

From: [Brouwer, Shauna JAG:EX](#)
To: [Cairns, Holly JAG:EX](#)
Cc: [Kortum, Melissa AG:EX](#)
Subject: Re: For review: AG IN ICBC Financial Outlook Budget 2018 v2
Date: Thursday, January 18, 2018 12:15:57 PM

Send with one package thx

Sent from my iPhone

On Jan 18, 2018, at 12:08 PM, Cairns, Holly JAG:EX <Holly.Cairns@gov.bc.ca> wrote:

We can either send this forward in advance of the powerpoint for TB, or with it as context. Jacob advised Melissa this morning that the Minister of Finance has already had a discussion with our minister about the situation in the past couple of days.

From: Kortum, Melissa AG:EX
Sent: Thursday, January 18, 2018 12:06 PM
To: Brouwer, Shauna JAG:EX
Cc: Cairns, Holly JAG:EX
Subject: For review: AG IN ICBC Financial Outlook Budget 2018 v2

Hi Shauna,

Find attached, for your review, the IN for MDE on ICBC's updated financial plan. Note includes an update of the base case, the strategies being considered (and their impact), the impact on MCT, and next steps.

Thanks,
Melissa

From: [Brouwer, Shauna JAG:EX](#)
To: [Cairns, Holly JAG:EX](#)
Cc: [Foster, Doug FIN:EX](#); [Kortum, Melissa PSSG:EX](#)
Subject: Re: Draft BN and Summary on ICBC Financials
Date: Thursday, January 11, 2018 7:02:02 AM

Looks good maybe take out the bullet on the last page that refers to investments as I understand these will not materialize
Have Bill and Doug review the BN

I am fine to leave the summary page with the deck in financials with the 1.3 B . There seems to be an extra slide “key messaging” that can come out.

To be strategic we may want to just send MDE the deck for the call and after the call send the BN as it has too much detail for a short call and may be distracting

The deck can go to Connie for DAG and MDE after Doug is okay.

Doug I am sending you the deck
Thx
Shauna

Sent from my iPhone

On Jan 10, 2018, at 9:52 PM, Cairns, Holly JAG:EX <Holly.Cairns@gov.bc.ca> wrote:

FYI –

From: Tupper, Chris [<mailto:Chris.Tupper@icbc.com>]
Sent: Wednesday, January 10, 2018 5:27 PM
To: Cairns, Holly JAG:EX
Cc: XT:Matthews, Lindsay ICBC:IN; Groot, Jeff AG:EX
Subject: Draft BN and Summary on ICBC Financials

Hi Holly;

We thought it would be helpful for your meeting tomorrow to pull together a BN and a short summary that you could use for your bringing with the AG on ICBC financials. For the sake of time, I’m sharing this with you in draft stage (but it has been reviewed by Bill et al).

I don’t know if this is helpful or not, but just following some of Doug’s comments yesterday on understanding all the mitigations, we thought this may be helpful in describing the situation with the minister.

Let me know if you have any questions or if we can develop any other material in advance of your briefing.

Best – Chris

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Page 004

Withheld pursuant to/removed as

s.13;s.17

From: [Kortum, Melissa PSSG:EX](#)
To: [Cairns, Holly JAG:EX](#)
Subject: Monthly Forecast update.xlsx
Date: Thursday, January 11, 2018 11:24:18 AM
Attachments: [Monthly Forecast update.xlsx](#)

This is what it looks like now.

s.13

Not sure if that is the best place or if you wanted a separate page.

Thanks

From: [Tong, Angelica](#)
To: [Foster, Doug FIN:EX](#); [Cairns, Holly JAG:EX](#)
Cc: [Justesen, Josh T FIN:EX](#); [Pearson, Barbera JAG:EX](#)
Subject: ICBC Audit Committee - Jan 24, 2018 9:45-11:50am
Date: Thursday, January 18, 2018 1:05:08 PM
Attachments: [image001.jpg](#)
[06.1 - s.12,s.13](#)
[06.2 -](#)
[6.2A -](#)
[06.3 -](#)

Hi Doug and Holly

You will be attending the ICBC Audit Committee on Jan 24, 2018. You are scheduled to attend from 9:45am to 11:50am, however please arrive 15mins in advance.

Attached are final materials for Item 6 - s.12,s.13

As you may be aware, we are working on Item 7 – Financial Outlook & Item 8 – Corporate & Financial Plan, which will be sent to you when finalized.

Closer to date, I will also send you an ICBC Wi-Fi password. Let me know if you require anything else.

Thank you!

Ang



.....
Angelica Tong, BBA

Snr Exec Assistant to Bill Carpenter, CFO & Chief Actuary
Finance Division

.....
517 - 151 W. Esplanade
North Vancouver | British Columbia | V7M 3H9
direct: 604-982-6231 | **mobile:** 778-875-1599

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Page 007 to/à Page 051

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s.12;s.13

Groot, Jeff AG:EX

From: Groot, Jeff AG:EX
Sent: Thursday, January 25, 2018 5:00 PM
To: Bianco, Catherine GCPE:EX
Subject: RE: QA_Third Quarter Results_25JAN18_DRAFT
Attachments: QA_Third Quarter Results_25JAN18_DRAFT.DOCX

Back at you with limited, but some critical edits.

I haven't circulated here for other feedback. If you do version control, will I have time to have Shauna review the full updated version tomorrow am?

JG

From: Bianco, Catherine GCPE:EX
Sent: Thursday, January 25, 2018 4:45 PM
To: Groot, Jeff AG:EX
Subject: FW: QA_Third Quarter Results_25JAN18_DRAFT

Hey Jeff -- Here is the draft KM/QA for Monday's ICBC third quarter results.

This was sent to Doug and Adam this afternoon and they will get it back by 9:30 am tomorrow -- so Tiff suggested you look at it now and provide your edits/suggestions. Tiff says HQ is looking for this.

I'll do version control with both sets of edits.

Hope that's ok with you.

CB

From: Bianco, Catherine GCPE:EX
Sent: Thursday, January 25, 2018 2:23 PM
To: Henderson, Doug; Grossman, Adam
Cc: Nelson, Tiffany GCPE:EX
Subject: QA_Third Quarter Results_25JAN18_DRAFT

Hello Doug and Adam -- Tiffany says you are on standby for this QA.

The plan as of now is for the Minister to respond (via scrum) at 2 p.m. Monday following a (non-media) speaking event he is attending at the Vancouver Law Courts Inn.

Details to come.

Let me know what this means for your posting plan timeline.

Catherine

ICBC Q3 financial results
Questions & Answers

Key Messages:

- Years of bad decisions and mismanagement by the former government have undermined ICBC's ability to deliver low-cost insurance to B.C. drivers.
- But we never expected to find this level of mismanagement.
- ICBC has announced today that its losses in the first nine months of its fiscal year have escalated to \$900 million.
- The projected year-end loss now totals \$1.3 billion – that's nearly the amount the former government siphoned out of ICBC while ignoring the needs of B.C. families.
- Now, B.C. drivers are looking at the prospect of a \$5400 hike in their premium ~~hikes~~ by next year unless we take immediate action to keep rates more affordable.
- Last week, we learned that the previous government received clear recommendations in 2014 from independent auditors that could have saved the corporation hundreds of millions of dollars.
- Yet they did not act, they did not make these recommendations public, and they scrubbed them from a report presented to ICBC.
- We ~~are~~ will be taking strong, decisive and significant immediate action in the coming weeks to repair the damage done.
- ~~Our solutions are aimed at keeping rates affordable, improving medical care for those hurt in minor accidents, and placing limits on payouts for minor injuries.~~
- ~~WRates are simply not covering the costs of claims—and we are looking to cut down on legal costs and delays in the court system to focus instead on providing care for those hurt in accidents/crashes.~~
- ICBC must become financially sustainable to keep rates affordable for British Columbians.

Comment [JG1]: I don't think we want to say we're placing limits on payouts until the product announcement, right?

Qs & As:

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

- ICBC has informed told me that this dramatic increase in losses has been driven by two core factors:
 - 1) the emergence of many large and extremely costly claims than ~~were~~as not anticipated

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- 2) the fact that claims have been closing at a slower rate in recent months, despite ICBC adding significantly to its staff to help deal with the increasing claims volume.

- While the rise in the number of claims and the associated costs are not new issues for ICBC, what has been unexpected is the degree of the cost escalation from these claims and the significant number of older claims – dating as far back as 2010 – that are now extremely costly.

2. Why the increase in large loss claims?

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

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

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

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

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Comment [NTG2]: How many?

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Comment [TN3]: Since when?

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Comment [TN4]: Do we have #s ... [7]

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- Injury claims are particularly concerning because they cost a more than material damage vehicle claims (2) — after breaking through the \$2 billion threshold as recently as 2014, ICBC's injury claims costs totalled \$2.7 billion in 2016 alone (and set to reach \$X billion by the end of 2017).
- That represents an increase of \$1.2 billion, or 80 per cent, over the last seven years.
- We know that injury claims, in particular, often come at a significant cost and not just the cost of helping the injured party recover.
- These claims cost more because they take longer to settle, legal costs are incurred, more expert reports are typically ordered and there is an increased utilization of medical resources and services.
- That reality is clearly reflected in ICBC's spending — delays and legal costs, such as those for expert reports, now account for 24 per cent of ICBC's total annual costs. This is greater than the cost of running ICBC, and it's simply not sustainable.
- But it's not the only cost driver — on top of this, vehicle repair costs have increased 30 per cent in just two years, to a total of \$1.5 billion in 2016 alone.
- To put it simply, today, the amount of basic insurance premiums ICBC is collecting from customers is not covering the increasing amount they are paying out in basic claims costs.

5. Does this mean another rate increase for drivers next year?

- It is not acceptable to keep asking British Columbians to keep paying more and more for their insurance each year — this is not a situation this government is prepared to let happen.
- We obviously have some major challenges ahead of us in putting ICBC back on stable financial footing.
- This government is committed to taking the necessary steps as quickly as possible to bring about long-term, sustainable improvements to B.C.'s auto insurance system.
- We have to create a sustainable auto insurance system which strikes the balance between increased care for the injured, more affordable and fair rates for all and less spent on legal costs.

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

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

6.

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

- I can tell you that is not true.
- We are working to create more fairness in our auto insurance system.

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- I can tell you that we are working on solutions aimed at keeping rates affordable and improving medical care for those hurt in minor accidents, while creating a system that fairly delivers improved financial certainty and sustainability

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

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

9. Will you release the 2014 EY report?

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

7.10. What is government going to do to fix this mess?

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

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

- We need to act on this immediately. A billion-dollar-blunder by the old government is unacceptable and we will announce further action to address this in the days and weeks ahead.

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

- All the evidence – from the latest Ernst & Young report to what we've uncovered in the fiscal third quarter – shows a problem years in the making that's significantly worse than anyone anticipated.
- While the PwC report is focused on internal ICBC operations, I anticipate there will be recommendations in there where we can find further savings, including working with the auto body industry. We anticipate it will also underscore the magnitude of change that is required at ICBC.

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

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

14. Why will B.C. not make the move to no-fault insurance?

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

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

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

16. While I understand your commitment to public auto insurance, every other province has moved in the direction of privatization. It seems this loss can only grow in the coming months. Why not make the change to no-fault private system?

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

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Comment [NTG5]: Why is response focused on privatization?

Comment [JG6]: This doesn't answer the question. Suggest looking at what the AG said publicly when the EY report was released right after this government came in. I think he had rationale there about why we wouldn't consider no-fault.

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Comment [JG7]: I think this is what you mean?

Comment [JG8]: Suggest ICBC review this message.

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Page 2: [7] Comment [TN4]	Tiffany Nelson	2018-01-25 4:59:00 PM
Do we have #s for 2017?		
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Groot, Jeff AG:EX

From: Bianco, Catherine GCPE:EX
Sent: Thursday, January 25, 2018 5:22 PM
To: Groot, Jeff AG:EX
Subject: RE: QA_Third Quarter Results_25JAN18_DRAFT

Tiff says no statement, just the scrum.

When I've merged your comments with ICBC's, Tiff says you can share with Shauna for approval.

From: Groot, Jeff AG:EX
Sent: Thursday, January 25, 2018 5:01 PM
To: Bianco, Catherine GCPE:EX
Subject: RE: QA_Third Quarter Results_25JAN18_DRAFT

Also, is there a statement going out at all from the AG, or just whatever he says to media in the scrum?

From: Bianco, Catherine GCPE:EX
Sent: Thursday, January 25, 2018 4:45 PM
To: Groot, Jeff AG:EX
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Details to come.

Let me know what this means for your posting plan timeline.

Catherine

Groot, Jeff AG:EX

From: Bianco, Catherine GCPE:EX
Sent: Friday, January 26, 2018 9:16 AM
To: Groot, Jeff AG:EX
Cc: 'Grossman, Adam'; Henderson, Doug; Nelson, Tiffany GCPE:EX
Subject: QA_Third Quarter Results_26JAN18_DRAFT
Attachments: QA_Third Quarter Results_26JAN18_DRAFT.docx

Thanks everyone for your edits -- Here is the combined version.

Jeff, over to you for review and approval. Adam, Doug, Tiffany -- please flag any additional concerns.

Catherine

**ICBC Q3 financial results
Questions & Answers**

Key Messages:

- Years of bad decisions and mismanagement by the former government have undermined ICBC's ability to deliver low-cost insurance to B.C. drivers.
- But we never expected to find this level of mismanagement by the previous government.
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- ICBC's board chair has let me know that ICBC's projected year-end loss now totals \$1.3 billion – that's nearly the amount the former government siphoned out of ICBC while ignoring the needs of B.C. families.
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- ICBC must become financially sustainable to keep rates affordable for British Columbians.

Qs & As:

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- To put it simply, today, the amount of basic insurance premiums ICBC is collecting from customers is not covering the increasing amount they are paying out in basic claims costs.
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- In 2016 alone, 72,700 new injury claims were reported to ICBC – this is 10,000 more than just two years ago or an increase of 16 per cent.

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- You have heard me say before that we are considering a model that puts limits on minor injury payouts, much like what has been done in a number of other provinces.

- I can tell you that we are working on solutions aimed at keeping rates affordable and improving medical care for those hurt in minor accidents, while creating a system that fairly delivers improved financial certainty and sustainability.
 - I expect to have more to say on this soon.
- 7. Some are saying caps will discriminate against ethnic communities. How are you addressing that?**
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 - The message I've been giving to everyone is that fixing the problems at ICBC mean there will have to be compromises on all sides.
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- 9. Will you release the 2014 EY report?**
- That question should be directed to Todd Stone or Michael de Jong.
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- There is no panacea here – no perfect solution, but we are moving forward quickly to repair the damage that's been done.
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 - Along with that, we believe higher-risk drivers should pay higher premiums because they have a greater chance of costing the system more. We also believe low risk drivers should bear less of the costs.
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- 11. You say you'll have an announcement soon – when can we expect that?**
- We need to act on this immediately. The financial mess at ICBC left by the old government is unacceptable and we will announce further action to address this in the days ahead.
- 12. How are consultants reports – those by EY and PwC – helping the situation?**

- All the evidence – from the EY report to what we’ve uncovered in the fiscal third quarter – shows a problem years in the making that’s significantly worse than anyone anticipated.
- While the PwC report is focused on internal ICBC operations, I anticipate there will be recommendations in there where we can find further savings, including working with the auto body industry.

