SIXTH FLOOR, 900 HOWE STREET, BOX 250
VANCOUVER, B.C. V6Z 2N3 CANADA
web site: http://www.bcuc.com

BRITISH COLUMBIA UTILITIES COMMISSION

ORDER NUMBER G-108-05

TELEPHONE: (604) 660-4700
BC TOLL FREE: 1-800-663-1385
FACSIMILE: (604) 660-1102

IN THE MATTER OF

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

and

the Utilities Commission Act, RSBC 1996, Chapter 473, as amended

and

An application by the Insurance Corporation of British Columbia
for approval of the 2006 Revenue Requirements for Universal Compulsory Automobile Insurance

and

A filing relating to the Insurance Corporation of British Columbia's Universal Compulsory Automobile Insurance Capital Management Plan

and

An application for approval of refinements to certain performance measures

and

A filing of information on seven financial allocation functions

and

An application for approval of changes to certain allocation functions

BEFORE: L. F. Kelsey, Commissioner and Panel Chair
P.E. Vivian, Commissioner October 27, 2005

O R D E R

WHEREAS:

A. On August 22, 2005, ICBC submitted an application for approval of the 2006 Revenue Requirements for Universal Compulsory Automobile Insurance ("Basic Insurance"), a filing relating to ICBC's Basic Insurance Capital Management Plan, an application for approval of refinements to certain performance measures, a filing of information on seven financial allocation functions and an application for approval of changes to certain allocation functions (the "Application"). The Application is in response to the directive in Letter No. L-40-05 and directives issued by the Commission in its Decision dated January 19, 2005 and includes additional information and applications; and

B. In the Application, ICBC advised that it is not applying for a change to Universal Compulsory Automobile Insurance rates; and

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C. As per Order No. G-78-05, a Pre-hearing Conference was held on September 8, 2005 in Vancouver, B.C. to discuss the major issues to be examined, and the steps and timetable for the Oral Public Hearing process. Registered Intervenors and ICBC made their submissions for consideration by the Commission Panel; and

D. Per Order No. G-85-05 dated September 12, 2005, the Commission Panel ordered that the Application and related materials will be examined in an Oral Public Hearing in accordance with the Regulatory Agenda and Timetable, attached as Appendix A to said Order. The list of issues for the Oral Public Hearing was attached as Appendix B to said Order; and

E. On September 20, 2005, ICBC filed a letter wherein, among other matters, it notified the Commission that a standard scheduled review of its claims forecast took place on Friday, September 16, 2005. The review revealed that there has been a significant deterioration of the claims experience for Basic Insurance, both for prior years' claims and for current year claims. ICBC stated that this adverse claims experience needs to be factored into the actuarial rate indication for Basic Insurance and that it expects to be in a position to file the updated information that will incorporate the most current claims information in mid-October 2005; and

F. On October 5, 2005, the Lieutenant Governor issued Orders in Council No. 734 and 735. On the same date the Solicitor General of the Province of British Columbia issued a letter of direction ("Ministerial Letter") to ICBC. That letter directs ICBC to transfer $530 million of its optional automobile insurance capital available from its optional automobile insurance business to its Basic Insurance business in order to cause the capital available for its Basic Insurance business to achieve at least 100 percent of MCT as of December 31, 2005, and to enable maintenance of low and stable rates for Basic Insurance; and

G. In response to events described in paragraphs E. and F., the Commission issued Letter No. L-88-05 dated October 12, 2005. Letter No. L-88-05 provides relief from the Regulatory Agenda and Timetable as set out in Appendix A to Commission Order No. G-85-05, sets out a proposed revised Regulatory Agenda and Timetable, and requests from Registered Intervenors and ICBC to provide their comments with respect to the latter; and

H. On October 14, 2005, the Commission received a letter from the British Columbia Public Interest Advocacy Centre ("BCPIAC") advising that BCPIAC has been instructed to bring an application before the British Columbia Supreme Court to challenge the validity of the October 5th amendment to Special Direction IC2 and of the "ministerial directive" issued under its purported authority. In this letter BCPIAC suggests that the final determination of the Regulatory Agenda be held in abeyance until the parties have a clearer sense of the time-lines of the intended Court proceeding. The Commission issued a letter dated October 19, 2005, wherein it invited ICBC and Registered Intervenors to comment on BCPIAC's suggestion; and

I. The Commission received responses from Registered Intervenors and ICBC to requests made in its Letter No. L-88-05 and letter dated October 19, 2005. All Registered Intervenors, except BCPIAC, who responded to the Commission's request in Letter No. L-88-05 agreed to the proposed revised Regulatory Agenda and Timetable. In a letter to the Commission dated October 26, 2005, ICBC requested additional minor changes to the proposed revised Regulatory Agenda and Timetable to accommodate a scheduling conflict; and

J. The majority of Registered Intervenors and ICBC did not agree with the suggestion by BCPIAC to hold the final determination of the Regulatory Agenda in abeyance; and

K. On October 24, 2005, ICBC filed a revision to the Application ("Revision No. 1"). Revision No. 1 provides the updated information available on the increase in claims costs and its implications on the actuarial rate level indication for the 2006 policy year, and the changes from the October 5, 2005 amendments to Special Direction IC2 and the Ministerial Letter regarding the transfer of capital. The updated actuarial rate level indication shows that Basic Insurance premiums should be increased by 4.2 percent for the 2006 policy year; however, in Revision No. 1 ICBC is not applying for a change in Basic Insurance premiums; and

L. On October 25, 2005, BCPIAC filed the application referred to in paragraph H. above, before the British Columbia Supreme Court.

NOW THEREFORE the Commission orders that the Regulatory Agenda and Timetable be revised as per attached Appendix A

DATED at the City of Vancouver, in the Province of British Columbia, this 27th day of October 2005.

BY ORDER

Original signed by:

L.F. Kelsey
Commissioner and Panel Chair

Attachment

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REGULATORY AGENDA AND TIMETABLE
(REVISED)

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and

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and

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and

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and

An application for approval of changes to certain allocation functions

DATE:	**ACTION:**
Friday, November 4, 2005	BCUC files Information Request ("IR") No. 2 and Registered Intervenors file IR No. 1
Monday, November 28, 2005	ICBC files responses to BCUC IR No. 2 and Registered Intervenors' IR No. 1
Tuesday, December 6, 2005	Registered Intervenor Evidence
Friday, December 9, 2005	ICBC IR's to Registered Intervenors
Thursday, December 22, 2005	Registered Intervenor IR responses to ICBC
Commencing Thursday, January 5, 2006 and ending Friday, January 13, 2006	**ORAL PUBLIC HEARING**
Friday, January 27, 2006	ICBC Final Submission
Friday, February 3, 2006	Registered Intervenor Final Submission
Friday, February 10, 2006	ICBC Final Reply