

Ministry of Attorney General ICBC Operational Review Draft Report

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December 18, 2017

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Glossary of Terms

Term	Description
AB	Accident Benefits ^{s.13} s.13 ICBC provides up to \$150,000 in medical and rehabilitation costs to drivers and passengers, even if the driver was at fault. ^{s.13}
Basic Autoplan Insurance	ICBC Basic Autoplan is the mandatory coverage needed for a vehicle in British Columbia. Basic coverage includes third party liability coverage, accident benefits, underinsured motorist protection, hit-and-run coverage and inverse liability protection.
BI	Bodily Injury - type of injury claim. ^{s.13} s.13
CCAT	Claims Contact Assessment Team - ^{s.13} within the Claims Contact Centre that adjudicate ^{s.13} retained within the Claims Contact Centre.
CCC	Claims Contact Centre - physical locations where CSA (Customer Service Adjuster) answer phone calls from claimants during FNOL.
CEF	Central Estimating Facility - ICBC owned facility ^{s.13} s.13
Claims Leakage	^{s.13}
CSA	Customer Service Adjuster - ^{s.13} initiate the claim file, collect FNOL information, and adjust low complexity claims that are resolved at the CCC.
CSAT Score	A numerical measure of customer satisfaction with a specific touchpoint (e.g., product, transaction, interaction, etc.) with a company.
FNOL	First Notice of Loss - The initial report of a claim made to an insurance provider following a loss, theft, or damage to an insured asset. First Notice of Loss (FNOL) is normally the first step in the formal claims process lifecycle.
FNOL Retained	First Notice of Loss Retained - ^{s.13} s.13

Guidewire ClaimCentre	Guidewire is a company that offers a suite of s.13 applications that support Insurance carriers with processes across the entire claims lifecycle. ICBC uses ClaimCentre, Guidewire's end-to-end management solution for claims intake, adjudication and reporting.
ICT	Investigation Claims Team - fraud management group within bodily injury claims that identify potentially fraudulent claims and escalates cases to the SIU if further investigation is required.
KPI	Key Performance Indicator - quantitative or qualitative metrics that are used to demonstrate how effective a group has achieved their objectives.
MD	Material Damage - s.13 s.13
NetReveal	s.13 tool used within the auto insurance industry to flag potentially fraudulent claims.
Optional Insurance	In addition to Basic Autoplan Insurance, drivers in British Columbia can purchase Optional Insurance. Optional Insurance policies s.13 s.13
Recovery Services	Group of adjusters that handle specific types of s.13 claims. s.13 s.13
Represented	Bodily injury claims where the claimant s.13 legal representation. Represented claims proceed through the stages of litigation in British Columbia's tort system. At ICBC Senior Injury Adjusters, Claims Examiners and Senior Claims Examiners handle represented claims. A bodily injury claim can have AB component and represented BI component.
Salvage	s.13
SIU	Special Investigation Unit - s.13 s.13
SLA	Service Level Agreement - contracts between ICBC and vendors who provide services to ICBC and claimants. The agreements define the cost, quality, availability of the services provided, and also include responsibilities for each contracting party.
Straight-Through Processing (STP)	s.13
Subrogation	s.13

s.13	
Tort	A tort is a civil wrong that causes someone else to suffer loss or harm resulting in the grounds for lawsuits against the person who committed the wrongful act, requiring them to compensate the grieving party for any damages or injuries suffered.
Triage	<p>s.13</p> <p>Once a claim is reported at FNOL, it is are triaged by type - AB, BI Unrepresented, BI Represented and Material Damage. s.13</p> <p>s.13</p>
Unrepresented	<p>s.13 _ injury claims where the claimant does not seek legal representation. At ICBC, these claims are handled by Injury Adjusters. s.13</p> <p>s.13</p>

Notice to Reader

This Report is issued by PricewaterhouseCoopers LLP ("PwC") for the exclusive use of the Ministry of the Attorney General of British Columbia in connection with its performance review of the Insurance Corporation of British Columbia ("ICBC").

Our work did not constitute an audit conducted in accordance with generally accepted auditing standards, an examination of internal controls nor attestation nor review services in accordance with the standards established by the Chartered Professional Accountants of Canada. Accordingly, we do not express an opinion nor any other form of assurance on the financial or other information, or operating internal controls, of ICBC.

PwC did not examine, compile or apply agreed upon procedures to satisfy the requirements of the Chartered Professional Accountants of Canada to the financial information used in this Report and we therefore are unable to express assurances on such information except where expressly stated in the Report to form part of the scope of our work.

Further this Report does not constitute an opinion as to legal matters, including the interpretation of the Insurance Corporation Act or any other similar matters. The economic impact of the various options is also outside the scope of PwC's work.

Our work is based primarily on the information and assumptions listed in the body of this Report. While we read information from various sources we did not perform checking or verification procedures except where expressly stated in the Report to form part of the scope of our work. Our work and commentary is subject to assumptions, which may change with the benefit of further detailed information. We make no representation regarding the sufficiency of our work and had we been asked to perform additional work, additional matters may have come to our attention that would have been reported to the Ministry.

Some of the documents and figures we reviewed were produced by third parties. We did not corroborate or verify these documents and figures with these parties. It is outside the scope of our review to evaluate the methodology used to conduct independent studies; therefore, we have accepted the information as presented, including conclusions. Furthermore, Government established the scope of this review and it did not contemplate PwC engaging directly with stakeholders. Any external stakeholder comments or information about any ICBC-related issue, including the operational review, were shared with the Province directly.

The outputs of the Report are intended to provide the Ministry with information to assist in informing their decision-making process pertaining to ICBC. PwC accepts no liability in respect of any loss, damage or expense of whatsoever nature caused by any use the reader may choose to make of this Report, or which is otherwise consequent upon the gaining of access to the Report by the reader.

Our Report, including schedules and appendices, must be considered in its entirety by the reader. Selecting and relying on specific portions of the analyses, or factors considered by us in isolation may be misleading.

Introduction to the Operational Review

Purpose

The Insurance Corporation of British Columbia (“ICBC” or the “Corporation”) is a commercial Crown corporation created in 1973 to provide universal compulsory auto insurance to motorists in British Columbia (“BC”). ICBC’s governance is defined through legislation applicable to all Crown corporations, and legislation specific to the Corporation itself. ICBC’s mandate to provide Basic and Optional vehicle insurance for BC motorists is provided through the Insurance Corporation Act, Insurance (Vehicle) Act and the Motor Vehicle Act.

The Basic auto insurance rates are regulated by the British Columbia Utilities Commission (“BCUC”), an independent regulator. The BCUC approves Basic rates and ensures the Basic insurance product is adequate, efficient and reasonable. ICBC also sells Optional auto insurance in a competitive marketplace.

In addition, ICBC provides driver licensing, vehicle registration and licensing, and violation ticket and government fine collections services on behalf of the Province under a Service Agreement between government and ICBC. ICBC also implements road safety initiatives to reduce crashes and losses on BC roads and to assist in managing claims costs.

The Ministry of Attorney General (the “Ministry”) which is responsible for a number of Crown corporations, agencies, boards and commissions, including ICBC, has established a steering committee to undertake an evidence-based Operational Review of ICBC to:

- Review, evaluate and provide recommendations regarding the structure and accountability of ICBC’s current lines of business to help ensure that ratepayers are provided with the most efficient, cost effective products, programs and services
- Assess and report on overall fiscal and operational management of the Corporation.

The Ministry has engaged PwC to assist it in this process. As part of the Operational Review (the “Review”), PwC was asked to complete the following activities:

- Identify opportunities to improve operational efficiencies
- Assess the cost effectiveness of ICBC’s programs and functions
- Identify further operational cost savings

With these objectives in mind, recommendations are to be designed to maintain or improve quality service levels for ICBC customers.

Based upon areas already covered in past and ongoing reviews, the Ministry defined the scope for this Review to be:

- Claims ^{s.13}
- Finance ^{s.13}
- Driver Training ^{s.13}

Context

Auto insurance in BC is based on a full tort system, which means that an at-fault driver may be taken to court for the full range of damages. An injured party also has access to accident benefits coverage, regardless of fault, including medical and rehabilitation expenses and wage loss recovery. This environment may result in higher claims costs compared to jurisdictions that operate under different auto insurance systems.

Consistent with other North American jurisdictions, BC is experiencing an increased frequency of motor vehicle crashes. From these crashes, more people are claiming bodily injury with a shift toward higher complexity claims that cost more to settle. The growing sophistication of cars is also driving up repair costs due to the expensive cost of parts. These factors combined put upward pressure on rates for customers. Managing these costs in addition to exaggerated and fraudulent

claims and increasing legal representation rates is critical to ICBC’s ability to offer customers adequate insurance coverage at an affordable cost.

As claims costs are expected to continue to outpace premium revenues and investment income in the foreseeable future, management projects losses from operations for the current and future forecasted periods. ICBC continues ongoing efforts to identify the drivers of higher claims costs and moderate those within its control.

s.13

Placeholder for graph on basic insurance rates
To be included in final report

ICBC’s focus on continuous operational improvement, consistent quality, and fair handling of claims has resulted in initiatives with the objective to adequately manage claims in the face of increasing claims costs and higher claims volumes. Recently completed reviews have identified a number of potential cost savings opportunities and initiatives related to management of claims costs.

The current Review incorporates the findings and analysis prepared in previous external reviews conducted over the past five years. Additionally, PwC has considered and incorporated other s.13 reviews s.13 in relation to financial management and reporting of the Corporation.

Scope

The Review is based on full access to ICBC information, staff and certain other materials or data, not including public comment or input. The evaluation is based on comparisons of approaches taken by other segments of the insurance industry and by other jurisdictions in relation to ICBC’s various business lines, and it includes interviews with a sample of ICBC unionized staff and management.

The scope of the Review spans three business lines: Claims, Finance, and Driver Training. Within each of these business lines, specific business functions and activities were analyzed. These are summarized in the following table.

Business Lines and Functions Analyzed

Business Line	Business Functions to be Analyzed	Key Considerations
Finance	Finance	<ul style="list-style-type: none">Finance function structure, process and organization relative to leading Canadian insurance practices
Claims	Claims Initiation	<ul style="list-style-type: none">First notice of loss process and procedures, intake capabilitiesClaims triage effectiveness
	Claims Adjudication	<ul style="list-style-type: none">Case management process and efficiencyQualitative review of a random sample of 100 claims over the past two years (vehicle and bodily injury)Material Damage assessment procedureRecovery and subrogation processesInjury management planning and comparison of injury rehabilitation times, plans, and outcomes with workers compensation boards, specifically WorkSafe BCClaims servicing approach and capabilitiesFeedback and perspectives from union
	Strategic Sourcing/Vendor Management	<ul style="list-style-type: none">Vendor segmentation and preferred networkVendor relationship and sourcing management processClosed file review of a random sample of 100 completed

		<ul style="list-style-type: none"> estimates by express repair shops Auto-body glass shops cost comparison
	Fraud Prevention/ Management	<ul style="list-style-type: none"> Fraud detection process, automated protocols and efficiency Fraud escalation process
	Claims Payment	<ul style="list-style-type: none"> Payment process and practices
Driver Training	Driver Training Compliance	<ul style="list-style-type: none"> Driver training instructor compliance and enforcement Review of operations in accordance to statutory obligations in light of administrative fairness and best practices

Approach and Report Structure

The ICBC Operational Review has been designed to consider opportunities to improve operational efficiencies, assess the cost effectiveness of ICBC's programs and functions and identify further operational cost savings. The PwC team applied a consistent approach supported by time-proven methodology to meet the objectives of the review.

Business Lines and Functions Analyzed	Current State	Opportunities	Benefits and Implementation Considerations
Claims <i>Initiation</i> <i>Adjudication</i> <i>Strategic Sourcing/</i> <i>Vendor Management</i> <i>Fraud Prevention/</i> <i>Management</i> <i>Claims Payment</i> Finance <i>Accounts Payable</i> <i>Accounts Receivable</i> <i>Budgeting Forecasting and</i> <i>Reporting</i> Driver Training <i>Compliance</i>	Interviews with ICBC unionized staff and management Insurance Operations Capability Assessment File Reviews Review of Past Recommendations	Gap Analysis Opportunity Identification and Prioritization Opportunities Grouped into Initiatives	For each initiative: Benefit <small>s.13</small> <small>s.13</small> Implementation Considerations

Current State Review of Operations

For the first phase of the operational review, the PwC team examined the current state of operations of the business lines deemed to be in scope. In order to complete the review, ^{s.13} conducted interviews and assessed operations based on current capabilities. Additionally, PwC evaluated a sample of closed claims files and a sample of completed material damage estimates, and reviewed and considered previously completed reviews on ICBC.

Interviews with ICBC unionized staff and management

PwC conducted over 40 interviews with management and unionized staff operating within the in-scope business lines of Claims, Finance and Driver Training. Interviews were focused on understanding staff members' roles and responsibilities, gaining an overview of existing processes and highlighting existing challenges within their business.