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

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

14. Will you consider a move to privatization?

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

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

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

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

- We believe that public auto insurance works for British Columbians because it ensures that all drivers have the same minimum amount of insurance and insurance benefits, which protects them, other road users and pedestrians on the road.
- It also guarantees that all British Columbians are able to get auto insurance, which is not the case in jurisdictions with private systems where providers can decline to offer insurance to certain drivers.
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- This enhancement is unique to only a few jurisdictions in North America and is also one of the main reasons we have such a low uninsured rate compared to other jurisdictions.

Groot, Jeff AG:EX

From: Bianco, Catherine GCPE:EX
Sent: Friday, January 26, 2018 9:26 AM
To: Groot, Jeff AG:EX; Nelson, Tiffany GCPE:EX
Subject: RE: QA_Third Quarter Results_26JAN18_DRAFT

Tiffany -- ok to share at this point with FIN?

From: Bianco, Catherine GCPE:EX
Sent: Friday, January 26, 2018 9:24 AM
To: Groot, Jeff AG:EX; Nelson, Tiffany GCPE:EX
Subject: RE: QA_Third Quarter Results_26JAN18_DRAFT

No -- it hasn't been shared yet

From: Groot, Jeff AG:EX
Sent: Friday, January 26, 2018 9:22 AM
To: Bianco, Catherine GCPE:EX; Nelson, Tiffany GCPE:EX
Subject: RE: QA_Third Quarter Results_26JAN18_DRAFT

Thx -- and I'm just on a call and Doug Foster wants to make sure David Currie gets input to these. Have you shared at all to this point?

From: Bianco, Catherine GCPE:EX
Sent: Friday, January 26, 2018 9:16 AM
To: Groot, Jeff AG:EX
Cc: 'Grossman, Adam'; Henderson, Doug; Nelson, Tiffany GCPE:EX
Subject: QA_Third Quarter Results_26JAN18_DRAFT

Thanks everyone for your edits -- Here is the combined version.

Jeff, over to you for review and approval. Adam, Doug, Tiffany -- please flag any additional concerns.

Catherine

Groot, Jeff AG:EX

From: Bianco, Catherine GCPE:EX
Sent: Friday, January 26, 2018 9:30 AM
To: Currie, David GCPE:EX
Cc: Nelson, Tiffany GCPE:EX; Groot, Jeff AG:EX
Subject: QA_Third Quarter Results_26JAN18_DRAFT
Attachments: QA_Third Quarter Results_26JAN18_DRAFT.docx

Good morning David -- Tiffany asked that I share this key message/QA document re: ICBC's third quarter results.

It's draft, not yet approved by ADM or reviewed by HQ.

Can you please review and provide comments asap.

Let me know if you have any questions.

Catherine

**ICBC Q3 financial results
Questions & Answers**

Key Messages:

- Years of bad decisions and mismanagement by the former government have undermined ICBC's ability to deliver low-cost insurance to B.C. drivers.
- But we never expected to find this level of mismanagement by the previous government.
- In nine months of its fiscal year, ICBC's losses have escalated to \$900 million.
- ICBC's board chair has let me know that ICBC's projected year-end loss now totals \$1.3 billion – that's nearly the amount the former government siphoned out of ICBC while ignoring the needs of B.C. families.
- Now, B.C. drivers are looking at the prospect of a \$500 hike in their premiums by next year unless we take immediate action to keep rates more affordable.
- Last week, we learned that the previous government received clear recommendations in 2014 from independent auditors that could have saved the corporation hundreds of millions of dollars.
- Yet they did not act, they did not make these recommendations public, and they scrubbed them from a report presented to ICBC.
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Groot, Jeff AG:EX

From: Currie, David GCPE:EX
Sent: Friday, January 26, 2018 10:35 AM
To: Nelson, Tiffany GCPE:EX; Bianco, Catherine GCPE:EX; Groot, Jeff AG:EX
Subject: QA_Third Quarter Results_26JAN18_DRAFT
Attachments: QA_Third Quarter Results_26JAN18_DRAFT.docx

Some suggestions

ICBC Q3 financial results
Questions & Answers

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- We are looking to cut down on legal costs and to focus instead on providing more care for those hurt in crashes.
- ICBC must become financially sustainable to keep rates affordable for British Columbians.

Comment [DC1]: Think this reads cleaner as just "facing a billion dollar Q3 loss"

Comment [DC2]: U/stand why this is here, but suggest can work better in the QA, not top-line messages.

Comment [DC3]: Think this is a top line message. Maybe bullet 3 instead of last bullet.

Qs & As:

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- **How are consultants reports – those by EY and PwC – helping the situation?**
 - All the evidence – from the EY report to what we've uncovered in the fiscal third quarter – shows a problem years in the making that's significantly worse than anyone anticipated.
 - While the PwC report is focused on internal ICBC operations, I anticipate there will be recommendations in there where we can find further savings, including working with the auto body industry.
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 - I refer you to Finance Minister Carole James for questions concerning budget operations.
- **Will you consider a move to privatization?**
 - I have said before that ICBC is one of British Columbia's most important public assets.
 - While there are significant financial and operational challenges to be addressed, this government believes that public automobile insurance offers British Columbians excellent protection and access.
 - We have no intention of privatizing Basic auto insurance, but private insurers will continue to have a role in providing services to drivers seeking additional coverage.
 - B.C. deserves to have a well-managed public auto insurance system and that is the goal that Government and ICBC will continue to strive toward.
- **This week the Insurance Bureau of Canada released a report about the benefits of competition for auto insurance in B.C. How do you respond to this?**
 - I would expect that the industry association for private insurance would support competition.
 - However, I fail to see how competition in other provinces, particularly Ontario, has stemmed rate increases.
 - In fact, even with competition, other provinces have introduced system changes that have limited awards for pain and suffering for minor soft-tissue injury claims, while Manitoba, Quebec and Saskatchewan's no-fault modes do not provide any compensation for pain and suffering as a result of a minor injury.
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Groot, Jeff AG:EX

From: Bianco, Catherine GCPE:EX
Sent: Friday, January 26, 2018 9:44 AM
To: 'Grossman, Adam'; Groot, Jeff AG:EX
Cc: Nelson, Tiffany GCPE:EX; Henderson, Doug; Best, Kate
Subject: RE: QA_Third Quarter Results_26JAN18_DRAFT

I like your wording, Adam -- sound ok Jeff?

Keeping the call is fine.

Catherine

From: Grossman, Adam [<mailto:Adam.Grossman@icbc.com>]
Sent: Friday, January 26, 2018 9:43 AM
To: Groot, Jeff AG:EX; Bianco, Catherine GCPE:EX
Cc: Nelson, Tiffany GCPE:EX; Henderson, Doug; Best, Kate
Subject: RE: QA_Third Quarter Results_26JAN18_DRAFT

I see your "more than \$400" and raise you "at least \$400 more..."

How's that? ☺

We'd still like to keep our 10:30AM call with you, Jeff and Catherine, if you can make it? We don't have to take the full hour but I think it would be useful still.

From: Groot, Jeff AG:EX [<mailto:Jeff.Groot@gov.bc.ca>]
Sent: Friday, January 26, 2018 9:37 AM
To: Grossman, Adam <Adam.Grossman@icbc.com>; Bianco, Catherine GCPE:EX <Catherine.Bianco@gov.bc.ca>
Cc: Nelson, Tiffany GCPE:EX <Tiffany.Nelson@gov.bc.ca>; Henderson, Doug <Doug.Henderson@icbc.com>; Best, Kate <Kate.Best@icbc.com>
Subject: RE: QA_Third Quarter Results_26JAN18_DRAFT

What if we keep the ads the same, but in messaging say "more than \$400"?

From: Grossman, Adam [<mailto:Adam.Grossman@icbc.com>]
Sent: Friday, January 26, 2018 9:33 AM
To: Bianco, Catherine GCPE:EX; Groot, Jeff AG:EX
Cc: Nelson, Tiffany GCPE:EX; Henderson, Doug; Best, Kate
Subject: RE: QA_Third Quarter Results_26JAN18_DRAFT

Thanks Catherine.

I think the main point we should discuss, perhaps on our 10:30AM call if we keep it, is whether we do switch from the "\$400 more" message to the "\$500 more" message. We're a bit concerned with having to redo some of the ads (particularly the radio ad, which would be costly) and keeping all the various communications materials consistent.

Adam

From: Bianco, Catherine GCPE:EX [<mailto:Catherine.Bianco@gov.bc.ca>]
Sent: Friday, January 26, 2018 9:16 AM
To: Groot, Jeff AG:EX <Jeff.Groot@gov.bc.ca>
Cc: Grossman, Adam <Adam.Grossman@icbc.com>; Henderson, Doug <Doug.Henderson@icbc.com>; Nelson, Tiffany GCPE:EX <Tiffany.Nelson@gov.bc.ca>
Subject: QA_Third Quarter Results_26JAN18_DRAFT

Thanks everyone for your edits -- Here is the combined version.

Jeff, over to you for review and approval. Adam, Doug, Tiffany -- please flag any additional concerns.

Catherine

This email and any attachments are intended only for the named recipient and may contain confidential and/or privileged material. Any unauthorized copying, dissemination or other use by a person other than the named recipient of this communication is prohibited. If you received this in error or are not named as a recipient, please notify the sender and destroy all copies of this email immediately.

Insurance Corporation of British Columbia | 151 W. Esplanade | North Vancouver | V7M 3H9
[Contact Us](#)

Groot, Jeff AG:EX

From: Bianco, Catherine GCPE:EX
Sent: Friday, January 26, 2018 11:22 AM
To: Groot, Jeff AG:EX
Subject: QA_Third Quarter Results_26JAN18_DRAFT
Attachments: QA_Third Quarter Results_26JAN18_DRAFT.docx

Here it is --- FYI -- I took about half of David's changes because some of the wording he wanted to change had come from HQ.

I also changed the \$500 to Adam's suggested "... of at least \$400 more ..."

CB

**ICBC Q3 financial results
Questions & Answers**

Key Messages:

- Years of bad decisions and mismanagement by the former government have undermined ICBC's ability to deliver low-cost insurance to B.C. drivers.
- We never expected to find this level of mismanagement by the previous government.
- ICBC must become financially sustainable to keep rates affordable for British Columbians.
- In nine months of its fiscal year, ICBC's losses have escalated to \$900 million.
- ICBC's board chair has let me know that ICBC's projected year-end loss now totals \$1.3 billion – that's nearly the amount the former government siphoned out of ICBC while ignoring the needs of B.C. families.
- Now, B.C. drivers are looking at a hike of at least \$400 more in their premiums by next year unless we take immediate action to keep rates more affordable.
- Last week, we learned that the previous government received clear recommendations in 2014 from independent auditors that could have saved the corporation hundreds of millions of dollars.
- Yet they did not act, they did not make these recommendations public, and they scrubbed them from a report presented to ICBC.
- We will be taking strong, decisive and significant action in the coming weeks to repair the damage done.
- Our solutions are aimed at keeping rates affordable and improving medical care for anyone hurt in a crash.
- We are looking to cut down on legal costs and to focus instead on providing more care for those hurt in crashes.

Qs & As:

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

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

2. Why the increase in large loss claims?

- Some older claims that were initially presented as minor injury claims have since emerged as more complex, large loss claims.
- ICBC classifies a large loss claim as an injury claim that costs more than \$200,000. The average large loss claim actually settles for more than double that at \$450,000.
- Large loss claims traditionally include catastrophic injuries such as paraplegia, amputation and major brain injuries, but can also involve less significant injuries to high-income earners.

- ICBC has experienced an unprecedented 80 per cent growth in large loss claims over the last 12 months beyond the higher than expected growth it already experienced last year.
- 3. How is it possible that ICBC is taking a loss at all given how much we pay for our insurance?**
- Years of mismanagement by the former government have set ICBC on this path of serious financial challenges.
 - We know that the number of crashes on B.C. roads is increasing every year, to a point where there were 330,000 crashes in 2016 alone – that's 900 crashes on any given day.
 - The increase in crashes is being exacerbated by the sharp increase in the number and cost of claims being reported from these crashes.
 - To put it simply, today, the amount of basic insurance premiums ICBC is collecting from customers is not covering the increasing amount they are paying out in basic claims costs.
 - While the number of vehicle damage claims filed with ICBC are rising each year, it is the increase in injury claims that is the most concerning – that's because not only are British Columbians being injured more frequently on our roads, but these claims are substantially increasing costs to ICBC.
 - In 2016 alone, 72,700 new injury claims were reported to ICBC – this is 10,000 more than just two years ago or an increase of 16 per cent.
- 4. When you talk about injury claims costs, are you really talking about legal costs?**
- Injury claims are particularly concerning because they are the claims that have the most potential to become very costly.
 - After breaking through the \$2 billion threshold as recently as 2014, ICBC's injury claims costs totalled \$2.7 billion in 2016 alone – an increase of \$1.2 billion, or 80 per cent, over the last seven years.
 - We know that injury claims, in particular, often come at a significant cost and not just the cost of helping the injured party recover.
 - These claims cost more because they take longer to settle, legal costs are incurred, more expert reports are typically ordered and there is an increased utilization of medical resources and services.
 - That reality is clearly reflected in ICBC's spending – delays and legal costs, such as those for expert reports, now account for 24 per cent of ICBC's total annual costs. This is greater than the cost of running ICBC, and it's simply not sustainable.
 - But it's not the only cost pressure impacting insurance rates – on top of this, vehicle repair costs have increased 30 per cent in just two years, to a total of \$1.5 billion in 2016 alone.
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- It is not acceptable to keep asking British Columbians to keep paying more and more for their insurance each year – this is not a situation this government is prepared to let happen.
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 - This government is committed to taking the necessary steps as quickly as possible to bring about long-term, sustainable improvements to B.C.'s auto insurance system.
 - We have to create a sustainable auto insurance system which strikes the balance between increased care for the injured, more affordable and fair rates for all and less spent on legal costs.
- 6. TLABC ads say you're planning to initiate caps on pain and suffering. Doesn't this take away people's right to sue when they've been injured?**

- You have heard me say before that we are considering a model that puts limits on minor injury payouts, much like what has been done in a number of other provinces.
 - I can tell you that we are working on solutions aimed at keeping rates affordable and improving medical care for those hurt in minor accidents, while creating a system that fairly delivers improved financial certainty and sustainability.
 - I expect to have more to say on this soon.
- 7. Some are saying caps will discriminate against ethnic communities. How are you addressing that?**
- I can tell you that is not true.
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- 8. Won't a cap harm the legal profession? Are you consulting with them on the changes?**
- Over the last while, I've been having tough conversations with a wide variety of stakeholders, including those from certain areas of the legal profession.
 - The message I've been giving to everyone is that fixing the problems at ICBC mean there will have to be compromises on all sides.
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- 9. Will you release the 2014 EY report?**
- That question should be directed to Todd Stone or Michael de Jong.
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 - We know that we must cut down on all costs – including legal – and, as I have already publicly stated, we are considering a model that puts limits on minor injury payouts, much like what has been done in a number of other provinces.
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 - We also need to do more to improve road safety. We've started that by moving forward with steps to turn our red light cameras on 24 hours a day, and by increasing premiums for those people caught distracted driving. In fact, if you're caught twice in three years after March 1, you're going to be hit with a premium increase of almost \$2,000 over that span.
 - ICBC is also quickly moving ahead with its pilot program to test how technology can help curb distracted driving.
 - Along with that, we believe higher-risk drivers should pay higher premiums because they have a greater chance of costing the system more. We also believe low risk drivers should bear less of the costs.
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Groot, Jeff AG:EX

From: Groot, Jeff AG:EX
Sent: Friday, January 26, 2018 8:42 AM
To: Cairns, Holly JAG:EX
Subject: FOR REVIEW: Q3 QAs
Attachments: QA_Third Quarter Results_25JAN18_DRAFT.DOCX

Importance: High

Holly, since you're off this afternoon, sending this to you now for feedback. ICBC is fact checking, so don't worry too much about the numbers/stats as we'll make sure those are right.

