

Page 01 to/à Page 08

Withheld pursuant to/removed as

s.12;s.13

From: [Lloyd, Evan GCPE:EX](#)  
To: [Kristianson, Eric GCPE:EX](#); [Zadavec, Don GCPE:EX](#)  
Subject: Final Final  
Date: Wednesday, January 17, 2018 12:58:06 PM  
Attachments: s.12

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Robb made some changes to my draft of last night – and I have now made a couple of small corrections to the final version he sent a few minutes ago.  
Please use THIS version for distribution.  
Evan

**From:** [Zadravec, Don GCPE:EX](#)  
**To:** [Kristianson, Eric GCPE:EX](#)  
**Subject:** s.12  
**Date:** Thursday, January 11, 2018 7:45:25 AM  
**Attachments:** s.12

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This is what I sent to Evan

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**From:** Zadravec, Don GCPE:EX  
**Sent:** Wednesday, January 10, 2018 8:17 AM  
**To:** Lloyd, Evan GCPE:EX  
**Subject:** s.12

As discussed.

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**From:** Henderson, Doug [<mailto:Doug.Henderson@icbc.com>]  
**Sent:** Tuesday, January 9, 2018 3:26 PM  
**To:** Zadravec, Don GCPE:EX  
**Subject:** s.12

Here you go.

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[Contact Us](#)*

**From:** [Zadravec, Don GCPE:EX](#)  
**To:** [Kristianson, Eric GCPE:EX](#)  
**Subject:** FW: ICBC Messaging  
**Date:** Monday, January 29, 2018 10:54:33 AM  
**Importance:** High

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**From:** Matthews, Lindsay [mailto:Lindsay.Matthews@icbc.com]  
**Sent:** Monday, January 29, 2018 10:53 AM  
**To:** Zadravec, Don GCPE:EX  
**Subject:** ICBC Messaging  
**Importance:** High

### Q3 SPEAKING NOTES

- Unfortunately, the fact we made a net loss should not come as a real surprise – we’ve been talking for a few years now about the growing and escalating pressures we’re under.
- We’re at a point today where the number of crashes across the province, and the number of claims we’re receiving, are growing by the thousands every year.
- On top of that, the costs of those claims are ballooning – our injury claims costs alone are close to \$3 billion a year, not to mention the increasing cost of vehicle repairs. These are not new issues but they are continuing to get worse every year.
- Having said that, we expected to make a net loss but the size of the loss was not anticipated.
- Since the fall, we have seen the emergence of additional – and substantial – pressures we did not foresee.
- First, we have seen the emergence of many more, large and extremely costly claims which run into hundreds of thousands of dollars each.
- In particular, older claims – some dating as far back as 2010 – which were initially presented as minor injury claims have since emerged as more complex and costly, large loss claims.
- Typically, these older claims which end up being very expensive are the ones which are also represented by lawyers.
- A big reason we didn’t foresee this spike in large losses is that claimants and their lawyers are not required to tell us how much they think their claim is worth until many years after the crash. The longer a claim takes to settle, the more expensive it becomes.
- Many of the claims that are now emerging as large losses were first established as minor injury claims based on the information provided by claimants.
- Over the past 12 months, we have experienced an unprecedented 80 per cent growth in large loss claims which have an average cost of \$450,000 per claim.
- The challenge with large losses is that, because they are relatively few each year, it is harder predict patterns and trends. There is a higher degree of volatility with large losses

than other types of claims.