Insurance Operations Capability Assessment

PwC utilized a proprietary Insurance Operations Capability Model which assesses an insurance company's operational performance relative to leading practices of the Canadian and international automobile insurance market. The PwC team assessed the current capabilities of ICBC's in-scope lines of business by reviewing documentation and conducting interviews with staff. For each area examined, the team assessed ICBC's current business practices relative to Canadian and international leading practices and rated them on a maturity scale (ad hoc, structured, or fully integrated). PwC took into consideration that ICBC is a public insurer and the only auto insurer in Canada operating within a full tort environment. As such, when comparing ICBC to practices in the market, PwC compared the structure and maturity of processes that are not comparable to other auto insurers; however, as appropriate, PwC considered the operational practices of similar public auto insurance schemes such as those in Manitoba and Saskatchewan.

File Reviews

In conjunction with the capability assessment of operations, a file review of 100 closed claims files, and a review of 100 completed material damage estimates was conducted.^{s.13} Based on a structured framework to identify opportunities for improvement, these files were reviewed for consistency of process, consistency of claims outcomes, and level of automation.

Review of past recommendations

PwC conducted a review of previous recommendations from external reviews from the period of 2012-2017 and specifically considered the status of the programs, initiatives and actions in response to those recommendations, with a focus on those related to Claims, Finance and Driver Training. The review was conducted to gain an understanding of the current initiatives in progress, initiatives that are currently under consideration, and initiatives that have been completed.

Opportunities for the future

Based on the findings of the current state assessment, PwC conducted a gap analysis to identify opportunities for improvement within Finance, Claims and Driver Training. Potential opportunities for improvement within the operations in scope for the review were prioritized based on potential financial impact, feasibility and timing.

The prioritized list of opportunities were then grouped into broader initiatives designed to create a positive impact to stakeholders, including ICBC and its' customers. Some initiatives identified will also impact stakeholders external to ICBC, such as service providers. Initiatives were only developed based on the scope of the operational review, and are thus focused on enhancements or improvements to the structure or processes within Claims, Finance, or Driver Training.

Benefits and Implementation Considerations

For each initiative,^{s.13} and implementation considerations were developed to provide a view of expected actions, impacts, and outcomes. Both the data used to develop the benefits and the ^{s.13} were reviewed ^{s.13}

^{s.13} Implementation considerations were designed to provide a ^{s.13} view of the requirements for executing each initiative. For each initiative, we have summarized implementation considerations, including key dependencies, internal and external support required, key direct and indirect stakeholders impacted, key risks to be managed and sequencing of activities in order to realize the expected benefits. Any decisions to implement these initiatives need to be made within the context of other ongoing ICBC and government priorities and activities.

Current State Findings

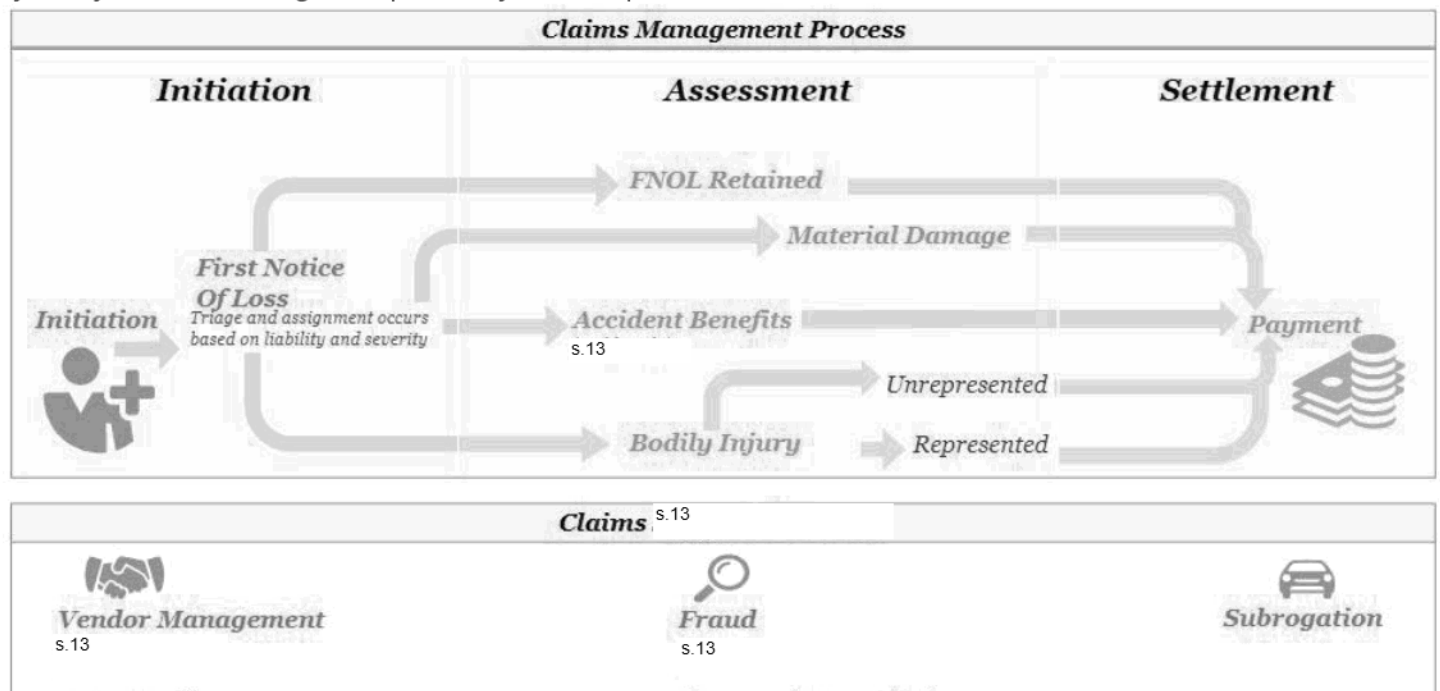
Current State Findings are arranged based on the three business lines in scope for the operational review. For each function assessed in a business line, the maturity assessment is included. Operations were assessed on a scale of process maturity ranging from ad-hoc, undefined processes that have limited structure and no automation, to integrated, where processes are well defined and consistently adhered to, leveraging automation whenever possible.

Claims

Overview

The review of operations within Claims incorporates the lifecycle of a claim from initiation, when a claim is reported to ICBC, through to payment and settlement of the claim leading to its closure. Within this lifecycle, there can be multiple activities involved as part of the assessment of the claim, or adjudication.

PwC assessed the current processes for managing claims relating to material damage and salvage (the handling of un-repairable vehicles), as well as injury related claims. Consistent with the auto insurance industry, there are two types of injury claims - accident benefits and bodily injury - that have their own internal operational processes. As such, PwC examined injury claims processes pertaining to the driver of the vehicle (accident benefits) where the driver is liable and bodily injury claims where the injured party is not liable (such as a claim by a passenger or by a passenger of a vehicle that has been impacted). In either situation, the injured party may choose to remain unrepresented or elect to be represented by a lawyer, each resulting in a separate adjudication process.



The supporting activities of claims adjudication were also assessed. This included fraud, vendor management, and subrogation. Within these activities is fraud detection and prevention (or fraud management). Fraud detection can be carried out by claims staff in the process of assessing a claim, or by investigators assigned to suspicious claims. Vendor management of claims service providers is also included in the claims lifecycle. This includes direct providers such as auto body shops, or medical providers that provide services to claimants directly, and indirect providers such as independent adjusters or defense counsel that will support ICBC's adjudication of a claim. Lastly, this operational review included subrogation (the inbound and outbound pursuit of damages or submission of debts for claims that have occurred between ICBC and out-of-province drivers insured by a third party, or non-insured drivers).

In completing the operational review, findings have been broken down for each component in scope within the claims

lifecycle. In order to examine ICBC’s relative maturity of the current state processes, components have been evaluated relative to leading and common practices within the Canadian and international automobile insurance market.

Initiation:

In 2016, 740,582 claims were opened at ICBC. Of the claims opened, ^{s.13} of claims were Bodily Injury related and ^{s.13} of claims were Material Damage. The process of reporting a claim is commonly referred to in the Industry as the First Notice of Loss (“FNOL”). There are two available channels for ICBC policyholders to report a claim; phone and online. The most common channel is over the telephone to ICBC’s Claims Contact Centre.



Recently, ICBC enhanced its online portal for claims submission. Approximately 13% of claims are submitted through the online channel however ICBC expects the number of claims reported online to grow in the future. Claims can be reported through either channel 24 hours a day, seven days a week, 365 days a year. Upon first contact, the severity of the claim is assessed on a number of dimensions including whether an injury is present and if so, the scope of the noted injury. Depending on assessed severity, claims will remain with Claims Contact Centre staff or will be assigned to an appropriate adjuster for claims adjudication and settlement.

Customer service is critical at the initiation of the claim because it is often the main point of contact between the customer and the insurance provider. In line with other insurance providers, ICBC tracks customer service satisfaction through the claims call centre channel and enforces service level requirements for timeliness to answer calls, average handle time (time spent on the phone with the customer) and time to contact customers. ICBC’s customer service levels can be improved to better meet the needs of customers using communications that inform the customer of the entire claims process. Currently, the Customer Satisfaction Score (CSAT) at FNOL is 96.8%. ICBC ^{s.13} improve responsiveness with customers, as 65% of calls are answered within the goal time frame of 100 seconds, while maintaining high CSAT scores.

Customer Service in Claims

ICBC has prioritized improving its customer service within Claims. Customer satisfaction and timeliness to complete customer requests are now tracked within the organization. In 2018 a formal Customer Experience Program is being rolled out to all Call Centre employees which will emphasize their Customer Value Proposition themes of ease, support and value to the customers.

The corporation uses an industry leading claims management platform called Guidewire, which was implemented as part of ICBC’s Transformation Program. In line with leading practices, the Guidewire claims system automatically segments claims by type and severity, but adjusters have the ability to manually override segmentation and/or assignment. For material damage claims, there are ^{s.13} possible adjusters groups that claims can be assigned to based on claims complexity. For injury claims, there are adjuster groups that claims can be assigned to based on claims severity/complexity, customer needs, risk and/or alignment to a ^{s.13} council firm.

Overall, ICBC’s First Notice of Loss (FNOL) process is mature relative to industry peers due to the availability of multiple claims reporting channels, real time data input verification and quality review, and automated claims segmentation and assignment to the appropriate adjuster.

Claims Contact Centre adjusters have defined guidelines and templates available to help guide their conversations with claimants and properly manage claims. In comparison, leading providers incorporate advanced call scripts with principles of behavioural economics to better engage with and guide a claimant’s actions for settlement. Improvements could also be made to reduce the complexity of segmentation and the need to manually override segmentation. Additionally, leading insurers continue to invest in deploying robotic process automation (“RPA”) technologies. For example, elsewhere in the industry RPA has been deployed to successfully integrate newer systems, such as NetReveal (for fraud detection) or automate repetitive tasks through the use of bots to improve workflow efficiency.

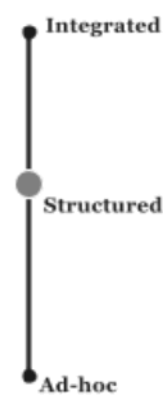
The diagram shows a vertical line with three labels: "Integrated" at the top, "Structured" in the middle, and "Ad-hoc" at the bottom. A solid grey dot is positioned on the line between "Integrated" and "Structured", indicating a high level of maturity.

Assessment:

Claims Adjudication: FNOL retained

^{s.13} of all new claims reported are adjudicated and retained with the Claim Contact Centre which drives customer experience and efficiency. The claims that are retained within the Claims Contact Centre are lower complexity non-injury claims or straightforward minor injury claims that only require medical expense reimbursement.

FNOL retained claims are adjusted within the Claims Contact Centre by Customer Service Adjusters who are trained to handle low complexity Accident Benefit claims and Material Damage dispute claims. Adjusters aim to close these low complexity claims at the first point of contact. If a claimant calls to follow up, they can be assigned to speak with a different adjuster than before. Within the Claims Contact Centre there is also a Claims Contact Assessment Team ("CCAT") that adjudicates more complex liability claims within a threshold approved to be retained within the Claims Contact Centre. The CCAT has individual caseloads that they manage from open to close which allows customers to interact with a single adjuster. The contact centre has extended hours beyond claims adjudication hours, providing ICBC the ability to connect with customers in a timelier manner.

<p><i>PwC's assessment of adjudication of FNOL retained claims ranks comparable to industry average as Claims Contact Centre processes are defined, claims are segmented by complexity and claims quality assurance is monitored and tracked.</i></p> <p>Leading practice insurers use web-enabled straight-through processing to automatically adjudicate low complexity claims, and where an adjuster is required, they manage individual caseloads. Within the Claims Contact Centre claims can be reassigned to the next available Customer Service Adjuster when a claimant follows up on their claim. CCAT adjusters, on the other hand, do not hand off files as they have individual caseloads. Customer Service Adjusters are focused on providing excellent customer services to claimants at the first point of contact with the claims centre.</p>	
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Claims Adjudication: Material Damage & Salvage

Material damage claims are assigned at FNOL immediately based on claims profile to four key adjuster types: claims adjuster, specialized handling team, out of province and commercial. Resolving liability is a critical first step in the Material Damage claim process. Adjusters determine the state of the vehicle and deem them as non-driveable or driveable.