Is there anything missing that you think is necessary or any message that's completely off base?

JG

Jeff Groot

Executive Director, Corporate Priorities & Strategic Engagement
Corporate Management Services Branch | Ministry of Attorney General
Direct: 778.698.5200 | Mobile: ^{s.17}

**ICBC Q3 financial results
Questions & Answers**

Key Messages:

- Years of bad decisions and mismanagement by the former government have undermined ICBC's ability to deliver low-cost insurance to B.C. drivers.
- But we never expected to find this level of mismanagement by the previous government.
- In nine months of its fiscal year, ICBC's losses have escalated to \$900 million.
- ICBC's board chair has let me know that ICBC's projected year-end loss now totals \$1.3 billion – that's nearly the amount the former government siphoned out of ICBC while ignoring the needs of B.C. families.
- Now, B.C. drivers are looking at the prospect of a \$500 hike in their premiums by next year unless we take immediate action to keep rates more affordable.
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- Yet they did not act, they did not make these recommendations public, and they scrubbed them from a report presented to ICBC.
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Groot, Jeff AG:EX

From: Groot, Jeff AG:EX
Sent: Friday, January 26, 2018 9:23 AM
To: Cairns, Holly JAG:EX
Subject: New QA version
Attachments: QA_Third Quarter Results_26JAN18_DRAFT.docx

Use this one to review pls – it includes all of ICBC’s comments.

**ICBC Q3 financial results
Questions & Answers**

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- Some older claims that were initially presented as minor injury claims have since emerged as more complex, large loss claims.
- ICBC classifies a large loss claim as an injury claim that costs more than \$200,000. The average large loss claim actually settles for more than double that at \$450,000.
- Large loss claims traditionally include catastrophic injuries such as paraplegia, amputation and major brain injuries, but can also involve less significant injuries to high-income earners.

- ICBC has experienced an unprecedented 80 per cent growth in large loss claims over the last 12 months beyond the higher than expected growth it already experienced last year.

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

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

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

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

5. Does this mean another rate increase for drivers next year?

- It is not acceptable to keep asking British Columbians to keep paying more and more for their insurance each year – this is not a situation this government is prepared to let happen.
- We obviously have some major challenges ahead of us in putting ICBC back on stable financial footing.
- This government is committed to taking the necessary steps as quickly as possible to bring about long-term, sustainable improvements to B.C.'s auto insurance system.
- We have to create a sustainable auto insurance system which strikes the balance between increased care for the injured, more affordable and fair rates for all and less spent on legal costs.

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

- You have heard me say before that we are considering a model that puts limits on minor injury payouts, much like what has been done in a number of other provinces.
 - I can tell you that we are working on solutions aimed at keeping rates affordable and improving medical care for those hurt in minor accidents, while creating a system that fairly delivers improved financial certainty and sustainability.
 - I expect to have more to say on this soon.
- 7. Some are saying caps will discriminate against ethnic communities. How are you addressing that?**
- I can tell you that is not true.
 - We are working to create more fairness in our auto insurance system.
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- 8. Won't a cap harm the legal profession? Are you consulting with them on the changes?**
- Over the last while, I've been having tough conversations with a wide variety of stakeholders, including those from certain areas of the legal profession.
 - The message I've been giving to everyone is that fixing the problems at ICBC mean there will have to be compromises on all sides.
 - I will have more to say on this soon.
- 9. Will you release the 2014 EY report?**
- That question should be directed to Todd Stone or Michael de Jong.
- 10. What is government going to do to fix this mess?**
- There is no panacea here – no perfect solution, but we are moving forward quickly to repair the damage that's been done.
 - We know that we must cut down on all costs – including legal – and, as I have already publicly stated, we are considering a model that puts limits on minor injury payouts, much like what has been done in a number of other provinces.
 - I expect to have more to say on this in fairly short order but, for now, I can tell you that we are working on solutions aimed at keeping rates affordable and improving medical care for those who are injured in crashes, while creating a system that fairly delivers improved financial certainty and sustainability.
 - We also need to do more to improve road safety. We've started that by moving forward with steps to turn our red light cameras on 24 hours a day, and by increasing premiums for those people caught distracted driving. In fact, if you're caught twice in three years after March 1, you're going to be hit with a premium increase of almost \$2,000 over that span.
 - ICBC is also quickly moving ahead with its pilot program to test how technology can help curb distracted driving.
 - Along with that, we believe higher-risk drivers should pay higher premiums because they have a greater chance of costing the system more. We also believe low risk drivers should bear less of the costs.
 - We are also expecting to release a final report from PwC on the effectiveness of ICBC's operations in fairly short order. I anticipate there will be recommendations in there where we can find further savings, including working with the auto body industry.
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- We need to act on this immediately. The financial mess at ICBC left by the old government is unacceptable and we will announce further action to address this in the days ahead.

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

- All the evidence – from the EY report to what we've uncovered in the fiscal third quarter – shows a problem years in the making that's significantly worse than anyone anticipated.
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13. What does this loss mean for B.C.'s triple-A credit rating?

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

14. Will you consider a move to privatization?

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

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

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

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

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

Groot, Jeff AG:EX

From: Groot, Jeff AG:EX
Sent: Friday, January 26, 2018 10:35 AM
To: Cairns, Holly JAG:EX
Subject: RE: New QA version

Thx – sorry, just got out of my brief with Doug and now on another call. Go ahead and flip to Melissa though. I can wait.

From: Cairns, Holly JAG:EX
Sent: Friday, January 26, 2018 9:49 AM
To: Groot, Jeff AG:EX
Subject: RE: New QA version

Hi Jeff, this looks fine to me. Has ICBC vetted all the numbers? It's a bit difficult for me to check the numbers from home, but if you are seeking that second look I could ask Melissa to review it?

From: Groot, Jeff AG:EX
Sent: Friday, January 26, 2018 9:23 AM
To: Cairns, Holly JAG:EX
Subject: New QA version

Use this one to review pls – it includes all of ICBC's comments.

Groot, Jeff AG:EX

From: Cairns, Holly JAG:EX
Sent: Friday, January 26, 2018 10:49 AM
To: Kortum, Melissa AG:EX
Cc: Groot, Jeff AG:EX
Subject: FW: New QA version
Attachments: QA_Third Quarter Results_26JAN18_DRAFT.docx

Hi Melissa, could you please take a look at this and review the numbers for Jeff. ICBC has already reviewed but a quick look on our part wouldn't hurt.

Thanks - Holly

From: Groot, Jeff AG:EX
Sent: Friday, January 26, 2018 9:23 AM
To: Cairns, Holly JAG:EX
Subject: New QA version

Use this one to review pls – it includes all of ICBC's comments.

Groot, Jeff AG:EX

From: Kortum, Melissa AG:EX
Sent: Friday, January 26, 2018 11:10 AM
To: Groot, Jeff AG:EX
Cc: Cairns, Holly JAG:EX
Subject: Two minor edits (p1): QA_Third Quarter Results_26JAN18_DRAFT
Attachments: QA_Third Quarter Results_26JAN18_DRAFT.docx

**ICBC Q3 financial results
Questions & Answers**

Key Messages:

- Years of bad decisions and mismanagement by the former government have undermined ICBC's ability to deliver low-cost insurance to B.C. drivers.
- We never expected to find this level of mismanagement by the previous government.
- ICBC must become financially sustainable to keep rates affordable for British Columbians.
- In nine months of its fiscal year, ICBC's losses have escalated ~~by~~ to \$900 million.
- ICBC's board chair has let me know that ICBC's projected year-end loss now totals \$1.3 billion – that's nearly the amount the former government siphoned out of ICBC while ignoring the needs of B.C. families.
- Now, B.C. drivers are looking at a hike of at least \$400 more in their premiums by next year unless we take immediate action to keep rates more affordable.
- Last week, we learned that the previous government received clear recommendations in 2014 from independent auditors that could have saved the corporation hundreds of millions of dollars.
- Yet they did not act, they did not make these recommendations public, and they scrubbed them from a report presented to ICBC.
- We will be taking strong, decisive and significant action in the coming weeks to repair the damage done.
- Our solutions are aimed at keeping rates affordable and improving medical care for anyone hurt in a crash.
- We are looking to cut down on legal costs and to focus instead on providing more care for those hurt in crashes.

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

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- ICBC has informed ~~told~~ me that this dramatic increase in losses has been driven by two core factors:
 - The emergence of many large, extremely costly claims was not anticipated
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Groot, Jeff AG:EX

From: Groot, Jeff AG:EX
Sent: Friday, January 26, 2018 12:11 PM
To: Bianco, Catherine GCPE:EX
Subject: RE: Bullet

Yes

From: Bianco, Catherine GCPE:EX
Sent: Friday, January 26, 2018 12:10 PM
To: Groot, Jeff AG:EX
Subject: Bullet

- ICBC's year-end loss is now projected to hit \$1.3 billion – that's nearly the amount the former government siphoned out of ICBC while ignoring the needs of B.C. families.

Groot, Jeff AG:EX

From: Bianco, Catherine GCPE:EX
Sent: Friday, January 26, 2018 2:08 PM
To: Henderson, Doug; 'Grossman, Adam'; Groot, Jeff AG:EX
Cc: Nelson, Tiffany GCPE:EX
Subject: Update on timing for Monday

Hi all -- Tiffany wanted to let you know that ICBC has been asked to web post Q3 results at 8 am on Monday.

We will issue a media advisory at 9 am that says the Minister will speak to media at 2 pm on the terrace of the Law Courts Inn at 800 Smithe St. in Vancouver.

Also Jeff wanted to share that the QA sent for review/approval included wording changes to two bullets:

- ICBC's year-end loss is now projected to hit \$1.3 billion – that's nearly the amount the former government siphoned out of ICBC while ignoring the needs of B.C. families.
- Now, B.C. drivers are looking at a hike of at least \$400 more in their premiums by next year unless we take immediate action to keep rates more affordable.

Catherine

Groot, Jeff AG:EX

From: Groot, Jeff AG:EX
Sent: Friday, January 26, 2018 2:44 PM
To: Scott, Douglas S AG:EX; Brouwer, Shauna JAG:EX
Cc: Cairns, Holly JAG:EX; Kortum, Melissa AG:EX; Pearson, Barbera JAG:EX; Blakesley, Nicki JAG:EX
Subject: FW: Latest on Mon timing

FYI. Here's the plan for Q3.

From: Nelson, Tiffany GCPE:EX
Sent: Friday, January 26, 2018 2:43 PM
To: Grossman, Adam; Henderson, Doug; Groot, Jeff AG:EX
Cc: Bianco, Catherine GCPE:EX
Subject: Latest on Mon timing

Hi – latest on timing for Monday:

- 8am: ICBC posts results
- 9am: MA out (including link to where posted www.icbc.com/about-icbc/company-info/Pages/default.aspx)
- Hours until media avail: ICBC to direct media to Minister's avail, provide no comment.
- 2pm: Media avail at Law Courts Inn (in an enclosed terrace on the 5th floor. The venue manager wants media to arrive on the 4th floor and will have staff to direct them)

Thanks

Groot, Jeff AG:EX

From: Brouwer, Shauna JAG:EX
Sent: Friday, January 26, 2018 12:05 PM
To: Groot, Jeff AG:EX
Cc: Scott, Douglas S AG:EX
Subject: RE: FOR APPROVAL: QA

Good to go

From: Groot, Jeff AG:EX
Sent: Friday, January 26, 2018 12:04 PM
To: Brouwer, Shauna JAG:EX
Cc: Scott, Douglas S AG:EX
Subject: RE: FOR APPROVAL: QA

Those are just minor typos I have to send back to GCPE.

From: Brouwer, Shauna JAG:EX
Sent: Friday, January 26, 2018 12:04 PM
To: Groot, Jeff AG:EX
Cc: Scott, Douglas S AG:EX
Subject: RE: FOR APPROVAL: QA

Yes but I see on eapprovals there are some track changes in the version – I will see if I can accept

From: Groot, Jeff AG:EX
Sent: Friday, January 26, 2018 12:04 PM
To: Brouwer, Shauna JAG:EX
Cc: Scott, Douglas S AG:EX
Subject: RE: FOR APPROVAL: QA

Sorry – and Q3 QAs too?

From: Brouwer, Shauna JAG:EX
Sent: Friday, January 26, 2018 12:00 PM
To: Groot, Jeff AG:EX
Cc: Scott, Douglas S AG:EX
Subject: RE: FOR APPROVAL: QA

I approved and send to Doug – go ahead and use them for briefing today and send over to GCPE

From: Groot, Jeff AG:EX
Sent: Friday, January 26, 2018 11:28 AM
To: Brouwer, Shauna JAG:EX
Subject: FOR APPROVAL: QA
Importance: High

Shauna – heads up – sent you QAs via eapprovals. Doug F/ICBC/Holly/Melissa have all had input.

GCPE would like it back asap.

Groot, Jeff AG:EX

From: Groot, Jeff AG:EX
Sent: Friday, January 26, 2018 12:05 PM
To: Bianco, Catherine GCPE:EX
Subject: RE: QA_Third Quarter Results_26JAN18_DRAFT
Attachments: QA_Third Quarter Results_26JAN18_DRAFT.DOCX

Sorry – just two minor typos

From: Groot, Jeff AG:EX
Sent: Friday, January 26, 2018 12:01 PM
To: Bianco, Catherine GCPE:EX
Subject: RE: QA_Third Quarter Results_26JAN18_DRAFT

Shauna approved. No changes.

From: Bianco, Catherine GCPE:EX
Sent: Friday, January 26, 2018 11:22 AM
To: Groot, Jeff AG:EX
Subject: QA_Third Quarter Results_26JAN18_DRAFT

Here it is --- FYI -- I took about half of David's changes because some of the wording he wanted to change had come from HQ.