- The second major new pressure is that despite substantially adding to our claims staff to help deal with the increasing volume of claims being reported to us, claims which have been represented by lawyers have been closing at a slower rate – especially since this last fall.
- Both of these emerging factors are reflective of the increasing pressure we are under from the high volume of litigated claims and the rising legal costs of our current system.
- There has obviously been a lot of public discussion over the last few weeks about potential changes to our current insurance system in B.C. and since that discussion started, we have started to see plaintiff counsel no longer making offers or responding to our offers to settle. We suspect the two things are connected.
- ICBC has now made offers on 45 per cent of our represented claims but plaintiff counsel have made demands on only 5.5 per cent of claims – this is the system we're currently working with.
- As a result of all of the pressures adding up, our net claims costs for the first nine months of our current fiscal year totalled \$4.25 billion.
- Simply put, the amount of premiums we are collecting from customers is not covering the ever-increasing amounts we are paying out in claims costs. This is not sustainable.
- We know we cannot keep asking our customers to pay more and more for their insurance each year and that's why we are working hard alongside government to take the steps necessary to being about sustainable, long-term solutions.

#### **ADDITIONAL MESSAGES FOR JOY**

- I became chair shortly after the new government was sworn in last summer and, while I already knew about some of the major pressures ICBC was facing, it was only after joining that I got the full picture.
- The problems were already significant from the seemingly ever-increasing number of crashes taking place in B.C. – 900 a day in 2016 – but the ICBC management come to me in the fall to alert me to some new and escalating pressures they were starting to see.
- I asked the senior leadership team to dig into these emerging factors so we could fully understand what we were now dealing with.
- What you see today in the form of a significant net loss at ICBC is the result of what we found.
- As the board chair of ICBC, it's important to me that we be frank and honest with British Columbians about the situation ICBC is in.
- But I also want everyone to know that sustainable and long-term solutions are on the way, and on the way quickly.
- Government has been clear they want to create a sustainable auto insurance system which strikes the balance between increased care for the injured, more affordable and fair rates for all, and less spent on legal costs.
- None of the actions we can take within the current auto insurance system in B.C. will close

the gap between the premiums we are collecting and the cost of the claims we are paying out.

- British Columbians can no longer afford to keep paying more and more for their auto insurance every year.
- Decisive action is needed to relieve the pressure on ICBC's rates and the window of opportunity to make fundamental changes is now.

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*Contact Us*

**From:** [Zadravec, Don GCPE:EX](#)  
**To:** [Kristianson, Eric GCPE:EX](#)  
**Subject:** FW: Q3 QAs  
**Date:** Friday, January 26, 2018 1:35:15 PM  
**Attachments:** [QA Third Quarter Results 26JAN18 DRAFT.docx](#)

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-----Original Message-----

**From:** Bianco, Catherine GCPE:EX  
**Sent:** Friday, January 26, 2018 12:14 PM  
**To:** Zadravec, Don GCPE:EX  
**Cc:** Nelson, Tiffany GCPE:EX  
**Subject:** RE: Q3 QAs

Hello Don-- sending ICBC Q3 QAs as approved by ADM and ICBC -- Tiffany has not reviewed the latest input.

Catherine

-----Original Message-----

**From:** Bianco, Catherine GCPE:EX  
**Sent:** Friday, January 26, 2018 8:40 AM  
**To:** Nelson, Tiffany GCPE:EX  
**Cc:** Zadravec, Don GCPE:EX  
**Subject:** RE: Q3 QAs

Will do

-----Original Message-----

**From:** Nelson, Tiffany GCPE:EX  
**Sent:** Friday, January 26, 2018 8:28 AM  
**To:** Bianco, Catherine GCPE:EX  
**Cc:** Zadravec, Don GCPE:EX  
**Subject:** Q3 QAs

Hi Catherine - once the QAs are back from ICBC (before 9:30am), please have ADM Brouwer review ASAP as I know she will. Then send to Don regardless if I've had a chance to review as I may be tied up at the event.

Thank you,

Tiffany  
250 858-4680

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s.12;s.13



From: [Currie, David GCPE:EX](#)  
To: [Kristianson, Eric GCPE:EX](#)  
Cc: [Nelson, Tiffany GCPE:EX](#); [Foster, Doug FIN:EX](#); [Zoeller, Sonja GCPE:EX](#)  
Subject: Media: (ICBC)  
Date: Tuesday, January 30, 2018 12:14:32 PM

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Eric,

Our MO wanted to have you take a look at the draft statement we are sending to media who have asked (Justine, Bhinder) for MCJ comment on ICBC and balancing the budget.

