**BRITISH COLUMBIA UTILITIES COMMISSION**

**ORDER NUMBER** G-9-06

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**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
A.J. Pullman, Commissioner
P.E. Vivian, Commissioner — January 31, 2006

**O R D E R**

**WHEREAS:**

A. On August 22, 2005, the Insurance Corporation of British Columbia ("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 British Columbia Utilities Commission ("the Commission") in its Decision dated January 19, 2005 and includes additional information and applications. In the Application, ICBC advised that it is not applying for a change to Universal Compulsory Automobile Insurance rates; and

B. The Commission subsequently issued Orders No. G-78-05, G-85-05, G-108-05, G-125-05, G-142-05 and Letter No. L-88-05 dealing with various aspects of the Application and the October 24, 2005 revision ("Revision No. 1"). These Orders and the Letter provide detailed information about the significant events and actions, which have occurred in the proceeding to-date; and

C. In Order No. G-142-05 the Commission ordered, among several items, that a revised Regulatory Agenda and Timetable for the review of the January 27, 2006 Revised 2006 Revenue Requirements Application ("Revision No. 2") would be determined after consultation with ICBC and Registered Intervenors. On December 23, 2005, the Commission issued a letter wherein it set out a proposal for a revised Regulatory Agenda and Timetable and requested ICBC and Registered Intervenors to provide comments and feedback with respect thereto by January 6, 2006; and

D. The Commission received replies from Family Insurance Solutions Inc. ("Family"), the Insurance Bureau of Canada ("IBC"), the Consumers' Association of Canada (BC Branch) ("CACBC"), the British Columbia Public Interest Advocacy Centre ("BCPIAC"), Canadian Direct Insurance Inc. ("CDI"), Canadian Northern Shield Insurance Company ("CNS"), Pemberton Insurance Corporation ("Pemberton"), and ICBC; and

E. Family, IBC, CACBC, agreed unconditionally to the proposed revised Regulatory Agenda and Timetable. CDI agreed with the exception of requesting a change to the Oral Hearing start date from March 1, 2006 to February 27, 2006. CNS and Pemberton agreed and also indicated they would be amenable to the earlier Oral Hearing start date requested by CDI. ICBC agreed but also requested that the Commission give consideration to certain specific items. Included among these are, limiting new Information Requests to Revision No. 2 and starting the Oral Hearing no earlier than March 1, 2006; and

F. BCPIAC is of the view that the proposed schedule [Timetable] is excessively compressed. This view was first expressed in its letter dated January 3, 2006 and reiterated in its letter dated January 6, 2006. BCPIAC suggested March 27, 2006 for the commencement of the Oral Hearing, April 14, 2006 for ICBC's final submission, April 21, 2006 for Registered Intervenor final submissions, and April 28, 2006 for ICBC's final reply; and

G. Subsequently the Commission issued Order No. G-2-06, dated January 10, 2006, which contained a revised Regulatory Agenda and Timetable as per the attached Appendix A; and

H. On January 27, 2006 ICBC filed Revision No. 2 as directed in Order No. G-142-05. In Revision No. 2 ICBC applied for an increase in Basic insurance rates of 6.5 percent for all new or renewal policies with an effective date after March 14, 2006. ICBC also applied for this increase in Basic insurance rates for all new or renewal policies with an effective date after March 14, 2006, on an interim basis, pursuant to section 89 of the Utilities Commission Act; and

I. ICBC requested, if in the Commission's final decision relating to this application it is determined that a portion of the interim increase be refunded, that any refunds be dealt with in the manner set out in Appendix A to Revision No. 2; and

J. The Commission has reviewed and considered the application for a refundable interim increase and finds that it is in the public interest.

**NOW THEREFORE** the Commission orders as follows:

1. The increase in Basic insurance rates by 6.5 percent for all new or renewal policies with an effective date after March 14, 2006 is approved on an interim basis. The interim increase is subject to refund with interest calculated for the refund period at the average prime rate of the principal bank with which ICBC conducts its business. The Commission will determine the manner with which a refund, if there is to be one, will be credited to affected Basic insurance policyholders, at the time it renders its Decision on the Application and Revisions No. 1 and 2 pertaining thereto.

2. ICBC is to provide notice to all Basic insurance policyholders, with a new or renewal policy with an effective date after March 14, 2006, of the interim rate increase and the conditions under which it is subject to refund. The notice will be given with the Notice to Renew or other similar form issued by ICBC to Basic insurance policyholders in the ordinary course of business for renewal policies, and at the time of purchase for new policies. The notice must be reviewed by the Commission in advance of its release.

3. The Commission will accept, subject to timely filing, amended Basic insurance rate schedules in accordance with the terms of this Order.

**DATED** at the City of Vancouver, in the Province of British Columbia, this 31st day of January 2006.

BY ORDER

*Original signed by:*

L.F. Kelsey
Commissioner and Panel Chair