For minor driveable claims, claimants are ^{s.13} to use collision repair vendors within ICBC's network. Preferred vendors for collision repair are within the vendor category of Express Repair. Express Repair body shops receive the vehicle and submit estimates for review to ICBC estimators. 69% of all claims estimates are completed by Express Repair body shops, the remainder are completed by ICBC estimators ^{s.13} ICBC estimators review 66% of estimates completed by Express Repair shops, representing 89% of the total dollars paid to the Express Repair. They review the estimate against the photos and information received regarding the damaged vehicle. In addition, ICBC estimators conduct site visits on 2.5% of the Express Repair shop estimates to review shops for quality assurance purposes to mitigate risks for claimants. ^{s.13}

^{s.13}

^{s.13}

If the vehicle is deemed non-driveable, ICBC estimators review the claim details and reported vehicle damage to determine whether the vehicle is repairable or likely a total loss. Additionally, they determine where it should be towed to ICBC's central estimating facility or a salvage yard if the vehicle is an obvious total loss. If the vehicle is immediately sent to salvage, an estimator reviews the vehicle to confirm it is a total loss. If the vehicle is an obvious total loss, the vehicle is assigned to a total loss handler to manage the claim. If a vehicle is towed to a central estimating facility (CEF), an estimator reviews the vehicle to determine if the vehicle is a total loss. If the vehicle is deemed a total loss at CEF, the vehicle remains at CEF and is handled by the claims estimator. If the vehicle is deemed not an obvious total loss at CEF,

^{s.13}

Material Damage Estimates and Repairs

The majority of claims within material damage are considered minor driveable claims. For these types of claims, ICBC refers claimants to vendors within the Express Repair program, housing over 90% of material damage vendors. The Express Repair program requires that auto body shops submit estimates for services. Express Repair vendors adhere to standard rates for the five services of paint and materials, shop materials, sheet metal, mechanical and electrical, frame and refinish.

Based on the Express Repair vendor's earned authority levels, estimates can be auto-approved in Mitchell for level 1 repairs within \$1500 authority limit, or level 2 \$2500 authority limit. Estimators review a selection of the estimates from Express Repair shops (currently 66% of total estimates) and accept estimates within +/-20% buffer of expected service costs based on a review of photos of the damage. Subsequently, all remaining estimates could be reviewed as part of ICBC's overall governance process.

The specialized handling team adjudicates claims relating to total theft and total fire, or suspicious claims that may require investigation based on impaired driving, criminal charges, or an insurance rating breach. The specialized handling team can be assigned the claim at time of initiation or re-assigned if the specialized characteristics arise.

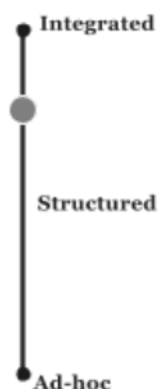
Out of province adjusters adjudicate claims where the ICBC insured driver is in an accident within British Columbia with an out of province driver, or where the ICBC insured driver is in an accident when driving outside of the province of British Columbia.

Commercial adjusters handle claims relating to commercial clients, such as rental car companies or taxi fleets. They also adjudicate claims relating to certain vehicle sizes that are deemed commercial size. Commercial adjusters can be assigned a claim based on automatic assignment, or based on the commercial client as certain adjusters manage commercial fleets.

Claims adjudication for non-injury material damage claims ranks well compared to industry peers.

Claims are immediately assigned to an appropriate claims adjuster by the claims system based on the severity of the damage and claims type. Material damage adjusters, total loss handlers and estimators adhere to well defined adjudication and salvage processes. The Mitchell estimating platform is used to provide adjusters and estimators with an enhanced system that integrates with express repair vendors and ICBC's Guidewire claims system leading to improved workflow, communication, reporting and performance management. This platform is one of the leading software systems for estimation in the market. hand-offs and segmentation types are minimized within driveable vehicle claims. For non-drivable vehicles, hand-offs and re-segmentation can occur frequently after the initial review by the estimator due to increased complexity and the possibility it will require specialized handling or move to a total loss.

Within ICBC's material damage claims adjudication process, gaps exist relating to straight-through processing of simple claims, number of hand-offs and re-segmentation of claims and limited quality assurance of material damage vendors. In comparison, leading practice insurers straight-through process a high number of low risk, low complexity claims with no human approvals required but monitor claims processing through robust quality assurance practices. Leading practice insurers are beginning to introduce behaviourally-enhanced next-step and follow-up communications that are customized to claimant situations, in order to direct claimants to preferred repair vendors and reduce the likelihood of fraud.



Claims Adjudication Accident Benefits (First Person Liable)

Accident benefits refers to injury claims where the driver, or policyholder of the vehicle, has been in an accident and is claiming injuries. Regulations for administering benefits to treat the injuries of the injured party are referred to as Part 7 benefits. Part 7 benefits generally cover three types of expenses: payment of medical expenses, payment of rehabilitation

expenses and payment of wage benefits. In the event of a death, the benefits also cover funeral expenses and loss of support benefits. Within Part 7, there are limits in place on the amount covered for each type of expense.

Accident benefit claims are either retained with the contact centre adjusters or assigned to one of two accident benefit adjusters groups (recovery services or claims adjusters) based on specific criteria of the injury. Minor accident benefit injuries with no missed work are retained at the Contact Centre Adjudication Team. Claims are reassigned from the contact centre to Recovery Services if the treatment lasts beyond eight months or if there is work missed. Recovery Services also handles catastrophic injuries. Within Recovery Services, recovery benefits coordinators work with claimants to ensure they receive the necessary contractual accident benefits as outlined in Part 7. ICBC grants pre-approval for massage therapy, physiotherapy and chiropractic treatments in order to provide adequate treatment immediately.

For more complex claims, the adjuster determines approved coverage of the accident benefit and assigns an occupational therapist to conduct an assessment and recommend treatment. Assigning an occupational therapist and gaining pre-approval for specific treatments helps facilitate timelier access to benefits. For claims with prolonged recovery beyond eight months, ICBC adjusters will attempt to work with the customer, their physician and their treatment provider to develop a return to work plan. However, adherence to injury recovery plans is voluntary for customers. While adjusters remain involved in customer rehabilitation, a full tort environment invites the involvement of other participants such as plaintiff counsel and additional medical assessments.

Claims adjudication for accident benefit-only claims is on par with industry average.

Accident benefit-only claim adjudication has defined procedures that are adhered to by adjusters. To allow recovery services and injury claims adjusters to focus on value added work, First (or Liable) Party Claims where customers are only seeking Accident Benefit treatment are retained within the Claims Contact Center and managed by the CCAT team for up to eight months. Adjusters aim to ensure ICBC is paying what is covered by the insurance policy and seek to fairly reimburse claimants for their losses, returning as close to their pre-accident condition as possible. Recovery plans by injury type exist and are adhered to by the customer and adjuster with support from occupational therapists and vocational consultants. However, there is limited adjuster involvement in recovery management. Leading practice insurers have targeted communications that are personalized to customers and leverage behavioural economics to improve adherence to next steps.



Claims backlog versus claims pending

In managing the adjudication of a claim, there is a distinction between a claims backlog and claims pending. Claims backlog conjures the notion that claims have been reported to an insurance provider by the claimant and have not yet been assigned for handling by an adjuster. In this event, a claimant would be waiting for an adjuster to contact them to initiate the claims process and provide support for their injury or material damage repair.

In contrast, a claims pending refers to claims that have been reported and the handling has been initiated by the adjuster. Claims remain pending for the duration that a claimant is receiving treatments for injuries, or their vehicle is being repaired, and the claim settlement is deliberated upon. Insurance adjusters, depending on their role dealing with material damage or injury claims, can have claims pending at levels between 50 to 200 on a rolling timeline. Adjusters that deal with claims that require less frequent interactions with the claimant or claims service provider will often have higher claims pending because the activities required for each claim demands less of their time.

PwC's review of claims assessed the question of claims backlog versus claims pending. Newly reported claims are assigned to an adjuster within 24 hours. Injury adjusters average claims pending ^{s.13}, which includes represented files that restrict interaction directly with the claimant, and tend to have a longer duration. ICBC has made significant efforts since 2012 to reduce claim duration and reduce claims pending by increasing the number of injury adjusters (up from ^{s.13} in 2011 to 660 in 2016). External factors such as increasing claims frequency and claims severity increase the average claims pending because it impacts the volume and duration of claims.

The current volume of claims pending files is in line with expectations given ICBC's full tort auto insurance product environment. Further, ICBC does not have a backlog of claims.

Claims Adjudication Bodily Injury Tort

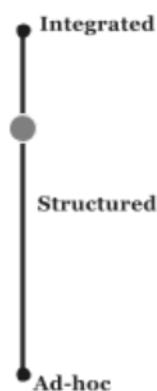
At FNOL, all non-labile or non-contentious tort claims are assigned to either an adjuster specialised in unrepresented or represented claims. Claims identified as represented are assigned immediately and directed to represented injury adjusters through a centralized process within one or two business days. Represented injury adjusters are assigned claims based on type of claim risk or law firm alignment. Claims identified as unrepresented are immediately assigned to a triage team if they are considered low risk or to an injury adjuster if considered medium to high risk. Low-risk claims are triaged further based on type of risk or customer needs.

Placeholder for graphic on segmentation within bodily injury tort
To be included in final report

Injury adjusters work with the claimants/law firm to settle the claim. There is no requirement for injured claimants to pursue specific treatment; under tort law, injured customers claim all medical expenses deemed necessary and reasonable. Adjusters are not closely involved in designing a plan for the rehabilitation of the customers and focus on settling the claim. In efforts to improve adjuster relationships with claimants, ICBC has focused on providing strong customer service in a multicultural environment; services can be translated into 170 languages. ^{s.13}
s.13 (Punjabi, Mandarin, Cantonese and Korean).

Comparison to other Canadian insurers for Bodily Injury tort claims adjudication cannot be conducted due to BC's unique tort environment. ICBC's current state was evaluated based on the maturity of existing processes and focus on continuous improvements.

Notwithstanding BC's unique tort environment, claims adjudication of bodily injury claims is well structured and proactively managed. Claims processes are well defined within departments and adhered to. Based on claims risk profile, claims are assigned/re-assigned to specific adjuster levels, however there are multiple levels of segmentation which leads to ^{s.13}
^{s.13} There is an emphasis on minimizing claims leakage and enhanced customer service for unrepresented claims ^{s.13}. Communications and proactive care planning for recovery could be behaviourally enhanced to strengthen ICBC claims management in order to improve the claimant's claim journey and potentially minimize claim costs.

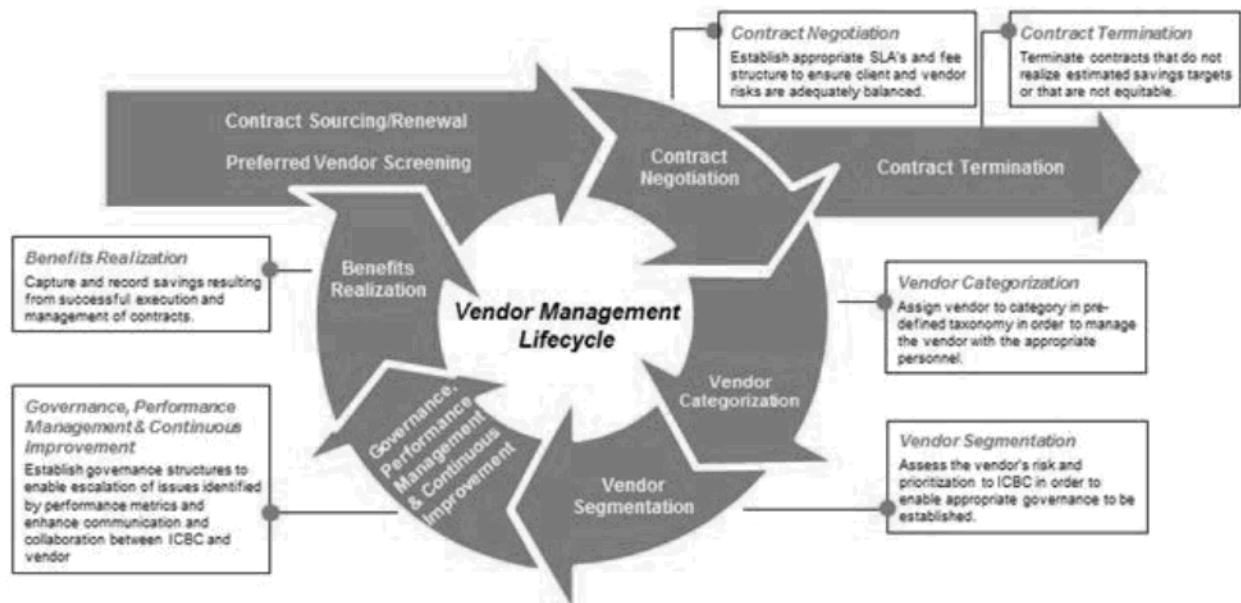


Vendor Management

Vendor management within claims enables insurers to proactively manage its costs of services, drive service excellence and lessen risks related to claims vendor spend. Strategic sourcing is a function of vendor management that allows organizations to leverage their purchasing power and ensure they are driving the most value from suppliers based on contract terms and service standards. Vendor relationship management is the practice of actively managing a company's interaction with current and potential suppliers. A strong vendor management and strategic sourcing function allows insurers to use their considerable bargaining power to drive significant claims cost savings and enhancements to claimant outcomes and service standards through augmented control over its suppliers. For the scope of this operational review, vendor management is limited to services provided as part of the adjudication of a claim, specifically for material damage and injury claims.

