic Vehicle Damage Coverage for PY 2023?

Response:

4.1

Policy year (PY) 2023 Basic Vehicle Damage Coverage (BVDC) average proposed premium is approximately $337 per policy. It is calculated by applying the rate change floor impact of +6.5% to the PY 2023 BVDC required premium of $2.37 billion as shown in Chapter 3, Appendix A.2, row (b), column (12) and dividing by the PY 2023 written risk exposures of 7,502,336 as shown in Chapter 3, Appendix A.4, row (a) to calculate the per policy average.

4.2 and 4.3

ICBC does not analyze projected premium at the coverage group level and required premium cannot be used either because it is analyzed in aggregate and does not have individual policy level detail. Actual policy transaction data could be used to provide the actual lowest and highest premiums but this is based on the policy characteristics including listed drivers on the policy, years of experience of the drivers, crash history, how the vehicle is used, where the vehicle is garaged, etc. The range of premiums based on the different policy characteristics has not been provided as it is considered out of scope for this Application and falls under rate design matters.

2023.1 RR IBC.4.4-6

Reference: Actuarial Indicated Rate Change Analysis
Exhibit B-1, Chapter 3, p. 3B-2
Appendix 3B Overview of Appendices and Technical Appendices

Paragraph 5 on page 3B-2 sets out the sub-coverages under Enhanced Care including Basic Vehicle Damage Coverage.

4.4 What is the average claims cost for Basic Vehicle Damage Coverage for PY 2023?

4.5 What is the total number of claims costs for Basic Vehicle Damage Coverage for PY 2023?

4.6 What is the estimated claims count for Basic Vehicle Damage Coverage for PY 2023?

Response:

4.4

ICBC interprets “average claims cost” to mean severity, as defined in the Application, Chapter 3, Appendix A.0. The estimated Policy Year (PY) 2023 severities by sub-coverage are shown in the Application, Chapter 3, Figure 3.4. The severity values in Figure 3.4 exclude the expectation for large losses and Bulk claims costs. The PY 2023 severity calculated for Basic Vehicle Damage Coverage (BVDC) is $6,672.

4.5

ICBC interprets “total number of claims costs for Basic Vehicle Damage Coverage” to mean the Loss and allocated loss adjustment expense (ALAE) for BVDC for PY 2023, where Loss and ALAE is defined in the Application, Chapter 3, Appendix A.0. The PY 2023 Loss and ALAE calculated for BVDC is $1,854.9 million and is shown in the Application, Chapter 3, Appendix A.4, row (h). The Loss and ALAE includes an expectation for large losses and Bulk claims costs.

4.6

ICBC interprets “estimated claims count” to mean claim exposures, which is the basis used in the Application. The estimated claim exposure count for PY 2023 is 276,825 for BVDC, which makes up the majority of Basic claim exposures as shown in the response to information request 2023.1 RR IBC.3.1-2.

2023.1 RR IBC.5.1-2

Reference: Capital Management Plan
Exhibit B-1, Chapter 4 Chapter 4 discusses ICBC's Capital Management Plan.

5.1 What is the capital reserve level for FY 2021/22?

5.2 What is the capital reserve forecast for FY 2022/23 and for FY 2023/24?

Response:

The table below provides the i) Basic equity and ii) Basic capital available, for the fiscal year 2021/22 actuals, and the forecast fiscal years 2022/23 and 2023/24 as at the second quarter of 2022/23. ICBC assumes that capital reserve means either i) Basic equity or ii) Basic capital available. For reference, both are provided in the table below.

($ Millions)[1]	2021/22 Actual	2022/23 Forecast	2023/24 Forecast
i) Basic equity	**2,274**	**2,172**	**2,325**
Intangible assets	(42)	(61)	(69)
ii) Basic capital available	**2,233**	**2,110**	**2,256**

[1] Rounding may affect totals.

2023.1 RR IBC.6.1-2

Reference: Investments
Exhibit B-1, Chapter 5 Chapter 5 discusses ICBC's Investments.

6.1 What is the investment income amount for FY 2021/22?

6.2 What is the investment income forecast for FY 2022/23 and for FY 2023/24?

Response:

The table below provides the investment income for FY 2021/22 and the forecasts for FY 2022/23 and FY 2023/24. In addition, the Net Change in Available for Sale Financial Assets has been added to the table to reflect Total Investment Return, which consists of both realized and unrealized investment income. Please note, in compliance with International Financial Reporting Standards (IFRS), ICBC will transition to IFRS 9 effective April 1, 2023, which will change ICBC's financial reporting where Net Change in Available for Sale Financial Assets — formerly in Other Comprehensive Income (OCI) — will be included with Investment and Other income within the Net Income. This change has not been reflected in the Total Investment Income 2023/24 forecast but is included in the Total Investment Return.

($ Millions)[1]	**Basic Actuals 2021/22[2]**	**Basic Forecast 2022/23**	**Basic Forecast 2023/24[3]**
Investment Income	986	233	413
Impairment Loss	(4)	(341)	-
Total Investment Income	**982**	**(108)**	**413**
Other comprehensive income (OCI)			
Net change in available for sale financial assets	**(591)**	**(82)**	**125**
Total Investment Return	**391**	**(190)**	**538**

[1] Rounding may affect totals.
[2] In the 2021/22 Annual Service Plan Report, impairment loss is netted with investment income. However, for illustrative purposes, impairment loss is shown separately.
[3] As noted above, in 2023/24, "Net change in available for sale financial assets" will be included in Total Investment Income.

The presentation of investment income in the table above differs from that shown in Chapter 3, Figure 3.1 and Appendix A.1 of the Application, primarily due to differences in timing, and rate of return of the investment portfolio.

In the Application, Figure 3.1 reflects the investment income achieved from the New Money Rate (NMR) yield on Policy Year 2023 premiums between the time they are received, and the time costs related to those premiums are paid out. Under the Enhanced Care model, this time frame for the specific policy year has been extended significantly and could extend out as much as 50 years. The NMR rate uses BCI's 15-year annualized return on forecasts as the source of expected returns for each asset class.

The financial statement presentation, as shown in the table above, reflects the investment income forecast as calculated from the forecast balance of ICBC's investment portfolio and asset mix of a fiscal year and a forecast of rate of return expected in the near term. The investment portfolio is made up of premiums from earlier years' policies to pay for outstanding claims as well as current year policyholder supplied funds. Total investment return includes investment income (realized), impairment loss, and net change in available for sale assets (unrealized investment gains/losses), that are expected during the fiscal year.

The 2021/22 investment income was higher than expected primarily due to higher equity distributions, equity gains triggered from transition of the investment portfolio to the new asset mix and regular trading activities. The Total Investment Return was reduced by a large net change in available for sale financial assets due to a reduction in the fair value for bonds and equities and the realization of gains and losses during the year.

The 2022/23 forecast of investment income reflects significant realized and unrealized investment losses (impairments). Since the beginning of the fiscal year, there has been unusually high inflation, causing significant deterioration in the global financial markets and unprecedented repricing of interest rate expectations resulting in a sharp decline in both equity and fixed income asset prices to date. The 2022/23 investment income outlook is substantially lower than plan primarily due to impairments from bond and equity funds, trading losses on bonds, and lower than expected equity distributions.

For 2023/24 and thereafter, investment income will include *net change in available for sale financial assets* and therefore the investment income as expressed under IFRS 9 (Financial Instruments) for 2023/24 shown above, would be $538 million versus the current presentation of $413 million. The 2023/24 investment income reflects the impact of higher yield on fixed fee assets and moderate returns on equities.

2023.1 RR IBC.6.3

Reference: Investments
Exhibit B-1, Chapter 5 Chapter 5 discusses ICBC's Investments.

If a recession is expected in 2023/24, how would this impact the forecasted investment income for 2023/24?

Response:

The impact of a recession on the forecasted investment income in the Q2 Outlook, as discussed in the response to information request 2023.1 RR IBC.6.1-2 would be a decrease to the overall investment income.

As a result of IFRS 9, effective April 1, 2023, the 2023/24 investment income will consist of realized and unrealized investment income. Realized investment income is generated from interest income, dividends, and realized gains or losses from dispositions. Unrealized investment income consists of unrealized gains or losses generated from the fluctuation in the investment assets' market value.

Due to market volatility, it is difficult to anticipate the impact a recession would have on the unrealized investment income. However, realized income, especially interest income, is less volatile and is expected to be consistent from year to year. ICBC's strategic asset mix targets a significant portion towards interest-bearing instruments to mitigate liquidity risk. Interest-bearing instruments consist of money market, government and corporate bonds, private debt and mortgages.

Therefore, if a recession does occur in 2023/24, investment income in 2023/24 would likely decrease due to market volatility on the unrealized portion of investment income. However, it would have minimal impact on ICBC's ability to maintain sufficient assets to meet its claims obligation as the realized investment income is relatively stable and ICBC's investment portfolio is positioned to withstand short-term volatility in keeping Basic insurance rates low and stable.

2023.1 RR IBC.6.4

Reference: Investments
Exhibit B-1, Chapter 5 Chapter 5 discusses ICBC's Investments.

How would the forecasted investment income amount affect the capital reserve level?

Response:

ICBC's capital levels are measured by the Minimum Capital Test (MCT) ratio, which is used to determine whether ICBC has sufficient capital levels. Investment income contributes to the amount of ICBC's capital level. Changes in the forecasted investment income in the financial forecast would have a direct impact on the forecast of ICBC's capital levels. Both realized and unrealized investment income impact the MCT calculation. An increase or decrease in the total investment return, which includes changes in market values of the investment assets, would impact the capital levels.

2023.1 RR IBC.6.5

Reference: Investments
Exhibit B-1, Chapter 5 Chapter 5 discusses ICBC's Investments.

What is ICBC's investment mix between equity, bonds, and other instruments?

Response:

ICBC's strategic asset mix is detailed in the Statement of Investment Policy and Procedures dated January 27, 2022 and provided in the Application, Chapter 5, Appendix 5A, Attachment 5A.1. Below is the asset mix allocation as of April 1, 2022.

Asset Class	Strategic Mix
Fixed Income - Liquidity	**47%**
Money Market	5%
Short Bonds	42%
Fixed Income - Credit	**22%**
Corporate Bonds	12%
Private Debt	2%
Mortgages	8%
Equity Assets	**29%**
Global Equity	25%
Emerging Markets Equity	2%
Private Equity	2%
Real Assets	**12%**
Real Estate	9%
Infrastructure and Renewable Resources	3%
Sub Total	**110%**
Portfolio Leverage	-10%
Total Portfolio	**100%**

2023.1 RR IBC.7.1

Reference: Compliance Reporting
Exhibit B-1, Chapter 8, pp. 8A-2 - 8A-3

Appendix 8A, Performance Measures

Paragraph 7 on pages 8A-2 - 8A-3 sets out the four goals of ICBC's corporate strategy, including:

> **To be customer driven: ICBC aims to be customer driven by becoming more flexible, and having customer needs shape improvements in the design and delivery of products and services. This goal will be realized through implementation of a corporate-wide customer experience model and the introduction of usage-based products.**

In the ICBC 2021 RRA on page 7A-2, one of the four goals of ICBC's corporate strategy included:

> **To Be Customer Driven: This goal intends that ICBC be more flexible, with customer needs driving improvements in the design and delivery of products and services. ICBC aims to provide digital options for insurance purchase and renewal, an enhanced online claims experience, and usage- based products.**

Is ICBC no longer aiming to provide digital options for insurance purchase? Please explain why or why not.

Response:

As ICBC online insurance services are still new, ICBC continues to monitor customer uptake and behaviour to determine an appropriate expansion of online insurance services that balances customer convenience and safeguards. Online insurance purchases without the correct advice or discussion pose a risk to customers, who could find themselves lacking coverage or in a breach situation due to rating issues.

There are currently no projects planned to expand online insurance services in the 2023/24 fiscal year. ICBC is committed to the long-term success of the online channel. ICBC meets regularly with its broker partners and is working with them to evaluate future opportunities and design enhancements together through existing structures and resource planning processes.

ICBC's service offering is comparable to other jurisdictions that offer online insurance. In Canada, Saskatchewan and Manitoba have public insurance models similar to BC. Of the two provinces, only Saskatchewan offers online renewals.

2023.1 RR IBC.7.2

Reference: Compliance Reporting
Exhibit B-1, Chapter 8, pp. 8A-2 - 8A-3

Appendix 8A, Performance Measures

Paragraph 7 on pages 8A-2 - 8A-3 sets out the four goals of ICBC's corporate strategy, including:

> **To be customer driven: ICBC aims to be customer driven by becoming more flexible, and having customer needs shape improvements in the design and delivery of products and services. This goal will be realized through implementation of a corporate-wide customer experience model and the introduction of usage-based products.**

In the ICBC 2021 RRA on page 7A-2, one of the four goals of ICBC's corporate strategy included:

> **To Be Customer Driven: This goal intends that ICBC be more flexible, with customer needs driving improvements in the design and delivery of products and services. ICBC aims to provide digital options for insurance purchase and renewal, an enhanced online claims experience, and usage- based products.**

When does ICBC anticipate to have fully online sales of insurance?

Response:

There are currently no phases or projects planned for online sales of insurance in the 2023/24 fiscal year. Beyond the 2023/24 fiscal year, ICBC is committed to the success of this channel and is working with its Customer Experience team and broker partners to evaluate future opportunities and to design enhancements together through existing structures and resource planning processes. Going forward, ICBC will continue to rely on Autoplan brokers to advise customers on their insurance needs by ensuring customers; are correctly rated, understand the declarations they make, apply for the appropriate discounts, and are charged the correct premiums. This provides safeguards and gives peace of mind to customers that their policy transactions are correct and that the right coverage has been provided appropriate to the customer's needs.

2023.1 RR IBC.7.3A

Reference: Compliance Reporting
Exhibit B-1, Chapter 8, pp. 8A-2 - 8A-3

Appendix 8A, Performance Measures

Paragraph 7 on pages 8A-2 - 8A-3 sets out the four goals of ICBC's corporate strategy, including:

> **To be customer driven: ICBC aims to be customer driven by becoming more flexible, and having customer needs shape improvements in the design and delivery of products and services. This goal will be realized through implementation of a corporate-wide customer experience model and the introduction of usage-based products.**

In the ICBC 2021 RRA on page 7A-2, one of the four goals of ICBC's corporate strategy included:

> **To Be Customer Driven: This goal intends that ICBC be more flexible, with customer needs driving improvements in the design and delivery of products and services. ICBC aims to provide digital options for insurance purchase and renewal, an enhanced online claims experience, and usage- based products.**

Is ICBC no longer aiming to provide an enhanced online claims experience? Please explain why or why not.

Response:

ICBC currently offers several online claims services including the ability to report a claim online and check claims details. ICBC is committed to the success of this channel and is implementing further enhancements through our Streamlined Claims Processes Program. These enhancements include enabling email notifications for claims status updates, augmenting customer self-serve and auto-serve capabilities on the Claims Portal, as well as improvements to icbc.com to provide more information to our customers.

2023.1 RR IBC.7.3B-5

Reference: Compliance Reporting
Exhibit B-1, Chapter 8, pp. 8A-2 - 8A-3

Appendix 8A, Performance Measures

Paragraph 7 on pages 8A-2 - 8A-3 sets out the four goals of ICBC's corporate strategy, including:

> **To be customer driven: ICBC aims to be customer driven by becoming more flexible, and having customer needs shape improvements in the design and delivery of products and services. This goal will be realized through implementation of a corporate-wide customer experience model and the introduction of usage-based products.**

In the ICBC 2021 RRA on page 7A-2, one of the four goals of ICBC's corporate strategy included:

> **To Be Customer Driven: This goal intends that ICBC be more flexible, with customer needs driving improvements in the design and delivery of products and services. ICBC aims to provide digital options for insurance purchase and renewal, an enhanced online claims experience, and usage- based products.**

7.3B In the most current corporate strategy, what types of usage-based products is ICBC referring to?

7.4 When does ICBC aim to provide usage-based products?

7.5 What are the forecasted total costs for providing usage-based products?

Response:

ICBC currently offers a low-kilometre discount. This is a form of usage-based insurance. Research demonstrates that usage-based products, such as kilometre-based pricing, are valued by customers who want insurance that reflects how much they are driving and how they are driving.

In the context of the Corporate Strategy, ICBC is incrementally expanding distance-based pricing on Optional insurance in order to increase customer control over the affordability of their Optional insurance. Looking forward, ICBC will continue exploring options to incrementally deliver additional usage-based products, as informed by customer insights.

The scope and timeline for additional usage-based products are still being determined. This goal intends that ICBC be more flexible, with customer needs driving improvements in the design and delivery of products and services. As noted above, ICBC will continue to explore options to incrementally deliver additional usage-based products, as informed by customer insights.

All usage-based products that involve ICBC's Basic insurance are subject to the BCUC regulatory approval process and would be part of a future rate design application (RDA). As ICBC moves forward with its goals, additional usage-based products to serve its policyholders along with their associated costs will be considered within future RDAs.