I also changed the \$500 to Adam's suggested " . . . of at least \$400 more . . . "

CB

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Questions & Answers**

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

5. Does this mean another rate increase for drivers next year?

- It is not acceptable to keep asking British Columbians to keep paying more and more for their insurance each year – this is not a situation this government is prepared to let happen.
- We obviously have some major challenges ahead of us in putting ICBC back on stable financial footing.
- This government is committed to taking the necessary steps as quickly as possible to bring about long-term, sustainable improvements to B.C.'s auto insurance system.
- We have to create a sustainable auto insurance system which strikes the balance between increased care for the injured, more affordable and fair rates for all and less spent on legal costs.

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

- You have heard me say before that we are considering a model that puts limits on minor injury payouts, much like what has been done in a number of other provinces.
 - I can tell you that we are working on solutions aimed at keeping rates affordable and improving medical care for those hurt in minor accidents, while creating a system that fairly delivers improved financial certainty and sustainability.
 - I expect to have more to say on this soon.
- 7. Some are saying caps will discriminate against ethnic communities. How are you addressing that?**
- I can tell you that is not true.
 - We are working to create more fairness in our auto insurance system.
 - We are working on solutions aimed at keeping rates affordable and improving medical care for those hurt in minor accidents, while creating a system that fairly delivers improved financial certainty and sustainability
- 8. Won't a cap harm the legal profession? Are you consulting with them on the changes?**
- Over the last while, I've been having tough conversations with a wide variety of stakeholders, including those from certain areas of the legal profession.
 - The message I've been giving to everyone is that fixing the problems at ICBC mean there will have to be compromises on all sides.
 - I will have more to say on this soon.
- 9. Will you release the 2014 EY report?**
- That question should be directed to Todd Stone or Michael de Jong.
- 10. What is government going to do to fix this mess?**
- There is no panacea here – no perfect solution, but we are moving forward quickly to repair the damage that's been done.
 - We know that we must cut down on all costs – including legal – and, as I have already publicly stated, we are considering a model that puts limits on minor injury payouts, much like what has been done in a number of other provinces.
 - I expect to have more to say on this in fairly short order but, for now, I can tell you that we are working on solutions aimed at keeping rates affordable and improving medical care for those who are injured in crashes, while creating a system that fairly delivers improved financial certainty and sustainability.
 - We also need to do more to improve road safety. We've started that by moving forward with steps to turn our red light cameras on 24 hours a day, and by increasing premiums for those people caught distracted driving. In fact, if you're caught twice in three years after March 1, you're going to be hit with a premium increase of almost \$2,000 over that span.
 - ICBC is also quickly moving ahead with its pilot program to test how technology can help curb distracted driving.
 - Along with that, we believe higher-risk drivers should pay higher premiums because they have a greater chance of costing the system more. We also believe low risk drivers should bear less of the costs.
 - We are also expecting to release a final report from PwC on the effectiveness of ICBC's operations in fairly short order. I anticipate there will be recommendations in there where we can find further savings, including working with the auto body industry.
- 11. You say you'll have an announcement soon – when can we expect that?**
- We need to act on this immediately. The financial mess at ICBC left by the old government is unacceptable and we will announce further action to address this in the days ahead.

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

- All the evidence – from the EY report to what we've uncovered in the fiscal third quarter – shows a problem years in the making that's significantly worse than anyone anticipated.
- While the PwC report is focused on internal ICBC operations, I anticipate there will be recommendations in there where we can find further savings, including working with the auto body industry.

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

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

14. Will you consider a move to privatization?

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

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

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

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

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

Groot, Jeff AG:EX

From: Groot, Jeff AG:EX
Sent: Saturday, January 27, 2018 12:58 PM
To: Nelson, Tiffany GCPE:EX
Subject: Re: Latest QA
Attachments: QA_Third Quarter Results_26JAN18_DRAFT WITH MO.docx

Back at you with comments/tweaks for consideration.

From: Nelson, Tiffany GCPE:EX
Sent: January-27-18 11:40 AM
To: Groot, Jeff AG:EX
Subject: Latest QA

Hi Jeff – Ok, it doesn't look too bad but I do have just a couple questions (mainly for CB). Welcome your assurance this is all good, as with MO.

Thanks!

Tiffany Nelson | Communications Manager
Ministry of Attorney General
Ph: 250 356-6334 | Cell: 250 858-4680

ICBC Q3 financial results
Questions & Answers

Key Messages:

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

Comment [JG1]: Adam will be able to confirm

Comment [NTG2]: Do we know amount?

Comment [JG3]: Yes – it's closer to \$500. But if you flag, maybe just explain the rationale for saying "at least 400" due to all the ads and everything that say 400.

Comment [NTG4]: Is it confirmed to be much closer to \$500? Would like to flag for MO?

Comment [NTG5]: Why was this left in after Jeff cut?

Comment [JG6]: I suggest this either come out or be rephrased, just because it sounds like you're announcing solutions today. Maybe "we are working on solutions that will keep rates affordable, see high-risk drivers pay more and low risk drivers pay less."

Comment [JG7]: Maybe add something like "and I'll have more to say on those details in the coming weeks"

Qs & As:

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

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

2. Why the increase in large loss claims?

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

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

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

Comment [NTG8]: Why wasn't Jeff's addition of "cost" included here?

Comment [JG9]: My concern is the current phrasing sounds like the issue is that people are making too many claims. I want to be careful not to put the blame on those injured in crashes. Technically, it's the injury claim costs that are the issue, not the number of claims alone.

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

- Injury claims are particularly concerning because they are the claims that have the most potential to become very costly.
- After breaking through the \$2 billion threshold as recently as 2014, ICBC's injury claims costs totalled \$2.7 billion in 2016 alone – an increase of \$1.2 billion, or 80 per cent, over the last seven years.
- We know that injury claims, in particular, often come at a significant cost and not just the cost of helping the injured party recover.
- These claims cost more because they take longer to settle, legal costs are incurred, more expert reports are typically ordered and there is an increased utilization of medical resources and

Comment [NTG10]: Who added this? I'm not seeing it in the ICBC/Jeff edits.

services.

- That reality is clearly reflected in ICBC's spending – delays and legal costs, such as those for expert reports, now account for 24 per cent of ICBC's total annual costs. This is greater than the cost of running ICBC, and it's simply not sustainable.
- But it's not the only cost pressure impacting insurance rates – on top of this, vehicle repair costs have increased 30 per cent in just two years, to a total of \$1.5 billion in 2016 alone.
- To put it simply, today, the amount of basic insurance premiums ICBC is collecting from customers is not covering the increasing amount they are paying out in basic claims costs.

5. Does this mean another rate increase for drivers next year?

- It is not acceptable to keep asking British Columbians to keep paying more and more for their insurance each year – this is not a situation this government is prepared to let happen.
- We obviously have some major challenges ahead of us in putting ICBC back on stable financial footing.
- This government is committed to taking the necessary steps as quickly as possible to bring about long-term, sustainable improvements to B.C.'s auto insurance system.
- We have to create a sustainable auto insurance system which strikes the balance between increased care for the injured, more affordable and fair rates for all and less spent on legal costs.

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

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

Comment [JG11]: I know we've said minor accidents before, but you can still get a major injury from a minor crash. Plus we're improving medical care for all – not just those injured in a minor accident.

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

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

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

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

9. Will you release the 2014 EY report?

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

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

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

Comment [JG12]: Slight rephrasing to better align with how MDE referred to it on RedFM.

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

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

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

- All the evidence – from the latest EY report to what we've uncovered in the fiscal third quarter – shows a problem years in the making that's significantly worse than anyone anticipated.
- While the PwC report is focused on internal ICBC operations, I anticipate there will be recommendations in there where we can find further savings, including working with the auto body industry.

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

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

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

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

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

- We believe that public auto insurance works for British Columbians because it ensures that all drivers have the same minimum amount of insurance and insurance benefits, which protects them, other road users and pedestrians on the road.
- It also guarantees that all British Columbians are able to get auto insurance, which is not the case in jurisdictions with private systems where providers can decline to offer insurance to

Comment [NTG13]: Why wasn't Q added about why B.C. will not move to no-fault?

Comment [JG14]: I like the messaging in 16 better than here (it's essentially the same question).

But would suggest adding the Q about why MDE took no fault and photo radar off the table. This is what he said publicly previously on no fault – you'll have to find his msging on photo radar.

We will not be doing no-fault insurance. One of the things that we have heard fairly consistently from individuals is they feel they need to hire a lawyer in order to get the basic benefits that they are entitled to. We need to shift that perception. We think we can shift that perception – not by taking away people's rights to sue but instead by addressing the issues within ICBC so that people realize that they don't actually need to hire a lawyer in order to access the benefits that they need in order to get healthy again, and return to work and replace their car, these kinds of things. It is a cultural change. It's going to take a while. But starting out by taking away people's rights doesn't feel like the right approach to me when there are so many systemic issues that we need to address. There are some opportunities that are identified in the Ernst & Young report that we are looking at – for example, a cap on the pain and suffering awards associated with minor whiplash injuries. That's the kind of thing that we're looking at; we're evaluating those numbers. But we will not be doing a no-fault system.

Comment [JG15]: There's another bullet you could add here too. This is what I flagged for Catherine yesterday about one of the bullets in the IBC NR:

Of note, this particular bullet:

• ~~Safe drivers~~ Safe drivers (who represent a majority of BC drivers) could see their premiums reduced up to 18% from an improved pricing structure that based premiums on factors highly correlated with risk, such as claims history and kilometers driven

AG's messaging that we believe safe drivers should pay less and bad drivers pay more is good to use here. He can agree with this point that there is room for improvement and it's something we're looking at to improve fairness.

certain drivers.

- B.C.'s estimated uninsured rate is less than one per cent -- much lower than other jurisdictions in North America with rates ranging from four to 20%.
- Our public system also enables enhanced security by enabling the linking of licence plates and decals to a customer's basic insurance policy.
- This enhancement is unique to only a few jurisdictions in North America and is also one of the main reasons we have such a low uninsured rate compared to other jurisdictions.

Nanninga, Tanera AG:EX

From: Richard McCandless <rick.mccandless@shaw.ca>
Sent: Tuesday, November 28, 2017 3:36 PM
To: Eby, David
Cc: Smith, George AG:EX
Subject: FW: ICBC
Attachments: 2017 Q3 Cross Canada Rate Comparison.pdf

Follow Up Flag: Follow up
Flag Status: Flagged

Minister,

The Saskatchewan Government Insurance tracks the average price of auto insurance. Here are the averages for the western provinces, Ontario and Quebec as of September 30th; therefore the increases for ICBC effective November 1st are not included.

Rick

To: Richard McCandless
Subject: Re: ICBC

Hi Rick,

The most up to date version of our Cross Canada Rate Comparison goes up to the end of Sept 2017 (uses 12 month rolling average). I've attached it here.

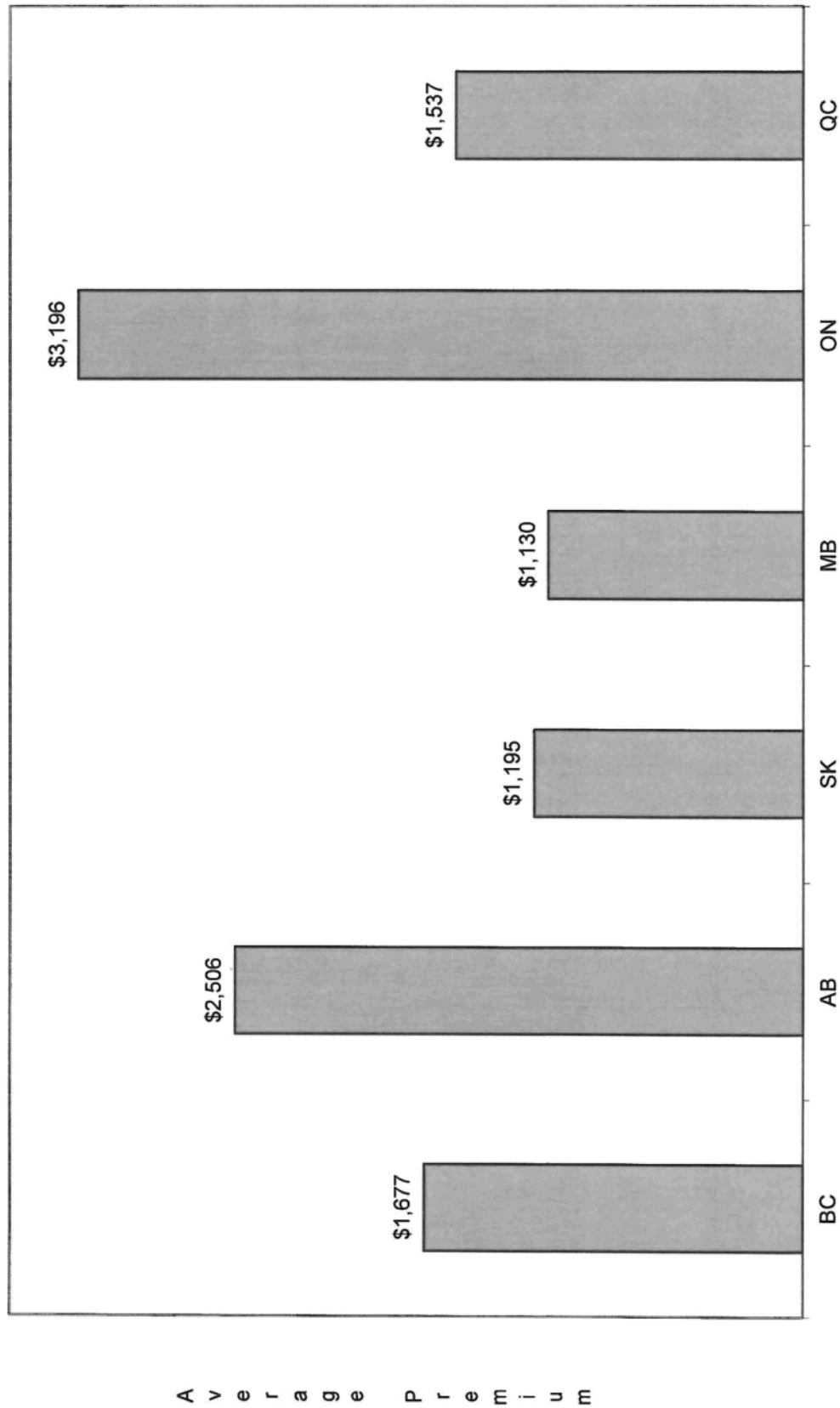
This version does not include NB or NS because our access to quotes from those provinces is not reliable. The very limited info that we have from quotes in those provinces show that their rates have continued to increase from our 2016 version. We also updated some of the vehicles underlying the comparison to keep it consistent with Saskatchewan's most recent popular vehicles. Overall, the relative comparison is pretty much unchanged.

Hope this helps,

Chris .

Saskatchewan Government Insurance

SGI's Cross-Canada Automobile Insurance Comparison, 2017



Nanninga, Tanera AG:EX

From: Richard McCandless <rick.mccandless@shaw.ca>
Sent: Wednesday, November 8, 2017 6:16 AM
To: Eby, David
Cc: Smith, George AG:EX
Subject: ICBC

Follow Up Flag: Follow up
Flag Status: Flagged

Minister,

A good job yesterday with the ICBC estimates (against a poorly briefed critic).