The graphic below depicts the vendor management lifecycle.

5. Vendor Management						
Contract Management			Vendor Relationship Management			
Contract Negotiation, Renewal and Termination	Benefits Realization	Contract Audit	Vendor Segmentation	Vendor Governance	Vendor Performance Management	Continuous Improvement



Vendor Management - Injury Claims

Vendor management for injury claims is still in its infancy stages as there ^{s.13} for medical care providers of injury treatment and limited tracking of vendor performance. In the past, injury related vendor management was not ^{s.13} in operation at ICBC, and there are current limitations in place for how ICBC can interact with service providers and create contracts based on negotiated rates. ^{s.13} competition law currently dictates that the corporation cannot make agreements with trade organizations due to the risk of collusion, the Corporation has also been constricted in its ability to unilaterally dictate rates based on industry and other information. Government regulation does not currently allow for the direction of rates by ICBC.

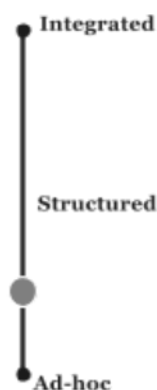
The Strategic Sourcing team has recently rolled out three vendor management initiatives within ^{s.1} Claims as ICBC is working toward establishing enhanced vendor management for injury service providers:

1. Strategic Alliance: create a fixed fee program for legal defense based on a predetermined level of legal support related to the complexity of a claim (ranked 1-6).
2. Provider programs: Programs are in place for chiropractors (flat fee programs) and occupational therapists (participation agreements). However, room for improvement exists to broaden ICBC's approach to injury management programs.
3. Independent Medical Services Program: mandatory independent evaluation for all applicable injury claimants containing fixed-fee pricing with specialized doctors (^{s.13}).

Despite progress with these initiatives, ICBC requires additional structure, dedicated personnel, direction to negotiate contract terms and agreements with vendors, standardized invoicing, improved data quality and performance management tools to manage injury vendors more efficiently.

Vendor management for injury claims ranks below the industry average as ICBC is ^{s.13} historical regulations to procure and manage medical service providers and to create a preferred program.

In comparison, leading insurers in Canada and globally have robust governance and contract management processes, segmentation models and tools to tier medical service providers as well as holistic KPIs and SLAs to monitor and manage performance. For such insurers, medical service providers' relationships are proactively managed through frequent reviews.



Vendor Management - Material Damage

Within ICBC's Central Services Division sits the strategic sourcing team and the Supplier Management Office. This team is responsible for maintaining and managing relationships between ICBC and Material Damage suppliers (i.e. glass repair shops, towing companies, rental car companies, and auto body shops). Strategic Sourcing and the Supplier Management Office share responsibilities relating to vendor relationship management including contract renewal, strategic interactions with suppliers and assessing value to customers. As indicated previously for vendor management of medical service providers for injury claims, ICBC is more constricted in its ability to negotiate contracts and segment vendors than other insurers in Canada and globally because ^{s.13}

The ICBC material damage vendor network is extensive. Within collision repair vendors there exists a lack of sufficient segmentation, with over 90% of vendors segmented into the top tier program, Express Repair. The Express Repair program provides claimants the option of proceeding directly to an ICBC accredited express repair facility for an estimate and repair. For express repair shops with earned authority levels, the repairs are pre-approved under a threshold of \$1,500 for level 1 and \$2,500 for level 2 repairs. Vendors earn level 1 authority when they have achieved and maintained an individual KPI score above the current agreed upon threshold for six full consecutive months. They can earn level 2 by achieving KPI scores above the set target, exceed their regional original equipment manufacturing pricing targets, receive positive audit scores, and receive no poor performance reviews. ICBC monitors material damage repair costs through internal control audits, supplier compliance audits, estimate reviews, and site visits. Material damage audits are completed based on potential risk of a vendor's noncompliance to ICBC KPIs and SLAs.

The current barriers to entry to become a top-tier supplier are very low with most providers achieving this status. Typically vendor management functions would define robust standards around contract language and SLAs and instill penalties for under or lack of performance and/or poor customer feedback. ^{s.13} removal from this segment is a rarity, with action to remove vendors from the list very scarcely taken. Further, ^{s.13} vendor performance does not inform strategic negotiations of future contracts, as ICBC is constrained by the *Competition Act* to negotiate contracts with groups of vendors or trade organizations for risk of collusion.

ICBC ranks below industry average, due to lack of segmentation of suppliers through its current supplier programs, and ICBC's limited ability to direct volume to specific, tiered vendors.

Leading insurers in Canada and globally fully segment vendors, define SLAs and performance metrics, integrate vendor portals, govern vendors through frequent assessments and quality reviews and act to remove vendors who do not adhere to contractual requirements and performance standards. ICBC's existing approach to vendor management in this area is below the industry norm.

However, in line with leading practices, ICBC has implemented Mitchell, a material damage estimation tool, that provides seamless integration of claims and vendor systems with functionality to set appointments and submit estimates. There are five tracked KPIs for the 500+ Express Repair shops within the material damage vendor segment. The KPIs are consolidated into a scorecard and then generated monthly and posted to an online portal which vendors can access. These performance rankings are not made public.



Subrogation

Subrogation is the inbound and outbound pursuit of damages or debts for claims that have occurred between the insured and drivers insured by a third party or uninsured party. Subrogation within ICBC is unique as the corporation is a provincial public insurer and the sole provider of basic auto insurance. As a result, claims subrogation is handled internally using system triggers to transfer subrogation costs between claim files of ICBC customers. Commercial claims and/or out of province claims account for 70-80% of subrogation claims annually, with 50-60% of those claims being out of province. Remaining subrogation files fall within bodily injury and material damage.

Subrogation activities include: establishing liability between ICBC and the third party; preparing the subrogation file; releasing the file to the third party; and, negotiating settlement. In line with leading practices, ICBC has built relationships with third party companies that it frequently subrogates with.

Given the unique nature of subrogation at ICBC, subrogation has not been a key focus area for claims. *However, current subrogation activities ranks in line with industry average due to the standards and procedures in place.* These standards are reviewed frequently with adjusters for continuous improvement. All adjusters' roles and responsibilities include subrogation activities but results are not linked to individual performance evaluations.

A ^{s.13} gap for subrogation relative to leading practices in the Canadian and global market is the lack of defined subrogation performance metrics. Leaders in subrogation functions have well defined processes with holistic metrics that are frequently updated with the input of legal counsel or other related parties. Leading practice insurers also typically have a dedicated subrogation team that is segregated by subrogation type. At ICBC, due to the limited number of subrogated files, there is only one dedicated subrogation FTE that handles Commercial claims. Out of Province adjusters handle subrogation activities as part of their adjudication responsibilities.

Integrated

Structured

Ad-hoc

Fraud

Fraud management related to claims involves the tracking and identification of fraudulent (or potentially fraudulent) activities where an exaggeration of the severity of a claim or the fabrication of damages relating to a claim may have occurred. Within ICBC, claims fraud detection and prevention is managed by a dedicated Special Investigation Unit (SIU) and within the ^{s.13} Investigation Claims Team.

Fraud Investigation Claims Team

ICBC has recently implemented a new fraud management unit within injury claims, the Investigation Claims Team (ICT). Adjusters handling injury claims can escalate claims for review by the Investigation Claims Team if they detect the potential presence of fraud.

Training is provided to adjusters and job aids are available to provide guidance on how and when to escalate files to Investigation Claims Team or to SIU. Once received, Investigation Claims Team takes over ownership of adjudication and will analyze the claim for fraud potential to determine if further escalation to SIU is required. The majority of the Investigation Claims Team files are represented. Therefore the Investigation Claims Team adjustor works directly with the defense lawyers settling injury claims to share the findings of their investigation analysis.

Fraud Management within the Investigation Claims Team ranks slightly above industry average due to the process standardization, job aides and training provided for recognition of fraud within claims.

Notwithstanding the current standardization of process, job aids and training, no formal questionnaires, scorecards, or electronic prompts have been implemented to inform adjusters on potential high-risk files that require escalation to Investigation Claims Team. Leading practice uses automation for routing files between Investigation Claims Team and SIU.

Savings from the Fraud program are currently being tracked. ICBC could expand savings tracking to measure savings from potential fraud identified at FNOL and escalated to the Investigation Claims Team. It can leverage leading practices to define goals and performance measures for injury adjusters and Investigation Claims Team adjusters to monitor their role in identifying and escalating fraud, and further improve process structure to emphasize to all claims staff the importance of fraud detection in order to minimize claims leakage.



Fraud SIU

SIU led fraud management can be initiated directly through external sources such as phone calls or emails from the public relating to potentially fraudulent claimants, or internally through the , claims adjusters or underwriting. Once the SIU receives an alert on a potentially fraudulent claim, dedicated analysts review the claim to determine whether it requires further investigation. If so, it is escalated to an analyst to perform a cyber investigation and/or an officer to perform a field investigation.

When a cyber investigation is launched, analysts within SIU conduct public internet searches and analysis of publicly available information. If a field investigation is warranted, SIU investigators will perform an investigation including potentially contacting the claimant for interview, or if deemed necessary hiring a third party to undertake surveillance; however that is rare.

If fraud is confirmed and there is supporting evidence for a denial of the claim or a change in claims payments, the adjuster is notified by SIU and they send the claimant a formal letter of denial or adjustment. If criminal activity is confirmed, the SIU Officer recommends criminal charges directly to the Crown Counsel. The ICBC SIU is a level 2 law enforcement agency, thus having the ability to perform investigations, make presentations to a prosecutor and conduct statement analysis. The officers are also sworn Peace Officers.

The SIU team has recently implemented NetReveal to enhance fraud detection capabilities. NetReveal is a leading technology tool that is designed to detect suspicious claims based on activities in the claims files. It is automated and assigns a risk rating for all claims, with claims past a certain rating moving into the NetReveal queue. SIU has hired a significant number of news staff (from 60 staff at the end of 2015 to 114 today) to increase their ability to manage fraudulent investigations and manage alerts generated by the NetReveal tool. While it is still too early to comment on the success of NetReveal it appears to support the Corporation's goal of improving fraud detection and will help free up officers to focus more of their time on fraud investigations. Use of tools such as NetReveal is increasing common practice for insurers in Canada and globally.

SIU's Fraud Management is approaching leading practice due to ICBC's investment and enhancement of fraud detection using analytics tools (NetReveal) and the mature structure of the SIU team.

ICBC is leveraging data analytics collected internally and through the NetReveal tool to detect potential fraud. ICBC has emphasized the importance of fraud management by structuring the SIU team to include analyst and field investigators and hiring additional staff to meet the workload demands adequately. In line with leading practice, ICBC uses direct flagging of potential fraud that is handled explicitly by the SIU team and communicates the importance of fraud detection within the broader claims organization.



Settlement

Claims Payment

Claims payments are processed by claims administration staff. These staff are focused on two subsets of payments: customer payments and vendor payments. Invoices are automatically assigned to claims administration staff who manually administer each payment. For claims customer payments, the default payment method to claimants is cheque. Unless a claimant has elected to receive electronic payments, a physical cheque will be printed and mailed.

Customer payments can be processed and approved within the claims administrative staffs’ authority once approved by the final handler. If outside of their authority limits, it is escalated to the appropriate file handler for approval. Approved payments are issued to customers through a batch print on a nightly basis.

Invoices from vendors are received by the ^{s.13} adjuster in various forms including paper, fax and email, and most invoices are not received in a standardized template as it is not currently required by ICBC. Vendor invoices are manually entered into Guidewire by the adjusters or estimator reviewing the services provided by the vendor. The ^{s.13} adjuster reviews the ^{s.13} and determines if it will be approved for payment. Payments are sent to recipients via electronic fund transfer. Once the invoice is entered in Guidewire and the payment is approved, it is submitted to be part of the next batch payment for that vendor. Certain claims invoices, for example for car rentals and towing charges, can be processed without adjuster approval. Vendors with a supplier number (those vendors who have a pre-arranged supplier relationship with ICBC) are paid in bulk on set payment schedules, typically every two weeks. ^{s.13} vendors are paid ^{s.13} on a net 30-day schedule.

Claims payments maturity is below industry average due to the manual effort required and the prevalence of physical cheques requiring printing and mailing for payments to claimants.

Customers elect their payment preference, but the default for customers is by physical cheque. In contrast, electronic invoice submission and electronic fund transfer is frequently used for vendors payments. Leading practice would allow for only electronic invoice receipt and electronic payments for both customers and vendors.

