



**BRITISH COLUMBIA
UTILITIES COMMISSION**

**ORDER
NUMBER G-63-14**

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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 and Commissioner
L.A. O'Hara, Commissioner
R.D. Revel, Commissioner

May 14, 2014

O R D E R

WHEREAS:

- A. On August 30, 2013, Insurance Corporation of British Columbia (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 (Policy Year 2013), and for approval of a new Basic Insurance Capital Management Plan (collectively, the Application);
- B. In the Application, ICBC seeks Commission approval for a 4.9 percent increase in Basic Insurance rates to apply as follows:
 - Pursuant to section 89 of the *Utilities Commission Act*, and section 15 of the *Administrative Tribunals Act*, the rate increase to apply on an interim basis for all new or renewal policies with an effective date on or after November 1, 2013, that have: (i) premiums determined through the use of the Schedule of Basic Insurance Premiums (Schedule C) as filed with the Commission, excluding rate class 800, rate classes 900 to 906, and policies relating to vehicles located on isolated islands; and (ii) premiums determined under a Fleet Reporting Policy. Collectively, policies under (i) and (ii) are referred to as the "Plate Owner Basic and Fleet Reporting Policies";

- ICBC applies for the 4.9% increase to be made on a permanent basis for Plate Owner Basic and Fleet Reporting Policies and all other new and renewal policies on or after the first day of the first month that is at least 60 days following the Commission's final decision on the Application;
- C. By Order G-141-13 dated September 5, 2013, the Commission approved ICBC's requested 4.9% Basic Insurance rate increase on an interim basis for implementation with an effective date on or after November 1, 2013. The Commission noted that it will determine the manner by which any variance between the approved interim rate and the approved permanent rate, will be refunded or collected at the time it renders its Decision on the Application;
- D. In the Application, ICBC also seeks approval of a new Basic Insurance Capital Management Plan (Basic Capital Management Plan) in accordance with *Special Direction IC2 to the BC Utilities Commission, BC Regulation 307/2004, as amended in 2013 (Special Direction IC2)*;
- E. By Order G-193-13 dated November 22, 2013, the Commission ordered that the Application be reviewed by way of a full Oral Public Hearing process. The proceeding also included written information requests;
- F. The Oral Public Hearing, was held in Vancouver, BC, commencing on February 6, 2014, and concluding on February 14, 2014;
- G. ICBC filed its Final Submission on February 25, 2014. Registered Interveners filed their Final Submissions by March 6, 2014. Subsequently, ICBC filed its Reply Submission on March 17, 2014;
- H. ICBC proposes that if there are any differences between the interim rate and the final rate, it is in the best interest of policyholders to defer the difference to the next rate application;
- I. The Commission Panel reviewed and considered all evidence on record for the Application.

NOW THEREFORE for the reasons set out in the Decision that is issued concurrently with this Order, the Commission orders as follows:

1. A 5.2% Basic Insurance permanent rate for Policy Year 2013 is approved.
2. ICBC's proposal to defer any differences between the interim rate granted and the final permanent rate to the next rate application is approved. ICBC is directed to defer any differences between the 4.9% interim rate and the final 5.2% approved permanent rate in this Application to the Policy Year 2014 Revenue Requirements Application.

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3. The new Basic Capital Management Plan with the following components is approved:
 - i. the continuation of the 30% Minimum Capital Test (MCT) margin for adverse events on top of the statutory minimum MCT ratio level;
 - ii. a 15% MCT additional margin for support of relatively stable and predictable rates for a new Capital Management Target ratio set at 145% MCT;
 - iii. a minimum 160% or greater MCT ratio level meeting the 'well in excess' capital available requirement for determination of a Customer Renewal Credit;
 - iv. a Customer Renewal Credit payout returning the MCT level to 150%.
4. The Commission will accept, subject to timely filing and if applicable, amended Basic Insurance rate schedules in accordance with the terms of this Order.
5. ICBC is directed to comply with all determinations and directives set out in the Decision that is issued concurrently with this Order.

DATED at the City of Vancouver, in the Province of British Columbia, this 14th day of May 2014.

BY ORDER

Original signed by:

B.A. Magnan
Panel Chair and Commissioner