Seems that the rising cost of vehicle damage claims is hitting other auto insurers. Intact has the largest market share of the private insurers in Canada. Its fiscal year is January to December...I wonder how long it will take for ICBC to produce its Q2 "report"?

<http://www.insurancebusinessmag.com/ca/news/breaking-news/intact-financial-reports-increased-profits-for-q3-2017-84212.aspx>

Rick

Nanninga, Tanera AG:EX

From: Richard McCandless <rick.mccandless@shaw.ca>
Sent: Thursday, December 28, 2017 9:50 AM
To: Amy Smart; Andrew MacLeod; Charlie Smith; Dave Obee; David Ball; Gary Mason; Smith, George AG:EX; ghoekstra@postmedia.com; Ian Bailey; imulgrew@postmedia.com; John O'Dowd; Jon McComb; Justine Hunter; Keith Baldrey; Les Leyne; Liza Yuzda; lkines@timescolonist.com; Marcella Benardo; Matt Prepost; Mike Smyth; Omand, Geordon; paul willcocks; rshaw@postmedia.com; Vaughn Palmer; Wendy Stueck
Subject: ICBC Second Quarter Report
Attachments: Occasional Paper No. 50 28 Dec 2017.pdf

Follow Up Flag: Follow up
Flag Status: Flagged

ICBC recently posted its one-page "Statement of Operations" for the first six months of 2017/18. Combined Basic and Optional net income showed a loss of \$237 million (compared to a \$67 million loss for Q2 2016/17), while the capital reserve ratio fell to 87%, compared to 112% as of 31 March 2017.

Unfortunately, ICBC persists in providing a report that is aggregated at the corporate level, and contains no program detail nor any explanation of the results. Hardly an example of a transparent and accountable public monopoly with over \$5.2 billion in revenue.

Occasional Paper No. 50 attempts to analyze the results compared to the Q2 reports from the compulsory auto insurance program (Auto Fund) operated by the Saskatchewan Government Insurance, as well as the equivalent reports from the Manitoba Public Insurance corporation and Intact Financial Services, the largest private auto insurer (by market share).

One hopes that the NDP government will include enhanced reporting on its list of pending reforms at ICBC.

Richard McCandless

**ICBC'S SECOND QUARTER REPORT INDICATES ANOTHER MAJOR LOSS;
BUT INSUFFICIENT INFORMATION LEAVES PUBLIC IN THE DARK**

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Page 06 to/à Page 09

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Nanninga, Tanera AG:EX

From: Nelson, Tiffany GCPE:EX
Sent: Wednesday, January 17, 2018 1:58 PM
To: Smith, George AG:EX
Subject: ICBC comm plan
Attachments: ICBC-Cab Sub - Comm Plan - FINAL.docx

Follow Up Flag: Follow up
Flag Status: Flagged

Hi – updated cab-sub comm plan attached, with HQ’s edits. I am reviewing now.

From: Zadravec, Don GCPE:EX
Sent: Wednesday, January 17, 2018 1:31 PM
To: Nelson, Tiffany GCPE:EX ; XT:Matthews, Lindsay ICBC:IN
Subject: Final Final Comm Plan

Please see attached

Regards,

Don

Page 11 to/à Page 20

Withheld pursuant to/removed as

s.12;s.13

Nanninga, Tanera AG:EX

From: XT:Tupper, Chris GCPE:IN
Sent: Wednesday, January 17, 2018 4:48 PM
To: Smith, George AG:EX
Cc: XT:Matthews, Lindsay ICBC:IN
Subject: BN ICBC Q3 Results
Attachments: BN Q3 Results_Jan 16.docx

Follow Up Flag: Follow up
Flag Status: Flagged

Hi George,

Following our phone call on Monday, attached is a BN that lays out the large loss discussion you and the minister had with Nicolas.

Lindsay or I are happy to chat if you have any questions –additionally we will be in the buildings for the P&A meeting, so can also walk through anything tomorrow if that helps.

Best – Chris

.....
Chris Tupper
Manager, Policy and Partnerships
Corporate & Stakeholder Governance Division
ICBC building trust. driving confidence.

.....
505-151 W. Esplanade
North Vancouver | British Columbia | V7M 3H9
direct: s.17 | **mobile:** s.17
facsimile: 604-982-2491

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[Contact Us](#)

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s.14

Nanninga, Tanera AG:EX

From: Groot, Jeff AG:EX
Sent: Thursday, January 18, 2018 12:34 PM
To: Eby, David AG:EX
Cc: Smith, George AG:EX; Milne, Gala AG:EX; Fyfe, Richard J JAG:EX; Harvey, James JAG:EX; Bindra, Nina JAG:EX
Subject: RE: TLABC attachment
Attachments: 2013_04_00_CACreport_consumersperspective_fix_icbc_final.pdf

Follow Up Flag: Follow up
Flag Status: Flagged

Here is a copy of the report that Ron is referencing.

JG

From: Groot, Jeff AG:EX
Sent: Thursday, January 18, 2018 12:16 PM
To: Eby, David AG:EX
Cc: Smith, George AG:EX; Milne, Gala AG:EX; Fyfe, Richard J JAG:EX; Harvey, James JAG:EX; Bindra, Nina JAG:EX
Subject: TLABC attachment

Minister - here is the document John referenced.

JG

A CONSUMERS' PERSPECTIVE TO FIXING ICBC

APRIL 2013

15 RECOMMENDATIONS TO PUT BRITISH COLUMBIANS BACK IN THE DRIVER'S SEAT



Consumers' Association of Canada (British Columbia Branch)



Consumers' Association of Canada
Association des consommateurs du Canada
Founded in 1947

Page 78 to/à Page 96

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Page 001 to/à Page 027

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Nanninga, Tanera AG:EX

From: MacPhail, Joy <BM-Joy.MacPhail@icbc.com>
Sent: Thursday, January 25, 2018 3:04 PM
To: Smith, George AG:EX
Subject: Fwd: ICBC Q3 result and forecast to FY18 year end
Attachments: ICBC Q3 Results and Outlook for fiscal year 2017-18.pdf; ATT00001.htm

Follow Up Flag: Follow up
Flag Status: Flagged

These were just approved by the board of ICBC. Our communications people and Don Zadravec were with us throughout the discussion^{s.13}

s.13

However, the board has approved posting of both .

Please call if you have any questions.

Regard,

Joy

Sent from my iPad

Begin forwarded message:

From: "McDaniel, Jason" <Jason.McDaniel@icbc.com>
Date: January 25, 2018 at 2:28:06 PM PST
To: "MacPhail, Joy" <BM-Joy.MacPhail@icbc.com>
Subject: Fwd: document

Attached recommendations were both approved by the Board of Directors.

Sent from my iPhone

Begin forwarded message:

From: "Hahn, Tracy" <Tracy.Hahn@icbc.com>
Date: January 25, 2018 at 2:17:17 PM PST
To: "McDaniel, Jason" <Jason.McDaniel@icbc.com>
Subject: RE: document

From: McDaniel, Jason
Sent: Thursday, January 25, 2018 2:01 PM
To: Hahn, Tracy <Tracy.Hahn@icbc.com>
Subject: document

Can you combine these into a single document called ICBC Q3 Results and Outlook for fiscal year 2017-18. Then email back to me.

Thanks!

.....
Jason McDaniel
Chief Legal Officer and Corporate Secretary

ICBC building trust. driving confidence.

.....

#517-151 W Esplanade North Vancouver | British Columbia | V7M 3H9

direct: ^{s.17} | **cell:** ^{s.17}

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Page 030 to/à Page 052

Withheld pursuant to/removed as

s.13;s.17

Page 053 to/à Page 112

Withheld pursuant to/removed as

s.14

Nanninga, Tanera AG:EX

From: XT:Matthews, Lindsay ICBC:IN
Sent: Friday, January 26, 2018 3:28 PM
To: Smith, George AG:EX
Cc: Crombie, Steve
Subject: ICBC Q3 statement
Attachments: Statement of Operations - December 2017 for icbc.com.pdf

Importance: High

Follow Up Flag: Follow up
Flag Status: Flagged

Hi George,

Steve asked me to send to you what will be posted for Q3.

Lindsay

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Statement of Operations

For the Nine Months Ended December 31, 2017 and 2016

(\$ Millions)

	2017/18 Actuals	2016/17 Actuals	2016/17 Actuals ¹
Premiums written	\$ 4,244	\$ 3,898	\$ 5,051
Premiums earned	4,023	3,712	4,849
Service fees	85	80	104
TOTAL EARNED REVENUES	4,108	3,792	4,953
Net claims costs incurred during the year	3,812	3,435	4,483
Prior years' claims adjustments	442	71	175
Net claims incurred	4,254	3,506	4,658
Claims services and road safety	296	268	348
Total claims and related costs	4,550	3,774	5,006
Administrative and insurance expenses	170	169	222
Transformation program	23	24	31
Premium taxes and commissions	472	449	582
Deferred premium acquisition cost adjustment	129	38	36
Total claims and expenses	5,344	4,454	5,877
UNDERWRITING LOSS	(1,236)	(662)	(924)
Investment income	396	528	519
LOSS - INSURANCE OPERATIONS	(840)	(134)	(405)
PROVINCIAL LICENCES AND FINES	470	444	577
LESS:			
Licences and fines transferable to the Province	470	444	577
Non-insurance operating expenses	76	77	101
Commissions	24	26	33
Non-insurance other income	(5)	(5)	(6)
Total non-insurance expenses	565	542	705
LOSS - NON-INSURANCE OPERATIONS	(95)	(98)	(128)
NET LOSS	\$ (935)	\$ (232)	\$ (533)
Minimum capital test	50%	112% ²	112% ²

¹ Represents the 12 month period January 1 - December 31, 2016.

² As at March 31, 2017.

Nanninga, Tanera AG:EX

From: XT:Matthews, Lindsay ICBC:IN
Sent: Friday, January 26, 2018 4:19 PM
To: Smith, George AG:EX
Subject: RE: ICBC Q3 statement

Follow Up Flag: Follow up
Flag Status: Flagged

Hi – Eric Christianson and Don Zdravec just called me and we talked through things. Eric is going to call you about our discussion – cutting down the communications loops to get on the same page.

From: Smith, George AG:EX [<mailto:George.Smith@gov.bc.ca>]
Sent: Friday, January 26, 2018 4:18 PM
To: Matthews, Lindsay
Subject: RE: ICBC Q3 statement

Ok. s.17

From: Matthews, Lindsay [<mailto:Lindsay.Matthews@icbc.com>]
Sent: Friday, January 26, 2018 4:05 PM
To: Smith, George AG:EX
Subject: RE: ICBC Q3 statement

I will give you a call.

From: Smith, George AG:EX [<mailto:George.Smith@gov.bc.ca>]
Sent: Friday, January 26, 2018 3:30 PM
To: Matthews, Lindsay <Lindsay.Matthews@icbc.com>
Cc: Crombie, Steve <Steve.Crombie@icbc.com>
Subject: RE: ICBC Q3 statement

Thanks Lindsay. Much appreciated.
I'm told there is a second document as well indicating the year-end forecast.
Is that being prepared?

From: Matthews, Lindsay [<mailto:Lindsay.Matthews@icbc.com>]
Sent: Friday, January 26, 2018 3:28 PM
To: Smith, George AG:EX
Cc: Crombie, Steve
Subject: ICBC Q3 statement
Importance: High

Hi George,

Steve asked me to send to you what will be posted for Q3.

Lindsay

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Nanninga, Tanera AG:EX

From: Godfrey, Sam AGRI:EX
Sent: Sunday, January 28, 2018 4:18 PM
To: Smith, George AG:EX
Subject: Fwd: Monday MA for approval

Follow Up Flag: Follow up
Flag Status: Flagged

Re q/a capability - seems very preferable. I think we lost media attention on Friday because it was listen only.

Sent from my iPhone

Begin forwarded message:

From: "Nelson, Tiffany GCPE:EX" <Tiffany.Nelson@gov.bc.ca>
Date: January 28, 2018 at 10:30:35 AM PST
To: "Smith, George AG:EX" <George.Smith@gov.bc.ca>
Cc: "Godfrey, Sam AG:EX" <Sam.Godfrey@gov.bc.ca>, "Milne, Gala AG:EX" <Gala.Milne@gov.bc.ca>
Subject: RE: Monday MA for approval

Yes, standard location is the executive boardroom in the VCO. Rick is arranging all set-up now (podium, generic podium sign, two flags, a/v) plus the TELUS conference line. TELUS will likely take 3-4 hours to get us the numbers so we'll need to decide if MA goes earlier without it.

Do you want regional/Victoria media to have QA capability or listen-only over the phones?

From: Smith, George AG:EX
Sent: Sunday, January 28, 2018 10:21 AM
To: Nelson, Tiffany GCPE:EX
Cc: Godfrey, Sam AG:EX; Milne, Gala AG:EX
Subject: Re: Monday MA for approval

I've just been told that ICBC has already posted the Q3 and that they will be releasing a statement shortly.

Yes, we will need a dial-in.

What else do we need to set this up at the VCO? Is there a standard location for pressers?

-George

On Jan 28, 2018, at 10:16 AM, Nelson, Tiffany GCPE:EX <Tiffany.Nelson@gov.bc.ca> wrote:

Latest MA is attached. Few things:

- Are we arranging a dial-in? If so I'll reach out to events now to arrange this with TELUS. I'm not sure how quickly TELUS moves on the weekend. We could also issue the MA today, and re-issue in the morning with dial-in codes added if TELUS is a problem.
- Once you OK this draft, I'll send to the editors to process and will have them confirm the address is correct for VCO avails.
- Editors will not distribute until you give me the OK.
- Let me know once I'm good to let ICBC comms know the plan, unless they're aware.

Thanks,
Tiffany
250 858-4680

From: Nelson, Tiffany GCPE:EX
Sent: Saturday, January 27, 2018 1:43 PM
To: Smith, George AG:EX; Godfrey, Sam AG:EX; Milne, Gala AG:EX
Subject: REVISED: Monday QAs, MA

Hi – I've tracked minor revisions to QA. Please take a look. MA is also updated with the direct link to the results.

Let me know how I can help over the weekend.

Thanks

From: Nelson, Tiffany GCPE:EX
Sent: Friday, January 26, 2018 2:39 PM
To: Smith, George AG:EX; Godfrey, Sam AG:EX; Milne, Gala AG:EX
Subject: Monday QAs, MA

Hi – draft MA for Monday is attached. As I last heard from George, the plan includes:

- 8am: ICBC posts results
- 9am: MA out (I've included a link to where ICBC will post to make it easy for media)
- Hours until media avail: ICBC will direct media to our avail, provide no comment.
- 2pm: Media avail at Law Courts Inn (in an enclosed terrace on the 5th floor. The venue manager wants media to arrive on the 4th floor and will have staff to direct them. CBABC is aware of the scrum).

Also attached are the QAs, reflecting input from ICBC, ADM Brouwer, GCPE FIN. I have not yet reviewed this latest version but am getting on a flight and don't want to hold this up. Don Z at HQ reviewed quickly with no concerns.