2023.1 RR IBC.8.1

Reference: Compliance Reporting
Exhibit B-1, Chapter 8, p. 8A-12 Appendix 8A, Performance Measures

Paragraph 41 on page 8A-12 sets out the differences between the FNOL survey and the Closed Claims survey.

Regarding the FNOL survey, Footnote 3 states:

> **For example, ICBC can distinguish in approximate terms only among claims for Basic insurance only, claims which involve Basic insurance and Optional insurance coverages, or claims for Optional insurance only through the organizational unit that manages each claim. Claims involving cross-unit management make this segmentation imprecise.**

Paragraph 41 also states:

> **The Closed Claims survey, for closed injury and material damage claims, focuses on customers' claims experience following FNOL, including multiple process points and interactions with ICBC staff.**

Regarding the FNOL survey, for Basic insurance only, can ICBC distinguish which claims involve Basic Vehicle Damage Coverage? If so, what are the claims services satisfaction results for this sub-coverage?

Response:

In order to determine responsibility, ICBC requires additional information, such as the other party's claim report, police report and witness statements. Therefore responsibility, and by extension Basic Vehicle Damage Coverage, cannot be determined at the first notice of loss (FNOL) stage of the claim process.

2023.1 RR IBC.8.2

Reference: Compliance Reporting
Exhibit B-1, Chapter 8, p. 8A-12 Appendix 8A, Performance Measures

Paragraph 41 on page 8A-12 sets out the differences between the FNOL survey and the Closed Claims survey.

Regarding the FNOL survey, Footnote 3 states:

> **For example, ICBC can distinguish in approximate terms only among claims for Basic insurance only, claims which involve Basic insurance and Optional insurance coverages, or claims for Optional insurance only through the organizational unit that manages each claim. Claims involving cross-unit management make this segmentation imprecise.**

Paragraph 41 also states:

> **The Closed Claims survey, for closed injury and material damage claims, focuses on customers' claims experience following FNOL, including multiple process points and interactions with ICBC staff.**

Regarding the Closed Claims survey, can ICBC distinguish which claims involve Basic Vehicle Damage Coverage? If so, what are the claims services satisfaction results for this sub-coverage?

Response:

ICBC cannot provide the Claims Services Satisfaction score for claims that involve Basic Vehicle Damage Coverage (BVDC). However, claims involving BVDC are a subset of material damage claims and ICBC can provide the scores for material damage claims. The FY2021/22 Closed Claim satisfaction score for material damage was 85%.

2023.1 RR IBC.8.3

Reference: Compliance Reporting
Exhibit B-1, Chapter 8, p. 8A-12 Appendix 8A, Performance Measures

Paragraph 41 on page 8A-12 sets out the differences between the FNOL survey and the Closed Claims survey.

Regarding the FNOL survey, Footnote 3 states:

> **For example, ICBC can distinguish in approximate terms only among claims for Basic insurance only, claims which involve Basic insurance and Optional insurance coverages, or claims for Optional insurance only through the organizational unit that manages each claim. Claims involving cross-unit management make this segmentation imprecise.**

Paragraph 41 also states:

> **The Closed Claims survey, for closed injury and material damage claims, focuses on customers' claims experience following FNOL, including multiple process points and interactions with ICBC staff.**

Regarding the Closed Claims Survey, what are the claims services satisfaction results for material damage claims?

Response:

The FY2021/22 year-end Closed Claim satisfaction score for material damage was 85%.

2023.1 RR IBC.9.1

Reference: Compliance Reporting
Exhibit B-1, Chapter 8, p. 8A-13 Appendix 8A, Performance Measures

Figure 8A.3 on page 8A-13 sets out the Actual Claims Services Satisfaction Results:

Figure 8A.3 – Actual Claims Services Satisfaction Results

Surveys	2020/21 Actual	2021/22 Actual
FNOL	97%	95%
Closed Claims	86%	84%
Overall Claims Services Satisfaction (average of the above)	**92%**	**89%**

Paragraph 45 states, "[b]ased on the new seven-point scale measurement framework, the Claims customer satisfaction FY 2022/23 Outlook is 71%."

As the difference between 89% and 71% is very substantial, what are ICBC's views on this declining result?

Response:

The difference between the FY2021/22 satisfaction score and the FY2022/23 outlook is the result of a change from a four-point to a seven-point satisfaction scale, and not an anticipated drop in satisfaction.

With the four-point scale, customers who felt somewhat satisfied (rating of three out of four) and very satisfied (rating of four out of four) were included in the satisfaction score.

With the new seven-point scale, only customers who rate as satisfied (six out of seven) and very satisfied (seven out of seven) are included in the satisfaction score. As a result, ICBC will no longer measure "somewhat satisfied" as a positive outcome as ICBC strives to improve its overall customer experience. Because of this shift, both targets and satisfaction scores are lower as of FY2022/23, compared to previous years.

For further information, please refer to Appendix 8A, Section D.2.1.1 in the Application.

2023.1 RR IBC.10.1

Reference: Compliance Reporting
Exhibit B-1, Chapter 8, p. 8A-13 Appendix 8A, Performance Measures

Paragraph 43 on page 8A-13 discusses the various factors influencing Claims Satisfaction levels, and states, "…customers experiencing longer than normal response times and service delays."

What types of service delays is ICBC referring to? Please be specific.

Response:

The reference to service delays includes wait time to speak to an agent when reporting a claim and response time for claim-related communications following first notice of loss (FNOL).

2023.1 RR IBC.11.1

Reference: Compliance Reporting
Exhibit B-1, Chapter 8, p. 8A-16 Appendix 8A, Performance Measures

Figure 8A.4 on page 8A-16 sets out summary results of financial measures including Basic MCT Ratio and Basic Loss Ratio. The Basic MCT Ratio 2022/23 Target/Outlook is 91%. The Basic Loss Ratio is expected to increase from 73.5% to 83.2%.

What would premiums need to be to achieve a Basic MCT Ratio of 100%?

Response:

The current policy year (PY) 2023 Basic insurance premiums will allow us to achieve 100% Basic MCT by fiscal year (FY) 2023/24. The forecasted Basic MCTs at the second quarter of 2022/23 for FY 2023/24 and FY 2024/25 are 100% and 106%, respectively. The Basic MCT forecasts are the product of the premium of the current PY 2023 Basic rate proposal of 0.0% for the next two years. The Basic MCT is expected to reach 100% by the end of FY 2023/24 and exceed 100% in FY 2024/25. Please see the response to information request 2023.1 RR RM.2.1 for the forecast of Basic insurance premiums as well as the full financial forecast.

2023.1 RR IBC.11.2

Reference: Compliance Reporting
Exhibit B-1, Chapter 8, p. 8A-16 Appendix 8A, Performance Measures

Figure 8A.4 on page 8A-16 sets out summary results of financial measures including Basic MCT Ratio and Basic Loss Ratio. The Basic MCT Ratio 2022/23 Target/Outlook is 91%. The Basic Loss Ratio is expected to increase from 73.5% to 83.2%.

What is the Basic MCT Ratio Target/Outlook for 2023/24 and for 2024/25?

Response:

The following table provides the actual and forecast MCT Ratios from 2021/22 to 2024/25. The Q2 Outlook Basic MCT Ratio for 2023/24 and for 2024/25 are 100% and 106% respectively.

Basic Insurance Business - Q2 ($ millions)[1]	2021/22 Actual	2022/23 Outlook	2023/24 Forecast	2024/25 Forecast
[A] Capital Available [1]	2,233	2,110	2,256	2,352
[B] Capital Required [1]	2,435	2,330	2,259	2,217
[C] MCT % [C=A/B]	92%	91%	100%	106%

[1] Rounding may affect totals

2023.1 RR IBC.11.3

Reference: Compliance Reporting
Exhibit B-1, Chapter 8, p. 8A-16 Appendix 8A, Performance Measures

Figure 8A.4 on page 8A-16 sets out summary results of financial measures including Basic MCT Ratio and Basic Loss Ratio. The Basic MCT Ratio 2022/23 Target/Outlook is 91%. The Basic Loss Ratio is expected to increase from 73.5% to 83.2%.

What is the combined loss ratio for 2022/23, 2023/24 and 2024/25?

Response:

The Combined Loss ratio is provided in the table below illustrating the Basic Loss ratio, Basic Expense ratio and Basic Combined ratio (Basic Loss ratio + Basic Expense ratio) outlook for fiscal year (FY) 2022/23 and forecasts for FY 2023/24 and FY 2024/25.

Basic Insurance Business - Q2	2022/23 Outlook	2023/24 Forecast	2024/25 Forecast
[A] Loss Ratio	83.2%	98.4%	101.7%
[B] Expense Ratio	16.8%	17.1%	17.3%
[C] Combined Ratio[1] [C = A + B]	100.0%	115.6%	119.0%

[1] Rounding may affect totals.

2023.1 RR IBC.12.1-2

Reference: Compliance Reporting
Exhibit B-1, Chapter 8, pp. 8C-10 - 8C-11
Appendix 8C, Detailed Operating Expense Information Figure 8C.5 on pages 8C-10 - 8C-11 sets out information about ICBC Total FTEs.

12.1 How many FTEs currently work in ICBC's Basic insurance operations? Please show the breakdown of Bargaining Unit and of Management and Confidential. What are the forecasted numbers for FY 2023/24 and for FY 2024/25?

12.2 How many FTEs currently work in ICBC's overall insurance operations? Please show the breakdown of Bargaining Unit and of Management and Confidential. What are the forecasted numbers for FY 2023/24 and for FY 2024/25?

Response:

12.1

ICBC operates on an integrated basis to maximize cost efficiencies for the benefit of our customers. In most cases, ICBC does not have staff assigned exclusively to either Basic, Optional or Non-insurance lines of business. For that reason, ICBC cannot quantify the number of FTEs between the three lines of business.

12.2

The updated table below includes the 2022/23 outlook and the 2023/24 and 2024/25 forecast for ICBC's Insurance Division.

Average FTEs represents the sum of the number of FTEs measured at each month of the year, divided by the number of months in the fiscal year. It represents an average over a period of time, rather than a point in time.

Average Number of FTEs by Employee Group[1]			
Insurance[2]	**2022/23 Outlook**	**2023/24 Forecast**	**2024/25 Forecast**
Bargaining Unit	366	376	378
Management and Confidential	94	93	93
Total Insurance FTEs	460	469	471

[1] Rounding may affect totals and percentages. Restated to conform to the current presentation format.

[2] Total FTEs exclude FTEs relating to the Rate Affordability Action Plan, Autoplan Care Enhancement project and government initiatives that are cost recoverable.

2023.1 RR IBC.12.3-4

Reference: Compliance Reporting
Exhibit B-1, Chapter 8, pp. 8C-10 - 8C-11
Appendix 8C, Detailed Operating Expense Information Figure 8C.5 on pages 8C-10 - 8C-11 sets out information about ICBC Total FTEs.

12.3 How does the new addition of Basic Vehicle Damage Coverage impact the total number of FTEs?

12.4 Does the new addition of Basic Vehicle Damage Coverage impact the Claims Customer and Material Damage Services division? If so, in what way?

Response:

The change to Basic Vehicle Damage Coverage (BVDC) implemented as part of Enhanced Care does not have a quantifiable impact to the total number of ICBC FTEs as it does not impact the volume and type of work that is done at ICBC in regard to Material Damage claims.

The primary impact from the change to BVDC is in how ICBC designates a claim from a crash as either a first party or third party loss and alters how this new coverage applies to different claims scenarios. As a result, it required the Claims Customer and Material Damage Services division to update claims procedures and provide training to impacted employees (e.g., those involved with handling of First Notice of Loss) during Enhanced Care implementation.

2023.1 RR IBC.13.1-2

Reference: Compliance Reporting
Exhibit B-1, Chapter 8, pp. 8F-5 - 8F-6 Appendix 8F, Injury Claims Transition and LRCR

Figures 8F.4 and 8F.5 outline Pre-RAAP and RAAP Product Reform BI and AB severities.

13.1 What is the estimated BI severity for 2022/2023?

13.2 What is the estimated BI severity for 2023/2024?

Response:

13.1

The table below provides the BI Paid Severity by Litigation status based on the presentation in the Application, Chapter 8, Appendix 8F, Figure 8F.4. ICBC does not have estimates for the 2022/23 outlook at this level of detail; however, an update of the fiscal year to date severities for BI exposures closed through January 2023 is provided.

Pre-RAAP and RAAP Product Reform BI Paid Severity[1] by Litigation Status

Fiscal Year	Pre-RAAP ($)			RAAP Product Reform ($)		
	Unrepresented	Represented and Litigated	Overall[2]	Unrepresented	Represented and Litigated	Overall[2]
2018/19	8,300	81,500	44,700	-	-	-
2019/20	9,800	89,900	61,200	3,200	7,500	3,300
2020/21	15,000	91,000	79,200	4,800	20,600	6,100
2021/22	17,900	117,700	112,600	6,200	23,500	9,100
FYTD Jan 2023	**25,800**	**141,200**	**138,500**	**13,700**	**39,600**	**27,800**

[1] Completed during the period with an amount.
[2] Overall Paid Severity determined by dividing all paid claim amounts by total number of exposures.

As discussed in the Application, Appendix 8F, BI paid severities for pre-RAAP claims are settling higher than the RAAP claims, which is expected given the former are older and not subject to the cap on minor injury claims under RAAP product reform. Severities have also increased in line with expectations due to the higher complexity of BI pending that remains.

13.2

ICBC does not prepare forecasts of paid severity of the legal-based BI claims that close within each year. ICBC does have an actuarial forecast of paid severity, but this forecast is on a different basis and not comparable to the paid severities in this response. The actuarial view includes payments on claims that remain open at the end of the year and excludes payments from prior years on claims that close within the year. In either case, the cost of legal-based claims (RAAP and pre-RAAP) does not significantly affect the actuarial indicated rate change for PY 2023, which is based on the cost of Enhanced Care claims.

2023.1 RR IBC.13.3-4

Reference: Compliance Reporting
Exhibit B-1, Chapter 8, pp. 8F-5 - 8F-6 Appendix 8F, Injury Claims Transition and LRCR

Figures 8F.4 and 8F.5 outline Pre-RAAP and RAAP Product Reform BI and AB severities.

13.3 What is the estimated AB severity for 2022/2023?

13.4 What is the estimated AB severity for 2023/2024?

Response:

13.3

The table below provides the AB Paid Severity by AB coverage based on the presentation in the Application, Chapter 8, Appendix 8F, Figure 8F.5. ICBC does not have estimates for FY 2022/23 outlook at the same level of detail; however, an update of the fiscal year to date of AB paid severity for claim exposures closed through January 2023 is provided.

Pre-RAAP and RAAP Product Reform AB Paid Severity[1] by Coverage

Fiscal Year	Pre-RAAP ($)				RAAP Product Reform ($)			
	Medical Rehabilitation	Weekly Benefits	Death Benefits	Overall[2]	Medical Rehabilitation	Weekly Benefits	Death Benefits	Overall[2]
2018/19	2,200	12,000	7,900	2,700	-	-	-	-
2019/20	3,100	11,000	9,200	3,900	900	3,200	13,500	1,100
2020/21	4,800	14,300	10,500	5,400	1,800	6,000	13,400	2,100
2021/22	6,800	20,200	13,900	7,600	3,500	12,200	13,000	4,100
FYTD Jan 2023	12,400	25,100	11,000	13,300	10,200	21,600	11,800	11,300

[1] Completed during the period with an amount.
[2] Overall Paid Severity determined by dividing all AB coverage paid amounts by total number of exposures.

As discussed in the Application, Chapter 8, Appendix 8F, overall AB paid severities under RAAP product reform are below pre-RAAP severity levels which is expected given the age of the respective claims under each model.

13.4

ICBC does not prepare forecasts of paid severity of the pre-Enhanced Care AB claims that close within each year. ICBC does have an actuarial forecast of paid severity, but this forecast is on a different basis and not comparable to the paid severities in this response. The actuarial view includes payments on claims that remain open at the end of the year and excludes payments from prior years on claims that close within the year. In either case, the cost of pre-Enhanced Care claims (RAAP and pre-RAAP) does not significantly affect the actuarial indicated rate change for PY 2023, which is based on the cost of Enhanced Care claims.

2023.1 RR IBC.13.5-6

Reference: Compliance Reporting
Exhibit B-1, Chapter 8, pp. 8F-5 - 8F-6 Appendix 8F, Injury Claims Transition and LRCR

Figures 8F.4 and 8F.5 outline Pre-RAAP and RAAP Product Reform BI and AB severities.

13.5 What is the estimated total injury claim severity for 2022/2023?

13.6 What is the estimated total injury claim severity for 2023/2024?

Response:

Similar to the responses provided in information requests 2023.1 RR IBC.13.1-2 and 2023.1 RR IBC.13.3-4, ICBC does not prepare forecasts of paid severity of the injury claims that close within each year. Therefore, we are unable to provide the forecast for the fiscal years 2022/23 or 2023/24 reporting periods.

