

**BRITISH COLUMBIA
UTILITIES COMMISSION**

**ORDER
NUMBER** G-193-13

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IN THE MATTER OF
the Utilities Commission Act, R.S.B.C. 1996, Chapter 473

and

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

and

An Application by the Insurance Corporation of British Columbia
for Approval of the Revenue Requirements for Universal Compulsory Automobile Insurance
for the Policy Year Commencing November 1, 2013 and
for Approval of a New Basic Insurance Capital Management Plan

BEFORE: B.A. Magnan, Panel Chair/Commissioner
L.A. O'Hara, Commissioner
R.D. Revel, Commissioner

November 22, 2013

O R D E R

WHEREAS:

- A. By Order G-49-13 dated April 4, 2013, the British Columbia Utilities Commission (Commission) approved an extension request by the Insurance Corporation of British Columbia (ICBC) to file the ICBC 2013 Revenue Requirements Application on or before August 30, 2013;
- B. On August 30, 2013, ICBC submitted an application to the Commission for approval of the Revenue Requirements for Universal Compulsory Automobile Insurance (Basic Insurance) for the policy year commencing November 1, 2013, and for approval a new Basic Insurance Capital Management Plan (the Application);
- C. The Application is filed in accordance with *Special Direction IC2 to the BC Utilities Commission/BC Regulation 307/2004 as amended*, the Government directive of March 19, 2013 with respect to Rate Smoothing, and Order G-49-13;
- D. By Order G-141-13 dated September 5, 2013, the Commission, among other matters, established an Initial Regulatory Timetable which included a Pre-hearing Conference scheduled on November 19, 2013;

- E. By letter dated November 4, 2013, the Commission invited ICBC and registered Interveners to submit written letters of comment prior to their oral submissions at the Pre-hearing Conference with regard to procedural matters outlined in that letter;
- F. By November 15, 2013, the Commission received written letters of comment from ICBC, Mr. Landale, Pemberton Insurance Corporation, British Columbia Pensioners' And Seniors' Organization *et al.* (BCPSO), and Toward Responsible Educated Attentive Driving (TREAD);
- G. As per Order G-141-13, a Pre-hearing Conference was held on November 19, 2013. ICBC, Canadian Direct Insurance Inc., Pemberton Insurance Corporation, Insurance Bureau of Canada, BCPSO, TREAD, Mr. Adair, Mr. Landale, and the Automobile Insurance Committee of the Canadian Bar Association (AIC) made appearances and submitted comments for consideration by the Commission Panel. AIC indicated that they may submit Intervener Evidence;
- H. The Commission has considered all submissions received and considers that a Revised Regulatory Timetable is warranted;
- I. The jurisdiction of the Commission with respect to the regulation of ICBC's revenue requirements and rates is restricted by legislation to Basic Insurance. The Commission has no jurisdiction over ICBC's Optional Insurance business.

NOW THEREFORE the Commission orders as follows:

- 1. For the reasons set out as Appendix A to this Order, a full oral public hearing process is warranted for the review of the Application.
- 2. The Revised Regulatory Timetable comprising a full Oral Hearing and written Final Arguments is attached as Appendix B to this Order.

DATED at the City of Vancouver, in the Province of British Columbia, this 22nd day of November 2013.

BY ORDER

Original signed by:

B.A. Magnan
Panel Chair and Commissioner

Attachments

An Application by the Insurance Corporation of British Columbia
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REASONS FOR DECISION

1.0 BACKGROUND AND INTRODUCTION

On August 30, 2013, the Insurance Corporation of British Columbia (ICBC) submitted an application to the British Columbia Utilities Commission (Commission) for approval of the Revenue Requirements for Universal Compulsory Automobile Insurance (Basic Insurance) for the policy year commencing November 1, 2013, and for approval of a new Basic Insurance Capital Management Plan (the Application).

The Application is filed in accordance with *Special Direction IC2 to the BC Utilities Commission/BC Regulation 307/2004 as amended (Special Direction IC2)*; the Government directive of March 19, 2013 with respect to Rate Smoothing, and Commission Order G-49-13 dated April 4, 2013.

By Order G-141-13 dated September 5, 2013, the Commission, among other matters, established an Initial Regulatory Timetable which included a Pre-hearing Conference scheduled on November 19, 2013.

By letter dated November 4, 2013, the Commission invited ICBC and registered Interveners to submit written letters of comment prior to their oral submissions at the Pre-hearing Conference (Exhibit A-5). The Commission received written letters of comment from ICBC, Mr. Landale, Pemberton Insurance Corporation (Pemberton Insurance), British Columbia Pensioners' And Seniors' Organization *et al.* (BCPSO), and Toward Responsible Educated Attentive Driving (TREAD).