Thanks,
Tiffany
250 858-4680

Nanninga, Tanera AG:EX

From: eric s.22
Sent: Sunday, January 28, 2018 7:22 PM
To: Smith, George AG:EX
Subject: revised
Attachments: SN - ICBC Q3 - 29JAN18 - EK.DOCX

Follow Up Flag: Follow up
Flag Status: Flagged

Speaking Notes for the

**Hon. David Eby
Attorney General**

Media Availability – Response to ICBC Q3

Vancouver

**Mon., Jan. 29, 2018
11:00 a.m.**

INTRO

- Thank you for joining me.
- Yesterday, the Insurance Corporation of BC posted the details of their third quarter fiscal situation.
- They posted a net loss of \$935 million dollars for the first nine months of the fiscal year 2017/2018.
- And ICBC now projects a net loss of 1.3 billion for the full year.
- This is, quite simply, a financial disaster.
- There is no way to sugar coat these numbers, nor should there be.
- British Columbians deserve the truth.

- Years of reckless decisions by the former government have undermined ICBC's ability to deliver low-cost insurance to B.C. drivers.
- In recent years, it became common knowledge that ICBC was being hamstrung by its political masters.
- But I honestly never believed that the former government would go to such lengths to put their own interests ahead of those of BC motorists.
- Last week, we learned that three years ago the previous government received clear warnings AND recommendations from independent consultants that could have prevented this crisis.
- Yet the previous government did not act. They flatly rejected these recommendations.

- And, it seems, that they scrubbed those recommendations from a report presented to ICBC.
- It's reminiscent of the proverbial three monkeys: see no evil, hear no evil, and speak no evil.
- But the truth will out: just over three years later, the impact of these reckless decisions is clear for anyone to see.
- ICBC's year-end loss is now projected to hit \$1.3 billion – that's nearly exactly the amount the BC Liberal government siphoned out of ICBC while ignoring the needs of B.C. motorists.
- Now, B.C. drivers will face \$400 premium hike unless we take immediate action to keep rates affordable.
- ICBC must become financially sustainable to keep rates affordable for British Columbians.

- We will be taking strong, decisive action in the coming weeks to repair the damage done by our predecessors.
- We are working on solutions that will keep rates affordable and see high-risk drivers pay more while low-risk drivers pay less.
- We are looking to cut down on legal costs and to focus instead on providing more care for those hurt in crashes.
- I will have more to say on these details in the days and weeks ahead.
- In conclusion, let me say that British Columbians elected us to change how things are done in government.
- And we have committed to providing good services and making life more affordable.

- British Columbians were not told the truth about the state of ICBC.
- They were told that cosmetic fixes would save the day.
- They were misled.
- Now we see the full consequences of the previous government's decision to bury the truth.
- Now we MUST take on the difficult and painful task of addressing the crisis at ICBC, in the true interests of British Columbians.
- Thank you.

-30-

Nanninga, Tanera AG:EX

From: Nelson, Tiffany GCPE:EX
Sent: Sunday, January 28, 2018 9:50 PM
To: Smith, George AG:EX; Godfrey, Sam AGRI:EX; Milne, Gala AG:EX
Subject: IBC's MNP report
Attachments: MNP - The Benefits of Competition in BC's Auto Insurance Market.pdf; QA - Third Quarter Results - 28JAN18 - DRAFT.docx

Follow Up Flag: Follow up
Flag Status: Flagged

Hi – the Insurance Bureau of Can plans to issue their NR at 8 a.m. tomorrow to release the MNP report. I've asked Aaron for a draft.

Q17 of tomorrow's QA anticipated this but I've added a few bullets from talks with program around some of the specific recommendations. I've cleaned up the track changes on the QA version I sent you yesterday.

Let me know if you need anything else on this.

----- Original message -----

From: "Sutherland, Aaron" <asutherland@ibc.ca>
Date: 2018-01-19 10:51 AM (GMT-08:00)
To: "Smith, George AG:EX" <George.Smith@gov.bc.ca>
Cc: "Nelson, Tiffany GCPE:EX" <Tiffany.Nelson@gov.bc.ca>, "Groot, Jeff AG:EX" <Jeff.Groot@gov.bc.ca>
Subject: MNP report - The Benefit of Increased Competition in BC Auto Insurance

Hi George,

I hope you doing well.

As mentioned previously, IBC commissioned MNP to explore the benefits that increased competition could bring to BC's auto insurance marketplace. They have now completed their investigation and it is attached for your information.

MNP has found that increased competition could bring significant savings to BC drivers through increased innovation, reduced claims costs, and through the ability to bundle home and auto insurance. One key finding I'd like to flag given some of the Minister's statements on caps for minor injuries, the report has found (similar to E&Y) that while these will help stabilize ICBC's financial position, on their own they are unlikely to reduce ICBC premiums relative to their current levels.

We plan to release this report later next week. Please let me know if this causes any concern.

I'd also be happy to arrange a meeting between IBC, MNP and your office should you like to discuss the report in detail.

Cheers,

Aaron Sutherland
Vice President, Pacific

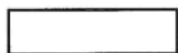


Insurance Bureau of Canada

T: 604-684-3635 ext. 223

C: 604-349-8046

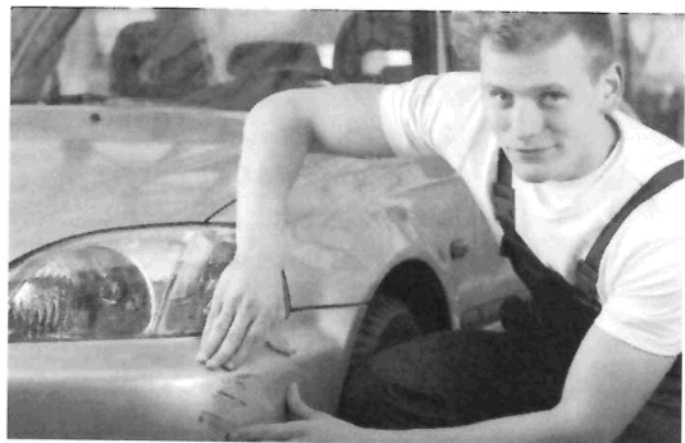
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MNP



The Benefits of Competition in the Provision of Automobile Insurance in BC

January 2018

Prepared for the Insurance Bureau of Canada

Page 129 to/à Page 191

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**ICBC Q3 financial results
Questions & Answers**

Key Messages:

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

Qs & As:

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

- Years of bad decisions and mismanagement by the former government have meant a fiscally unsustainable position at ICBC.
- ICBC has told me that this dramatic increase in losses has been driven by two core factors:
 - The emergence of many more large, extremely costly claims was not anticipated
 - Claims have been closing at a slower rate in recent months, despite ICBC adding hundreds of new staff to help deal with the increasing claims volume.

- While the rise in the number of claims and the associated costs are not new issues for ICBC, what has been unexpected is the degree of the cost escalation from these claims and the significant number of older claims – dating as far back as 2010 – that are now extremely costly.

2. Why the increase in large loss claims?

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

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

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

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

- Injury claims are particularly concerning because they are the claims that have the most potential to become very costly.
- After breaking through the \$2 billion threshold as recently as 2014, ICBC's injury claims costs totalled \$2.7 billion in 2016 alone – an increase of \$1.2 billion, or 80 per cent, over the last seven years.

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

5. Does this mean another rate increase for drivers next year?

- It is not acceptable to keep asking British Columbians to keep paying more and more for their insurance each year – this is not a situation this government is prepared to let happen.
- We obviously have some major challenges ahead of us in putting ICBC back on stable financial footing.
- This government is committed to taking the necessary steps as quickly as possible to bring about long-term, sustainable improvements to B.C.'s auto insurance system.
- We have to create a sustainable auto insurance system which strikes the balance between increased care for the injured, more affordable and fair rates for all and less spent on legal costs.

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

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

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

- I can tell you that is not true.
- We are working to create more fairness in our auto insurance system.

- We are working on solutions aimed at keeping rates affordable and improving medical care for those hurt in minor accidents, while creating a system that fairly delivers improved financial certainty and sustainability

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

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

9. Will you release the 2014 EY report?

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

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

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

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

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

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

- All the evidence – from the latest EY report to what we've uncovered in the fiscal third quarter – shows a problem years in the making that's significantly worse than anyone anticipated.
- While the PwC report is focused on internal ICBC operations, I anticipate there will be recommendations in there where we can find further savings, including working with the auto body industry.

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

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

14. Why have you taken no-fault off the table?

- We will not be moving to no-fault insurance.
- One of the things that we have heard fairly consistently from individuals is they feel they need to hire a lawyer in order to get the basic benefits that they are entitled to.
- We need to shift that perception and can do so – not by taking away people's rights to sue but by addressing the issues within ICBC so that people realize that they don't need to hire a lawyer in order to access the benefits that they need in order to get healthy again, and return to work and replace their car, etc.
- Starting out by taking away people's rights is not the right approach when there are so many systemic issues that we need to address.

15. Why have you ruled out photo radar?

- The old photo radar program, which ended in B.C. in 2001, was covert, using two police officers in unmarked vans at random locations.
- These locations were not necessarily identified as high-crash or high-speed – something that many British Columbians saw as a cash-grab rather than a transparent, strategic effort to change driver behaviour and make roads safer for everyone.
- The Intersection Safety Camera program instead tickets people who run red lights. We are moving forward on road safety changes, such as turning on our 140 intersection Safety Cameras 24/7.

16. Will you consider a move to privatization?

- I have said before that ICBC is one of British Columbia's most important public assets.

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

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

- I would expect that the industry association for private insurance would support competition.
- However, I fail to see how competition in other provinces, particularly Ontario, has stemmed rate increases.
- In fact, even with competition, other provinces have introduced system changes that have limited awards for pain and suffering for minor soft-tissue injury claims, while Manitoba, Quebec and Saskatchewan's no-fault modes do not provide any compensation for pain and suffering as a result of a minor injury.
- We are working hard to get basic rates under control and provide sustainable, reliable and affordable insurance for all British Columbians.
- That's why we're moving forward with a suite of actions to improve ICBC's operations and reduce accident rates, and will have more announcements to come.
- In terms of other recommendations, the report contains some that we are already looking at, such as minor injury caps and ways to reduce claims costs.
- It also talks about usage-based insurance, which ICBC is currently piloting with telematics to reduce distracted driving.
- The report makes the point that safe drivers (who represent a majority of BC drivers) could see their premiums reduced up to 18% from an improved pricing structure that based premiums on factors highly correlated with risk, such as claims history and kilometers driven.
- We believe safe drivers should pay less while bad drivers pay more and agree that there is room for improvement that we are looking into.

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

- We believe that public auto insurance works for British Columbians because it ensures that all drivers have the same minimum amount of insurance and insurance benefits, which protects

them, other road users and pedestrians on the road.

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

Nanninga, Tanera AG:EX

From: Eby, David AG:EX
Sent: Monday, January 29, 2018 8:02 AM
To: Smith, George AG:EX
Subject: SN - ICBC Q3 - 29JAN18 - final
Attachments: SN - ICBC Q3 - 29JAN18 - final.DOCX

Follow Up Flag: Follow up
Flag Status: Flagged

Edited.

Speaking Notes for the

**Hon. David Eby
Attorney General**

Media Availability – Response to ICBC Q3

Vancouver

Mon., Jan. 29, 2018
11:00 a.m.

INTRO

- Thank you for joining me.
- Yesterday, the Insurance Corporation of BC posted the details of their third quarter fiscal situation.
- They posted a net loss of \$935 million dollars for the first nine months of the fiscal year 2017/2018.
- And ICBC now projects a net loss of 1.3 billion for the full year.
- This is, quite simply, a financial dumpster fire.
- British Columbians deserve the truth, no matter how brutal the news is.
- Years of reckless decisions by the former government have undermined ICBC's ability to deliver low-cost insurance to B.C. drivers.

- In recent years, it became common knowledge that ICBC was being politically directed, in a way that was not sustainable, including government taking more than a billion dollars out of the corporation.
- But I honestly never believed that the former government would go to such lengths to put their own interests ahead of those of BC motorists.
- Last week, we learned that three years ago the previous government received clear warnings AND recommendations from independent consultants that could have prevented this crisis.
- Yet the previous government did not act. They rejected these recommendations.

- But not only did they reject these recommendations, it seems that they scrubbed those recommendations and projections of trouble on the horizon from a report presented to the public.
- They knew the dumpster was on fire, but they simply pushed it behind the building instead of trying to put the fire out.
- Just over three years later, the impact of these reckless decisions is clear for anyone to see.
- ICBC's year-end loss is now projected to hit \$1.3 billion – that's nearly exactly the amount the BC Liberal government siphoned out of ICBC while ignoring the needs of B.C. motorists.
- I note that before the election, the previous government told British Columbians their projection for the corporation's losses was \$11m.

- If we don't take action, B.C. drivers will face a \$400 premium hike just to get ICBC to break even. Obviously, we won't let that happen.
- ICBC must become financially sustainable to keep rates affordable for British Columbians.
- We will be announcing major reforms in the coming weeks to repair the damage done by our predecessors.
- We are preparing significant solutions for introduction in the Spring legislature session that will keep rates affordable and see high-risk drivers pay more while low-risk drivers pay less.
- We must cut legal and autobody repair costs and focus ICBC resources on providing more care for those hurt in crashes.
- I will have more to say on these initiatives in the days and weeks ahead, but let me tell you now

that these initiatives will be difficult for many groups who have a financial interest in ICBC.

- If these changes were easy, the previous government wouldn't have been cutting pages out of consultant reports to hide the truth, they would have been making the changes needed.
- British Columbians elected us to change how things are done in government.
- We have committed to providing good services and making life more affordable.
- British Columbians were not told the truth about the state of ICBC.
- They were told that the problem was not serious, a loss of about a hundred times less than was actually the case.
- The public was misled by the previous government about ICBC's finances.

- Now British Columbians are facing the full consequences of the previous government's decision to bury the truth.
- We will take on the difficult and painful task of addressing this unnecessary crisis at ICBC, guided first and foremost by the interests of British Columbians.
- Thank you.

-30-

Nanninga, Tanera AG:EX

From: Eby, David AG:EX
Sent: Monday, January 29, 2018 9:20 AM
To: Smith, George AG:EX
Subject: SN - ICBC Q3 - 29JAN18 - final (3)
Attachments: SN - ICBC Q3 - 29JAN18 - final (3).DOCX

Follow Up Flag: Follow up
Flag Status: Flagged

Revised revisions, can you please reprint.

Speaking Notes for the

**Hon. David Eby
Attorney General**

Media Availability – Response to ICBC Q3

Vancouver

Mon., Jan. 29, 2018

11:00 a.m.

INTRO

- Thank you for joining me.
- Yesterday, the Insurance Corporation of BC posted the details of their third quarter fiscal situation.
- They posted a net loss of \$935 million dollars for the first nine months of the fiscal year 2017/2018.
- And ICBC now projects a net loss of 1.3 billion for the full year.
- This is, quite simply, a financial dumpster fire.
- British Columbians deserve the truth, no matter how brutal the news is.
- Years of reckless decisions by the former government have undermined ICBC's ability to deliver low-cost insurance to B.C. drivers.