2023.1 RR MoveUP.1.1-2

TOPIC: LEGISLATIVE AND REGULATORY FRAMEWORK

Reference: Application, Exhibit B-1, Chapter 2 Part E Legislative And Regulatory Amendments Since The 2021 RRA

And Reference: Appendix 2A Order In Council No. 666 (666/2022) Amending Special Direction IC2

1.1 Please file an up-to-date consolidation of Special Direction IC2, and a second version indicating the amendments effected by OIC 666-22 by striking out deletions and bolding additions to the previous version.

1.2 Would ICBC be prepared to commit to providing the Commission and registered interveners in this RRA proceeding with fresh consolidations whenever Special Direction IC2 is amended from time to time?

Response:

ICBC does not have an up-to-date consolidated version of *Special Direction IC2.* It is a legal document drafted by Government staff and consolidated for publication according to the Government's processes. As such, ICBC cannot commit to providing the BCUC or interveners with newly consolidated versions of *Special Direction IC2,* as amended; however, updated versions are available via the King's Printer, Laws Publications - Government, when published by the Government.

2023.1 RR MoveUP.2.1

TOPIC: CONSTITUTIONAL CHALLENGES

Please summarize the legal basis and present status of all past and current constitutional challenges initiated since 2016 to changes to ICBC's insurance program.

Response:

The table below details the enacting legislation, summarizes the constitutional challenges and provides status updates on the proceedings that have occurred since the transformation of ICBC's Basic insurance model.

Legislation	Challenge	Status
May 7, 2018 – The *Civil Resolution Tribunal Amendment Act, 2018 (Bill 22)* (CRTA) was passed by the Legislature providing the Civil Resolution Tribunal (CRT) with jurisdiction over the matters related to the *Insurance (Vehicle) Amendment Act, 2018* (Bill 20). Specifically, the determination of *Insurance (Vehicle) Act* entitlements; whether an injury is 'minor' and liability and damages up to a $50,000 threshold.	April 1, 2019 – A Notice of Civil Claim was filed seeking declarations that the amendments to both the CRTA and IVA in respect of the minor injury definition and the jurisdiction of the (CRT) were unconstitutional.	March 2, 2021 – The British Columbia Supreme Court (BCSC) ruled that the CRT's jurisdiction over minor injury claims was unconstitutional. The Attorney General and ICBC appealed this decision. May 12, 2022 – The British Columbia Court of Appeal overturned the BCSC decision. The plaintiffs filed leave to appeal to the Supreme Court of Canada (SCC) and on December 22, 2022, the SCC denied leave.
May 10, 2018 – The *Insurance (Vehicle) Amendment Act, 2018* (Bill 20) passed placing a cap of $5,500 on non-pecuniary damages and limited the definition of minor injuries and increased the overall medical care and recovery allowance from $150,000 to $300,000 among other improvements to benefits.		

Legislation	Challenge	Status
February 11, 2019 – Amendments to *The Court Order Act* passed introducing Rule 11-8, Experts in Vehicle Actions, that places a limit on the number of expert witnesses. March 22, 2019 – Further amendments were made to minimize the impact of the new court rules on cases before the courts. Rule 11-8(11) exempted parties to a motor vehicle action from the limit on adversarial experts in Rule 11-8(3) if the trial date was on or before December 31, 2019.	April 17, 2019 – A Petition was filed seeking a declaration that the amendments to the *Court Order Act* were unconstitutional and of no force and effect, being contrary to section 96 of the Constitution Act, 1867 (U.K.), 30 & 31 Vict. c. 3, or alternatively that the Rule 11-8 Orders were not authorized by the Court Rules Act, R.S.B.C. c. 80.	October 24, 2019 – BCSC declared that the Rule 11-8 Orders were, in part, contrary to s. 96 of the Constitution Act, 1867, and thus unconstitutional and of no force or effect. In the result, sub Rules 11-8 (3), (4), and (5) and sub Rules 11-8(10) and (11) were set aside.
July 8, 2020 – *Evidence Amendment Act, 2020* (Bill 9) passed in the Legislature approving the limitation on the number of experts and expert reports entered into evidence, subject to judicial discretion to allow additional reports as well as placing a 6% limit on the recovery of disbursements regarding the experts and expert reports.	August 13, 2021 – A Notice of Civil Claim was filed in the BCSC seeking a declaration that the 6% cap on disbursements to be unconstitutional.	July 8, 2022 – The BCSC ruled the 6% cap on disbursements to be unconstitutional. July 12, 2022 – The Attorney General and ICBC appealed the decision. January 25 to 26, 2023 – An appeal hearing took place with the court reserving its decision until a later date. ICBC believes it will be at least a few months before the decision rendered.
August 14, 2020 – *Attorney General Statutes (Vehicle Insurance) Amendment Act, 2020* (Bill 11) amending the *Insurance Corporation Act, Insurance (Vehicle Act)* and the CRTA passed introducing the Enhanced Care model.	July 4, 2022 – A Notice of Civil Claim was filed in the BCSC to challenge the constitutionality of the Enhanced Care model introduced under the IVA and CRTA.	The Attorney General has filed a detailed Response to Civil Claim. ICBC will be seeking to be added as a defendant. Counsel for the plaintiff passed away late last year, which has contributed to some delay in moving this forward.

2023.1 RR MoveUP.2.2

TOPIC: CONSTITUTIONAL CHALLENGES

Is ICBC aware of any pending litigation of this character?

Response:

ICBC is not aware of any pending litigation of similar character to those contained in information request 2023.1 RR MoveUP.2.1.

2023.1 RR MoveUP.3.1-2

TOPIC: TRANSITION TO ENHANCED CARE MODEL

3.1 Please describe the major processes and benchmarks in ICBC's operational transition to deliver the Enhanced Care Model, from inception through to its anticipated completion, and identify the point at which the Corporation is now situated in this undertaking.

3.2 Please describe any remaining steps or benchmarks and ICBC's best estimate of when each will be completed.

Response:

3.1

ICBC is focused on ensuring a smooth transition from the legal-based model to the Enhanced Care model. This includes ensuring both the legal-based and the Enhanced Care model are appropriately staffed to manage their claims volumes and maintain appropriate workloads. Enhanced Care staffing has progressively increased from May 1, 2021, which coincides with the increase in the number of recovery claims. Legal-based claims staffing has decreased from April 2021 to January 2023, mostly as a result of claims staff transitioning to Enhanced Care roles or retirements.

The transition to the Enhanced Care model has been largely accomplished through claims staff moving from legal-based to Enhanced Care roles, with the balance of Enhanced Care staffing needs being met through a combination of internal hiring from other ICBC departments and external hiring. As well, to improve the ease of transition of legal-based claims staff into Enhanced Care roles, ICBC has developed and implemented an Enhanced Care Certificate program.

ICBC formed three advisory group panels: the Injury Recovery Design Panel, the Health Care Practitioner Advisory Group and the Disability Advocacy Advisory Group and engaged external leaders from health care associations and related disability advocacy organizations to inform the development and implementation of the Enhanced Care model. These panels remain active and continue to inform the evolution of the Enhanced Care model and meet with ICBC quarterly.

While the transition to the Enhanced Care model has been successful, this model continues to evolve and mature and current initiatives include:

- The ongoing refinement of claim segmentation between Enhanced Care segments.
- The introduction of individual caseloads in September 2022 within the Support & Recovery segment (previously a 100% pooled workload model).
- Evolving claims persistency patterns (e.g., health care and rehabilitation or income replacement claims which exceed the expected timeframes for a typical recovery of the same injury type).
- Evolving employee learning curve and experience levels.

3.2

ICBC continues to carefully manage the transition moving forward and make adjustments as needed based on learnings and as the Enhanced Care model continues to evolve and mature.
At this time, and based on current volumes and projections, Enhanced Care staffing requirements are anticipated to be met and stabilize by fiscal year 2025 as business processes continue to mature and claims specialist experience levels increase.

In addition to continued hiring during this period to meet anticipated staffing levels, the following business processes are planned:

- The implementation of the residual capacity determination process (i.e., adjusting an Income Replacement Benefit through establishing an employment which a customer is capable of holding post-injury no earlier than the second anniversary date of an accident).

The utilization of long-term claims handling processes as ongoing claims begin to mature (e.g., the re-segmentation of claims where injuries have stabilized but care needs and/or benefit entitlements are ongoing).

2023.1 RR MoveUP.4.1

TOPIC: STAFFING AND SERVICE CHALLENGES

4.1 Confirm that ICBC operates a Claims Contact Centre, an Insurance Customer Service Contact Centre, and a Broker Inquiry Contact Centre.

4.1.1 Please describe the function of each of these contact centres.

Response:

4.1

ICBC operates a Claims Contact Centre and an Insurance Contact Centre, with the latter including both an Insurance Customer Service Contact Centre (ICS) and a Broker Enquiry Contact Centre unit (BEU).

4.1.1

Insurance Customer Service Contact Centre (ICS)

The Insurance Customer Service Contact Centre is made up of two teams Driver Testing & Vehicle Information and Customer Contact. Driver Testing & Vehicle Information's function is to handle customer requests for vehicle-damage searches, vehicle registered-owner searches, claim-history letters and driver abstracts. Customer Contact's function is to handle customer general inquiries as well as calls and files related to coverage, understand premiums including processing claim repayments, cancellations and refunds, payment plan, driver-point premium and driver-risk premium. This team also provides support to walk-in customers at ICBC Head Office in North Vancouver.

Broker Enquiry Contact Centre Unit (BEU)

Broker Enquiry Unit's function is to respond to broker questions on issues related to motor vehicle registration, licensing and insurance, explains policies and procedures, processes claim repayments and determines whether insurance should be issued in accordance with established guidelines and issue authorizations.

Claims Contact Centre (Dial- A-Claim)

The Claims Contact Centre's (Dial- A-Claim) function is to support British Columbians who need to report a new claim or enquire on existing claims; ICBC offers two options by telephone or online. Both services are available 24 hours a day, 365 days a year. New claims begin with a request for coverage from the customer's policy and result in a claim number by describing a loss event and to ensure the customer has a full understanding on next steps.

2023.1 RR MoveUP.4.2

TOPIC: STAFFING AND SERVICE CHALLENGES

Please file ICBC's2021/22 *Annual Service Plan Report* (hyperlinked at Exhibit B-1 page 7B-2).

Response:

As in past regulatory proceedings, ICBC's general approach to filing large documents that are publicly available is to include a hyperlink to those documents. This approach is practical for both regulatory efficiency and environmental considerations. The link to the requested document is provided below. ICBC confirms that by providing this link, it considers the document to be part of the record of this proceeding.

2021/22 Annual Service Plan Report

2023.1 RR MoveUP.4.3

Reference: Application, Exhibit B-1, page 6-2:

> **A.1 OVERVIEW OF CORPORATE OPERATING EXPENSES**
>
> **4. In 2021/22, operating expenses were lower than budgeted due to lower average (full time equivalents) FTEs4 and related costs. Fewer overall FTEs were mainly the result of higher attrition rates and recruitment challenges experienced in hiring to address staffing requirements during the transition to the Enhanced Care model, as well as the return of higher claims volume. Non-compensation expenses were lower due to savings from continuing COVID-19 impacts resulting from supply chain issues and resource constraints. Additionally, pension expenses were lower than budgeted due to a higher than planned discount rate for pension liabilities.**
>
> **5. In the 2022/23 outlook, controllable operating expenses are expected to increase to $821 million, $61 million higher than 2021/22 actual. The increase in controllable expenses is due to expected increase in staffing as recruitment continues to fill vacancies to address staffing needs for Enhanced Care and to maintain adequate service levels in contact centers and driver licensing offices, while continuing to manage and progressively wind down legal-based claims. . . .**

And Reference: 2021/22 Annual Service Plan Report page 9:

> **This past year saw acute risks emerge in the area of talent attraction and retention. Tight labour markets and staff turnover could lead to disruptions to ICBC's daily operations, additional training costs, and filling positions with the wrong talent. To mitigate this, ICBC implemented flexible work options for eligible employees. In addition, it put greater emphasis on wellness and wellbeing, introducing a year-long mental health series that gives employees additional wellness resources and quarterly live sessions with registered psychologists.**

And Reference: 2021/22 Annual Service Plan Report pages 15-16:

> **Objective 4.1: Shape the future of insurance and mobility in B.C. through partnerships and workplace practices**
>
> **Key Highlights**
>
> - **Launched new Employee Opinion Survey (EOS).**
> - **Developed multi-year people strategy.**
> - **Implemented flexible hybrid work model.**
> - **Approved a crash prevention strategy.**
> - **Completed telematics pilot and report.**

Performance Measure(s)	2020/21 Actuals	2021/22 Target	2021/22 Actuals	2022/23 Target	2023/24 Target
4.1a ICBC's workplace practices attract, engage and retain people to deliver service to our customers					
Employee Opinion Survey results[1] Aligned Enabled Motivated Accountable Leadership[2]	 83 73 71 88 N/A	Evolve EOS Engagement Methodology[3]	New measure Employee Engagement Index is 63%	Employee Engagement Index at 65%	Employee Engagement Index at 67%

[1]Data source: EOS conducted by an independent firm.
[2]Leadership Index can only be updated in a full survey year.
[3]ICBC has been evolving EOS methodology, starting in 2021/22, to integrate employee engagement more closely with Diversity, Equity & Inclusion goals.

Discussion of Results
• ICBC launched the newly designed EOS this year.
o The new EOS performance measure will be the Employee Engagement Index.
o Using a new survey means that the new scores do not align to previous targets. In 2022/23 new targets will be set against newly established benchmarks.
o The new survey includes a DEI index to understand the employee experience of various groups.
o The survey response rate was higher this year than in recent years.
o Key insights from the survey included employees feeling supported by their immediate manager and understanding the company's strategic goals. They expressed a desire for senior leaders to connect more with them and put people first in decision-making. They also reported not experiencing a sustainable work environment.
• ICBC developed a multi-year people strategy — our commitment to support and invest in our people — which will be important in addressing feedback arising from the EOS. The strategy is framed around four focus areas: developing inspirational leaders, creating a future focused employee experience, focusing on workforce planning and resourcing, and redefining our performance and development approach.
• Recognizing that the pandemic has taken a toll on mental health, ICBC started a quarterly mental health series that all employees have the opportunity to participate in.
• ICBC implemented a flexible hybrid work model that gives most employees remote
work options, lessening commute times, helping to reduce congestion and crashes on
B.C. roads, and reducing the corporation's carbon footprint.
o By year-end, the model had enabled about 90 percent of employees (over 5,000) to work from home part-time; roles not eligible for work-from-home are mostly due to customer service requirements.
o ICBC supported leadership in the transition to the flexible work program with the

rollout of leadership development sessions on trust, collaboration, autonomy, leader mental health and resiliency, as well as through the provision of an approach to set up team agreements for hybrid work.

- **ICBC set up employees to work from home by providing access to resources such as laptops and peripherals for home office set up.**

Please file the latest employee survey report.

Response:

Please see Attachment A – 2022 Employee Opinion Survey Results for a summary of the 2022 results and how the results are being used by ICBC.

2023.1 RR MoveUP.4.3 – Attachment A – 2022 Employee Opinion Survey Results

February 2022

2022 Employee Opinion Survey Results

Survey Background

- 2022 is the first year ICBC partnered with a new employee opinion survey (EOS) vendor, Mercer
- Survey open 12 days (Feb 7 – 18)
- 4,572 employees responded, representing an 80% response rate

Corporate and Divisional Participation Rates

Division	2022
ICBC Overall	**80%**
Claims Customer & Material Damage	77%
Claim Injury & Legal Services	83%
Insurance	88%
Driver Licensing & Corporate Affairs	78%
Information Services	77%
Finance	78%
Customer Experience & Public Affairs	88%
Human Resources	84%

Corporate and Divisional Engagement Results

Division	2022
ICBC Overall	**63%**
Claims Customer & Material Damage	60%
Claim Injury & Legal Services	61%
Insurance	67%
Driver Licensing & Corporate Affairs	63%
Information Services	67%
Finance	67%
Customer Experience & Public Affairs	67%
Human Resources	68%

Drivers of Engagement

Dimension of Engagement	2022 score
My Day to Day Experience	55%
My Manager	81%
Senior Leadership	50%
Our Company	57%
My Performance	64%
Employee Wellness	62%
Strategic Focus	71%

How Data Is Being Used

- Review results of the 2022 Employee Opinion Survey with all leaders and employees.
- To address survey feedback, divisions have co-created divisional action plans with employees in the past year to address divisional-specific needs.
- ICBC has also introduced Make Work; Work initiative, a top ten list prioritized for the 3 largest divisions with support of the Information Services Division resourcing focused on process and systems improvements.
- In addition, all divisions have implemented 1% improvements, representing small minimal-cost symbolic changes in day-to-day operational work to see quick wins, including individual and leadership commitments to have a meaningful impact.
- ICBC will continue to deliver on the People Strategy which includes the programs and initiatives to continually improve the employee experience

2023.1 RR MoveUP.4.4

Reference: Application, Exhibit B-1, page 6-2:

> **A.1 OVERVIEW OF CORPORATE OPERATING EXPENSES**
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o The new EOS performance measure will be the Employee Engagement Index.