Integrated

Structured

Ad-hoc

Summary of Observations: Claims

Based on the review of the current state of the claims organization and processes within ICBC, PwC has determined that there are standardized and generally efficient processes in place that align with, or are in some cases above, the industry average.

PwC assessed ICBC’s claims operation relative to Canadian and global leading practices within the automobile insurance market. ICBC’s claims processes and organization ranks at or above the industry average in most areas. Notwithstanding these findings, there do exist some key areas for improvement that should be further considered.

Key recommended areas for consideration within the claims function are listed below. Each area has been qualitatively evaluated on its potential benefit to ICBC, taking into account: potential reduction in operating costs; enhancements to structure and process within the organization; and, level of complexity to implement. For example, low impact would provide minor savings to the organization, and minimal impact to day to day operations; high impact would provide significant savings and have a direct impact to staff roles and structure, and require refinement or design of new processes.

Area of Consideration	Potential Impact <small>s.13</small>
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Robust Vendor Management: Structured strategic sourcing and relationship management of vendors to assign/adjust existing tiers, establish SLAs and performance requirements and define contractual relationships are standard industry practices. Augmenting existing activities in this area for ICBC could lead to claims cost savings, and enhance service and outcomes for claimants.	High
Representation on Claims: Injury claims are increasingly becoming represented by legal counsel, leading to increased claims costs and time to settle. In 2016, s.13 of s.13 bodily injury claims were represented; 48% of these began as represented claims, and 52% began as unrepresented claims and became represented after they were reported and opened. A focus on reducing the number of represented claims through improved care and recovery management for unrepresented bodily injury claims could reduce overall claims durations as fewer claims will endure the lengthy representation process; this can in turn reduce costs without compromising service and outcomes for claimants.	High
Review Accident Benefits Limits: Limits on Part 7 Accident Benefits have not maintained consistency with modern pricing (e.g., compensation for lost wages), leading to increased complexity in providing adequate care to injured customers that are liable. Updates would enhance the quality and adequacy of care and reduce representation.	High
Caring for Injuries: Implementation of Guidewire has led to increased quantity and quality of data available on customers and claims information which should improve ICBC's ability to manage care and provide value to the claimant. However, in the current legislative environment, there are limitations as to ICBC's ability to impactfully affect change in proactively managing injury claims. In particular, ICBC's role in claims management is significantly reduced with the presence of representation.	High
Staff Performance Management: Increases in new hires has led to a high number of new employees requiring training and support to excel in new roles, coaching to support success and talent management to support attrition within claims departments. Minor enhancements to the s.13 of training will improve staff efficiency and effectiveness and drive increased customer satisfaction. This is a key concern s.13 that can be addressed in the near term and will further improve employee engagement and subsequent customer service.	Medium
Digital Claims Payments: A significant amount of payments relating to material damage claims and medical suppliers occur through electronic fund transfer. However, opportunity exists to significantly reduce all other cheque payments as currently there is significant physical printing and mailing of cheques to claimants. Moving to broader electronic fund transfer across the organization will reduce processing and handling costs and improve the efficiency of payments and enhance customer experience.	Low
Refined Segmentation and Assignment: Segmentation requires a focus on assigning claims to appropriate adjusters to manage care effectively and provide valuable services to customers. Stronger training and controls to monitor that claims are segmented and assigned effectively enhances claim outcomes and efficiency.	Low
Review Approval Limits and Authority: Average costs of parts and services for claims have increased, leading to manager approvals on many claims. Revisiting approval and authority limits will streamline processes and increase efficiency.	Low
Enhance Quality Assurance: Quality assurance programs have been initiated within the claims organization to review manual and automated processes. Sustainment and continuous	Low

improvement to effectively manage risk is required to ensure the programs and processes continue to add value and be efficient and effective.	
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The above areas for consideration within Claims have been considered and are integrated in PwC's recommendations, summarized in the report section ^{s.13}. The ability of ICBC to execute initiatives identified in ^{s.13} will, in some cases, be impacted by current regulation and/or legislation.

Claims: File Review

Closed File Review

At the direction of the Ministry, the ^{s.13} review was to include a qualitative review of ~100 closed claims to assess service quality and ICBC's productivity in processing claims, and to examine the claims backlog to the extent that one exists. The claims reviewed covered both ^{s.13} and injury claims and included lower, medium and higher-value claims; early settlements versus claims that take longer to settle (including those that went to trial). Specific claimant/adjustor interviews were not required but rather higher-level findings and assessments were completed. This closed file review was intended to be a qualitative review in order to identify any opportunities for improvements in overall service quality and productivity. While the number of files reviewed does not provide statistically significant measurements of financial attributes such as average claim size, it was sufficient to provide insights into the practices and processes in place for managing claims.

Approach

PwC's approach was to assess whether ICBC's claims handling processes and procedures were aligned with industry accepted and expected practices. For purposes of the review, the claims data and information was accessed through the claims system, Guidewire, which was implemented in ^{s.13}, and as such any claims prior to this date were in the legacy system and not selected. 103 closed claims were provided to PwC as follows: 56 injury unrepresented, 28 injury represented, and 19 non-injury claims. The 103 closed claims provided were not intended to be a statistically valid sample and therefore neither the distribution of the types of claims nor the outcomes of the review should be used as a basis for projecting results nor is it representative of the distribution of claims volumes at ICBC.

PwC's review of these claims files focused on:

1. Claims settlement amount, including payments for services, relative to averages ICBC report
2. Frequency of interactions with claimant or claimant representative
3. Timing of payments made
4. Payments made in excess of reserve set in the system

Key Findings

The results of the review suggest that adequate processes are in place for managing claims. The observations are consistent with the broader findings of the ^{s.13} Review of operations. The key findings noted specifically from the file review are as follows:

- **Automation:** Guidewire (the claims workflow management application) has enabled automation within claims processing specifically regarding claims payments to vendors and movement of chargeable payments from 'Deny' to 'Accept' claims.
- **Customer service:** This review noted that the frequency by which ICBC interacts with customer and/or representatives vary from claim to claim, indicating that there is a tailored approach to handling claims based on severity. This is in line with industry leading practices.
- **Claims costs:** The review noted variations between average claim costs within the sample versus ICBC's reported average claims costs in 2016. This variation is due to the prevalence of larger, litigated represented claims and claims that proceeded to trial within the 100 file sample which is not indicative of the distribution of all of ICBC's annual claims.
- **Quality Assurance:** Procedures for measuring and adhering to established internal processes and rules are in place. Based on the sample reviewed, claims were in adherence to the processes in place. There is an opportunity to further assess the current quality assurance procedures and we encourage management to continue to work on

strong quality assurance practices that are aligned with the associated risk in order to ensure that reasonable and acceptable levels of mitigation are achieved at all times.

These findings align with the ^{s.13} findings of the ^{s.13} review. Though the sample size of 103 closed claim files is not statistically significant to warrant definitive conclusions, overall it provided further support to the opportunities identified as part of this operational review.

Material Damage Estimate Review

At the direction of the Ministry, the ^{s.13} review was to also include a review of ~100 estimates from body shops to compare information from the estimates against the related claim payment. The claims reviewed covered material damage estimates from vendors within the Express Repair program. The objective was to verify whether ICBC's processes and procedures were aligned with good industry practices and where noted, provide recommendations in order to improve management's processes, controls and procedures.

Approach

The approach to perform the qualitative review of 100 estimates was to focus on certain aspects of material damage that align with the objectives of this review.

PwC's review of the material damage estimates was focused on:

1. Consistency between estimates provided to ICBC and total payment amount to the material damage vendor
2. Consistency of rates for services across the the material damage vendors

All of the claim estimates selected related to claims documented in Guidewire ClaimsCentre implemented by the Corporation in ^{s.13}

Key Findings

The qualitative results of the review, although not statistically sufficient to draw firm conclusions, indicated that processes were in place for receiving and paying estimates from material damage vendors. These processes are consistent with the broader findings of the current state review of operations, specifically relating to material damage vendors and the Express Repair program for approved vendors.

There is an opportunity to further assess and enhance the current quality assurance procedures and we encourage management to continue to build on their existing quality assurance program. The key findings specifically from this file review are as follows:

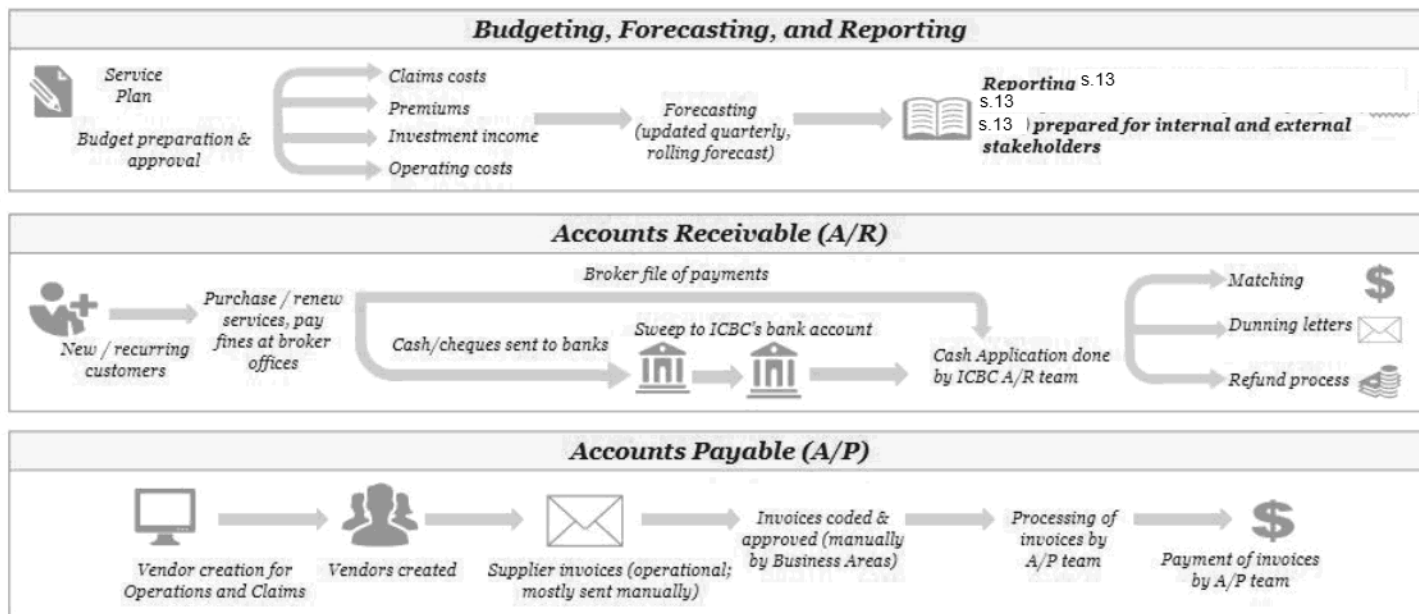
- **Consistent pricing:** Rates used by the body shops were consistent among each other and within 5% of the national average (based on PwC's experience within the auto insurance industry). Rates included in this analysis refer to paint and materials, shop materials, sheet metal, mechanical and electrical, frame, and refinish.
- **Automatic payments:** Payments are executed via straight-through processing with ICBC's payment system, APR (Aries Payment Request), that is tied to the integrated estimating system. PwC noted that estimates and invoices are consolidated as one document. This practice is made possible through pre-approval thresholds for payments against material damages, based on the current collision repair vendor management program in place, Express Repair.
- **Quality Assurance:** Procedures for measuring and adhering to established processes and rules are in place. Based on the sample reviewed, estimate and payments for repairs were in adherence to the processes in place.

Finance

Overview

The following Finance processes have been reviewed at a high-level to identify opportunities for productivity efficiencies, effectiveness of the functions, and any further operational savings for the following finance processes:

- Accounts Payable
- Accounts Receivable
- Budgeting, Forecasting, and Reporting



Accounts Payable

The current state findings are detailed by major process.

Vendor management

Duplicate and inactive vendors exist in the vendor master data (including claims vendors). A process is lacking^{s.13} to review the vendor master data on an ongoing basis, and make changes accordingly^{s.13} such as removing inactive and duplicate vendors. ICBC has advised that there is a project currently underway to remove duplicate vendors and standardize the process to prevent duplicate vendors. ICBC should continue with this project as it will improve data quality and support improved analytics and analysis.

Reception of invoices, and approval

The majority of vendor invoices for operational expenses such as utilities and rent are sent via mail to the Business Areas, rather than via email directly to the Accounts Payable team (via a generic mailbox address), or via Electronic Data Interchange. The Accounts Payable team is not responsible for processing claim payments which is a function conducted by the Claims^{s.13}

The coding and approval of invoices is performed by the Business Areas, and this process is performed manually, rather than electronically via workflows directly in the Enterprise Resource Planning ("ERP") system.

Processing and payment of invoices

The majority of Business Areas submit their invoices manually to the Accounts Payable team, rather than via email. The Accounts Payable team manually enters the invoices in the SAP ERP system. The SAP ERP system in use is a world leader in ERP systems. There is no usage of technology such as Optical Character Recognition to capture the invoice data automatically. The target to enter an invoice in SAP is 5 days, whereas leading practice is to receive and enter an invoice in the system within 2 days or 48 hours to avoid a backlog of invoices to process. This is usually achievable with the proper technology and processes in place.