**DRAFT:**

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"I flagged ICBC as a major risk facing the province in our quarterly updates and the September Budget Update."

"Years of mismanagement by the previous administration mean we are now facing more than \$1 billion in losses at ICBC. Clearly, absorbing losses of this magnitude have put pressure on the fiscal plan, and we have some tough choices ahead."

"We are committed to improving services and investing in housing affordability – this has not changed. I'm working hard to build a balanced budget that delivers on our promises to British Columbians."

"We have been responsible in our budgeting by building substantial prudence into our fiscal plan. Because of this prudence, I am cautiously optimistic about balancing the budget despite ICBC's historic losses."

"I have communicated to the Attorney General that we must put ICBC on the path to fiscal sustainability. Our government is committed to finally doing what the former government did not."

**ICBC Q3 financial results  
Questions & Answers**

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**Key Messages:**

- Years of bad decisions and mismanagement by the former government have undermined ICBC's ability to deliver low-cost insurance to B.C. drivers.
- We never expected to find this level of mismanagement by the previous government.
- ICBC must become financially sustainable to keep rates affordable for British Columbians.
- ICBC's year-end loss is now projected to hit \$1.3 billion – that's nearly the amount the former government siphoned out of ICBC while ignoring the needs of B.C. families.
- Now, B.C. drivers are looking at a hike of at least \$400 more in their premiums by next year unless we take immediate action to keep rates more affordable.
- Last week, we learned that the previous government received clear recommendations in 2014 from independent auditors that could have saved the corporation hundreds of millions of dollars.
- Yet they did not act, they did not make these recommendations public, and they scrubbed them from a report presented to ICBC.
- We will be taking strong, decisive and significant action in the coming weeks to repair the damage done.
- Our solutions are aimed at keeping rates affordable and improving medical care for anyone hurt in a crash.
- We are looking to cut down on legal costs and to focus instead on providing more care for those hurt in crashes.

**Qs & As:**

**1. Why is the loss so much larger than was budgeted for?**

- Years of bad decisions and mismanagement by the former government have meant a fiscally unsustainable position at ICBC.
- ICBC has told me that this dramatic increase in losses has been driven by two core factors:
  - The emergence of many large, extremely costly claims was not anticipated
  - Claims have been closing at a slower rate in recent months, despite ICBC adding hundreds of new staff to help deal with the increasing claims volume.
- While the rise in the number of claims and the associated costs are not new issues for ICBC, what has been unexpected is the degree of the cost escalation from these claims and the significant number of older claims – dating as far back as 2010 – that are now extremely costly.

**2. Why the increase in large loss claims?**

- Some older claims that were initially presented as minor injury claims have since emerged as more complex, large loss claims.
- ICBC classifies a large loss claim as an injury claim that costs more than \$200,000. The average large loss claim actually settles for more than double that at \$450,000.
- Large loss claims traditionally include catastrophic injuries such as paraplegia, amputation and major brain injuries, but can also involve less significant injuries to high-income earners.
- ICBC has experienced an unprecedented 80 per cent growth in large loss claims over the last 12 months beyond the higher than expected growth it already experienced last year.

**3. How is it possible that ICBC is taking a loss at all given how much we pay for our insurance?**

- Years of mismanagement by the former government have set ICBC on this path of serious financial challenges.
- We know that the number of crashes on B.C. roads is increasing every year, to a point where there were 330,000 crashes in 2016 alone – that's 900 crashes on any given day.
- The increase in crashes is being exacerbated by the sharp increase in the number and cost of claims being reported from these crashes.
- To put it simply, today, the amount of basic insurance premiums ICBC is collecting from customers is not covering the increasing amount they are paying out in basic claims costs.
- While the number of vehicle damage claims filed with ICBC are rising each year, it is the increase in injury claims that is the most concerning – that's because not only are British Columbians being injured more frequently on our roads, but these claims are substantially increasing costs to ICBC.
- In 2016 alone, 72,700 new injury claims were reported to ICBC – this is 10,000 more than just two years ago or an increase of 16 per cent.