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o The new survey includes a DEI index to understand the employee experience of various groups.

o The survey response rate was higher this year than in recent years.

o Key insights from the survey included employees feeling supported by their immediate manager and understanding the company's strategic goals. They expressed a desire for senior leaders to connect more with them and put people first in decision-making. They also reported not experiencing a sustainable work environment.

• ICBC developed a multi-year people strategy — our commitment to support and invest in our people — which will be important in addressing feedback arising from the EOS. The strategy is framed around four focus areas: developing inspirational leaders, creating a future focused employee experience, focusing on workforce planning and resourcing, and redefining our performance and development approach.

• Recognizing that the pandemic has taken a toll on mental health, ICBC started a quarterly mental health series that all employees have the opportunity to participate in.

• ICBC implemented a flexible hybrid work model that gives most employees remote
work options, lessening commute times, helping to reduce congestion and crashes on
B.C. roads, and reducing the corporation's carbon footprint.

o By year-end, the model had enabled about 90 percent of employees (over 5,000) to work from home part-time; roles not eligible for work-from-home are mostly due to customer service requirements.

o ICBC supported leadership in the transition to the flexible work program with the rollout of leadership development sessions on trust, collaboration, autonomy, leader

mental health and resiliency, as well as through the provision of an approach to set up team agreements for hybrid work.

o ICBC set up employees to work from home by providing access to resources such as laptops and peripherals for home office set up.

(a) Attrition

4.4 Please extend the table in the above Service Plan extract to incorporate scores beginning in 2018/19 (i.e., extend the equivalent table in the 2020/21 Report to incorporate the entries in the current Report – see ICBC 2021 Revenue Requirements Application Exhibit B-6 page PDF 290).

4.4.1 To what extent does ICBC management consider that the deterioration in these scores over recent years reflects staff morale problems described in the *Report*?

4.4.2 Does ICBC management agree with the survey responses reporting that staff are "not experiencing a sustainable work environment"?

4.4.3 Does ICBC management agree with the survey responses regarding excessive workload?

4.4.4 What metrics does ICBC management apply to its consideration of staff workloads?

4.4.5 What progress does ICBC management consider that it has made to-date in establishing a sustainable work environment? What further measures does it intend to undertake?

4.4.6 What progress does ICBC management consider that it has made to-date in resolving excessive workload for its staff? What further measures does it intend to undertake?

Response:

ICBC believes information request 2023.1 RR MoveUP.4.4 is not materially relevant to the rate application; however, it is providing a response below.

4.4

The extended table is provided below.

	2018/2019 Actual	2019/2020 Actual
Aligned	82	81
Enabled	73	68
Motivated	72	65
Accountable	90	87
Leadership	76	N/A (Leadership Index can only be updated in a full survey year)

4.4.1

ICBC’s commitment to the employee experience is a top priority. ICBC’s People Strategy demonstrates how ICBC will continually invest in its people to attract and retain people. The scores are not deteriorating.

The 2022 survey methodology is new in partnership with Mercer, the external survey provider. The scores indicate a moderate engagement level, while highlighting the risk of retention given the current labour market. Mercer, will conduct and analyze the results. Responses are confidential, and results are reported in aggregate form. This means survey results will not be linked back to any specific person. Feedback from the surveys indicate employees are optimistic about ICBC's flexible work model. Many have identified frustrations and opportunities for improvement with the current model.

ICBC understands the current needs of its employees and is looking to address program enhancements and further training, as well as tools and support to employees and teams. Leaders are empowered to have meaningful dialogue with employees, review current divisional action plans and discuss ongoing needs. The employee engagement survey is part of the overall ICBC employee listening program. ICBC continues to listen to the employee's voices by providing multiple avenues to communicate their views and helping to influence matters affecting them at work.

4.4.2

ICBC does not agree that the survey responses exclusively report that employees are not experiencing a sustainable work environment. The survey indicates there are challenges to sustainable work and as expressed above, ICBC is seeing this as a trend in organizations with the COVID-19 pandemic fundamentally changing many employee's perspective on work and due to the current labour market. ICBC is always committed to improving the employee experience through the People Strategy, which includes various programs and initiatives to enhance employee experience.

4.4.3

ICBC does not agree that the survey responses exclusively report excessive workload. The survey indicates there are some challenges with excessive workload and, as expressed above, ICBC is seeing this as a trend in organizations with the COVID-19 pandemic fundamentally changing many employee's perspective on work and due to the current labour market. ICBC uses tools, programs and processes to assist employees in executing their work, understands how their efforts align with the Corporate Strategy, and encourages their motivation and individual accountability for delivering business results.

4.4.4

ICBC has a wide diversity of work functions and roles across the corporation. A number of factors are taken into consideration in determining staff workloads and the amount of staff necessary to support business demands. ICBC is consistently adjusting staffing models to continually meet business demand.

In Claims, Driver Licensing, Injury and Enhanced Care (excluding call centres), these factors include:

- Actual and forecasted claims volume by type/transaction volume by type.
- Productivity/workload benchmark expectations.

- Actual and forecasted work-level experience.
- Shrinkage (employee availability, taking into account vacation, absenteeism and non-direct working activities – i.e., training, coaching)
- Actual and forecasted attrition

For Claims, workload standards are typically expressed in terms of total expected work activity per full-time equivalent (FTE) per month and year, total intake per FTE per month, average pending per FTE, or a combination thereof. These standards are reviewed and updated regularly to reflect changes in business processes, operating environment, and efficiencies. Non-call centre models are refreshed and reviewed monthly.

For call centres, FTE requirements are determined based on the target service level, which is typically designed to achieve an optimal balance between several key performance metrics, including average wait time, call abandonment rate and staff occupancy. Long-term call centre models, which look ahead at the full fiscal year, are refreshed monthly, while short-term models (which look ahead two days to three weeks) are refreshed both daily and weekly.

For other business areas where the integrated staffing model is not used, the staffing levels are determined based on the anticipated business needs, considering historical staffing levels, expected attrition, anticipated workload, organizational initiatives, and priorities.

4.4.5

As noted above in 4.4.2, ICBC does not agree that the survey responses exclusively report that employees are not experiencing a sustainable work environment.

Investing in its employees continues to be a top priority for ICBC, inclusive of programs and initiatives that support physical health, mental health, social and emotional health, financial health and physical environment. Some key initiatives include:

- Corporate-wide influenza clinics made available to all employees.
- SunLife Ask the Expert sessions hosted quarterly with a Registered Psychologist.

- Mental Health and Resilience in the Workplace for supervisors and leaders.
- Annual My One Thing health campaign.
- Incorporating Wellbeing in Onboarding Program.
- Integrating Wellbeing into MS Teams.

A current state assessment is being conducted to understand the influencers of well-being at ICBC. The measurement strategy will be defined as recommendations from the assessment are received.

4.4.6

As noted above in 4.4.3, ICBC does not agree that the survey responses exclusively report excessive workload. The survey indicates there are some challenges with excessive workload and as expressed above, ICBC is seeing this as a trend in organizations due to the current labour market.

To address survey feedback, divisions have co-created divisional action plans with employees in the past year to address divisional-specific needs. ICBC has also introduced the Make Work; Work initiative, a top 10 list prioritized for the 3 largest divisions with support of the Information Services Division resourcing focused on process and systems improvements. In addition, all divisions have implemented 1% improvements, representing small minimal-cost symbolic changes in day-to-day operational work to see quick wins, including individual and leadership commitments to have a meaningful impact. ICBC will continue to deliver on the People Strategy, which includes the programs and initiatives to continually improve the employee experience.

2023.1 RR MoveUP.4.5

TOPIC: STAFFING AND SERVICE CHALLENGES

Please provide a table showing total FTE staff levels, broken down between bargaining unit and excluded staff, at the beginning of each calendar year from 2019 through 2022, plus the end-of-year figures for 2022, for each department (including the Claims Contact Centre, the Claims Contact Centre, the Insurance Customer Service Call Centre and the Broker Inquiry Call Centre each as a distinct department), showing the number of resignations and retirements occurring each year, and the total rate of staff turnover (including all inter-year arrival/departure "churn" within each department – recognizing the possibility of annual turnover rates in excess of 100%).

Response:

Note that a beginning of the calendar year view is not available. However, the end of year view approximates the beginning of the next year view, as such end of calendar year figures for FTE staff levels are provided in the table below.

FTEs - End of Calendar Year View	2018	2019	2020	2021	2022
Claims Contact Centre	**443**	**399**	**325**	**399**	**456**
Bargaining Unit	431	391	311	384	430
Management and Confidential	12	8	14	15	26
Insurance Customer Service Call Centre	**73**	**86**	**79**	**64**	**72**
Bargaining Unit	72	85	78	62	70
Management and Confidential	1	1	1	2	2
Broker Enquiry Call Centre	**79**	**111**	**90**	**68**	**58**
Bargaining Unit	78	110	89	67	56
Management and Confidential	1	1	1	1	2

The table below shows the number of resignations and retirements occurring each year and the total rate of staff turnover.

Call Centre	# of Resignations				# of Retirements				Total Rate of Staff Turnover[1,2]			
	2019	2020	2021	2022	2019	2020	2021	2022	2019	2020	2021	2022
Claims Contact Centre	**27**	**14**	**29**	**53**	**11**	**7**	**7**	**11**	**19%**	**11%**	**29%**	**30%**
Bargaining Unit	25	14	29	53	10	6	7	10	19%	11%	30%	30%
Management & and Confidential	2	0	0	0	1	1	0	1	30%	8%	13%	29%
Insurance Customer Service Call Centre	**4**	**4**	**4**	**7**	**0**	**0**	**1**	**1**	**22%**	**10%**	**25%**	**32%**
Bargaining Unit	4	4	4	7	0	0	1	1	22%	10%	24%	33%
Management & and Confidential	0	0	0	0	0	0	0	0	0%	0%	50%	0%
Broker Enquiry Call Centre	**14**	**4**	**7**	**9**	**1**	**1**	**3**	**0**	**27%**	**13%**	**31%**	**48%**
Bargaining Unit	14	4	7	9	1	1	3	0	27%	13%	31%	48%
Management & and Confidential	0	0	0	0	0	0	0	0	0%	0%	0%	0%

[1] Staff turnover includes counts of employees leaving due to resignation, retirement, involuntary termination and internal movement out of an area.

[2] Staff turnover rate is calculated as staff turnover counts as a percent of average headcount. Total rate of each contact centre does not equal to the sum of Bargaining Unit rate and Management and Confidential staff rate because different headcount numbers are used as the denominators to derive Bargaining Unit rate versus Management and Confidential staff rate.

2023.1 RR MoveUP.4.6

TOPIC: STAFFING AND SERVICE CHALLENGES

4.6 What causes of the variability of "higher attrition rates" as between departments and work functions have ICBC identified?

4.6.1 What measures have ICBC management undertaken to address specific problematic centres of employee morale within the workforce?

Response:

4.6

ICBC conducts exit interviews and based on departing employee sentiments, the commonly cited reasons in most departments for departure are related to career opportunities and compensation. A global competitive labour market is increasing external job opportunities for employees. The most significant recruitment challenges exist in the following work areas: Enhanced Care, Contact Centre, Driver Licensing and technical ISD roles.

4.6.1

ICBC does not agree that there are problematic centres of morale issues. ICBC has an employee listening strategy aimed at understanding employee voice through how employees communicate their views and influence matters that affect them at work. The employee listening strategy encompasses the annual employee opinion, ongoing pulse checks, onboarding surveys, exit surveys, anniversary surveys and divisional data collection as required. ICBC encourages a culture of continuous dialogue between leader and employee and supports leaders in driving open, productive and ongoing conversations with all employees. ICBC invests in front-line leadership programs to equip leaders to have ongoing discussions with their people.

2023.1 RR MoveUP.4.7

TOPIC: STAFFING AND SERVICE CHALLENGES

4.7 Are customer-facing staff including contact centre staff, and driver examiners given time away from their regular duties in order to participate in the "quarterly live sessions with registered psychologists"? In either case please explain.

4.7.1 Confirm that these employees are among those most commonly suffering from work-related stress and burnout and are subject to higher attrition rates than the general workforce. If not confirmed please explain.

Response:

4.7

ICBC confirms that it enables customer-facing employees, including contact centre staff and driver examiners, to be given time away from their regular duties to participate in quarterly live or recorded 'Sunlife Ask the Expert' sessions. Specific to driver examiner staff, the scheduling team ensures one session per quarter is hosted at 8:00 AM to allow staff to attend as part of their learning & development block before opening driver licensing offices.

4.7.1

ICBC cannot confirm driver examiners and contact centre staff are most common to suffer from work-related stress and burnout. In ICBC's Employee Opinion Survey queries, questions including 1) *The amount of work expected of me is reasonable* and 2) *I experience manageable levels of stress in my job,* these reported employee groups were more positive than the corporate average for both questions. ICBC's commitment to the employee experience is a top priority, and the People Strategy demonstrates the ways ICBC continually invests in its people.

2023.1 RR MoveUP.4.8

TOPIC: STAFFING AND SERVICE CHALLENGES

Does ICBC consider that mitigating staff workplace stress and burnout is necessary in order to rectify the identified problems with customer service? Please explain.

Response:

ICBC believes a positive employee experience can have an impact on the delivery of a positive customer experience. For details on programs and tactics ICBC has implemented to improve the employee experience, please see the response to information request 2023.1 RR MoveUP.4.4.5, filed in the response to information request 2023.1 RR MoveUP.4.4.

While satisfaction ratings slightly decreased in fiscal year 2021/22 compared to previous years for Driver Licensing and Claims, ICBC customer satisfaction scores remain strong at 89% for Claims, 91% for Driver Licensing and 96% for Insurance.

For further information on customer satisfaction, please refer to refer to the Application, Chapter 8, Appendix 8A, Section D.

2023.1 RR MoveUP.4.9

TOPIC: STAFFING AND SERVICE CHALLENGES

How will ICBC measure the degree of success achieved by its “quarterly mental health series” and other programs to address staff workplace stress and burnout?

Response:

To measure the degree of success achieved by its programs, ICBC conducts post-learning session surveys. For the quarterly "Sunlife Ask the Expert" series, 86% of respondents agreed or strongly agreed that the session met or exceeded their expectations. In addition, 85% answered "Yes" to "I am aware of the health and wellness resources available at ICBC." Creating shared and equitable opportunities for learning and discussion on well-being is a continued priority.

2023.1 RR MoveUP.4.10-14

Reference: Application, Exhibit B-1, page 6-2:

> **A.1 OVERVIEW OF CORPORATE OPERATING EXPENSES**
>
> **4. In 2021/22, operating expenses were lower than budgeted due to lower average (full time equivalents) FTEs4 and related costs. Fewer overall FTEs were mainly the result of higher attrition rates and recruitment challenges experienced in hiring to address staffing requirements during the transition to the Enhanced Care model, as well as the return of higher claims volume. Non-compensation expenses were lower due to savings from continuing COVID-19 impacts resulting from supply chain issues and resource constraints. Additionally, pension expenses were lower than budgeted due to a higher than planned discount rate for pension liabilities.**
>
> **5. In the 2022/23 outlook, controllable operating expenses are expected to increase to $821 million, $61 million higher than 2021/22 actual. The increase in controllable expenses is due to expected increase in staffing as recruitment continues to fill vacancies to address staffing needs for Enhanced Care and to maintain adequate service levels in contact centers and driver licensing offices, while continuing to manage and progressively wind down legal-based claims. . . .**

And Reference: 2021/22 Annual Service Plan Report page 9:

> **This past year saw acute risks emerge in the area of talent attraction and retention. Tight labour markets and staff turnover could lead to disruptions to ICBC's daily operations, additional training costs, and filling positions with the wrong talent. To mitigate this, ICBC implemented flexible work options for eligible employees. In addition, it put greater emphasis on wellness and wellbeing, introducing a year-long mental health series that gives employees additional wellness resources and quarterly live sessions with registered psychologists.**

And Reference: 2021/22 Annual Service Plan Report pages 15-16:

> **Objective 4.1: Shape the future of insurance and mobility in B.C. through partnerships and workplace practices**
>
> **Key Highlights**
> - **Launched new Employee Opinion Survey (EOS).**
> - **Developed multi-year people strategy.**
> - **Implemented flexible hybrid work model.**
> - **Approved a crash prevention strategy.**
> - **Completed telematics pilot and report.**

Performance Measure(s)	2020/21 Actuals	2021/22 Target	2021/22 Actuals	2022/23 Target	2023/24 Target
4.1a ICBC's workplace practices attract, engage and retain people to deliver service to our customers					
Employee Opinion Survey results[1] Aligned Enabled Motivated Accountable Leadership[2]	 83 73 71 88 N/A	Evolve EOS Engagement Methodology[3]	New measure Employee Engagement Index is 63%	Employee Engagement Index at 65%	Employee Engagement Index at 67%

[1]Data source: EOS conducted by an independent firm.
[2]Leadership Index can only be updated in a full survey year.
[3]ICBC has been evolving EOS methodology, starting in 2021/22, to integrate employee engagement more closely with Diversity, Equity & Inclusion goals.