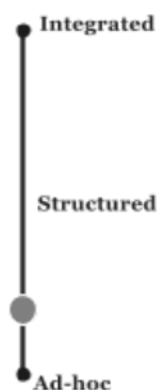
If an invoice for goods is received, but the receiving of the goods has not been performed in SAP, the invoice will be blocked for payment. If there are significant price or quantity discrepancies, the invoice will also be blocked for payment. For each of these scenarios, the Accounts Payable team will manually follow up with the buyers to resolve the issue.

ICBC targets to use Electronic Fund Transfer as the method of payment as much as possible, however, only ~60-70% of invoices are paid via this method. The Accounts Payable team still processes manual cheques, which are mostly for non-registered vendors.

The maturity of processes within Accounts Payable indicate that ICBC is below the industry average.

The end-to-end process for Accounts Payable is quite manual with limited technology being used. This explains the elevated cost to process an invoice ^{s.13} (*). The average cost to process an invoice for the peer group (industry sector) ranges from \$3.79 - \$10.99.

**This cost was calculated based on the information provided by ICBC (total remuneration of A/P department divided by total number of annual invoices processed)*



Accounts Receivable

Payments for services are done directly with the broker (either by credit card or by cash / cheque). Payments received in the form of cash and cheques are deposited by the brokers in to an ICBC account, at a financial institution within the province. ICBC has set up over 200 bank accounts for the convenience of the brokers.

There are a significant amount of bank accounts that exist (>200) ^{s.13} to be swept to ICBC's main account. This process adds manual work and complexities to the reconciliation process for the Accounts Receivable team. Further, mismatches due to timing between the broker file and the funds in the bank account need to be reviewed by the Accounts Receivable team causing additional efforts. This is mainly a result of deposits being made twice per week rather than on a more frequent basis. Lastly, a web portal does not exist which would allow customers to view their notices online, and make payments.

The maturity of processes within Accounts Receivable for cash receipts and deposits received from broker payments indicate that ICBC is below the industry average.



Budgeting, Forecasting, and Reporting

The current state findings are detailed by major process.

Budgeting

Regarding the budget preparation, each division has a liaison person to work with the ^{s.13} team. SAP is leveraged to assist with the budget preparation; a few iterations of the budget are required. Scenario modeling is used particularly for claims and investment income, as the largest volatility in the budgets ^{s.13}.

^{s.13} The ICBC Service Plan is prepared based on approved budgets.

Templates for operational budgets are not all standardized across divisions; ICBC can continue its efforts to standardize the templates in the short term.

Forecasting

s.13
s.13
s.13
There appears to be adequate controls around the Excel spreadsheets. s.13

Reporting
There are multiple sources of information for the preparation of reports; SAP should be the “single source of truth”. Ad hoc reports are prepared, and the volume of these reports can increase at the demand of the government.

<p><i>The maturity of processes within the Budgeting, Forecasting, and Reporting processes indicate that ICBC is above the industry average.</i> This is due to the centralization of these activities.</p>	
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Summary of Observations: Finance
Based on the review of the current state of the claims organization and processes within ICBC, PwC has determined that there are standardized and generally efficient processes in place that align with, or are in some cases above, the industry average.

PwC assessed ICBC’s finance operation relative to Canadian and global leading practices within the automobile insurance market. ICBC’s s.13 processes s.13 ranks at or below the industry average in most areas. Notwithstanding these findings, there do exist some key areas for improvement that should be further considered.

Key recommended areas for consideration within the s.13 function are listed below. Each area has been qualitatively evaluated on its potential benefit to ICBC, taking into account: potential reduction in operating costs; enhancements to structure and process within the organization; and, level of complexity to implement. For example, low impact would provide minor savings to the organization, and minimal impact to day to day operations; high impact would provide significant savings and have a direct impact to staff roles and structure, and require refinement or design of new processes.

<i>Area of Consideration</i>	<i>Potential Impact</i> s.13
Reliance on highly manual processes: Within account payables, the majority of processes require manual effort from the accounts payables team. From invoice keying to follow up with vendors, members of the accounts payables team are conducting highly manual tasks that could be completed more efficiently by technology. Reducing the level of manual effort required for accounts payable processes could lead to a reduction in time required to process invoices and payments.	Medium
Complex reconciliation efforts: Due to the significant amount of bank accounts that exists to support money deposited by the broker s.13, there is a significant amount of manual effort maintenance activities s.13. The accounts payable team have created several complex reconciliation processes to support the multiple bank accounts.	Medium

<p>Limited technologies in place: ICBC finance does not adequately leverage technology within accounts^{s.13} which leads to a reliance on highly manual processes to receive and enter invoices into the system. Leading practice technology would enable ICBC to capture invoice data automatically; therefore, reducing the time to process invoices.</p>	<p>Medium</p>
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Driver Training

The review into driver training was focused on examining the current processes for monitoring driver training schools and driver instructors compliance against regulations. Specifically the review considered the current standards, adherence to processes and governance of this area of ICBC's operations. The purpose of the review was to assess whether the current level of oversight, and subsequent impact on driver training and driver instructor training standards, is below required standards. The review^{s.13} examine whether^{s.13} were being followed and whether the processes and resources available to the business units support the objective of creating a high quality driver training environment.

Overview

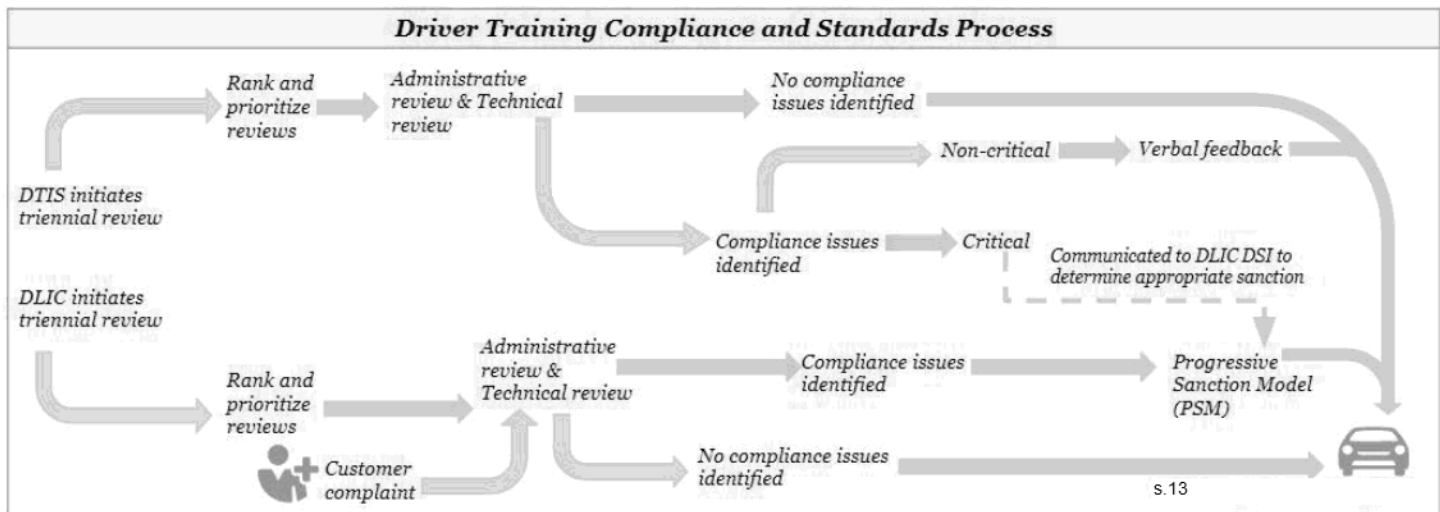
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Driver training compliance is administered by two business units: Driver Training Industry Support and Driver Licensing Investigations and Compliance. The business units were separated in 2015 partly to increase independence and objectivity in the process.

Driver Training Industry Support responsibilities include reviewing, approving and issuing driver training school licenses, and Graduated Licensing Program driver training school curriculum development. Driver Licensing Investigations and Compliance responsibilities include enforcing Division 27 for instructors and schools and ensuring compliance to the driving school/instructor code of conduct. Driver Training Industry Support has a dedicated staff of three driving school^{s.13} who are responsible for the review of driver training schools and Driver Licensing Investigations and Compliance has a dedicated staff of two driving school instructors who are overseen by a coordinator who also performs compliance reviews at driver training schools.

As of October 2017, there were 655 driver training schools in BC and 2,364 instructors. A driver training school must reapply for a license on an annual basis and driver training instructors must apply for a license on a bi-annual basis.

Outside of the reapplication process, a more substantive reviews of driver training schools for compliance and standards is generally undertaken after one of two events: 1) After three years has passed since the last review in line with the policy for completing a triennial review of all driver training schools; or 2) Following the identification of an issue either by Driver Licensing Investigations and Compliance or Driver Training Industry Support staff who are engaging with a particular driver school, or as a result of an issue being identified by a third party. This approach to reviewing driver training schools uses both a mandatory review approach (the triennial review) and a risk based approach (through issue identification and notification). In the event that an issue or a failure to comply with applicable regulations is identified the school at fault will enter into the ICBC progressive sanctions model with incremental penalties applied up to a withdrawal of a license.



In the current state, the approach to monitoring and measuring driver training school and instructor compliance proceeds in line with regulatory and legislative guidance. The emphasis of driver training school compliance and instructor assessments is focused on compliance and meeting mandatory criteria, and the guidance for undertaking a review of a school is clearly outlined in ICBC policy and procedures manuals.

Monitoring and measuring schools

Due to the volume of schools (over 650) and of instructors (over 2,300) it appears as though there are limited resources in the relevant ICBC business units of Driver Training Industry Support and Driver Licensing Investigations and Compliance with responsibility for performing the oversight function in this area. The current model relies on a small number of experienced staff applying discretion in applying the progressive sanctions model which can lead to a lack consistency in applying sanctions. The reliance on a small number of experienced staff presents challenges in succession planning for key roles. A jurisdictional scan of driver training oversight capabilities in a selection of Canadian Provincial peers showed the ratio of driver training schools to driving school instructors are significantly lower than the level observed in BC.

	British Columbia	Canadian Provincial Peers
Driving Training School to DSI Ratio	109 : 1	30-50 : 1
Driving Instructors to DSI Ratio	394 : 1	66-175 : 1

Note: The ratio combines Driver School Instructors from both DTIS and DLICs into its calculation to be consistent with the other Canadian Provincial systems reviewed who had a combined team of Driving School Instructors performing both training assessments and compliance reviews.

It was observed that the limited resources lead to a reactive approach to conducting reviews with an emphasis on the risk based approach to initiating a review. Certain driving schools with a history of poor performance receive more regular reviews than schools with a record of compliance. This approach can be effective in directing resources to the training schools or instructors that are more likely to have standards or compliance issues, however some schools that are not on the radar of inspectors may not be reviewed for a period of three years.

This is an outlier with other jurisdictions who commonly undertake more regular, albeit on occasion less comprehensive, reviews on a 1-2 year cycle. The business unit relies on a small number of experienced staff, reducing the role to a reactive one. Increasing resources could support proactive issue identification.

The approach to undertaking a review of a driver training school either on a triennial basis or following the identification of a specific issue is based on a standardized approach. This makes it effective at assessing compliance but not currently able to effectively or consistently assess the quality ^{s.13}. Furthermore, although some information on driver training performance is being captured it is not yet in a format that can be used to undertake detailed quality analysis.

The lack of appropriate data to measure the performance of driver training ^{s.13} increases the reliance on the small number of driving school ^{s.13} within Driver Training Industry Support to identify driver training schools that are performing at an above average level by observing quality during a review. The development of an effective set of quality measures for driver training schools and a centralized system for these to be captured in would be beneficial in assisting

driver school s.13 : in: 1) Identifying issues with driver training school quality at an early stage, and; 2) Reinforcing the risk based approach currently applied in the review cycle with the limited resources being more efficiently deployed to support poorer performing driver training schools. This recommendation is described in more detail in the additional considerations section of this report.

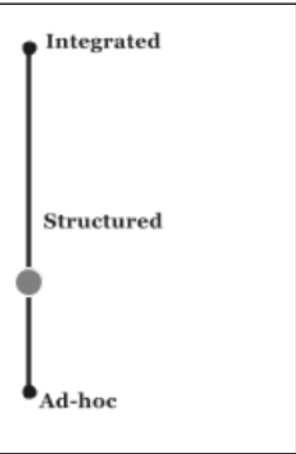
Driver Training Compliance

Driver training schools in BC operate as private businesses under license and ICBC are limited to the extent that they can materially impact the quality of driver training schools after they have reached the minimum level required for compliance with a school’s terms of license. The limited resources and lack of data to effectively measure school quality create a challenging environment for ICBC to identify best practice within driver training schools. There is currently s.13 available to assess driving training school quality in terms of post-test crash outcomes and the available data on test pass rates does not clearly capture the impact a driver training school has on a successful candidates s.13

The challenges in measuring and defining what a high performing school is, in addition to the limited available resources to work with driver training schools to observe quality during assessments, limits the ability for ICBC to identify schools that require support and subsequently support them in improving driver training school quality. There are limited areas where ICBC can exercise a greater level of control of driver training schools through initiatives such as the Graduated Licensing Program. However, the Graduated Licensing Program is provided by only approximately s.13 of driver training schools and the numbers of drivers choosing to complete the curriculum has been s.13 over the last five years. s.13

Driver training compliance and standards oversight is focused on compliance measured against mandatory criteria. It does not currently optimize the use of data and analytics to assess driver training school and instructor quality.