At the Pre-hearing Conference on November 19, 2013, ICBC, Canadian Direct Insurance Inc. (CDI), Pemberton Insurance, Insurance Bureau of Canada (IBC), BCPSO, TREAD, Mr. Adair, Mr. Landale, and the Automobile Insurance Committee of the Canadian Bar Association (AIC) made appearances and submitted comments for consideration by the Commission Panel. AIC indicated that they may submit Intervener Evidence.

The Commission Panel has considered all written and oral submissions received and considers that a Revised Regulatory Timetable is warranted.

For the reasons which follow, the Commission Panel determines that a full oral public hearing process is warranted for the review of the Application. The Revised Regulatory Timetable comprising a full Oral Hearing process and written Final Arguments is attached as Appendix B to this Order G-193-13.

2.0 MATTERS ARISING AT THE PRE-HEARING CONFERENCE OF NOVEMBER 19, 2013

At the Pre-hearing Conference on November 19, 2013, the Commission Panel requested ICBC and Interveners to address various matters. These items are as follows:

- The scope of the Commission's review of the Application;
- Comment on the regulatory review options;

- Comment on the Commission staff draft regulatory timetable including the proposed dates;
- Interveners' intentions to submit intervenor evidence;
- Other matters that will assist in the efficient review of the Application.

The jurisdiction of the Commission with respect to the regulation of ICBC's revenue requirements and rates is restricted by legislation to Basic Insurance. The Commission has no jurisdiction over ICBC's Optional Insurance business.

Furthermore, as part of this Application, the Commission must comply with the amendments approved by Order in Council 152/13 to *Special Direction IC2* and consider the Government directive of March 19, 2013, with respect to Rate Smoothing approved by Order in Council 153/13, March 18, 2013.

The sections which follow describe items addressed by ICBC and Interveners at the Pre-hearing Conference.

2.1 Oral vs. Written Hearing

Most Interveners submit that a full oral public hearing process is warranted. Interveners who are supportive of a full oral public hearing process include Pemberton Insurance, IBC, TREAD, Mr. Adair, Mr. Landale, and AIC. BCPSO supports a written hearing process but submits that a full oral public hearing is acceptable. (T1:38) CDI supports a written process for efficiency. (T1:22)

ICBC submits that a written proceeding is appropriate. However, ICBC also submits that if the Commission determines that an oral hearing is necessary, then the oral hearing should be limited to actuarial matters in Chapter 3. (Exhibit B-6, p. 3) Furthermore, ICBC submits that most Commission proceedings are resolved in written format. The Commission should evaluate the need for an oral hearing in the context of what value it would add to the proceeding. (T1:75-76)

ICBC and all Interveners are supportive of a written argument process.

2.2 Regulatory Timetable

In its submission, ICBC recommended changes to the draft regulatory timetable options to ensure the process is fair and the timeline is reasonable. (Exhibit B-6, p. 5) Interveners generally have no concerns with the dates of the regulatory timetable proposed by ICBC. Interveners are agreeable to having an oral hearing start date in late January 2014 or early February 2014.

2.3 Intervener Evidence

AIC is the only Intervener that has indicated it may file Intervener Evidence. AIC submits that it intends to possibly introduce actuarial evidence in this proceeding and have retained an individual, but has yet to determine whether or not a report will be submitted. (T1:70)

ICBC has concerns regarding the fairness of having Interveners file evidence before ICBC's Information Request (IR) No. 2 responses are filed. (Exhibit B-6, p. 6)

2.4 Participant Assistance/Cost Award (PACA) Budgets

Mr. Landale has raised an issue regarding the timeline for the PACA budget estimates that was established in the Initial Regulatory Timetable. Mr. Landale suggests having the budget estimates rescheduled to follow an oral hearing date. (T1: 65)

2.5 Submissions Pertaining to Other Matters

2.5.1 Rate Design

Pemberton Insurance and TREAD have commented on rate design matters. Pemberton Insurance suggests a rebalancing of particular rate classes, experience classes and territorial classes, and further submits that commencing a rate design application hearing is necessary. (T1:24) TREAD submits that rate design matters to some extent relate to revenue requirements. TREAD explains that price signals provided by the level of ICBC's premiums may motivate drivers to improve driving behaviour and improve road safety, and are thus linked to lowering claims costs. (T1:41)

ICBC views that rate design matters are irrelevant in this revenue requirements proceeding. (T1:82)

2.5.2 Operating Expenses

Most Interveners including IBC, BCPSO, TREAD, and Mr. Landale share general interest in operating expenses and cost allocations.

BCPSO, TREAD, and Mr. Landale are also interested in how ICBC has carried out the recommendations of the Ministry of Finance review of ICBC dated August 2012 (Review, Exhibit A2-9). The issues raised by BCPSO and TREAD both include whether or not the recommendations contained in the Review are reflected in the Application. (T1:37; T1:43) TREAD further notes that it will consider recommendations that are acceptable to explore within a revenue requirements application. (T1:55)

ICBC submits that an oral hearing is not necessary to examine operating costs as operating costs are lower and are contributing positively on the rate indication in the Application. (T1:12)

2.5.3 Information Request No. 1 Responses

Several interveners including IBC, BCPSO, and TREAD share concerns regarding ICBC's IR No. 1 responses, and noted various examples where they believe ICBC's responses are insufficient.