**4. When you talk about injury claims costs, are you really talking about legal costs?**

- Injury claims are particularly concerning because they are the claims that have the most potential to become very costly.
- After breaking through the \$2 billion threshold as recently as 2014, ICBC's injury claims costs totalled \$2.7 billion in 2016 alone – an increase of \$1.2 billion, or 80 per cent, over the last seven years.
- We know that injury claims, in particular, often come at a significant cost and not just the cost of helping the injured party recover.
- These claims cost more because they take longer to settle, legal costs are incurred, more expert reports are typically ordered and there is an increased utilization of medical resources and services.
- That reality is clearly reflected in ICBC's spending – delays and legal costs, such as those for expert reports, now account for 24 per cent of ICBC's total annual costs. This is greater than the cost of running ICBC, and it's simply not sustainable.
- But it's not the only cost pressure impacting insurance rates – on top of this, vehicle repair costs have increased 30 per cent in just two years, to a total of \$1.5 billion in 2016 alone.
- To put it simply, today, the amount of basic insurance premiums ICBC is collecting from customers is not covering the increasing amount they are paying out in basic claims costs.

s.13

**6. TLABC ads say you're planning to initiate caps on pain and suffering. Doesn't this take away people's right to sue when they've been injured?**

- You have heard me say before that we are considering a model that puts limits on minor injury payouts, much like what has been done in a number of other provinces.
- I can tell you that we are working on solutions aimed at keeping rates affordable and improving medical care for those hurt in minor accidents, while creating a system that fairly delivers improved financial certainty and sustainability.

- I expect to have more to say on this soon.

**7. Some are saying caps will discriminate against ethnic communities. How are you addressing that?**

- I can tell you that is not true.
- We are working to create more fairness in our auto insurance system.
- We are working on solutions aimed at keeping rates affordable and improving medical care for those hurt in minor accidents, while creating a system that fairly delivers improved financial certainty and sustainability

**8. Won't a cap harm the legal profession? Are you consulting with them on the changes?**

- Over the last while, I've been having tough conversations with a wide variety of stakeholders, including those from certain areas of the legal profession.
- The message I've been giving to everyone is that fixing the problems at ICBC mean there will have to be compromises on all sides.
- I will have more to say on this soon.

**9. Will you release the 2014 EY report?**

- That question should be directed to Todd Stone or Michael de Jong.

**10. What is government going to do to fix this mess?**

- There is no panacea here – no perfect solution, but we are moving forward quickly to repair the damage that's been done.
- We know that we must cut down on all costs – including legal – and, as I have already publicly stated, we are considering a model that puts limits on minor injury payouts, much like what has been done in a number of other provinces.
- I expect to have more to say on this in fairly short order but, for now, I can tell you that we are working on solutions aimed at keeping rates affordable and improving medical care for those who are injured in crashes, while creating a system that fairly delivers improved financial certainty and sustainability.
- We also need to do more to improve road safety. We've started that by moving forward with steps to turn our red light cameras on 24 hours a day, and by increasing premiums for those people caught distracted driving. In fact, if you're caught twice in three years after March 1, you're going to be hit with a premium increase of almost \$2,000 over that span.
- ICBC is also quickly moving ahead with its pilot program to test how technology can help curb distracted driving.
- Along with that, we believe higher-risk drivers should pay higher premiums because they have a greater chance of costing the system more. We also believe low risk drivers should bear less of the costs.
- We are also expecting to release a final report from PwC on the effectiveness of ICBC's operations in fairly short order. I anticipate there will be recommendations in there where we can find further savings, including working with the auto body industry.

