

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-126-07

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

IN THE MATTER OF

the Utilities Commission Act, R.S.B.C. 1996, Chapter 473, as amended

and

the Insurance Corporation Act, R.S.B.C. 1996, Chapter 228, as amended

and

An Application by Insurance Corporation of British Columbia
respecting Rate Design for Universal Compulsory Automobile Insurance

BEFORE: L.F. Kelsey, Panel Chair and Commissioner
A.W.K. Anderson, Commissioner
P.E. Vivian, Commissioner

October 17, 2007

ORDER

WHEREAS:

- A. On March 16, 2007 the Insurance Corporation of British Columbia ("ICBC") submitted an application to the British Columbia Utilities Commission (the "Commission") for approval of the 2007 Revenue Requirements for Universal Compulsory Automobile Insurance ("Basic insurance") including a filing of Information relating to matters referenced in the Commission's Decision of July 13, 2006 (the "Revenue Requirements Application" or "RRA"); and
- B. By letter dated March 16, 2007, ICBC advised the Commission that on or before March 30, 2007 ICBC would be filing with the Commission an application relating to the design and structure of ICBC's Basic insurance rates and requested that the Revenue Requirements Application and the rate design application be reviewed in a combined process; and
- C. On March 19, 2007 the Commission Panel issued Order No. G-32-07 establishing a Workshop and Pre-hearing Conference to be held on April 23, 2007; and
- D. On March 29, 2007 ICBC submitted to the Commission its first Application Respecting Rate Design for Basic Insurance (the "Rate Design Application" or "RDA"). The RDA presents a multi-year plan for changes to the driver penalty point premium ("DPP"); proposes replacement of the DPP with a Driver Risk Premium ("DRP") program; seeks implementation of a new rating variable commencing May 1, 2008, that will require that Other Operator information be provided and will include an amendment to Basic Insurance rates to allow an additional premium of \$25 to be charged as detailed in the RDA; requests Commission approval to implement actuarially indicated adjustments to the base rates of customer groups without further order of the Commission, with the implementation of adjustments commencing May 1, 2008 with a proposal of an annual cap on these adjustments of 6 percent per year as a means of phasing in the actuarially indicated base rate

**BRITISH COLUMBIA
UTILITIES COMMISSION**

**ORDER
NUMBER** G-126-07

2

adjustments; and seeks Commission approval, effective June 1, 2007 of the Basic Insurance Tariff in Appendix 18B of the RDA; and

- E. A Pre-hearing Conference was held on April 23, 2007 to discuss a combined regulatory process or separate regulatory process for the two applications; the record of evidence (combined or separate); the form of hearings; the timing of the regulatory process; and any other matters; and
- F. By Order No. G-48-07 dated April 27, 2007, the Commission Panel ordered that the RRA and the RDA would be reviewed in a combined regulatory process but each Application would have its own separate record of evidence, and that the RDA would be examined by way of one round of Intervenor Information Requests to ICBC and an Oral Public Hearing; and
- G. The Oral Public Hearing into the RDA commenced on July 31, 2007 and concluded on August 2, 2007; and
- H. During the hearing, ICBC indicated that in order to undertake a communications campaign to ensure that the public is aware of changes regarding ICBC's proposed transition from the DPP program to the DRP, a decision by the Commission would be required by approximately the end of October 2007; and
- I. The Commission Panel has reviewed the evidence and the submissions of the parties and has determined that approval of the DRP is necessary and in the public interest. The Commission Panel will include its reasons for decision on the DRP in the Reasons for Decision issued concurrently with its final Order regarding ICBC's RDA in due course.

NOW THEREFORE the Commission approves the DRP program for ICBC.

DATED at the City of Vancouver, in the Province of British Columbia, this 19th day of October 2007.

BY ORDER

Original signed by:

L.F. Kelsey
Panel Chair and Commissioner