- In recent years, it became common knowledge that ICBC was being politically directed, in a way that was not sustainable, including government taking more than a billion dollars out of the corporation.
- But I never believed that the former government would go to such lengths to put their own interests ahead of those of BC motorists.
- Last week, we learned that three years ago the previous government received clear warnings AND recommendations from independent consultants that could have prevented these massive losses.
- Yet the previous government did not act. They rejected these recommendations.

- But not only did they reject these recommendations, it seems that they scrubbed those recommendations, and projections of trouble on the horizon, from a report presented to the public.
- They knew the dumpster was on fire, but they simply pushed it behind the building instead of trying to put the fire out.
- Just over three years later, the impact of these reckless decisions is clear for anyone to see.
- I note that before the election, the previous government told British Columbians their projection for the corporation's losses was \$11m.
- ICBC's year-end loss is now projected to hit \$1.3 billion – that's nearly exactly the amount the BC Liberal government siphoned out of ICBC while ignoring the needs of British Columbians.

- ICBC must become financially sustainable to keep rates affordable for British Columbians.
- If we don't take action, B.C. drivers will face a \$400 premium hike just to get ICBC to break even. Obviously, we won't let that happen.
- We will be announcing major reforms in the coming weeks to repair the damage done by our predecessors.
- We are preparing significant solutions for introduction in the Spring legislature session that will keep rates affordable and see high-risk drivers pay more while low-risk drivers pay less.
- We must cut legal and autobody repair costs and focus ICBC resources on providing more care for those hurt in crashes.

- I will have more to say on these initiatives in the days and weeks ahead, but let me tell you now that these initiatives will be difficult for many groups who have a financial interest in the status quo.
- If these changes were easy, the previous government wouldn't have been cutting pages out of consultant reports to hide the truth, they would have been making the changes needed.
- British Columbians elected us to change how things are done in government.
- We have committed to providing good services and making life more affordable.
- British Columbians were not told the truth about the state of ICBC.
- They were told that the problem was not serious, a loss of about a hundred times less than was actually the case.

- The public was misled by the previous government about ICBC's finances.
- Now British Columbians are facing the full consequences of the previous government's decision to bury the truth.
- We will take on the difficult and painful task of addressing this unnecessary crisis at ICBC, guided first and foremost by the interests of British Columbians.
- Thank you.

-30-

Nanninga, Tanera AG:EX

From: Milne, Gala AG:EX
Sent: Monday, January 29, 2018 9:56 AM
To: Nelson, Tiffany GCPE:EX; Smith, George AG:EX
Cc: Godfrey, Sam AGRI:EX
Subject: RE: Monday MA for approval

Follow Up Flag: Follow up
Flag Status: Flagged

Hi Tiffany
Could you send the telus call-in number when you have a moment?
Thanks!

Gala

From: Nelson, Tiffany GCPE:EX
Sent: Sunday, January 28, 2018 10:31 AM
To: Smith, George AG:EX
Cc: Godfrey, Sam AG:EX; Milne, Gala AG:EX
Subject: RE: Monday MA for approval

Yes, standard location is the executive boardroom in the VCO. Rick is arranging all set-up now (podium, generic podium sign, two flags, a/v) plus the TELUS conference line. TELUS will likely take 3-4 hours to get us the numbers so we'll need to decide if MA goes earlier without it.

Do you want regional/Victoria media to have QA capability or listen-only over the phones?

From: Smith, George AG:EX
Sent: Sunday, January 28, 2018 10:21 AM
To: Nelson, Tiffany GCPE:EX
Cc: Godfrey, Sam AG:EX; Milne, Gala AG:EX
Subject: Re: Monday MA for approval

I've just been told that ICBC has already posted the Q3 and that they will be releasing a statement shortly.
Yes, we will need a dial-in.
What else do we need to set this up at the VCO? Is there a standard location for pressers?

-George

On Jan 28, 2018, at 10:16 AM, Nelson, Tiffany GCPE:EX <Tiffany.Nelson@gov.bc.ca> wrote:

Latest MA is attached. Few things:

- Are we arranging a dial-in? If so I'll reach out to events now to arrange this with TELUS. I'm not sure how quickly TELUS moves on the weekend. We could also issue the MA today, and re-issue in the morning with dial-in codes added if TELUS is a problem.
- Once you OK this draft, I'll send to the editors to process and will have them confirm the address is correct for VCO avails.
- Editors will not distribute until you give me the OK.

- Let me know once I'm good to let ICBC comms know the plan, unless they're aware.

Thanks,

Tiffany
250 858-4680

From: Nelson, Tiffany GCPE:EX
Sent: Saturday, January 27, 2018 1:43 PM
To: Smith, George AG:EX; Godfrey, Sam AG:EX; Milne, Gala AG:EX
Subject: REVISED: Monday QAs, MA

Hi – I've tracked minor revisions to QA. Please take a look. MA is also updated with the direct link to the results.

Let me know how I can help over the weekend.

Thanks

From: Nelson, Tiffany GCPE:EX
Sent: Friday, January 26, 2018 2:39 PM
To: Smith, George AG:EX; Godfrey, Sam AG:EX; Milne, Gala AG:EX
Subject: Monday QAs, MA

Hi – draft MA for Monday is attached. As I last heard from George, the plan includes:

- 8am: ICBC posts results
- 9am: MA out (I've included a link to where ICBC will post to make it easy for media)
- Hours until media avail: ICBC will direct media to our avail, provide no comment.
- 2pm: Media avail at Law Courts Inn (in an enclosed terrace on the 5th floor. The venue manager wants media to arrive on the 4th floor and will have staff to direct them. CBABC is aware of the scrum).

Also attached are the QAs, reflecting input from ICBC, ADM Brouwer, GCPE FIN. I have not yet reviewed this latest version but am getting on a flight and don't want to hold this up. Don Z at HQ reviewed quickly with no concerns.

Thanks,

Tiffany
250 858-4680

Page 019 to/à Page 225

Withheld pursuant to/removed as

s.14

Nanninga, Tanera AG:EX

From: Nelson, Tiffany GCPE:EX
Sent: Thursday, February 1, 2018 12:06 PM
To: Smith, George AG:EX; Godfrey, Sam AGRI:EX; Milne, Gala AG:EX
Subject: For review: PPT slides for Tues, event details
Attachments: Media Technical briefing - 31JAN18 - DRAFT.PPTX

Follow Up Flag: Follow up
Flag Status: Flagged

Hi – attached is the proposed PPT to show during Tuesday’s tech briefing. The language will be adjusted to reflect the eventual speaker, as it currently reads as though from a government lead.

Let me know once we can talk through outstanding details and insights from past few days in terms of changes needed to KMs. Rick is holding the press theatre for Feb. 6 (11am-1pm) should it land in Victoria. Updated details/questions:

Date/time	Length	Event
Feb. 5, late afternoon	Jeff to provide MO details	Stakeholder briefings: One day prior to ICBC product change announcement, ICBC and Jeff Groot lead confidential briefing with stakeholders. Will involve two sessions in late afternoon. Location: Boardroom, ICBC space at 808 Nelson St., Vancouver. Jeff to send MO invite, distribution list, details
Feb. 5		Caucus briefings: MO to confirm materials needed: PPT slideshow, KMs, what else?
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11 a.m.	13 min	Pre-brief in MO (#232) Attendees: MDE, Joy MacPhail, ICBC product change lead, Jeff Groot, AG CD Shawn Robins
11:13 a.m.	2 min	Technical briefing begins: Media moderator: Welcome to technical briefing, introduces ICBC lead.

		<p>News release to be distributed at the start of the tech briefing on an embargoed basis until 12 p.m.</p> <p>Visuals to include PPT slides, visible from both the room and online via (events team working out tech needs).</p>
11:15 a.m.	20 min	ICBC product expert presentation
11:35 a.m.	20 min	Moderated QA from those in the room and on the phone
11:55 a.m.	2 min	Wrap up from ICBC product expert; technical briefing concludes
11:57 a.m.	3 mins	Quick break
Noon	1 min	<p><i>Media event begins:</i></p> <p>Moderator: welcomes all, introduce Minister David Eby and ICBC Chair Joy MacPhail</p>
12:01 p.m.	6 min	MDE speaks
12:07 p.m.	2 min	Chair MacPhail speaks
12:09 p.m.	15 min	Questions from those in the room and on the phone
12:25 p.m.	1 min	Event close





Technical briefing

Changes to ICBC

February 1, 2018

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Outline

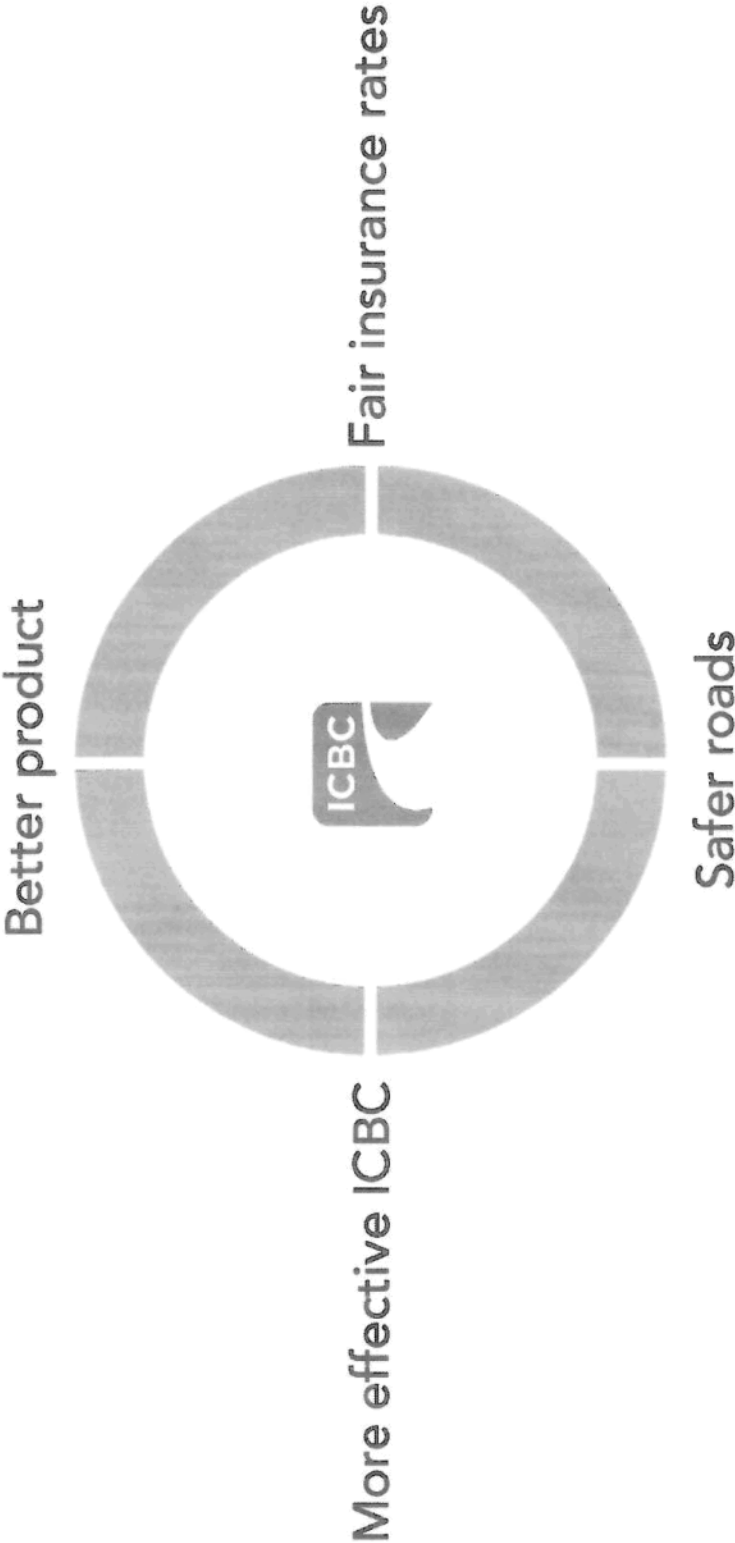
- Changes to ICBC
- Financial update
- Current pressures
- Details of changes
- Timeline
- Questions

- Break -

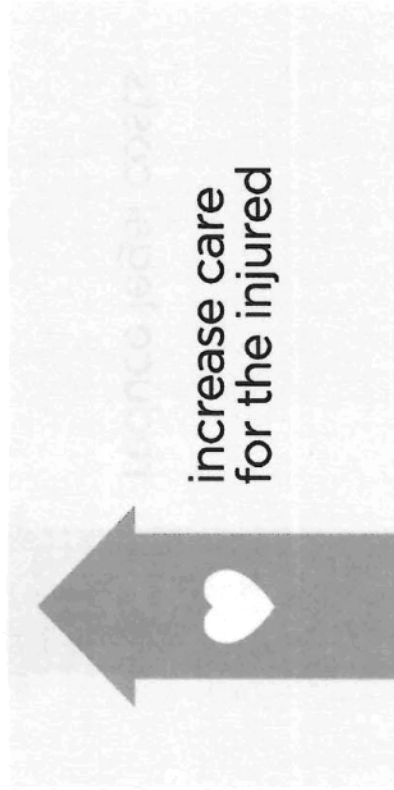
- Public announcement

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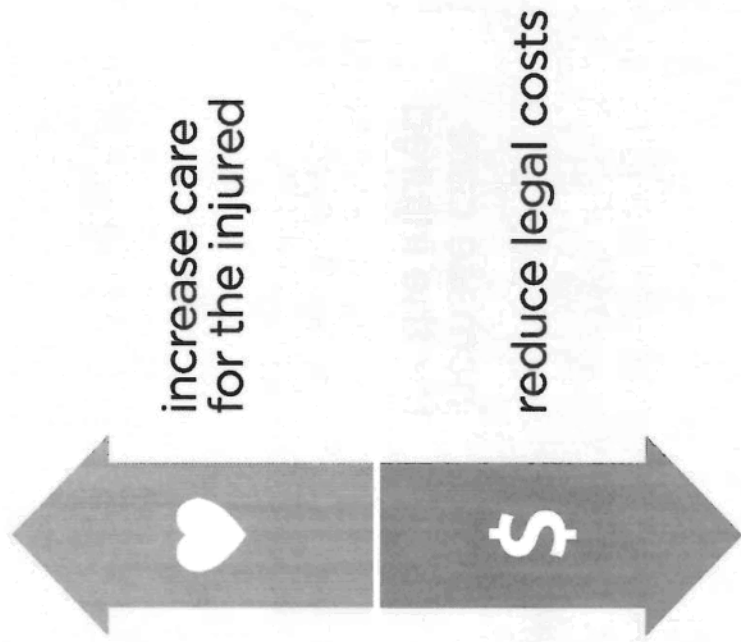
Suite of changes needed