Discussion of Results

• ICBC launched the newly designed EOS this year.

o The new EOS performance measure will be the Employee Engagement Index.

o Using a new survey means that the new scores do not align to previous targets. In 2022/23 new targets will be set against newly established benchmarks.

o The new survey includes a DEI index to understand the employee experience of various groups.

o The survey response rate was higher this year than in recent years.

o Key insights from the survey included employees feeling supported by their immediate manager and understanding the company's strategic goals. They expressed a desire for senior leaders to connect more with them and put people first in decision-making. They also reported not experiencing a sustainable work environment.

• ICBC developed a multi-year people strategy — our commitment to support and invest in our people — which will be important in addressing feedback arising from the EOS. The strategy is framed around four focus areas: developing inspirational leaders, creating a future focused employee experience, focusing on workforce planning and resourcing, and redefining our performance and development approach.

• Recognizing that the pandemic has taken a toll on mental health, ICBC started a quarterly mental health series that all employees have the opportunity to participate in.

• ICBC implemented a flexible hybrid work model that gives most employees remote work options, lessening commute times, helping to reduce congestion and crashes on B.C. roads, and reducing the corporation's carbon footprint.

o By year-end, the model had enabled about 90 percent of employees (over 5,000) to work from home part-time; roles not eligible for work-from-home are mostly due to customer service requirements.

- **ICBC supported leadership in the transition to the flexible work program with the rollout of leadership development sessions on trust, collaboration, autonomy, leader mental health and resiliency, as well as through the provision of an approach to set up team agreements for hybrid work.**
- **ICBC set up employees to work from home by providing access to resources such as laptops and peripherals for home office set up.**

(b) Recruitment

4.10 Please describe more fully the "recruitment challenges" described in the above extracts.

4.11 What categories of staff positions and work functions were subject to the greatest "recruitment challenges" in 2021/22?

4.12 In what manner and to what extent are these challenges new or more severe than in the recent past?

4.13 What causes of the "recruitment challenges" have ICBC identified?

4.14 What measures have ICBC adopted to mitigate the "recruitment challenges"?

Response:

4.10

Following the lifting of COVID-19 restrictions, companies globally have experienced a tight labour market and high inflation rates which have led to widespread challenges for recruitment. ICBC has experienced an increase in its attrition rate and an increased time to fill certain positions. The increasing attrition rates experienced at ICBC have been in line with the national average.

In addition, ICBC's hiring requirements were greater during the transition to the Enhanced Care model with a number of new positions needing to be filled.

4.11

The greatest recruitment challenges existed in the following work areas: Enhanced Care, Contact Centre, Driver Licensing and technical Information Services Division roles.

4.12

The recruitment challenges experienced in fiscal years 2021/22 and 2022/23 are more severe than in the recent past due to the COVID-19 pandemic, low labour market supply and a quicker than expected resumption of claims volumes, in addition to transitioning to the new Enhanced Care model.

As discussed above, these recruitment challenges are not unique to ICBC. These challenges are being experienced across the industry and metrics such as attrition rate and time to fill show that ICBC is in line with the national average.

4.13

As noted above, the main factors impacting recruitment are the tight labour market, low-quality talent pool and high inflation rates.

4.14

ICBC has been mitigating these challenges by implementing a number of tactics to broaden its pool of candidates and focus on matching the right applicant to the right role. Please see the response to information request 2023.1 RR BCUC.26.2, for a detailed list of recruitment tactics ICBC has implemented to mitigate recruitment challenges.

2023.1 RR MoveUP.4.15

(c) Impact on Customers – Response Times and Service Delays

Reference: 2021/22 ICBC Annual Service Plan Report page 13:

o Claims customer satisfaction scores did not achieve target. A number of challenges were encountered, including the number of claims returning to pre-COVID-19 levels faster than anticipated and the ability to hire staff to meet that increasing claims demand. This resulted in customers experiencing longer-than-normal response times and some service delays. Additionally, with the launch of Enhanced Care on May 1,

2021, some processes were completely redesigned, contributing to a steep learning curve for new Enhanced Care claims employees.

o To address these challenges ICBC has focused on recruitment efforts to meet service demands including hiring relevant experience from outside the organization. Additionally, enhancements to training were made to optimize skill development needs. ICBC has also engaged in process and work segmentation improvements to streamline the customer experience and improve the overall responsiveness of our teams. ICBC is also adapting best practice standards in case management to the Enhanced Care business and is utilizing a quality assurance program to support understanding of the success of the execution to these standards.

[underlining added]

Please provide a table showing monthly Telephone Service Levels (percent of calls answered within 100 seconds) and Average Speed of Answer from January 2019 through December 2022 for the Claims Contact Centre, the Insurance Customer Service Call Centre, and the Broker Inquiry Call Centre.

Response:

Service Level measures the accessibility of an organization to its customers, each contact centre is unique in nature and therefore has its own service level target.

Claims Contact Centre	**Service Level: % of Calls Answered within 100 Seconds**												
	Year	**Jan**	**Feb**	**Mar**	**Apr**	**May**	**Jun**	**Jul**	**Aug**	**Sep**	**Oct**	**Nov**	**Dec**
	2019	69%	58%	75%	79%	77%	72%	67%	62%	52%	65%	75%	66%
	2020	60%	68%	78%	91%	94%	75%	54%	63%	65%	49%	60%	52%
	2021	58%	65%	69%	68%	61%	42%	22%	19%	15%	15%	15%	15%
	2022	17%	29%	46%	39%	44%	41%	32%	32%	30%	22%	28%	22%

Claims Contact Centre	**ASA: Average Speed of Accept (seconds)**												
	Year	**Jan**	**Feb**	**Mar**	**Apr**	**May**	**Jun**	**Jul**	**Aug**	**Sep**	**Oct**	**Nov**	**Dec**
	2019	92	178	82	68	94	103	123	120	206	123	85	132
	2020	199	104	78	30	19	93	211	148	139	256	182	278
	2021	200	151	124	161	177	306	781	888	1944	1868	2473	2738
	2022	1979	584	349	402	331	329	495	560	531	710	704	975

Broker Enquiry Unit	**Service Level: % of Calls Answered within 120 Seconds**												
	Year	**Jan**	**Feb**	**Mar**	**Apr**	**May**	**Jun**	**Jul**	**Aug**	**Sep**	**Oct**	**Nov**	**Dec**
	2019	41%	53%	46%	33%	56%	84%	90%	82%	92%	76%	96%	92%
	2020	98%	92%	94%	76%	71%	68%	85%	61%	88%	91%	88%	86%
	2021	93%	93%	84%	85%	80%	73%	69%	52%	73%	73%	83%	84%
	2022	92%	88%	85%	87%	81%	59%	50%	59%	26%	44%	61%	72%

Broker Enquiry Unit	**ASA: Average Speed of Accept (seconds)**												
	Year	**Jan**	**Feb**	**Mar**	**Apr**	**May**	**Jun**	**Jul**	**Aug**	**Sep**	**Oct**	**Nov**	**Dec**
	2019	252	145	197	250	123	35	19	42	16	48	11	20
	2020	7	14	17	52	68	69	25	96	27	23	28	48
	2021	23	26	42	61	60	81	106	184	88	93	56	54
	2022	26	45	44	41	57	128	172	141	468	292	151	104

Insurance Customer Services	**Service Level: % of Calls Answered within 150 Seconds**												
	Year	**Jan**	**Feb**	**Mar**	**Apr**	**May**	**Jun**	**Jul**	**Aug**	**Sep**	**Oct**	**Nov**	**Dec**
	2019	45%	59%	80%	78%	82%	93%	86%	74%	62%	51%	79%	97%
	2020	91%	87%	72%	*	*	89%	83%	64%	71%	64%	63%	94%
	2021	89%	82%	67%	55%	76%	57%	77%	72%	86%	86%	83%	88%
	2022	66%	81%	64%	83%	81%	69%	35%	20%	13%	17%	38%	65%

* April to May 2020 - Outbound Calling only due to the Covid-19 pandemic.

Insurance Customer Services	ASA: Average Speed of Accept (seconds)												
	Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
	2019	269	180	71	84	76	28	52	97	191	271	93	14
	2020	36	55	256	*	*	43	64	176	140	212	201	43
	2021	50	74	218	234	87	165	91	129	58	57	66	54
	2022	179	97	170	85	82	132	429	863	2100	1788	592	223

* April to May 2020 - Outbound Calling only due to the Covid-19 pandemic.

Data source: WFM

2023.1 RR MoveUP.4.16

(c) Impact on Customers – Response Times and Service Delays

Reference: 2021/22 ICBC Annual Service Plan Report page 13:

o Claims customer satisfaction scores did not achieve target. A number of challenges were encountered, including the number of claims returning to pre-COVID-19 levels faster than anticipated and the ability to hire staff to meet that increasing claims demand. This resulted in customers experiencing longer-than-normal response times and some service delays. Additionally, with the launch of Enhanced Care on May 1,

2021, some processes were completely redesigned, contributing to a steep learning curve for new Enhanced Care claims employees.

o To address these challenges ICBC has focused on recruitment efforts to meet service demands including hiring relevant experience from outside the organization. Additionally, enhancements to training were made to optimize skill development needs. ICBC has also engaged in process and work segmentation improvements to streamline the customer experience and improve the overall responsiveness of our teams. ICBC is also adapting best practice standards in case management to the Enhanced Care business and is utilizing a quality assurance program to support understanding of the success of the execution to these standards.

[underlining added]

What stages of claims handling have experienced the greatest degradation of response times?

Response:

As noted in the Application, Chapter 8, Appendix 8A, Figure 8A.3, the overall claims services satisfaction score remained strong at 89%, although there was a slight decrease in fiscal year 2021/22 compared to the previous year. As ICBC anticipated, with the launch of Enhanced Care on May 1, 2021, there was a need to hire new staff and re-train claims-related staff on new or redesigned processes, contributing to a learning curve for new Enhanced Care claims staff which impacted claims handling. Other factors influenced claims services satisfaction levels including claims volumes returning closer to pre-COVID-19 pandemic levels faster than anticipated and the increased service demand for claims handling outpacing the ability to recruit requisite staff, which resulted in customers experiencing longer than normal response times and service delays.

The root cause of the slight decrease in the claims services satisfaction results relates to the increased call volumes and wait times in both the call handling and responding to customer calls; however, ICBC is unable to isolate which area has experienced the greatest impact on customers as a whole. Closed claim customer satisfaction results include the overall claims process and we are unable to separate which aspect of claims handling has experienced the greatest service delay.

2023.1 RR MoveUP.4.17

(c) Impact on Customers – Response Times and Service Delays

Reference: 2021/22 ICBC Annual Service Plan Report page 13:

- **Claims customer satisfaction scores did not achieve target. A number of challenges were encountered, including the number of claims returning to pre-COVID-19 levels faster than anticipated and the ability to hire staff to meet that increasing claims demand. This resulted in customers experiencing longer-than-normal response times and some service delays. Additionally, with the launch of Enhanced Care on May 1,**

2021, some processes were completely redesigned, contributing to a steep learning curve for new Enhanced Care claims employees.

- **To address these challenges ICBC has focused on recruitment efforts to meet service demands including hiring relevant experience from outside the organization. Additionally, enhancements to training were made to optimize skill development needs. ICBC has also engaged in process and work segmentation improvements to streamline the customer experience and improve the overall responsiveness of our teams. ICBC is also adapting best practice standards in case management to the Enhanced Care business and is utilizing a quality assurance program to support understanding of the success of the execution to these standards.**

[underlining added]

What aspects of claims handling have experienced the greatest service delays?

Response:

Please see the response to information request 2023.1 RR MoveUP.4.16.

2023.1 RR MoveUP.4.18

(c) Impact on Customers – Response Times and Service Delays

Reference: 2021/22 ICBC Annual Service Plan Report page 13:

o Claims customer satisfaction scores did not achieve target. A number of challenges were encountered, including the number of claims returning to pre-COVID-19 levels faster than anticipated and the ability to hire staff to meet that increasing claims demand. This resulted in customers experiencing longer-than-normal response times and some service delays. Additionally, with the launch of Enhanced Care on May 1,

2021, some processes were completely redesigned, contributing to a steep learning curve for new Enhanced Care claims employees.

o To address these challenges ICBC has focused on recruitment efforts to meet service demands including hiring relevant experience from outside the organization. Additionally, enhancements to training were made to optimize skill development needs. ICBC has also engaged in process and work segmentation improvements to streamline the customer experience and improve the overall responsiveness of our teams. ICBC is also adapting best practice standards in case management to the Enhanced Care business and is utilizing a quality assurance program to support understanding of the success of the execution to these standards.

[underlining added]

What measures have ICBC taken to mitigate these specific response times and service delays?

Response:

As discussed in the Application, Chapter 8, Appendix 8A, page 8A-13, ICBC has taken measures to address the increased volume and wait times in call handling and responding to customers. ICBC has focused on recruitment efforts, including the external hiring of individuals with relevant experience, and has made enhancements to training to optimize skill development needs. ICBC has also introduced process and work segmentation improvements to streamline the customer experience, and is adapting best practice standards in Enhanced Care case management and utilizing a quality assurance program to evaluate the success in executing to these standards.

As discussed in the Application, Chapter 7, Appendix 7B, page 7B-12, new technological and procedural capabilities are being introduced through the Streamlined Claims Processes Program project to remove redundant activities, speed up task completion and automate routine claims handling processes. As these new capabilities improve overall claims handling efficiency, they are also expected to positively impact response times and service delays.

2023.1 RR MoveUP.4.19

<u>(d) “Old Book” operations</u>

Please explain what is meant by “Old Book” within ICBC, and describe what is entailed in processing “old book” claims.

Response:

ICBC refers to injury claims that occurred prior to the implementation of Enhanced Care as "old book" claims and these will continue to be handled under the legal-based models (pre-RAAP injury claims that occurred prior to the introduction of RAAP product reform and RAAP product reform claims). These are claims where the injured customer has the ability to sue the responsible motorist for the injuries sustained as a result of a crash with a motor vehicle.

Managing the legal-based injury claims requires file handling by injury claims specialists who are responsible for properly investigating the claim, managing the related tort and Accident Benefits and settling these claims in a reasonable and timely manner. Injury claims specialists work with individual claimants to resolve their claims where possible; or, if represented, with their legal counsel. Many represented injury claims become litigated. When a settlement cannot be reached these claims ultimately proceed to trial.

2023.1 RR MoveUP.4.20

(d) "Old Book" operations

4.20 How many "old book" claims remain unresolved in total? Claims injury claims

4.20.1 Confirm that in general, "long-tail" claims tend to be more complex and difficult to resolve than claims that are settled rapidly. If not confirmed please explain.

4.20.2 Confirm that unresolved "old book" claims tend to reflect this pattern.

Response:

4.20

Figure 1 below provides a breakdown of the legal-based Bodily Injury (BI) pending volumes (old book) as of January 2023 (excludes any BI injury claims that occurred after implementation of Enhanced Care). ICBC has made good progress in reducing the BI pending, which has decreased over 55% to 54,000 from a high of 122,000 at the end of fiscal year 2019/20.

Figure 1 - Legal-Based BI Pending Exposure Volume as of the End of January 2023

Segment	Exposure Counts
Unrepresented	3,000
Represented	7,000
Litigated	44,000
Total [1]	**54,000**

[1] Rounding may affect totals.

4.20.1

As noted in response to information request 2023.1 RR MoveUP.4.19, the "old book" refers to those BI claims that will continue to be handled under the legal-based models that were in place prior to the implementation of Enhanced Care. ICBC assumes that "long-tail" claims are meant to be synonymous with the "old book" claims.

ICBC confirms that these claims, in general, are more complex and more difficult to settle. Claims that resolve more quickly tend to be the less complex injury claims.

4.20.2

Yes, the legal-based pending BI exposures are continuing to grow in complexity, especially the pre-Rate Affordability Action Plan (RAAP) segment. As can be seen in the Figure 2 below, a very large percentage of the pre-RAAP exposures, approximately 87%, are litigated. Of the remaining RAAP Product Reform BI exposures, approximately 69% of these are litigated.

Figure 2 – Legal-Based BI Pending Exposure Volume as of the End of January 2023

Segment	Pre-RAAP	RAAP Product Reform	Total
Unrepresented	1,000	2,000	**3,000**
Represented	4,000	3,000	**7,000**
Litigated	33,000	11,000	**44,000**
Total [1]	**38,000**	**16,000**	**54,000**

[1] Rounding may affect totals.