**11. You say you'll have an announcement soon – when can we expect that?**

- We need to act on this immediately. The financial mess at ICBC left by the old government is unacceptable and we will announce further action to address this in the days ahead.

**12. How are consultants reports – those by EY and PwC – helping the situation?**

- All the evidence – from the EY report to what we've uncovered in the fiscal third quarter – shows a problem years in the making that's significantly worse than anyone anticipated.

- While the PwC report is focused on internal ICBC operations, I anticipate there will be recommendations in there where we can find further savings, including working with the auto body industry.

**13. What does this loss mean for B.C.'s triple-A credit rating?**

- I refer you to Finance Minister Carole James for questions concerning budget operations.

**14. Will you consider a move to privatization?**

- I have said before that ICBC is one of British Columbia's most important public assets.
- While there are significant financial and operational challenges to be addressed, this government believes that public automobile insurance offers British Columbians excellent protection and access.
- We have no intention of privatizing Basic auto insurance, but private insurers will continue to have a role in providing services to drivers seeking additional coverage.
- B.C. deserves to have a well-managed public auto insurance system and that is the goal that Government and ICBC will continue to strive toward.

**15. This week the Insurance Bureau of Canada released a report about the benefits of competition for auto insurance in B.C. How do you respond to this?**

- I would expect that the industry association for private insurance would support competition.
- However, I fail to see how competition in other provinces, particularly Ontario, has stemmed rate increases.
- In fact, even with competition, other provinces have introduced system changes that have limited awards for pain and suffering for minor soft-tissue injury claims, while Manitoba, Quebec and Saskatchewan's no-fault modes do not provide any compensation for pain and suffering as a result of a minor injury.

**16. While I understand your commitment to public auto insurance, every other province has moved in the direction of privatization. It seems this loss can only grow in the coming months. Why not make the change to a private system?**

- We believe that public auto insurance works for British Columbians because it ensures that all drivers have the same minimum amount of insurance and insurance benefits, which protects them, other road users and pedestrians on the road.
- It also guarantees that all British Columbians are able to get auto insurance, which is not the case in jurisdictions with private systems where providers can decline to offer insurance to certain drivers.
- B.C.'s estimated uninsured rate is less than one per cent – much lower than other jurisdictions in North America with rates ranging from four to 20%.
- Our public system also enables enhanced security by enabling the linking of licence plates and decals to a customer's basic insurance policy.
- This enhancement is unique to only a few jurisdictions in North America and is also one of the main reasons we have such a low uninsured rate compared to other jurisdictions.

**From:** [Kristianson, Eric GCPE:EX](#)  
**To:** [Currie, David GCPE:EX](#)  
**Subject:** RE: Media: (ICBC)  
**Date:** Tuesday, January 30, 2018 12:22:01 PM

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One minor suggested change in the second line

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**From:** Currie, David GCPE:EX  
**Sent:** Tuesday, January 30, 2018 12:15 PM  
**To:** Kristianson, Eric GCPE:EX  
**Cc:** Nelson, Tiffany GCPE:EX; Foster, Doug FIN:EX; Zoeller, Sonja GCPE:EX  
**Subject:** Media: (ICBC)

Eric,

Our MO wanted to have you take a look at the draft statement we are sending to media who have asked (Justine, Bhinder) for MCJ comment on ICBC and balancing the budget.

**DRAFT:**

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-

"I flagged ICBC as a major risk facing the province in our quarterly updates and the September Budget Update."

"The previous administrations refusal to address the crisis at ICBC means we are now facing more than \$1 billion in losses. Clearly, absorbing losses of this magnitude have put pressure on the fiscal plan, and we have some tough choices ahead."

"We are committed to improving services and investing in housing affordability – this has not changed. I'm working hard to build a balanced budget that delivers on our promises to British Columbians.