The business units responsible operate with a limited number of experienced staff. As a result the teams are required to be reactive in nature and are not able to readily pursue quality improvement initiatives. The business units have been able to perform well in terms of retaining key staff however the current model’s reliance on experienced staff may exacerbate issues in regard to succession planning for key roles.



Summary of Observations: Driver Training

Based on the review of the current state of the driver training compliance and standards oversight approach within ICBC, PwC has determined that there are standardized and generally efficient processes in place that align with, or are marginally below, the industry average.

PwC assessed ICBC’s driver training compliance and standards oversight approach relative to Canadian and global leading practices within the automobile insurance market. ICBC’s driver training compliance and standards oversight approach is marginally below the industry average. Notwithstanding these findings, there does exist some key areas for improvement that should be further considered.

Key recommended areas for consideration within the s.13 : function are listed below. Each area has been qualitatively evaluated on its potential benefit to ICBC, taking into account: potential reduction in operating costs; enhancements to structure and process within the organization; and, level of complexity to implement. For example, low impact would provide minor savings to the organization, and minimal impact to day to day operations; high impact would provide significant savings and have a direct impact to staff roles and structure, and require refinement or design of new processes.

<i>Area of Consideration</i>	<i>Potential Impact to ICBC</i>
Resourcing Constraints: Driver Training Industry Support and Driver Licensing Investigations and Compliance teams rely on a small number of experienced staff to provide oversight to ensure the standards and compliance are in line with regulatory requirements. By having limited staff in this role, it forces those individuals in the role become reactive versus proactive. Increased resources could support proactive issue identification.	Medium
Use of Data & Analytics: There is currently limited data available to measure the quality of driver training s.13 outside of the in-person training assessments performed by Driver Training Industry Support staff. Some information on driver training s.13 test performance is being captured but this may not be an accurate measure of driver training school quality as it may not be possible to effectively measure the impact a specific school had on a students test performance and does not reflect post-test crash outcomes for s.13 students.	Medium
Standardized Review Processes: The approach to undertaking assessments of driver training schools for compliance and training assessment purposes is based on a standardized approach. This makes it effective at assessing compliance but s.13	Low

Interview Outcomes

Based on discussions with over 40 ICBC union and management staff, the following themes emerged. These themes have been incorporated into the opportunities within operations for the Corporation.

Union/Management: The responses between union and management were consistent. Union leadership and staff were very much aligned with the perspectives PwC heard from management. PwC did however note that union elected interviewees had more specific concerns about training, authority limits and management of vendors, which was more pronounced than management perspective.

Training: Additional training on standard and exceptional processes, and providing an understanding of how individual roles fit into the broader claims lifecycle and organization is desired at multiple levels of staff.

Authority limits: Rising costs of services and parts are increasing faster than current authority limits in certain departments such as claims for commercial vehicles and accident benefits. A review of authority levels in areas where manager approval is frequent can be beneficial to determining if increases in authority limits will help decrease the duration of a claim.

Vendors: Improved oversight and control of the vendors is necessary. Current restrictions for negotiating contracts and tiering vendors limit the ability of ICBC to proactively manage their interactions with vendors across the claims lifecycle.

Management: Improvements in management structure and oversight have been beneficial and supportive to staff, and has improved employee engagement. Across multiple departments interviewed, management support was frequently cited as a positive factor impacting teams and individuals.

Active case management: Due to legislation and policies with providers, staff feel they have limited ability to provide insights into claimant recovery and provide proactive support in claims to guide the case management process for accident benefit and bodily injury claims.

Compliance: Compliance and quality assurance (QA) measures are in place, but additional resources to support ongoing and proactive monitoring and measurement of the efficacy of QA processes are required. Continuous improvement to the quality assurance function will enhance risk management and the efficacy of the Corporation's QA program.

Review of Past Recommendations

As part of the scope of this review, PwC reviewed past recommendations proposed to ICBC to gain an understanding of initiatives that have been suggested relating to operations within Finance, Claims and Driver Training. Recommendations relating to areas of the business outside of the scope of this operational review are not commented upon in detail.

Over the past five years, ICBC has participated in external reviews that have contributed to recommendations to improve ICBC's operational efficiency, product and distribution strategy, and relationship with external stakeholders (customers, service providers and Government). ICBC has implemented the majority of the past recommendations within their span of control, but broader engagement and support from external stakeholders is required to address the outstanding opportunities.

Since 2014, ICBC implemented structural, operational and technology-related recommendations within their scope of control. ICBC has solidified their governance structure with the Government, reduced operating costs, and transformed their approach to claims management. The benefits associated with these recommendations are tracked and have been reported to ICBC's Board of Directors.

- **Operational Excellence:** Cost containment initiatives relating to operations have been implemented; these include reductions in management staffing levels and compensation, stricter discretionary spending policies and detailed budget reviews [1]. ICBC implemented an Operational Excellence program and leveraged Lean Methodology across multiple departments, including claims management. The program has contributed to process efficiencies and savings of more than \$100 million over the past few years [2].
- **Technology Advancement:** ICBC^{s.13} technology and data to refine their approach to claims management. The implementation of Guidewire workflow management tool within Guidewire's Claims Centre demonstrates ICBC's sharpened focus on providing a positive customer experience. ICBC also used data and analytics to streamline processes for identifying potentially fraudulent claims, and staffed a full-time Special Investigation Unit to accommodate the increase in investigations due to enhanced detection.
- **Quality Assurance:** Claims quality assurance and coaching programs were implemented to control claims leakage and maintain focus on customer service. Centralized and decentralized quality reviews are ongoing, and a central review team was established to conduct claims leakage, theme and trend reviews.

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additional opportunities exists to develop an effective vendor management function.

Past recommendations to ICBC have not received Government approval, and others are pending further discussion. Support from the Government is a crucial step for executing on procurement and vendor management initiatives.

- **Strategic Sourcing:** The Strategic Sourcing and the Supplier Management Office were revised in 2016 to develop specific sourcing strategies, monitor and track supplier performance and identify additional improvement opportunities. ICBC received approval from the previous Government to implement specific initiatives such as the establishment of fixed fees with legal defense firms, a windshield repair program and an independent medical services program [3]
- **Vendor Segmentation:** ICBC recognizes that opportunities exist to develop a competitive tiering system and enforce a comprehensive set of key performance indicators (KPIs) that strike a balance between low cost and fair treatment of suppliers. New initiatives to enhance the collision and auto glass repair programs, including competitive tiering and revised pricing, were put forward by ICBC^{s.13}
- **Managed Care:** ICBC has also explored a total care management plan for bodily injury claims. Flat-fee programs with chiropractors and a participation agreement with occupational therapists are in place. This shift towards managed care represents the beginning of a turning point in ICBC's approach to product design and the consideration of reform within the industry.

The release of Ernst & Young's 2017 report, Affordable and Effective Auto Insurance – A New Road Forward for British Columbia articulated that the auto insurance industry is facing structural challenges, and changes to ICBC's operations without product reform would not alone return them to profitability. PwC agrees with this conclusion. Ernst & Young outlined a series of options, ranging from minor product reforms to accident benefits, to a fundamental shift away from an adversarial legal system (tort).

Even though ICBC has made progress on the past recommendations, PwC believes the larger question of product reform and legislative reform will have the greatest impact on the sustainability of the Corporation. ICBC has demonstrated a commitment to operational change across their organization and recognizes that shifts in their operating structure may be

required to support a revised product portfolio. To do so, ICBC, the BCUC, and the Government will need to engage in a broader conversation on ICBC's product portfolio and establish a new standard of what should be included.

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[1] ICBC Response: The Review of the Insurance Corporation of British Columbia by the Government of British Columbia, June 2014

[2] Affordable and Effective Auto Insurance – A New Road Forward for British Columbia, July 2017

[3] ICBC's Independent Medical Services Program consists of a set of secured contracts for medical assessments. Assessments include medical reports and opinions from specialists in neurosurgery, neurology, orthopedics, physiatrists and psychiatry.

Overview

In reviewing the operations of ICBC with a focus on Finance, Claims and Driver Training, opportunities have emerged that could reduce costs and operating expenses. Taking into account recommendations from past reviews, insights from interviews that included union and management representation, and leveraging PwC’s experience in the auto insurance market both in Canada and globally,^{s.13} opportunities have been identified. ^{s.13}

The focus of these initiatives is within Claims, the largest cost and expense functional area within this review. Initiatives are not presented in order of priority and should be viewed as distinct improvements that can be executed alongside one another or individually. ^{s.13}

Initiative: Optimizing vendor management and strategic sourcing

Impacted areas of the claims lifecycle:



Optimization of vendor management enables ICBC to manage its costs of services proactively, drive service excellence and lessen risks related to claims vendor spend. Strategic sourcing is a function of vendor management that allows organizations to leverage their purchasing power and ensure they are driving the most value from suppliers based on contract terms and service standards. Vendor relationship management is the practice of actively managing a company's interaction with current and potential suppliers. A strong vendor management and strategic sourcing function will allow ICBC to use its considerable bargaining power to drive significant claims cost savings and enhancements to claimant outcomes and service standards through augmented control over its suppliers.

Insurers that have a robust vendor management function have realized significant benefits regarding cost savings, operational efficiency, and augmented customer service. Advanced insurers that have adopted leading practices have seamless integration of claims and vendor systems with functionality to set appointments and submit estimates. Vendor relationship management at leading insurers includes a system that segments vendors, defines Service Level Agreements and KPIs, integrates vendor portals, and conducts frequent vendor assessments through reviews. These leading insurers actively seek to remove non-strategic or underperforming vendors.

To redesign the Vendor Management and Strategic Sourcing function, ICBC can define roles for sourcing and relationship management according to vendor categories such as medical providers, legal, auto repair, and independent adjusters, to more actively monitor vendor performance. Leading insurers have a claims specific vendor management and strategic sourcing function that integrates with their broader organisation-wide strategic sourcing function, but acknowledge that vendor management within claims has different requirements to sourcing/vendor management of other non-claims related services (e.g. technology providers or custodial services). Currently, ICBC’s claims related vendor network is extensive and fairly unified for material damage - over 90% of material damage vendors are in the top tier segment - and in its infancy for injury-related service providers. By broadening the role of vendor relationship managers, vendors can be proactively managed and measured on their performance. In turn, claims staff such as estimators and adjusters can focus on their roles in adjudicating a claim, rather than measuring and monitoring suppliers. A structured and effective vendor management function within Claims, consisting of strategic sourcing and relationship management, will reduce the burden of time spent by estimators to manually review estimates or injury adjusters reviewing ^{s.13} and instead

focus on guiding customers to suppliers that have proven they will adhere to service levels, quality standards and timeliness.

Optimizing vendor management includes modifying Strategic Sourcing's current mandate to include the negotiation of vendor contracts to be in the best interest of ICBC, customers and service providers.

Contracts can include rate limits, Service Level Agreements (SLAs) for customers and adherence to processes such as standardized invoicing. ICBC can also design contracts to provide incentives for vendors to innovate in the way they provide services to benefit the efficiency and effectiveness of the claims process and the service and or treatment provided to the claimant. ICBC's vendor management function within claims will then be able to monitor adherence to the contracts and associated SLAs. Relationship managers will govern vendors and measure their performance using holistic KPIs within defined/monitored performance tools. Based on contract terms and performance outcomes, vendors will be segmented into tiers and governed accordingly. ICBC can build segmentation based on services, volumes, KPIs and adherence to SLAs, and establish governance structures to enable escalation of issues identified by performance metrics. Top tier vendors will represent the highest performing group of vendors within each category.

Improving focus on vendor management and strategic sourcing in claims can lead to claims cost savings by the negotiation of rates and enhanced customer service through adherence to quality service as defined through SLAs. ICBC can benefit by reducing the total amount paid to vendors based on improved control and oversight. Customers will benefit from enhanced, predictable, quality services. With increased management of vendors, ICBC can also potentially enhance competition in the market, further driving innovation and service enhancements where vendors seek competitive pricing and advanced services to become (or remain) a top-tier vendor.

Initiative: Improve Salvage and Subrogation management

Impacted areas of the claims lifecycle:



Salvage is the handling of un-repairable vehicles. Salvage vehicles are sent to/held in a salvage yard until the vehicle's parts are sold at auction. Typically, the longer a vehicle remains in a salvage yard, the less valuable the parts become. Subrogation is the inbound and outbound pursuit of damages, or requirements to pay debts for claims that have occurred between an ICBC insured driver and drivers insured by a third party or uninsured party. It is in the best interest of insurers to pursue subrogation to the greatest extent possible to recover all damages or debts. Both salvage and subrogation result in claims leakage; when they are not actively pursued for recovery leakage (unnecessary claims expenses) increases. Claims leakage can be defined as the difference between the actual claims payment made and the amount that should have been paid if all leading practices were followed.