2023.1 RR MoveUP.4.21

<u>(d)</u> <u>"Old Book" operations</u>

When does ICBC expect that all "old book" claims will be resolved?

Response:

The pending legal-based BI claims are proceeding further into the litigation process and a number of these may end up going to trial. As a result, it is anticipated that it will take many years for these claims to resolve.

ICBC is unable to determine when all of these claims will be resolved as there are several factors including the limited annual court capacity for civil trials and the pending number of infant claims. As of January 31, 2023, there are approximately 3,900 pending BI exposures involving an infant, which will have a limitation period that will not expire until 2 years after the claimant's 19th birthday.

Below is a forecast of the anticipated dates and the percentage of the BI pending that will be resolved based on the proportion of pre-Enhanced Care BI exposures as of fiscal year (FY) March 2020/2021.[1]

- 49% by March 31, 2023;
- 80% by March 31, 2026; and
- 90% by March 31, 2029.

ICBC is on track to have 49% of the pre-Enhanced Care BI exposures resolved by March 31, 2023.

[1] As shown in the Application, Chapter 8, Appendix 8F, and Figure 8F.2, the BI pending at the end of FY 2020/21 was approximately 101,000 exposures.

2023.1 RR MoveUP.4.22

(d) "Old Book" operations

4.22 Please describe the role of Claims Specialists in processing "old book" claims.

4.22.1 Confirm that attrition has left only eleven Claims Specialists at ICBC. If not confirmed please provide the correct number.

4.22.2 Confirm that ICBC is not attempting to replenish that segment of its workforce. If not confirmed please explain.

Response:

4.22

For a description of the role of Claims Specialists, please refer to the response to information request 2023.1 RR MoveUP.4.19 and the response below.

4.22.1

ICBC understands this information request to be referring to the position of Customer Claims Specialists and can confirm that as at December 2022 attrition has left seven of these positions remaining in the Claims Injury and Legal Services area. The Customer Claims Specialists handle legal-based, unrepresented low complexity injury claims.

In addition to Customer Claims Specialists, ICBC also has the position of Claims Specialist who handle legal-based, medium complexity injury claims. As at December 2022, there are 293 staff in this position in the Claims Injury and Legal Services area.

4.22.2

ICBC anticipates that these roles will continue to be required for years to come as there are approximately 55,000 legal-based injury claims remaining as of January 2023. However, these roles will gradually decrease as the legal-based injury claims resolve over the next several years.

ICBC's goal is to maintain an appropriate balance between claims intake and closures to handle claims in the legal-based model. ICBC's staffing requirements are monitored based on volumes and attrition. ICBC will replenish roles and adjust staffing levels as necessary.

2023.1 RR RM.1.1

Assumptions

For the 2021/22 actual, the 2022/23 outlook, and the 2023/24 and 2024/25 budget forecast please provide the following assumptions per year that were used to construct the rate request;

- **Change in BC CPI**
- **Change in BC GPP**
- **Bank of Canada interest rate**
- **Discount rate on unpaid claims**
- **Number of exposure claims for Medical Rehabilitation**
- **Average severity of exposure claims for Medical Rehabilitation**
- **Number of exposure claims for Property Damage**
- **Average severity of exposure claims for Property Damage**

Response:

The BC CPI assumptions used to construct the rate request can be found in the Application, Chapter 3, Appendix C.0, Figure C.0.3, and are reproduced below for the years requested:

BC CPI (Calendar Year)				
2022	**2023**	**2024**	**2025**	**2026**
7.0%	3.9%	2.4%	2.2%	2.0%

ICBC assumes the "BC GPP" requested in this information request is BC Gross Domestic Product (GDP). ICBC did not use BC GDP in constructing the rate request in the Application.

ICBC also did not use the Bank of Canada interest rate in constructing the rate request in the Application. The BCUC approved in the 2021 Revenue Requirements Application the change to the New Money Rate and yield on capital available required formulas which moved away from the bank forecasts including the Bank of Canada interest rate to the BCI long term capital market assumptions. Please see the response to information request 2023.1 RR RM.2.4.1 on the Bank of Canada's interest rate as of FY2022/23 Q2 and as of January 25, 2023.

The discount rate used to discount unpaid claims in the fiscal year 2022/23 Q2 financial outlook was 4.47%. As discussed in the response to information request 2023.1 RR RM.2.4, ICBC does not forecast the discount rate on unpaid claims and uses the same rate for future years.

Please see the response to information request 2023.1 RR RM.1.2 for the number of claims exposures and the severities for Medical Rehabilitation and Property Damage coverages.

2023.1 RR RM.1.2

Assumptions

For the 2021/22 actual, the 2022/23 outlook, and the 2023/24and 2024/25 budget forecast please provide the new no-fault/enhanced care BI exposure claims and the PD new exposure claims.

Response:

Information on the number and cost of injury and material damage claims under certain coverages is provided in the table below. With the introduction of the Enhanced Care model on May 1, 2021, significantly greater benefits are available to injured customers regardless of fault, while the number of eligible new liability claims has been vastly reduced. In order to present the information below, some assumptions have been made to group claims from similar coverages, as follows:

- The AB/EAB-MR group includes Accident Benefits Medical Rehabilitation (AB-MR) claims under the legal-based product occurring before May 1, 2021, and Enhanced Accident Benefits - Medical Rehabilitation (EAB-MR) claims under the Enhanced Care product occurring on or after May 1, 2021.
- The BVDC group includes Basic Vehicle Damage Coverage claims under the Enhanced Care product occurring on or after May 1, 2021. As a result, the 2021/22 Actual only has 11 months of claims experience (between May 1, 2021 and March 31, 2022).
- The PD group includes Third Party Liability - Property Damage (PD) claims under the legal-based product occurring before May 1, 2021, and Third Party Liability – Property Damage (TPL-PD) claims under the Enhanced Care product occurring on or after May 1, 2021.
- The BI group includes Third Party Liability – Bodily Injury (BI) claims under the legal-based product occurring before May 1, 2021, and Third Party Liability – Out-of-Province Bodily Injury (TPL-OOP BI) claims under the Enhanced Care product occurring on or after May 1, 2021.

Coverage/Group		2021/22 Actual [1]	2022/23 Outlook [2]	2023/24 Forecast [3]	2024/25 Forecast [3]
AB/EAB - MR	**Risk Exposures**	3,566,220	3,663,717	3,684,003	3,750,315
	Frequency [4]	1.59%	1.59%	1.67%	1.65%
	Claim Exposure Count	56,590	58,366	61,379	61,864
	Severity ($) [5]	11,824	14,058	14,655	15,293
	Incurred ($ 000's) [6,7]	669,112	820,497	899,507	946,052
BVDC	**Risk Exposures**	3,282,319	3,663,717	3,684,003	3,750,315
	Frequency [4]	3.31%	3.61%	3.73%	3.69%
	Claim Exposure Count	108,539	132,359	137,301	138,384
	Severity ($) [5]	4,794	5,699	6,158	6,664
	Incurred ($ 000's) [6,7]	520,292	754,255	845,517	922,234
PD	**Risk Exposures**	3,566,220	3,663,717	3,684,003	3,750,315
	Frequency [4]	0.52%	0.28%	0.26%	0.25%
	Claim Exposure Count	18,511	10,288	9,425	9,345
	Severity ($) [5]	5,072	7,000	7,686	8,119
	Incurred ($ 000's) [6,7]	93,879	72,021	72,441	75,871
BI	**Risk Exposures**	3,566,220	3,663,717	3,684,003	3,750,315
	Frequency [4]	0.10%	0.02%	0.02%	0.02%
	Claim Exposure Count	3,415	745	835	804
	Severity ($) [5]	36,683	83,911	89,329	98,071
	Incurred ($ 000's) [6,7]	125,257	62,513	74,610	78,812

(1) Data as of March 31, 2022 consistent with 2021/22 Annual Service Plan Report.
(2) Data as of August 31, 2022 consistent with Q2 2022/23 BCUC Quarterly Report.
(3) Forecasts based on trends in the Application.
(4) Forecasts are from Chapter 3, Appendix C.0.1 of the Application.
(5) Forecasts are from Chapter 3, Appendix C.0.2 of the Application.
(6) Incurred claims costs include an expectation for large claims. For forecast years, the large claims factors are from Chapter 3, Appendix C.0.3 row (c) of the Application.
(7) Incurred claims costs do not include Bulk claims costs.

2023.1 RR RM.2.1

Financial Summary

2.1 Using the same format as RRA 2021.1 RM 2.2 Attachment A (pdf 640/720), please provide the fiscal year-end Basic actuals for 2021/22 and the outlook for 2022/23, and the budget forecasts for 2023/24 and 2024/25.

2.1.1 In the response to 2.2, please include the year-end equity and the capital available amounts that were used to calculate the MCT.

Response:

Please see Attachment A – Basic Actuals, Outlook and Forecast.

Please note, the Q2 forecasts for fiscal years 2023/24 and 2024/25 do not reflect the changes to International Financial Reporting Standards (IFRS) 9 and 17, effective April 1, 2023. Please refer to the Application, Chapter 2, and Figure 2C.2 for an overview of the IFRS 9 and 17 impacts.

2023.1 RR RM.2.1 – Attachment A – Basic Actuals, Outlook and Forecast

Basic Actuals, Outlook and Forecast

Forecast as of Q2 2022/23 (consistent with the Application)

($ Millions)[1]	Basic Coverage			
	12 months ended March 31, 2022	Outlook 2022/23[2]	Forecast 2023/24[3]	Forecast 2024/25[3]
Net premiums written	$ 2,800	$ 3,184	$ 3,247	$ 3,311
Revenues				
Net premiums earned	$ 2,754	$ 3,168	$ 3,218	$ 3,281
Service fees and other income	74	82	109	109
Total earned revenues	2,828	3,251	3,327	3,390
Claims and operating costs				
Provision for claims occurring in the current period	1,849	2,386	2,729	2,855
Change in estimates for losses occurring in prior periods	(156)	(87)	93	130
Claim services, road safety and loss management services	331	337	345	353
	2,024	2,636	3,167	3,338
Operating costs – insurance	138	142	151	158
Premium taxes and commissions – insurance	194	211	223	229
	2,356	2,990	3,541	3,725
Underwriting income (loss)	472	261	(215)	(335)
Investment income (loss)	986	233	413	439
Income – insurance operations	1,458	494	198	105
Loss – non-insurance operations	(152)	(170)	(169)	(171)
Net income (loss) before impairment loss	1,306	324	29	(67)
Impairment loss	(4)	(341)	-	-
Net income (loss) for the year	$ 1,302	$ (17)	$ 29	$ (67)
Net income (loss) attributable to:				
Non-controlling interest	$ 0	$ -	$ -	$ -
Parent corporation	1,302	(17)	29	(67)
	$ 1,302	$ (17)	$ 29	$ (67)
Equity				
Retained earnings, beginning of period	$ 720	$ 2,022	$ 2,005	$ 2,033
Net income (loss) for the period, parent corporation	1,302	(17)	29	(67)
Retained earnings, end of period	2,022	2,005	2,033	1,967
Other components of equity, beginning of period	503	248	163	287
Net change in available for sale assets	(591)	(82)	125	169
Pension and post-retirement benefits remeasurements	336	(4)	-	-
Other components of equity, end of period	248	163	287	456
Total equity attributable to parent corporation	2,270	2,167	2,321	2,423
Non-controlling interest, beginning of period	4	4	4	4
Non-controlling interest (disposed) acquired during the period	(0)	-	-	-
Net income for the period, non-controlling interest	0	-	-	-
Total equity attributable to non-controlling interest, end of period	4	4	4	4
Total Equity	$ 2,274	$ 2,172	$ 2,325	$ 2,427
	Actual as at March 31, 2022	Outlook as at March 31, 2023	Forecast as at March 31, 2024	Forecast as at March 31, 2025
Liabilities				
Unearned premiums	$ 1,488	$ 1,503	$ 1,532	$ 1,562
Provision for unpaid claims	$ 9,748	$ 9,146	$ 8,141	$ 7,277
MCT				
Capital available	2,233	2,110	2,256	2,353
Capital required	2,435	2,330	2,259	2,217
	92%	91%	100%	106%
	12 months ended March 31, 2022	Outlook 2022/23[2]	Forecast 2023/24	Forecast 2024/25
Basic rate changes	-15.0%	0.0%	0.0%	0.0%

[1] Rounding may affect totals.
[2] Outlook presented is based on estimates as of Q2 2022/23.
[3] ICBC's outlook and forecasted net incomes include risk provisions to account for uncertainty associated with its estimates and unforeseen adverse events. The Q2 forecast for 2023/24 and 2024/25 does not reflect the International Financial Reporting Standards ("IFRS") 9 and 17 changes, effective April 1, 2023.

2023.1 RR RM.2.2

Financial Summary

Please update the information provided in response to RRA 2021.1 RM 2.3 (pdf 634/720) for the 2021/22 actuals, the 2022/23 outlook and the budget forecasts for 2023/24 and 2024/25.

Response:

The information is based on the Q2 Outlook. Please see information request 2023.1 RR RM.2.1 for the full financial statement forecast at Q2.

Summary of the Components of Required Premium ($ millions)[1] in Fiscal Year View Based on Financial Statement Presentation

Miscellaneous Revenue and Investment Income	2019/20 Actual	2020/21 Actual	2021/22 Actual	2022/23 Outlook	2023/24 Forecast	2024/25 Forecast
(1) Service Fees and Other Income	$ 87	$ 83	$ 74	$ 82	$ 109	$ 109
(2) Driver Penalty Point (DPP) & Driver Risk Premiums (DRP); includes Multiple Crash Premiums (MCP)	30	33	30	27	22	22
(3) Non-insurance Other Income; includes Graduated License Plan Fee	7	5	9	8	8	8
(4) Investment Income; net of cost of funds on leverage	734	701	986	233	413	439
(5) Impairment loss on financial instruments	(220)	(4)	(4)	(341)	-	-
(6) Total Miscellaneous Revenue and Investment Income = sum (1) through (5)	$ 638	$ 817	$ 1,095	$ 9	$ 552	$ 578

[1] Rounding may affect totals.

There are fundamental differences between the information presented in a revenue requirements application (e.g., Chapter 3, Figure 3.1 and Appendix A.1), which is on a policy year (PY) basis; and the information presented in the forecasted financial statements as at Q2. The rate indication analysis in a revenue requirements application is intended to enable the BCUC to set Basic insurance rates for a future year on the basis of accepted actuarial practice (AAP) and subject to *Special Direction IC2 to the BC Utilities Commission, BC Regulation 307/2004, as amended (Special Direction IC2)*. The financial forecasts are intended to provide information about the future financial performance, financial position, and capital levels at a point in time, consistent with International Financial Reporting Standards (IFRS).

The presentation of investment income in the table above differs from that shown in Chapter 3, Figure 3.1 and Appendix A.1 of the Application, primarily due to differences in timing, and rate of return of the investment portfolio.

In the Application, Figure 3.1 reflects the investment income achieved from the New Money Rate (NMR) yield on PY 2023 premiums between the time they are received, and the time costs related to those premiums are paid out. Under the Enhanced Care model, this time frame for the specific policy year has been extended significantly and could extend out as much as 50 years. The NMR rate uses BCI's 15-year annualized return on forecasts as the source of expected returns for each asset class.

The financial statement presentation, as shown in the table above, reflects the investment income forecast as calculated from the forecast balance of ICBC's investment portfolio and asset mix of a fiscal year and a forecast of rate of return expected in the near term. The investment portfolio is made up of premiums from earlier years' policies to pay for outstanding claims as well as current year policyholder supplied funds. Total investment return includes investment income (realized), impairment loss, and net change in available for sale assets (unrealized investment gains/losses), that are expected during the fiscal year.

2023.1 RR RM.2.3

Financial Summary

In Appendix A.1 of Appendix A.0 (pdf 119/781) ICBC shows the 12-month average claims costs (Line A.(a)) totalling $2.96 billion. Yet the actual current year claims costs for 2021/22 were only $1.85 billion. The request is an increase of $1.11 billion (60%) for only some 24 months—31 March 2022 to 31 March 2024. The current year Q2 for Basic current year claims costs were actually less than that recorded for the prior year Q2.

What explains the $1.11 billion increase in claims costs between 2021/22 and the average for the 24-month request?

Response:

The $1.11 billion difference between the numbers referred to in the information request is partially due to increasing claims costs and partially due to differences in what is included in each of the quoted figures.