"We have been responsible in our budgeting by building substantial prudence into our fiscal plan. Because of this prudence, I am cautiously optimistic about balancing the budget despite ICBC's historic losses."

"I have communicated to the Attorney General that we must put ICBC on the path to fiscal sustainability. Our government is committed to finally doing what the former government did not."

From: [Kristianson, Eric GCPE:EX](#)  
To: [Zadravec, Don GCPE:EX](#)  
Cc: [Lloyd, Evan GCPE:EX](#)  
Subject: Re: Q3 media statement (003)  
Date: Saturday, January 27, 2018 12:50:20 PM

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Don,

Per our discussion, please tell Lindsey that the statement minus the last paragraph is good.  
s.13

Thanks.

Eric Kristianson  
ADM Strategic Issues  
GCPE  
778-584-1248

On Jan 27, 2018, at 11:49 AM, Zadravec, Don GCPE:EX <[Don.Zadravec@gov.bc.ca](mailto:Don.Zadravec@gov.bc.ca)> wrote:

Don Zadravec  
Executive Director  
GCPE  
778-584-1252  
Sent from my iPhone

Begin forwarded message:

**From:** "Matthews, Lindsay" <[Lindsay.Matthews@icbc.com](mailto:Lindsay.Matthews@icbc.com)>  
**Date:** January 27, 2018 at 11:18:15 AM PST  
**To:** "Zadravec, Don GCPE:EX" <[Don.Zadravec@gov.bc.ca](mailto:Don.Zadravec@gov.bc.ca)>  
**Subject:** Q3 media statement (003)

Hi Don,

As per discussion yesterday, here where I think we stand on Q3:

s.13

I hope this is clear and helpful. I am assuming you guys are linked to MO, but if you need me to connect with George let me know. I am keeping all in the loop here including our Chair – trying to keep the communications loops tight so we can keep this threaded.

Lindsay

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<Q3 media statement (003).docx>

<Statement of Operations - December 2017 for icbc.com.pdf>



**From:** Matthews, Lindsay  
**To:** [Zadravec, Don](#) GCPE:EX  
**Subject:** ICBC Messaging  
**Date:** Monday, January 29, 2018 10:53:01 AM  
**Importance:** High

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### Q3 SPEAKING NOTES

- Unfortunately, the fact we made a net loss should not come as a real surprise – we’ve been talking for a few years now about the growing and escalating pressures we’re under.
- We’re at a point today where the number of crashes across the province, and the number of claims we’re receiving, are growing by the thousands every year.
- On top of that, the costs of those claims are ballooning – our injury claims costs alone are close to \$3 billion a year, not to mention the increasing cost of vehicle repairs. These are not new issues but they are continuing to get worse every year.
- Having said that, we expected to make a net loss but the size of the loss was not anticipated.
- Since the fall, we have seen the emergence of additional – and substantial – pressures we did not foresee.
- First, we have seen the emergence of many more, large and extremely costly claims which run into hundreds of thousands of dollars each.
- In particular, older claims – some dating as far back as 2010 – which were initially presented as minor injury claims have since emerged as more complex and costly, large loss claims.
- Typically, these older claims which end up being very expensive are the ones which are also represented by lawyers.
- A big reason we didn’t foresee this spike in large losses is that claimants and their lawyers are not required to tell us how much they think their claim is worth until many years after the crash. The longer a claim takes to settle, the more expensive it becomes.
- Many of the claims that are now emerging as large losses were first established as minor injury claims based on the information provided by claimants.
- Over the past 12 months, we have experienced an unprecedented 80 per cent growth in large loss claims which have an average cost of \$450,000 per claim.
- The challenge with large losses is that, because they are relatively few each year, it is harder predict patterns and trends. There is a higher degree of volatility with large losses than other types of claims.
- The second major new pressure is that despite substantially adding to our claims staff to help deal with the increasing volume of claims being reported to us, claims which have been represented by lawyers have been closing at a slower rate – especially since this last fall.
- Both of these emerging factors are reflective of the increasing pressure we are under from the high volume of litigated claims and the rising legal costs of our current system.
- There has obviously been a lot of public discussion over the last few weeks about potential

changes to our current insurance system in B.C. and since that discussion started, we have started to see plaintiff counsel no longer making offers or responding to our offers to settle. We suspect the two things are connected.

