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BRITISH COLUMBIA UTILITIES COMMISSION

LETTER NO. L-60-08

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VIA E-MAIL
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January 26, 2009

Ms. Kathy Parslow
Director, Regulatory Affairs and Planning
Insurance Corporation of British Columbia
Suite 333 - 151 W. Esplanade
North Vancouver, BC V7M 3H9

Dear Ms. Parslow:

Re: Insurance Corporation of British Columbia ("ICBC")
Divergence of Initial versus Detailed Cost Estimates of the Impact of Delayed
Implementation of the Fourth Category of the Driver Risk Premium ("DRP") Program

The Insurance Corporation of British Columbia ("ICBC"), by several submissions to the British Columbia Utilities Commission (the "Commission") dated between March 17, 2008 and June 27, 2008, proposed, amongst other matters, to amend its Tariff to delay the implementation of the fourth category of DRP offences.

During July 2008, there was additional correspondence between the Commission and ICBC staff on the matter. At that time, ICBC was asked for, and produced, an initial estimate of the delay in fourth category DRP implementation. ICBC estimated that it would affect between 1,500 and 2,000 drivers, and that the revenue impact would be a decrease of $1.0 million. In a letter to the Commission, dated August 1, 2008, ICBC stated that "With respect to determining the dollar impact on DRP premiums of the delay in implementation of the fourth category of DRP offences, this involves undertaking detailed analysis and we anticipate this analysis to be completed in the Fall 2008."

In August 2008, the Commission issued Order G-125-08 approving ICBC's request for a delay in implementation of the fourth category of DRP. The approval was based on the initial estimates provided.

On December 11, 2008, ICBC submitted its detailed estimate of the impact of the delayed implementation of the fourth category of DRP. The detailed estimate indicated that the delay will reduce gross written premiums by $6.4 million in 2009, and by $19.3 million in 2010; reduce net written premiums by $4.8 million in 2009 and by $15.2 million in 2010. The detailed estimate shows that 20,000 fewer drivers in 2009, and 40,000 during 2010, will be included in DRP versus the original proposal. This is a non-trivial difference between the initial and the detailed estimates provided by ICBC.

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The Commission directs ICBC to submit a calculation of the expected rate impacts associated with the detailed estimates within 30 days of the date of this letter. The Commission directs ICBC to include a description of the means it proposes to use for the recovery of the revenue differential as part of the filing of its next revenue requirements.

The Commission recognizes the complexity of ICBC's operations, the number of data elements and sources, and variety of information systems that may be called upon to produce a particular estimate. Further, we acknowledge the effort ICBC is currently engaged in to update its various information systems. Nonetheless, the Commission wishes to remind ICBC of the need for accurate information, including those situations where *ad hoc* estimates are requested.

Yours truly,

Original signed by:

Erica M. Hamilton

TR/yl