The provision for Basic claims occurring in the current year was $1.85 billion in ICBC's 2021/22 financial statements. In addition to the cost of claims, this figure includes the impact of discounting and the change in the reserve for unallocated loss adjustment expenses (ULAE) from 2020/21 to 2021/22. In contrast, the Loss and Allocated Loss Adjustment Expense figure of $2.96 billion shown in the Application, Chapter 3, Appendix A.1, row (a) is on an undiscounted basis and does not include ULAE. A properly comparable figure for the 2021/22 current year claims costs (undiscounted and excluding ULAE) is $2.22 billion, which is provided in the Application, Chapter 8, Figure 8A.7. Removing the effects of discounting and change in ULAE reserve from the 2021/22 claims incurred therefore explains $0.37 billion of the $1.11 billion difference described in this request.

The remaining difference of $0.74 billion ($2.96 billion vs $2.22 billion) represents an increase in claims costs from the 2021/22 actuals to the PY 2023 forecast. This difference is a consequence of increases in both claims counts and claims severities across a time period averaging three years (from claims occurring in 2021/22, to claims occurring across 2023/24, 2024/25, and 2025/26).

The claim counts are forecast to increase over this period, despite a declining frequency trend, because the comparison is to a 2021/22 year that was impacted by the COVID-19 pandemic, such that both the number of policies and the claims frequencies were lower than usual. These are forecast to return to normal levels for the period covered by PY 2023.

The increase in claim severities over this period is expected to be fairly significant and will drive increased costs. This is influenced by the current and forecast inflation rates, which put upward pressure on claims costs across all coverages.

2023.1 RR RM.2.4

Financial Summary

In response to RRA 2021.1, RM 4.4 (pdf 659/720) ICBC stated that it does not forecast the discount rate on unpaid claims, and uses the rate in effect at the Q2 for future years. Is this practice still in effect for the current two-year request?

Response:

Yes, the practice of using a single rate to discount unpaid claims in current year outlook and future year forecasts is still in effect as of the fiscal year 2022/23 Q2 financial outlook.

2023.1 RR RM.2.4.1

Financial Summary

What was the Bank of Canada's interest rate as of Q2 2022/23, and what is it as of January 25, 2023?

Response:

The prime rate in Canada as of Q2 2022/23 is 5.45% and 6.70% as of January 25, 2023.

The prime rate, also known as the prime lending rate, is the annual interest rate that Canada's major banks and financial institutions use to set interest rates for variable loans and lines of credit, including variable-rate mortgages.

The Bank of Canada's target overnight rate as of Q2 2022/23 was 3.25%, and 4.25% as of January 25, 2023

The prime rate is primarily influenced by the policy interest rate set by the Bank of Canada, also known as the Bank of Canada's target for the overnight rate. While these rates are not the same, they are closely related. When the Bank of Canada changes the target for the overnight rate, lenders will generally adjust their prime rates within a few days.

As discussed in the response to information request 2023.1 RR RM.1.1, ICBC did not use Bank of Canada interest rates in constructing the rate request in this Application.

2023.1 RR RM.3.1

Claims Management

Please provide the FY2021/22 actual written exposures at the level shown in Table B.0.2 (pdf 129/781), as well as the outlook for 2022/23 and the budget forecasts for 2023/24 and 2024/25.

Response:

Please see the table below for a summary of written risk exposures for fiscal years 2021/22 through 2024/2025 split by the segments as provided in the Application, Chapter 3, Appendix B.0, Figure B.0.2.

Written Risk Exposure	FY 2021/22 (Actual)	FY 2022/23 (Outlook)	FY 2023/24 (Forecast)	FY 2024/25 (Forecast)	PY 2023*
Personal	3,281,860	3,301,437	3,357,584	3,414,655	6,772,239
Commercial	293,075	297,102	305,715	314,574	620,289
Manual Basic	51,001	52,585	54,116	55,692	109,809
Total	**3,625,936**	**3,651,124**	**3,717,415**	**3,784,921**	**7,502,336**
Trailers	525,837	523,709	533,146	542,749	1,075,895
Off-Road Vehicles	56,574	55,294	58,059	60,962	119,022

* PY 2023 is the sum of FY 2023/24 and FY 2024/25.

2023.1 RR RM.3.2

Claims Management

Please update the table provided in response to RRA 2021.1, RM 4.8 (pdf 665/720) with the 2021/22 actual data.

Response:

Please see the table below for a breakdown of personal net written exposures by the requested age groups for fiscal year 2021/22 based on the same format as used in the response to information request 2021.1 RR RM.4.8. The age groups used in the breakdown provided below are based on the age of the policy's principal driver.

Age Group	Fiscal Year 2021/22 Personal Net Written Exposures
24 and Under	153,694
25 to 39	751,144
40 to 64	1,526,959
65 And Over	759,263
Not Available*	90,800
Total Personal**	3,281,860

* Policies with no principal driver listed.
** This is the FY 2021/22 actual Personal Written Risk Exposure from the Application, Chapter 3, Appendix B.0, Figure B.0.3.

2023.1 RR RM.3.3

Claims Management

Please update the information in the table provided in response to RRA 2019.1 RM 1.4 with the fiscal year-end actuals for 2019/20, and the forecasts for 2020/21, 2021/22 and 2022/23.

Response:

The referenced information request 2019.1 RR RM.1.4 has been updated and can be found in the response to information request 2023.1 RR RM.2.2. Given that year-end actuals for 2019/20, 2020/21 and 2021/22 are now available, these have been provided as actuals. The entry for 2022/23 will remain as an outlook.

2023.1 RR RM.3.4

Claims Management

Please update the information in the table provided in response to RRA 2021.1, RM 4.2 (pdf 656/720) for the 2021/22 actuals, the 2022/23 outlook and the 2023/24 and the 2024/25 budget/forecast.

Response:

The referenced information request 2021.1 RR RM.4.2 refers to information on current and forecast period incurred claims costs originally requested in context of the 2016/17 Annual Service Plan Report. Corresponding information is provided in the table below, where 2021/22 actuals are consistent with the 2021/22 Annual Service Plan Report, and other years are based on the assumptions and estimates as of Q2 2022/23. The 2021/22 Actual values include claims experience under the legal-based product which was in effect through April 2021.

($ millions)	2021/22 Actual	2022/23 Outlook	2023/24 Forecast	2024/25 Forecast
Claims Incurred Costs	**1,692**	**2,299**	**2,822**	**2,985**
Injury	1,072	1,452	1,892	1,976
Material Damage and Other	620	847	931	1,009
Current Period Injury Claims Incurred	**1,389**	**1,596**	**1,838**	**1,868**
Bodily Injury	130	64	77	81
Accident Benefits/EAB	1,259	1,532	1,762	1,787
Current Period Material Damage Claims Incurred	**624**	**840**	**932**	**1,012**
BVDC/Property Damage	624	840	932	1,012

The forecasted incurred losses for 2022/23, 2023/24 and 2024/25 include risk provisions to account for uncertainty associated with the estimates and unforeseen adverse events. ICBC includes risk provisions in its net income financial forecasts to recognize the ongoing risks from the possible emergence of claims and claim severities that are above and beyond the forecast, erosion of benefits from implemented strategies or reforms, and other developments. Provisions are not specific to, but account for risks such as unfavorable emergence in large bodily injury claims, the constitutional challenge regarding legislative amendments in respect of the modified tort product reforms, and volatility in the global investment markets. Although not all risks provided for are related to claims costs, the risk provisions are included in the claims cost forecast for the sole purpose of financial forecasting (specifically in Enhanced Accident Benefits). Risk provisions are not included in the actual financial results, which are booked according to International Financial Reporting Standards, nor in determining the actuarial indicated rate change, which relies on best estimate values consistent with Accepted Actuarial Practice.

2023.1 RR RM.3.5

Claims Management

Please provide the actual number of new no-fault/enhanced care BI claim exposures for 2021/22, the outlook or 2022/23, and the budget/forecast for 2023/24 and 2024/25.

Response:

Please see the response to information request 2023.1 RR RM.1.2.

2023.1 RR RM.3.5.1

Claims Management

Please provide the actual number of new no-fault/enhanced care PD claim exposures for 2021/22, the outlook or 2022/23, and the budget/forecast for 2023/24 and 2024/25.

Response:

Please see the response to information request 2023.1 RR RM.1.2.

2023.1 RR RM.3.6

Claims Management

Please update the table information provided in response to RRA 2021.1, RM 4.3 (Pdf 658/720) for the tort-based claims for the 2021/22 actuals and the 2022/23 outlook.

Response:

The referenced information request 2021.1 RR RM.4.3 refers to a breakdown of bodily injury (BI) payments that was originally requested by the BCUC in connection with ICBC's 2016 Revenue Requirements Application. As was noted in the response to information request 2021.1 RR RM.4.3, ICBC does not forecast claims payments at the requested level of detail; therefore, cannot provide the requested forecasts. The requested information for BI payments on claims closed from fiscal years 2020/21 and 2021/22 is provided in the table below.

Payments other than loss indemnity or costs of litigation are not included in the table below. Examples of such exclusions are payments to independent adjusters, mediators, and police reports.

BI Claims Paid Amounts for Closed BI Claims (in $ millions)		FY 2020/21	FY 2021/22
Paid Loss Excluding Costs of Litigation	**General Damages (e.g., pain & suffering)**	940.0	891.2
	Future Wage Loss	358.6	443
	Past Wage Loss	193.2	237.7
	Future Care	50.2	54.4
	Special Damages (e.g., past medical care)	64.9	62.4
	Other Loss Payments	6.9	5.7
	Total Paid Loss excl. Costs of Litigation	**1,613.8**	**1,694.4**
Costs of Litigation	**Defence Legal Fees**	158.9	205.2
	Defence Legal Disbursements	12.3	15.1
	Third Party Disbursements	129.7	117.4
	Third Party Costs	55.9	63.8
	Medical & Dental Reports	44.3	53.2
	Total Costs of Litigation	**401.2**	**454.7**

2023.1 RR RM.3.7

Claims Management

Please update the response to RRA 2021.1, RM 4.6 (pdf 663/720) with the 2020/21 and 2021/22 actuals, the 2022/23 outlook and the 2023/24 and the 2024/25 budget/forecast.

Response:

The figures presented in the table below show full-time equivalents (FTEs) in the final month of the fiscal period, which is consistent with the presentation in the response to information request 2021.1 RR RM.4.6. These figures will differ from those presented in the Application, which, as in prior years, uses the fiscal year average FTEs.

ICBC considers fiscal year average FTEs a more representative and relevant measure of staffing for the purposes of the Application as it takes into account the entire fiscal year and the compensation expense directly corresponds to the fiscal year average FTEs.

The claims area is divided into two distinct divisions: (i) Claims Injury and Legal Services, and (ii) Claims Customer and Material Damage Services. These two divisions encompass all claims-related functions and staff.

Claims FTEs[1]	**March 2021**	**March 2022**	**March 2023**	**March 2024**	**March 2025**	**March 2026**
Injury & Recovery Claims Handling Staff	995	968	913	876	785	766
Non-injury Claims Handling Staff	562	615	676	721	733	739
Estimating Staff	279	272	274	284	303	316
Customer-facing staff	**1,836**	**1,856**	**1,863**	**1,881**	**1,821**	**1,821**
Administrative Claims Handling Support	380	297	282	297	297	297
Managers/Supervisors - Customer Facing and Admin	374	385	327	332	324	322
Claims Legal Services	283	244	240	196	171	160
Other Positions	359	364	369	369	367	363
Total Claims FTEs	**3,232**	**3,147**	**3,082**	**3,075**	**2,980**	**2,964**

[1]Rounding may affect totals.

2023.1 RR RM.3.8

Claims Management

Please update the response to RRA 2021.1, RM 4.7 (pdf 664/720) with the 2020/21 and 2021/22 actuals, the 2022/23 outlook and the 2023/24 and the 2024/25 budget/forecast.

Response:

The updated Driver Licensing FTEs information is provided in the table below.

Driver Licensing FTEs[1]	March 2021 Actuals	March 2022 Actuals	March 2023 Outlook	March 2024 Forecast	March 2025 Forecast
Client Service Representative	143	158	178	178	167
Customer Contact Representative	92	101	60	84	84
Driver Examiner	233	225	269	240	242
Total Customer-facing staff	**468**	**483**	**507**	**501**	**492**
Driver Licensing Support	126	137	130	140	138
Manager/Supervisors	104	105	107	114	114
Total Driver Licensing	**698**	**726**	**744**	**756**	**744**

[1]Rounding may affect totals.

The figures presented in the table above are FTEs in the final month of the fiscal period. These figures will differ from those presented in the Application, which, as in prior years, uses the fiscal year average FTEs. ICBC considers the fiscal year average FTEs a more representative and relevant measure of staffing for the purposes of the Application, as it takes into account the entire fiscal year, and the compensation expense directly corresponds to the fiscal year average FTEs.

2023.1 RR RM.3.9

Claims Management

Please update the four tables in the response to RRA 2021.1, RM 4.9 (pdf 667/720) with the tort-based results for 2020/21 and 2021/22. Using the same formats please provide the no-fault exposure claims for 2021/22.

Response:

The referenced information request provides information related to liability claims under the legal-based insurance models in place during 2020/21 and earlier fiscal years (FY). The intervener should note that this information is no longer comparable for FY 2021/22 and later, since ICBC has moved to the Enhanced Care insurance model, which has vastly reduced the number of eligible new liability claims, beginning May 1, 2021.

Summary information in the format requested from the four tables in the response to 2021.1 RR RM.4.9 (in particular, counting claims that incur costs under tort bodily injury and tort property damage coverages) is no longer produced for internal ICBC reporting. In this response, figures have been revised to count claims at a claim exposure level, which means that multiple claimants who have a claim against the same tort coverage are counted separately. The count and severity figures on a claim exposure basis are not directly comparable to figures on a claim count basis, which has been provided in response to previous requests. In addition, tort claim exposures against Manual Basic policies are now included in the numbers for each fiscal year.

The figures below for Basic Bodily Injury (BI) and Property Damage (PD) exposure counts and severities were previously provided in ICBC's response to Mr. McCandless's Freedom of Information (FOI) request CFT 323135**.**

Figures 1 to 4 provide a summary of liability claims, including both claims incurred under the legal-based insurance models in place prior to May 1, 2021 and those incurred under the

Enhanced Care insurance model in place beginning May 1, 2021 (referred to in the Application as TPL-PD and TPL-OOP BI claims). Figures 5 to 6 provide a summary for Basic Vehicle Damage Coverage (BVDC) and Enhanced Accident Benefits (EAB) claims under the Enhanced Care insurance model.

Figures 1 and 2 below provide the number of claim exposures opened in each fiscal year, the number of claim exposures closed or completed with amounts paid in each fiscal year, and the number of claim exposures that have not closed or completed at the end of each fiscal year. The figures exclude any claim exposures completed with no amounts paid (CNA) as well as any claim exposures with no financial transactions (NFT), and may not include a small number of claim exposures over 18 years from the date the loss occurred. It should also be noted that FY 2019/20, 2020/21 and 2021/22 have each been affected by the COVID-19 global pandemic.

Figure 1 - Basic BI Claim Exposure Counts (Actual)			
Fiscal Year	**New Claim Exposures**	**Claim Exposures Closed or Completed**	**Pending Claim Exposures at Year-end**
2017/18	66,561	61,179	102,670
2018/19	64,116	50,217	116,554
2019/20	54,411	49,510	121,439
2020/21	35,793	56,195	101,014
2021/22	6,033	37,219	69,786

Figure 2 - Basic PD Claim Exposure Counts (Actual)			
Fiscal Year	**New Claim Exposures**	**Claim Exposures Closed or Completed**	**Pending Claim Exposures at Year-end**
2017/18	174,078	176,207	6,515
2018/19	161,552	161,300	6,764
2019/20	150,268	149,068	7,964
2020/21	107,805	109,406	6,363
2021/22	36,141	40,471	2,032

Figures 3 and 4 below provide the average paid amount on claim exposures closed or completed with amounts in each fiscal year, and the average case reserve amounts for claims that have not closed or completed (i.e., those remaining open) at the end of each fiscal year.

Figure 3 - Basic BI Claim Exposure Severity (Actual)		
Fiscal Year	**Claim Exposures Closed or Completed**	**Pending Claim Exposures at Year-end**
2017/18	$32,894	$48,150
2018/19	$34,268	$48,904
2019/20	$33,898	$43,606
2020/21	$29,053	$46,012
2021/22	$45,365	$54,027

Figure 4 - Basic PD Claim Exposure Severity (Actual)		
Fiscal Year	**Claim Exposures Closed or Completed**	**Pending Claim Exposures at Year-end**
2017/18	$3,806	$6,447
2018/19	$3,774	$6,694
2019/20	$3,944	$6,498
2020/21	$4,368	$8,696
2021/22	$5,008	$19,921

Figure 5 below provides the number of new claim exposures opened in FY 2021/22, the number of claim exposures closed or completed with amounts paid in FY 2021/22, and the number of claim exposures that have not closed or completed at the end of FY 2021/22, for each sub-coverage. The figure excludes any CNA and NFT claim exposures. It should also be noted that FY 2021/22 has been affected by the COVID-19 global pandemic, and that the Enhanced Care coverages have only been in place beginning May 1, 2021, and therefore FY 2021/22 only includes claims from 11 months of the year.