- ICBC has now made offers on 45 per cent of our represented claims but plaintiff counsel have made demands on only 5.5 per cent of claims – this is the system we’re currently working with.
- As a result of all of the pressures adding up, our net claims costs for the first nine months of our current fiscal year totalled \$4.25 billion.
- Simply put, the amount of premiums we are collecting from customers is not covering the ever-increasing amounts we are paying out in claims costs. This is not sustainable.
- We know we cannot keep asking our customers to pay more and more for their insurance each year and that’s why we are working hard alongside government to take the steps necessary to being about sustainable, long-term solutions.

### **ADDITIONAL MESSAGES FOR JOY**

- I became chair shortly after the new government was sworn in last summer and, while I already knew about some of the major pressures ICBC was facing, it was only after joining that I got the full picture.
- The problems were already significant from the seemingly ever-increasing number of crashes taking place in B.C. – 900 a day in 2016 – but the ICBC management come to me in the fall to alert me to some new and escalating pressures they were starting to see.
- I asked the senior leadership team to dig into these emerging factors so we could fully understand what we were now dealing with.
- What you see today in the form of a significant net loss at ICBC is the result of what we found.
- As the board chair of ICBC, it’s important to me that we be frank and honest with British Columbians about the situation ICBC is in.
- But I also want everyone to know that sustainable and long-term solutions are on the way, and on the way quickly.
- Government has been clear they want to create a sustainable auto insurance system which strikes the balance between increased care for the injured, more affordable and fair rates for all, and less spent on legal costs.
- None of the actions we can take within the current auto insurance system in B.C. will close the gap between the premiums we are collecting and the cost of the claims we are paying out.
- British Columbians can no longer afford to keep paying more and more for their auto insurance every year.
- Decisive action is needed to relieve the pressure on ICBC’s rates and the window of opportunity to make fundamental changes is now.

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[Contact Us](#)

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- The challenge with large losses is that, because they are relatively few each year, it is harder predict patterns and trends. There is a higher degree of volatility with large losses than other types of claims.
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- Both of these emerging factors are reflective of the increasing pressure we are under from the high volume of litigated claims and the rising legal costs of our current system.
- There has obviously been a lot of public discussion over the last few weeks about potential changes to our current insurance system in B.C. and since that discussion started, we have started to see plaintiff counsel no longer making offers or responding to our offers to settle. We suspect the two things are connected.
- ICBC has now made offers on 45 per cent of our represented claims but plaintiff counsel have made demands on only 5.5 per cent of claims – this is the system we’re currently working with.
- As a result of all of the pressures adding up, our net claims costs for the first nine months of our current fiscal year totalled \$4.25 billion.
- Simply put, the amount of premiums we are collecting from customers is not covering the ever-increasing amounts we are paying out in claims costs. This is not sustainable.
- We know we cannot keep asking our customers to pay more and more for their insurance each year and that’s why we are working hard alongside government to take the steps necessary to being about sustainable, long-term solutions.