Leading practice insurers manage salvage yards as vendors. Salvage yards are assessed with performance scorecards and must adhere to specific KPIs and SLAs. As well, adjusters are automatically notified once a sale of parts happens at the salvage yard. In the case of subrogation, leading practice insurers have dedicated target and pursuit teams that handle all types of subrogation within the organization. Performance expectations of those staff members are tied to the organization's subrogation KPIs.

To improve salvage and subrogation management, ICBC can establish enhanced procedures and protocols with the overarching goal of improving the quality and quantity of inbound and outbound recoveries.

ICBC can improve the focus on salvage and subrogation for all claims staff at the time of claims submission (FNOL) and continue focus throughout the claims lifecycle. Specific to salvage, ICBC can evaluate the benefits of expanding the

operating hours of salvage yards. With greater access to the salvage yards, ICBC can reduce the towing spend on the transfers of vehicles from the estimating facilities to the salvage yards because they can go directly to the salvage location. For subrogation, ICBC can redesign roles and responsibilities and introduce a dedicated subrogation team to improve control over subrogation efforts and improve the effectiveness of inbound and outbound recovery efforts. Creating a dedicated, centralized team is in line with generally accepted and leading industry practices in the Canadian and global insurance market. Additionally, ICBC can enhance relationships with internal and external partners (e.g., third party salvage vendors, third party insurance companies) to improve oversight and streamline their process within these important claim's functions.

Improving focus on salvage and subrogation can lead to a reduction in claims leakage. Though subrogation and salvage activities do currently exist within the organization, enhancing these functions will further reduce overall claims expenses.

Initiative: Shifting to a proactive injury care recovery model

Impacted areas of the claims lifecycle:



Proactive care planning and recovery is designed to provide claimants with the most effective care model in efforts to expedite and optimize recovery. A proactive care recovery model provides claimants with access to defined courses of treatments specific to their respective injury(s) and ongoing guidance and support from the adjuster(s) throughout the recovery process. Under this model, insurers have access to defined treatment plans specific to each injury type. Injury adjusters use the treatment plans as a guide to support claimant's throughout their recovery. Leading insurers and workers' compensation boards involve the injury adjusters in all facets of the claimant's recovery to include scheduling of medical appointments, attending medical assessments and in-house visits. They work in collaboration with medical services providers and workplaces to improve claimants' recoveries as close as possible to their pre-injury state.

Insurers that have adopted proactive care planning and recovery models have noticed significant tangible and intangible benefits. Adopting a proactive care recovery model provides insurers with greater oversight of the claims lifecycle and improves claimant's customer satisfaction and engagement. Leading practice insurers have implemented case management tools that allow claimants receiving injury benefits to access and submit information through online channels. The ability to upload information such as medical reports and diagnostic imaging and the use of user-defined dashboards helps keep insurers and claimants connected outside of phone and in-person channels and improves transparency of the status of a claim. Additionally, insurers have focused on reducing hand-offs to build a one-to-one relationship which enhances trust and joint accountability of the claim outcome.

Introducing proactive care planning for injury claims within unrepresented^{s.13}
Injury claims can enable adjusters to work more closely with medical practitioners and service providers to^{s.13} that will provide the best opportunity for recovery for claimants.

Adjusters can be assigned to claims based on the alignment between the adjuster's experience and the type/severity of the claimant's injury to ensure claimants receive the best course of care. Adjusters can benefit from specialized training for specific types of injury(s) and severity, so they are familiar with the treatment plan^{s.13}

^{s.13} ICBC could continue enhancing and developing skillsets of adjusters to improve claims outcomes. For ICBC's proactive care recovery model to be effective it will require partnerships with the medical community; a structured relationship between the adjuster and the medical practitioner, and enhanced communications to the claimant. ICBC can also consider adjustments to their existing claims segmentation model at FNOL.

In comparison to the recovery management model used by workers' compensation boards, such as WorkSafeBC, ICBC will still be limited in its ability to require adherence to a care program. Whereas WorkSafeBC and other provincial workers

compensation boards provide service to employers, ICBC ^{s.13} This distinction is important in understanding the different relationship with the recipients of a recovery management or managed care plan. Whereas WorkSafeBC can mandate the care program, ^{s.13}

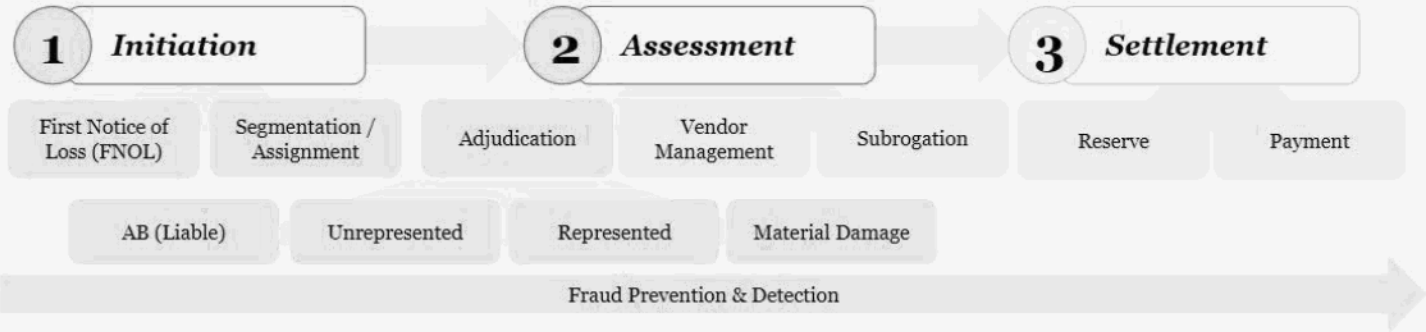
Developing a proactive care recovery model for unrepresented injury claims can be beneficial to manage claimant’s recovery and enhance the relationship between claimants and ICBC. Injury adjusters working directly with unrepresented claimants can provide support so that claimants are better-taken care of and recover towards their pre-injury state faster (when possible). Additionally, through such a model, ICBC can enhance relationships and build greater collaboration across all medical services providers.

Comparison to WorkSafeBC:

Within the WorkSafe model, there are ^{s.13} treatments available to an injured worker based on their type of injury. WorkSafeBC can review and refine a recovery management plans if the approved ^{s.13} treatments are not sufficient to return the injured worker to their ^{s.13} state or return them to work in a similar capacity. WorkSafeBC can also terminate a treatment plan if recovery is considered complete. If an injured worker does not adhere to their treatment plan or does not attend their medical examination or their treatments, payments ^{s.13} be suspended. Further, injured workers ^{s.13} have more than one treating practitioner at a time. WorkSafeBC is only liable to pay for care, treatment, and wage loss directly related to injuries sustained in the course of employment. They also can ^{s.13} treatment when there is evidence that return to work is possible, or treatment is no longer necessary, or if there is an indication of rehabilitation plateau, where an injured worker ^{s.13} benefit of treatment. Any disputes over benefits are appealable to the Workers Compensation Appeal Tribunal. The decision of the Tribunal is based on characteristics of each case and are not precedent setting. In contrast, ^{s.13} it is a legal requirement of the basic auto plan insurance product, ^{s.13} continue the provision of treatments to injured claimants until they no longer elect to receive treatment. ICBC cannot unilaterally decide to end a treatment plan or restrict a claimant from seeking additional medical opinions or services at the risk of acting in bad faith. Further, claimants can elect for representation, whether their claim is accident benefits (first party liability) or bodily injury (third party liability). If a claimant chooses to be represented, ICBC can no longer interact directly with the claimant or recommend a course of treatment, unless the claimant chooses to divulge their care plan. By adopting a proactive care plan for accident benefit and unrepresented bodily injury claims, ICBC can play a larger role in the design and adherence to treatment plans for managing injury by helping the claimant make more informed decisions to support their recovery. Fundamentally, the worker's compensation and auto insurance products are different in legal nature, and therefore operational comparisons are very difficult to make.

Initiative: Shift to a more supportive claimant customer experience

Impacted areas of the claims lifecycle:



Our review noted that ICBC has strived and succeeded in making some of customer experience improvements over the past few years, including enhancements to online capabilities and the implementation of SLA’s around customer service timelines. Looking forward, there are opportunities to follow the practices of leading insurers and take advantage of behavioural economics principles to further enhance customer experience and proactively manage claims outcomes.

Behavioural economics uses insights from cognitive psychology to explain why people behave the way they do and how individual actions can be influenced positively. The rapidly growing literature (and experience of other insurers within Canada and globally) on behavioural economics shows that people's decision-making uses thought processes that are intuitive and gut-driven rather than deliberate and calculated.

Reliance on intuitive processes leads to 'cognitive biases', which leads to a predictable shift in behaviour and decision making depending on the situation and framing of information. On the one hand, these biases can cause people to misjudge important facts, be inconsistent in their perception of events or judgement of value, and miscalculate probabilities or the likelihood of an event occurring. Importantly, these biases can also cause people to be influenced by the actions of others, to disengage when faced with complex information or processes, to be more vulnerable to notions of loss than gain, to be motivated by positive framing of context, and to anchor their expectations in achieving goals.

Leading insurers are introducing behaviourally optimized communications ^{s.13}. Leveraging a deep understanding of all customer interactions, ICBC can design strategies to influence behaviour positively to reinforce a fair and transparent claim settlement and ease process anxiety by enhancing the claimant's understanding of the claims process and their role in achieving positive outcomes. Insurers address the following with behavioural economic principles: improving understanding in moments of complexity, awareness of the end-to-end process, providing clarity in language, reducing moments of unease and negativity and improving continuity of content.

The principles of behavioural economics can be applied to improve the experience of claimants, claims partners and the broader ICBC community.

ICBC can leverage behavioural economics principles across all communications related to the claims life cycle. Initially, ICBC can leverage the existing understanding of the customer experience to focus on the known customer points of friction along the customer claims journey (eg. understanding the claims process at the time of FNOL and the claimant's participation in it leading to a claim outcome) and review all associated communications. ICBC can design interventions based on the principles of behavioural economics to positively impact claimant behaviour during communication touch points. Enhanced communications through behavioural economics can be managed as part of their broader customer service strategy and provide benefits of honest reporting of claims information, improve adherence to managed care plans, improve claimants' understanding of the benefits of working with ICBC and increase transparency of the claims process. As it has been noted previously, ICBC already places emphasis on providing efficient service to customers, and behavioural economics will support the continuous improvement of building and maintaining a positive relationship with customers.

Initiative: Enhance automation and predictive analytics

Impacted areas of the claims lifecycle:



Automation using technology serves to replace the mundane, highly manual tasks involved in a process that was previously completed by an individual. The goal of automation reduces the manual effort of employees to complete low value activities and to reduce the errors that can result from manual tasks. Data analytics is the collection, interpretation and presentation of themes in data. Further to data analytics, predictive analytics use various predictive modelling techniques to analyze current and historical information to make predictions about future events. Both of these disciplines are being deployed in the current auto insurance industry.

Leading practice insurers have started to introduce robotic process automation technology to reduce or eliminate manual effort associated with specific processes and procedural work effort. In doing so, these insurers are deploying robotic process automation to create capacity for staff to focus on customer-facing value-added work. This has created a data rich platform upon which insurers are now exploring the use of new advanced analytics capabilities. With increased access to data, insurers have begun using analytic dashboards to monitor and assess performance on a much more granular and

often real-time basis. Specific technologies behind this include the use of machine learning and artificial intelligence to gain insights into predictive outcomes for claims.

There are opportunities to introduce automation in several areas across the ICBC claims lifecycle.

For review in-scope areas we did not observe significant automation in use within the claims operation. Most notably, automation can be further leveraged at FNOL. Guidewire's Claim Centre can be programmed to automatically identify low-complexity claims submitted through the portal or the phone channel that does not require human intervention such as single vehicle accidents with minimal vehicle damage and no reported injuries. Additionally, with the introduction of new tools ICBC can consider using historical and current data to identify and escalate potential subrogation and fraud claims at claims reporting by further leveraging existing NetReveal capabilities.

Expanding the presence of automation at ICBC will be beneficial as employees will be able to focus their time and effort on more complex tasks that require focused effort and judgement to complete. Within claims, adjusters and call-centre staff can benefit from automation by removing low-complexity manual activities, freeing up time to focus on higher-complexity claims, and taking advantage of straight-through-processing for low-complexity claims where data has proven there are standardized and consistent outcomes. Further, encouraging online claims submission through the ICBC portal and mobile applications and opting-in to Electronic ^{s.13} Transfer payment options will support the opportunity to increase the use of automation capabilities for faster processing and settlement of low complexity claims. In addition to enabling automation to support swift adjudication, there is an opportunity to enable automation to identify and escalate potential subrogation and fraud claims at the time of submission. The enhanced use of historical data and predictive modelling using recently implemented tools will be required to support this automation.