Figure 5 - Claim Exposure Counts – Fiscal Year 2021/22 Actual			
Sub-Coverage	**New Claim Exposures**	**Claim Exposures Closed or Completed**	**Pending Claim Exposures at Year-end**
EAB-MR	50,600	17,748	32,852
EAB-ED (Basic)	5,478	2,194	3,284
EAB-PI	156	10	146
BVDC	71,822	69,252	2,570

Figure 6 below provides the average paid amount on claim exposures closed or completed with amounts in FY 2021/22, and the average case reserve amounts for claims that have not closed or completed (i.e., those remaining open) at the end of FY 2021/22, for each sub-coverage.

Figure 6 - Claim Exposure Severity – Fiscal Year 2021/22 Actual		
Sub-Coverage	**Claim Exposures Closed or Completed**	**Pending Claim Exposures at Year-end**
EAB-MR	$941	$6,288
EAB-ED (Basic)	$3,580	$9,604
EAB-PI	$82,511	$32,657
BVDC	$4,518	$1,931

2023.1 RR RM.3.10

Claims Management

For the 2021/22 actual property damage exposure claims how many occurred at intersections, in parking lots, on roads or highways, or out of province?

Response:

Data on crash statistics is available through ICBC's public datasets and can be accessed using the following link:

https://public.tableau.com/app/profile/icbc/viz/ICBCReportedCrashes/ICBCReportedCrashes

Please note that data is reported by calendar year and statistics for 2022 will not be available until summer of 2023. In addition, ICBC provides data on a crash basis (i.e., all crashes and not property damage exclusively), although property damage figures can be derived. Crashes that occur outside of BC are excluded from the public crash data. Further information on property damage claim exposures from crashes occurring out of province can be found in the response to information request 2023.1 RR BCUC.12.1, Figure 1.

Additional information regarding the crash data used in the public datasets is provided within the report, and should be referred to when making use of it.

2023.1 RR RM.4.1

Capital Management Plan

In addition to lower injury claims costs and the resulting lower premiums, the no-fault model results in more stable costs and rates. ICBC acknowledged this on page 1-1. The need for a large capital reserve to buffer against operating losses has been lessened by the elimination to the cabinet ordered "rate smoothing" provision.

As a result of these changes will ICBC seek a downward adjustment in the MCT management target to 100%, which is the same as the MPI Basic MCT target?

Response:

ICBC is planning to file a new Basic Capital Management Plan by December 15, 2024, as part of the 2025 Revenue Requirements Application. A new capital management target will be proposed based on BC specific factors, internal and external risks to ICBC as well as an appropriate risk tolerance. At that time, ICBC will be able to comment on the adequacy and appropriateness of the proposed capital management target including the impacts of the new Enhanced Care product and any proposed changes to the rate smoothing framework for Policy Year (PY) 2025.

Please note that while ICBC and MPI might have similar Basic products and coverages, there are many other factors, risks and considerations each corporation faces which would lead to different capital management targets. These include differences in claimant behaviour, economic environment, investment holdings and management risk tolerance level, to name a few.

2023.1 RR RM.4.1.1-2

Capital Management Plan

In addition to lower injury claims costs and the resulting lower premiums, the no-fault model results in more stable costs and rates. ICBC acknowledged this on page 1-1. The need for a large capital reserve to buffer against operating losses has been lessened by the elimination to the cabinet ordered "rate smoothing" provision.

4.1.1 When was the last DCAT or solvency adequacy scenario completed for the Basic capital?
4.1.2 If completed in the last three years please file the report.

Response:

ICBC has not prepared a Basic DCAT report in the last three years. However, ICBC had conducted scenario testing for its Basic capital targets under the legal-based product until 2020. The indicated Basic capital management target in the 2020 analysis was higher than the 2013 BCUC-approved capital management target of 145% MCT. The increase in the target was mainly due to higher volatilities from the adverse loss cost scenario and the adverse unpaid claims scenario, which were affected by the recent years of unfavourable claims emergence under the legal-based product.

While the loss cost risk under the legal-based product is no longer relevant with the Enhanced Care (EC) product reform introduced in 2021, ICBC still faces the risks of unpaid claims liabilities when running off the outstanding legal-based claims.

ICBC does not have an updated capital adequacy analysis post-2020. In part this is due to the new EC product and requiring time to understand the change in risks associated with this product. In addition, ICBC is planning to move away from the deterministic adverse scenario approach, and instead use a stochastic simulation approach to examine a full range of potential capital impacts reflecting the combination of risk factors, which will require more effort to develop for the first time. ICBC will revisit its capital adequacy analysis in support of its proposal for a new Basic capital target, which will be filed with the 2025 Revenue Requirements Application.

2023.1 RR RM.4.2

Capital Management Plan

In addition to lower injury claims costs and the resulting lower premiums, the no-fault model results in more stable costs and rates. ICBC acknowledged this on page 1-1. The need for a large capital reserve to buffer against operating losses has been lessened by the elimination to the cabinet ordered "rate smoothing" provision.

Does ICBC agree that a 100% MCT management target would provide a sufficient rate stabilization reserve? If not, why not?

Response:

Please see the response to information request 2023.1 RR RM.4.1.

2023.1 RR RM.4.3

In its 2023 rate request MPI gave notice that it intends to change the capital management plan. If approved any excess capital (above 120% MCT) will be returned as a one time rebate rather than as an adjustment to the rates. This is a less complicated way to return a surplus.

Is ICBC considering a similar approach?

Response:

ICBC, in consultation with the Government, is considering multiple approaches to how excess capital can be returned to ICBC's policyholders. Any proposed changes will be part of the new Basic Capital Management Plan, which is planned to be filed by December 15, 2024 as part of the 2025 Revenue Requirements Application.

2023.1 RR RM.4.4

In terms of the 6.5% capital rebuild ordered by cabinet, ICBC states that "The actuarially indicated rate change for PY 2023 of -6.5% reflects best estimates of ICBC's actuaries and is in accordance with Accepted Actuarial Practice (AAP) in Canada, subject to applicable legislation." (page 1-3)

What does this statement mean? If the cabinet had ordered an 8% rebuild surcharge would this also accord with AAP?

Response:

For this response, ICBC assumes that "rebuild surcharge" referred to in this information request is the +6.5 percentage point (ppt) impact on the proposed rate change resulting from the rate change floor.

The actuarial indicated rate change presented in this Application for PY 2023 is -6.5%, which reflects best estimates of ICBC's actuaries and adheres to AAP. The actuarial indicated rate change includes a capital provision that is equal to an amount of 7% of required premium as directed by *Special Direction IC2.* This conforms with AAP, in particular Section 2620.01 of the Standards of Practice, as further explained in the Application, Chapter 3, Appendix 3A, Section B.

The proposed rate change of 0% represents the Basic rate change that is required to be in accordance with AAP and applicable legislation. *Special Direction IC2* sets a rate change floor of 0%; therefore, ICBC must comply with the regulation. If *Special Direction IC2* had set a rate change floor at +1.5%, then that impact would be equivalent to +8 ppt of rate with ICBC applying for a proposed rate change of +1.5%.

2023.1 RR RM.4.5

During the 2021 RRA ICBC stated that it would file a new capital management plan by December 2022. The new target filing date is December 2023.

What new information that was not available for the RRA 21 caused the 12 month delay?

Response:

ICBC notes that the date for the updated Capital Management Plan (CMP) is December 15, 2024, as part of the 2025 RRA and not December 2023, as stated in the preamble. ICBC continues to work with the Government to develop an updated CMP reflective of Enhanced Care for inclusion in the 2025 RRA.

There is no new information regarding the development of a new CMP that has caused the delay. Rather, *Special Direction IC2* provides for the use of the existing CMP with additional directions for PY 2023. Therefore, an updated CMP would not be applicable for use in PY 2023. As discussed during the 2021 Revenue Requirements Proceeding and in this Application, ICBC requires time under the Enhanced Care model to understand the changes in risk associated with the new model to inform a fulsome CMP.[1] Further, external factors, including the current economic environment, will be factored into the new CMP. The recent amendments to *Special Direction IC2* ensure that ICBC has sufficient capital allowing it to build toward its current capital management target of 145% MCT while providing additional room to absorb any unfavourable emergence that may occur within PY 2023.

[1] 2021.1 RR RM.3.2-3, 2021.2 RR RM.8.2.

2023.1 RR RM.5.1

Road Safety

Please update the information provided in response to RRA 2021.1, RM 5.1 and 5.2 (pdf 670/720) with the actual data for 2020/21 and 2021/22.

Response:

The table below shows the violation tickets issued for Electronic Device Use in fiscal years 2020/21and 2021/22.

	Motor Vehicle Act (MVA)		Motor Vehicle Act Regulations (MVAR)		
	214.2(1)	214.2(2)	30.072(1)(a)	30.072(1)(b)	Total
Fiscal Year	Use an Electronic Device While Driving	Emailing or Texting While Driving	Use an Electronic Device While Driving in Violation of Driver Licence Restriction	Emailing or Texting While Driving in Violation of Driver Licence Restriction	
2020/21	22,800	59	2,400	35	25,300
2021/22	24,300	61	1,400	10	25,800

Notes:

- Contravention counts are subject to change due to late reporting, corrections and adjustments.
- Data include all organizations the enforcement officer is associated with (POL-Police; IRS-Integrated Road Safety Unit; etc.).
- Cancelled and voided contraventions are excluded.
- Counts over 100 have been rounded; totals may not match monthly totals due to rounding.
- MVR 30.072 (Use Electronic Device While Driving - Class 7 or 7L) was repealed as of October 17, 2021, and contraventions are now issued under MVA 214.2.
- Contravention data and trends from 2020 to 2021 may be impacted by the COVID-19 pandemic.

As noted in the response to information requests 2019.1 RR RM.4.1 and 2021.1 RR RM.5.1, ICBC does not typically report violation tickets data for electronic device use by fiscal year. Violation ticket data can be found on ICBC's website at: https://www.icbc.com/about-icbc/newsroom/pages/Statistics.aspx

The table below updates the Intersection Safety Camera (ISC) ticket and fine revenue information provided in response to information request 2021.1 RR RM.5.2. This information is shown by calendar year to align with the historical versions of this table. ICBC invoices the government for actual costs incurred for ISC and other violation ticket processing. 100% of ticket fine payments collected by ICBC are forwarded to government, accordingly, the ‘Fine Revenue Remitted’ column is no longer relevant and has not been included in the ISC ticket and fine revenue information below.

Calendar Year	ISC Tickets	Fine Revenue Collected ($ millions)
2012	30,890	$4.10
2013	30,178	$3.90
2014	31,705	$4.00
2015	32,780	$4.30
2016	34,739	$4.30
2017	32,864[1]	$4.20
2018	82,287	$8.80
2019	93,079[2]	$11.40
2020	136,925	$17.70
2021	113,357	$17.50
2022	117,389	$17.40

Notes:

[1]The rollout of ISC 100% red light activation began November 29, 2017.
[2]The first group of sites to enforce speed violations began enforcement on July 29, 2019.

2023.1 RR RM.5.2

Road Safety

Please update Figure 8G.6 (pdf 620/781) with the budget/forecasts for 2023/24 and 2024/25.

Response:

Below is the table from Figure 8G.6 updated with the forecasts for 2023/24 and 2024/25. The Enhanced Road Safety Enforcement line item reflects costs under the Road Safety Memorandum of Understanding. The 2023/24 forecast reflects the planned budget for 2023/24.

Road Safety Program Expenses ($ millions)	**2019/20 Actuals[1]**	**2020/21 Actuals[1]**	**2021/22 Actuals[1]**	**2022/23 Outlook[1]**	**2023/24 Forecast[1]**	**2024/25 Forecast[1]**
Enhanced Road Safety Enforcement	23.5	23.3	25.1	24.5	25.6	26.6
Road Improvements	8.4	8.0	8.4	8.1	10.1	10.4
Education and Awareness	1.1	1.7	1.8	2.5	2.6	2.6
Total Direct Expenses	32.9	33.0	35.4	35.2	38.3	39.6
Compensation	3.7	4.0	4.1	4.2	3.7	3.7
General Expenses	2.8	1.0	2.2	2.4	2.2	2.2
Total Road Safety Expenses	**$39.4**	**$38.0**	**$41.7**	**$41.8**	**$44.1**	**$45.6**

Total Road Safety FTEs	**29.0**	**29.1**	**28.6**	**29.7**	**28.7**	**28.7**

[1] Rounding may affect totals.

2023.1 RR RM.5.3

Road Safety

Please provide the gross cost and FTEs of intersection camera program for 2021/22.

Response:

ICBC's gross cost for the Intersection Safety Camera (ISC) Program in fiscal year 2021/22 was $5.4 million, with a total of 17 FTEs. ICBC recovers 100% of all ISC Program costs from the Government.

2023.1 RR RM.5.3.1

Road Safety

How many violation tickets were issued during this period and what was the value of the fine revenue issued and collected?

Response:

During fiscal year (FY) 2021/22, 44,869 Intersection Safety Camera (ISC) speeding violation tickets were issued, and 69,766 ISC red light violation tickets were issued. The total number of ISC tickets issued during FY 2021/22 is 114,635. Historically, payments have been received for approximately 90% of ISC violation tickets after three years from the date of ticket issuance. After three years, the majority of dispute and collection remedies have been exercised. For ISC fine revenue collected by calendar year, please see the response to information request 2023.1 RR RM.5.1.

2023.1 RR RM.5.4

Road Safety

Of the $8.4 million spent on road improvements in 2021/22, how much was spent on roads maintained by the BC government?

Response:

From the total Road Improvement Program budget in fiscal year 2021/22, approximately $2.1 million was spent on roads that are maintained by the Government.

2023.1 RR RM.6.1

Other Information

Please update the information provided in response to RRA 2021.1, RM 6.1 (pdf 672/720) with the actual data for 2020/21 and 2021/22.

Response:

Actual provincial licences and fines revenue collected by ICBC for fiscal years 2020/21 and 2021/22 have been added to the table below:

Provincial Licences and Fines

($ Millions)*	2014 Actual (January-December)	2015 Actual	2016/17 Actual (April - March)	2017/18 Actual	2018/19 Actual	2019/20 Actual	2020/21 Actual	2021/22 Actual
Vehicle Licences	$423	$434	$438	$470	$472	$482	$466	$501
Driver Licences and fees**	72	71	70	73	74	75	76	75
Fines and other fees	72	67	70	75	84	84	74	76
Total	**$567**	**$572**	**$578**	**$618**	**$630**	**$641**	**$616**	**$652**

* Rounding may affect totals.

** BC identification card fees included in driver licences and fees:

- 2014 actual - $2 million.
- 2015 actual - $2 million.
- 2016/17 actual (April to March) - $2 million.
- 2017/18 actual - $3 million.
- 2018/19 actual - $3 million.
- 2019/20 actual - $4 million.
- 2020/21 actual - $2 million.
- 2021/22 actual - $4 million.

2023.1 RR RM.6.2
Other Information

Please update Table E.1 of Appendix E (pdf 752/781) with the outlook for 2022/23.

Response:

Please find below Table E.1 from the Application, Chapter 8, Appendix 8H, Attachment 8H.2, updated to include the 2022/23 outlook.

Table E.1 - Revenue Collected on Behalf of Government (with 2022/23 Outlook)

Revenue by Type (in $000s)	2017/18 Actual	2018/19 Actual	2019/20 Actual	2020/21 Actual	2021/22 Actual	2022/23 Outlook
Net Motor Vehicle Act	302,038	279,218	307,136	293,317	311,516	314,049
Net Commercial Transport Act	240,474	266,952	250,221	249,232	264,865	270,349
Net Fines Revenue	71,808	78,553	77,392	65,459	68,160	77,335
Net Other Revenues	4,066	5,603	6,667	7,653	7,790	7,389
TOTAL NET REVENUE	**618,386**	**630,326**	**641,416**	**615,661**	**652,331**	**669,122**

2023.1 RR RM.6.3

Other Information

Please update Table F.1 of Appendix E (pdf 754/781) with the outlook for 2022/23.

Response:

Please find below Table F.1 from the Application, Chapter 8, Appendix 8H, Attachment 8H.2, updated to include the 2022/23 outlook.

Table F.1 - Actual and Forecast Cost of Non-Insurance Services

Type of Service ($000s)	2017/18 Actual	2018/19 Actual	2019/20 Actual	2020/21 Actual	2021/22 Actual	2022/23 Outlook
Administrative and Other	30,870	29,931	33,963	30,104	36,078	44,052
Commissions	31,226	31,380	30,864	34,306	36,497	38,004
Driver Services	71,042	71,819	75,712	77,110	88,422	95,665
Total Non-Insurance Services	**133,138**	**133,130**	**140,539**	**141,520**	**160,997**	**177,721**

All figures conform to the International Financial Reporting Standards (IFRS).