ICBC has provided clarifications to the responses noted by Interveners and notes that a process is available to resolve any disputed IRs. (T1:78, T1:80)

3.0 COMMISSION DETERMINATION

3.1 Oral vs. Written Hearing and Regulatory Timetable

The Commission Panel has considered all written and oral submissions received.

By way of summary the Commission Panel finds that most Interveners are in favour of a full oral public hearing process rather than a written proceeding. Moreover, there is significant support for a full oral hearing as opposed to an oral process which is limited to actuarial matters only. The Commission Panel is cognizant of the fact that the Commission has not held an ICBC oral public hearing since 2007. It is a standard regulatory practice that oral hearings are conducted periodically to ensure the Commission and Interveners have an opportunity to test the evidence and the Applicant's operations through cross examination.

The Commission Panel wishes to encourage parties in the full oral public hearing to focus on major factors that affect Basic rates and the new Basic Capital Management Plan. In other words, both actuarial matters and operating expenses will be subject to a comprehensive review.

The Commission Panel reminds Interveners that all matters raised must be within the Commission's jurisdiction of Basic Insurance and have rate implications on this Revenue Requirements Proceeding. The Commission Panel also reminds Interveners that the Commission must follow *Special Direction IC2* including any Government directives.

Finally, the Commission Panel considers that the ICBC recommended timeline of the regulatory timetable, if there is an oral hearing, is generally acceptable. The Revised Regulatory Timetable attached as Appendix B to this Order G-193-13 reflects the revised timeline.

Accordingly, the Commission Panel determines that a full oral public hearing process is warranted for the review of the Application. The Revised Regulatory Timetable comprising a full Oral Hearing process and written Final Arguments is attached as Appendix B to this Order G-193-13.

With respect to Intervener Evidence, the Commission Panel views that it would be helpful and informative for all parties involved in the proceeding to be advised of any Intervener Evidence prior to it being filed. **As such, the Commission Panel has established a date for Interveners to notify the Commission and ICBC on whether or not they will file Intervener Evidence and set a due date for submission of such evidence.**

The Initial Regulatory Timetable attached as Appendix A of Order G-141-13, set out the November 28, 2013 timeline for the filing of Participant Assistance/Cost Award (PACA) budgets. The PACA Guidelines are set out in Order G-72-07. Interveners intending to apply for PACA are strongly encouraged to review the PACA Guidelines for participant eligibility and how to submit a budget estimate. **The Commission Panel has extended the time period for submission of PACA budget estimates in the Revised Regulatory Timetable.**

3.2 Submissions Pertaining to Other Matters

With respect to rate design matters, the Commission Panel finds that rate design matters are out of scope for the purposes of this proceeding. The current Application deals with the requested Basic rate increase and the new Basic Capital Management Plan. However, the Commission Panel notes that ICBC is conducting work on a rate design application which would be filed with the Commission at a future date.

With respect to the document emanating from the Ministry of Finance Review of ICBC (Review), the Commission Panel notes that this document is a review by the Ministry of Finance of ICBC's integrated business comprised of both Basic and Optional Insurance components. **While the Commission Panel recognizes the potential impact of the implementation of the Review recommendations, the actual implementation of these recommendations is the purview of ICBC and the Government and therefore outside the scope of this proceeding.**

The Commission Panel notes several Interveners' submissions regarding the adequacy and volume of IR responses. As the Pre-hearing Conference addressed matters that are procedural in nature, the Commission Panel makes no comment on the content of ICBC's IR responses. However, the Commission Panel expects that ICBC would provide informative and relevant responses to the best of its ability.

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REVISED REGULATORY TIMETABLE

ACTION		DATE (2013)
Commission and Intervener Information Request (IR) No. 2		Monday, December 2
Filing of Participant Assistance/Cost Award Budgets		Thursday, December 12
Notice of Intervener Evidence		Thursday, December 19
ICBC IR No. 2 Responses		Monday, December 23
ACTION		DATE (2014)
Intervener Evidence (if any)		Monday, January 13
Commission and ICBC IRs on Intervener Evidence (if necessary)		Friday, January 17
Intervener IR Responses on Intervener Evidence (if necessary)		Friday, January 24
ICBC Rebuttal Evidence (if any)		Friday, January 31
ACTION		DATE (2014)
	INTERVENER EVIDENCE	NO INTERVENER EVIDENCE
Full Oral Hearing	Commencing on Thursday, February 6	Commencing on Wednesday, January 29
ICBC Final Argument (Tentative)	Tuesday, February 25	Tuesday, February 18
Intervener Final Argument (Tentative)	Thursday, March 6	Wednesday, February 26
ICBC Reply Argument (Tentative)	Monday, March 17	Thursday, March 6