## ADDITIONAL MESSAGES FOR JOY

- I became chair shortly after the new government was sworn in last summer and, while I already knew about some of the major pressures ICBC was facing, it was only after joining that I got the full picture.
- The problems were already significant from the seemingly ever-increasing number of crashes taking place in B.C. – 900 a day in 2016 – but the ICBC management came to me in the fall to alert me to some new and escalating pressures they were starting to see.
- I asked the senior leadership team to dig into these emerging factors so we could fully understand what we were now dealing with.
- What you see today in the form of a significant net loss at ICBC is the result of what we found.
- As the board chair of ICBC, it's important to me that we be frank and honest with British Columbians about the situation ICBC is in.
- But I also want everyone to know that sustainable and long-term solutions are on the way, and on the way quickly.
- Government has been clear they want to create a sustainable auto insurance system which strikes the balance between increased care for the injured, more affordable and fair rates for all, and less spent on legal costs.
- None of the actions we can take within the current auto insurance system in B.C. will close the gap between the premiums we are collecting and the cost of the claims we are paying out.
- British Columbians can no longer afford to keep paying more and more for their auto insurance every year.
- Decisive action is needed to relieve the pressure on ICBC's rates and the window of opportunity to make fundamental changes is now.

**From:** Matthews, Lindsay  
**To:** [Zadravec, Don GCPE:EX](#)  
**Subject:** RE: ICBC Messaging  
**Date:** Monday, January 29, 2018 10:54:55 AM  
**Attachments:** [Q3 SPEAKING NOTES.DOCX](#)  
**Importance:** High

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Here is the word version.

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**From:** Matthews, Lindsay  
**Sent:** Monday, January 29, 2018 10:53 AM  
**To:** 'Zadravec, Don GCPE:EX' <Don.Zadravec@gov.bc.ca>  
**Subject:** ICBC Messaging  
**Importance:** High

### Q3 SPEAKING NOTES

- Unfortunately, the fact we made a net loss should not come as a real surprise – we’ve been talking for a few years now about the growing and escalating pressures we’re under.
- We’re at a point today where the number of crashes across the province, and the number of claims we’re receiving, are growing by the thousands every year.
- On top of that, the costs of those claims are ballooning – our injury claims costs alone are close to \$3 billion a year, not to mention the increasing cost of vehicle repairs. These are not new issues but they are continuing to get worse every year.
- Having said that, we expected to make a net loss but the size of the loss was not anticipated.
- Since the fall, we have seen the emergence of additional – and substantial – pressures we did not foresee.
- First, we have seen the emergence of many more, large and extremely costly claims which run into hundreds of thousands of dollars each.
- In particular, older claims – some dating as far back as 2010 – which were initially presented as minor injury claims have since emerged as more complex and costly, large loss claims.
- Typically, these older claims which end up being very expensive are the ones which are also represented by lawyers.
- A big reason we didn’t foresee this spike in large losses is that claimants and their lawyers are not required to tell us how much they think their claim is worth until many years after the crash. The longer a claim takes to settle, the more expensive it becomes.
- Many of the claims that are now emerging as large losses were first established as minor injury claims based on the information provided by claimants.
- Over the past 12 months, we have experienced an unprecedented 80 per cent growth in large loss claims which have an average cost of \$450,000 per claim.

- The challenge with large losses is that, because they are relatively few each year, it is harder predict patterns and trends. There is a higher degree of volatility with large losses than other types of claims.
- The second major new pressure is that despite substantially adding to our claims staff to help deal with the increasing volume of claims being reported to us, claims which have been represented by lawyers have been closing at a slower rate – especially since this last fall.
- Both of these emerging factors are reflective of the increasing pressure we are under from the high volume of litigated claims and the rising legal costs of our current system.
- There has obviously been a lot of public discussion over the last few weeks about potential changes to our current insurance system in B.C. and since that discussion started, we have started to see plaintiff counsel no longer making offers or responding to our offers to settle. We suspect the two things are connected.
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- Simply put, the amount of premiums we are collecting from customers is not covering the ever-increasing amounts we are paying out in claims costs. This is not sustainable.
- We know we cannot keep asking our customers to pay more and more for their insurance each year and that’s why we are working hard alongside government to take the steps necessary to being about sustainable, long-term solutions.

## **ADDITIONAL MESSAGES FOR JOY**

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