Changes announced today



Changes announced today



Changes are necessary

Cost of full insurance

2017

\$ 1700

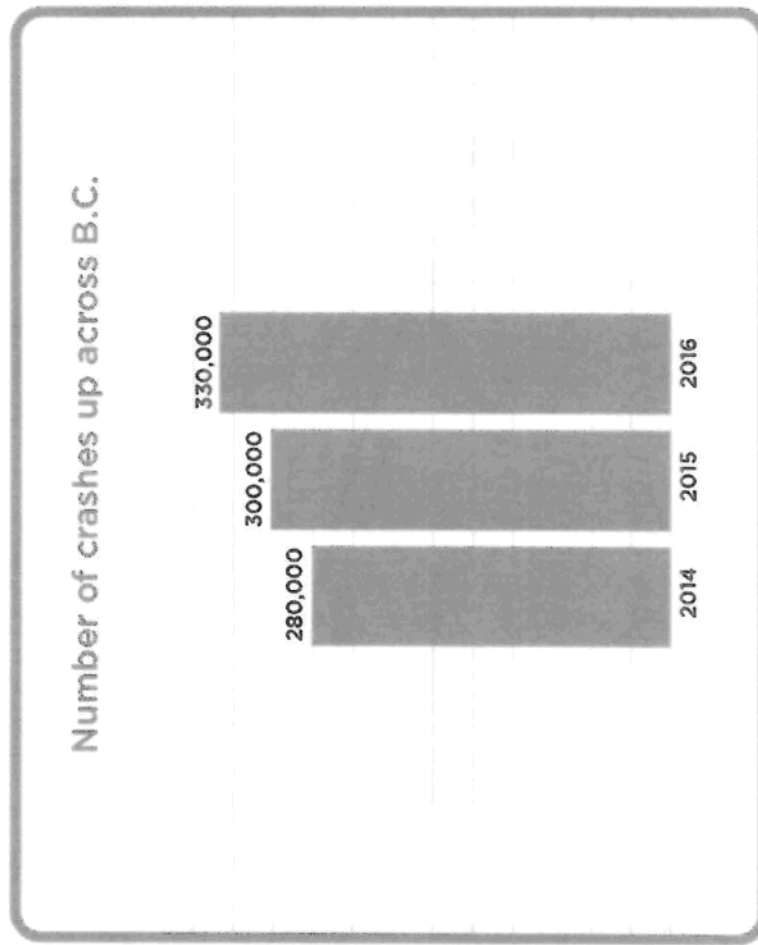
2019

\$ 2109

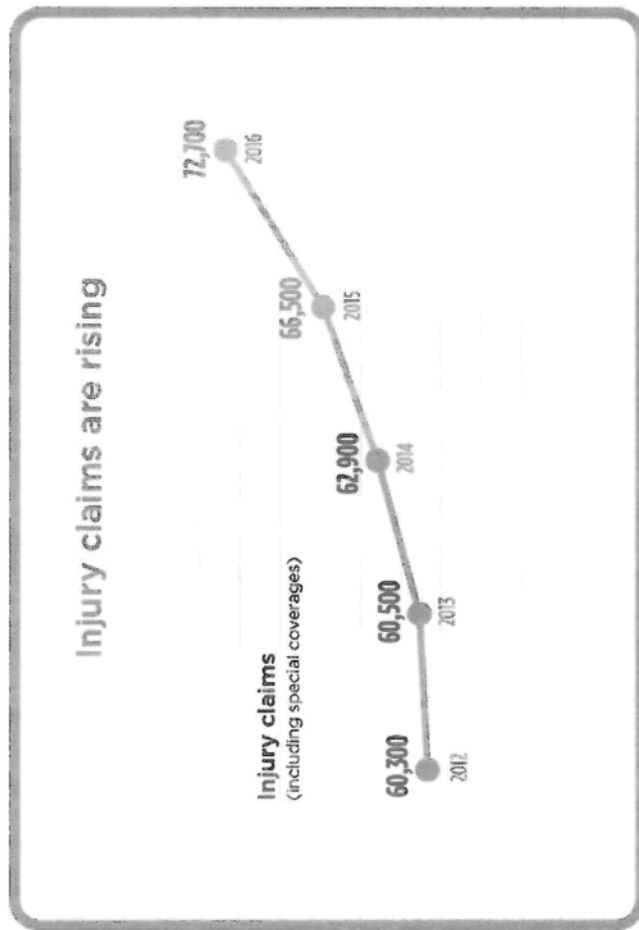
ICBC's financials

- Q3 results

More crashes

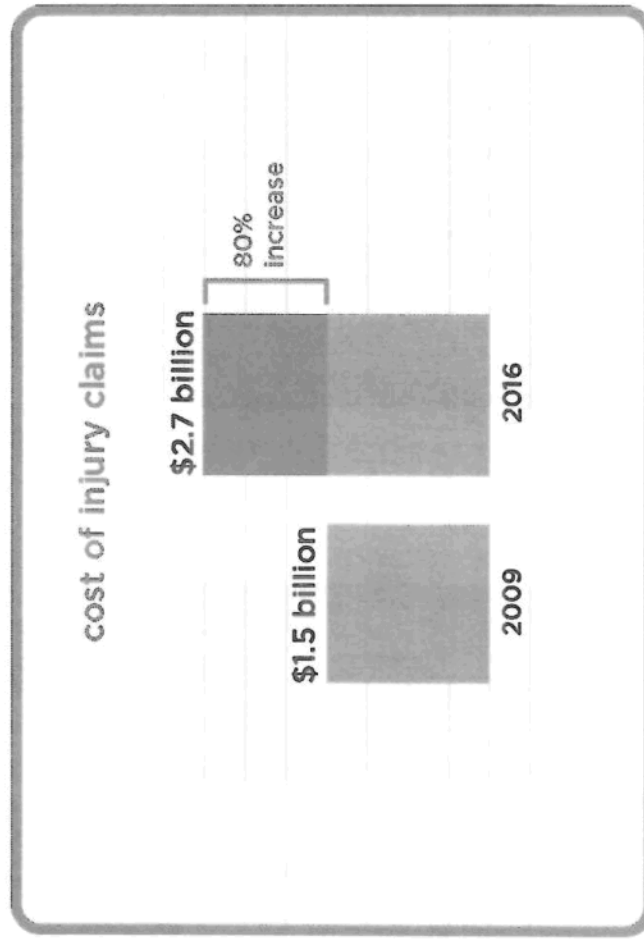


More injury claims

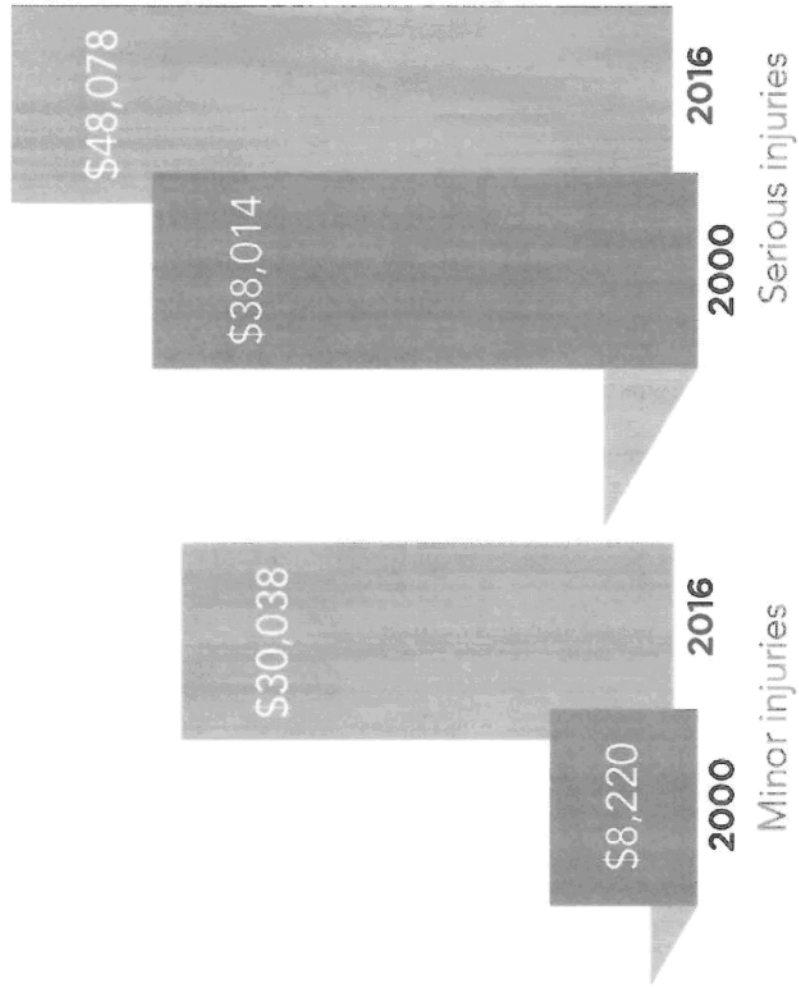


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Rising cost of injury claims

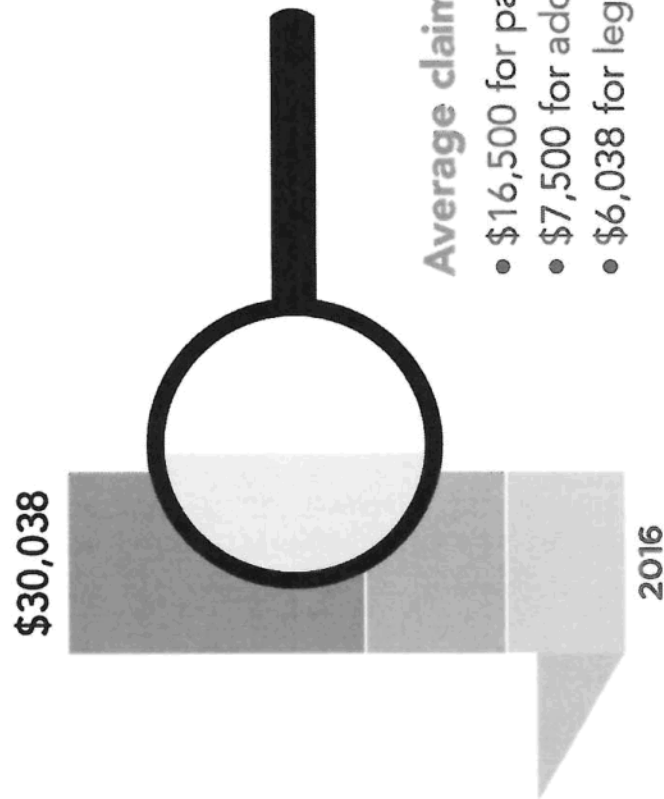


Injury claims



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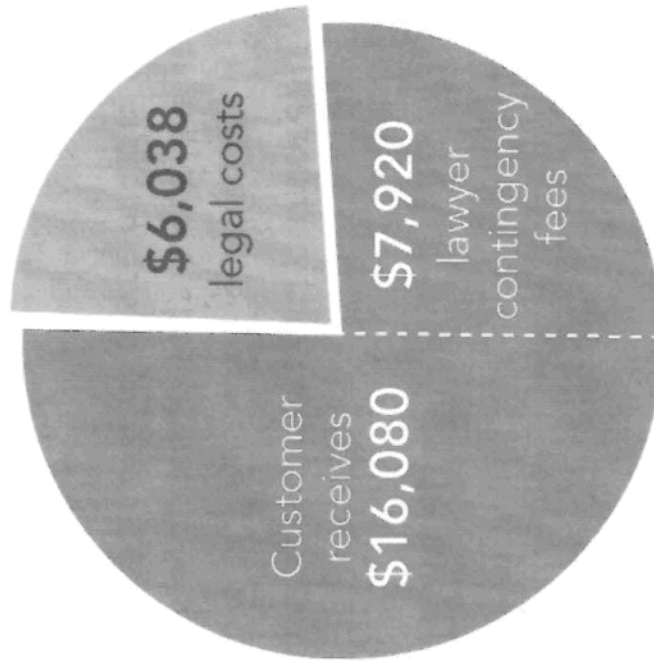
Breakdown of a minor injury claim



Average claim paid out for minor injury claim is \$30,038

- \$16,500 for pain and suffering
- \$7,500 for additional wage loss and medical care
- \$6,038 for legal costs, including expert reports

An example of a settlement distribution



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Legal costs

What your insurance pays for

12%
Operating
costs

3%
Broker
commissions

6%
Accident
benefits

18%
Car repairs and
property damage

24%
Legal
costs

20%
Minor
injuries

Payouts for
sprains, aches
and strains

17%
Major
injuries

Payouts for
serious and
critical injuries

Not recovery focused

Accident benefits have not increased since 1991

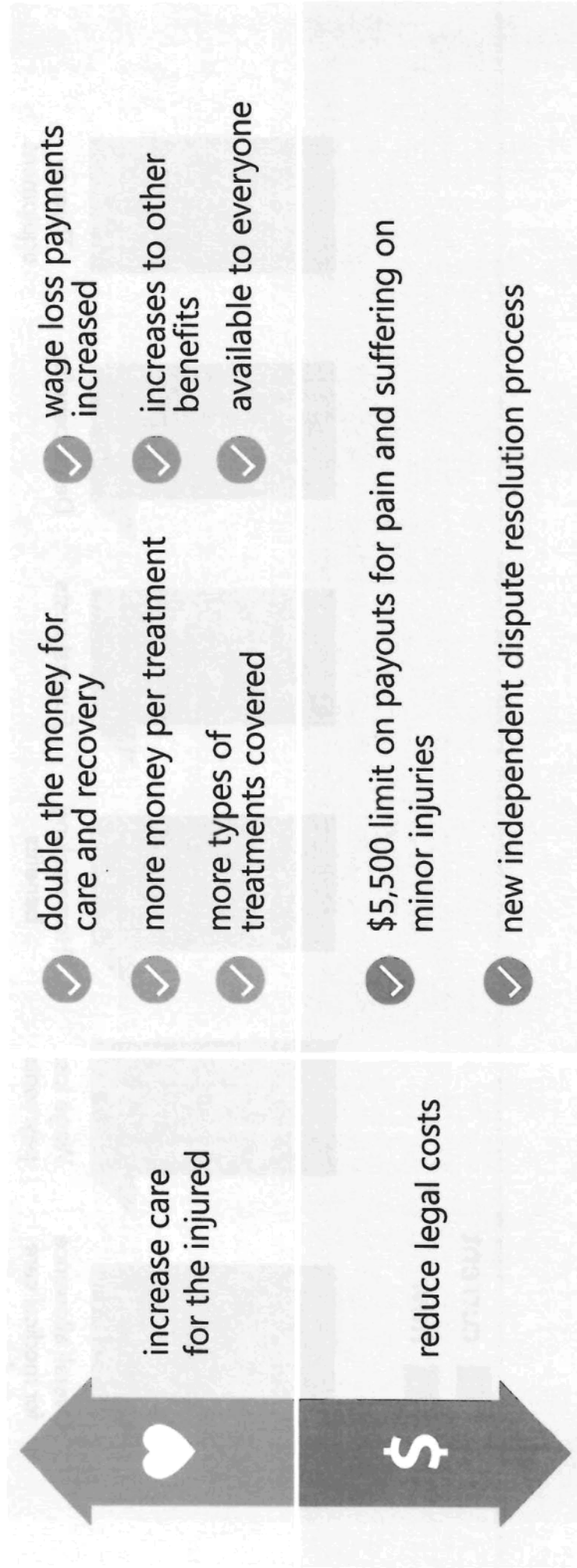
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Not fair

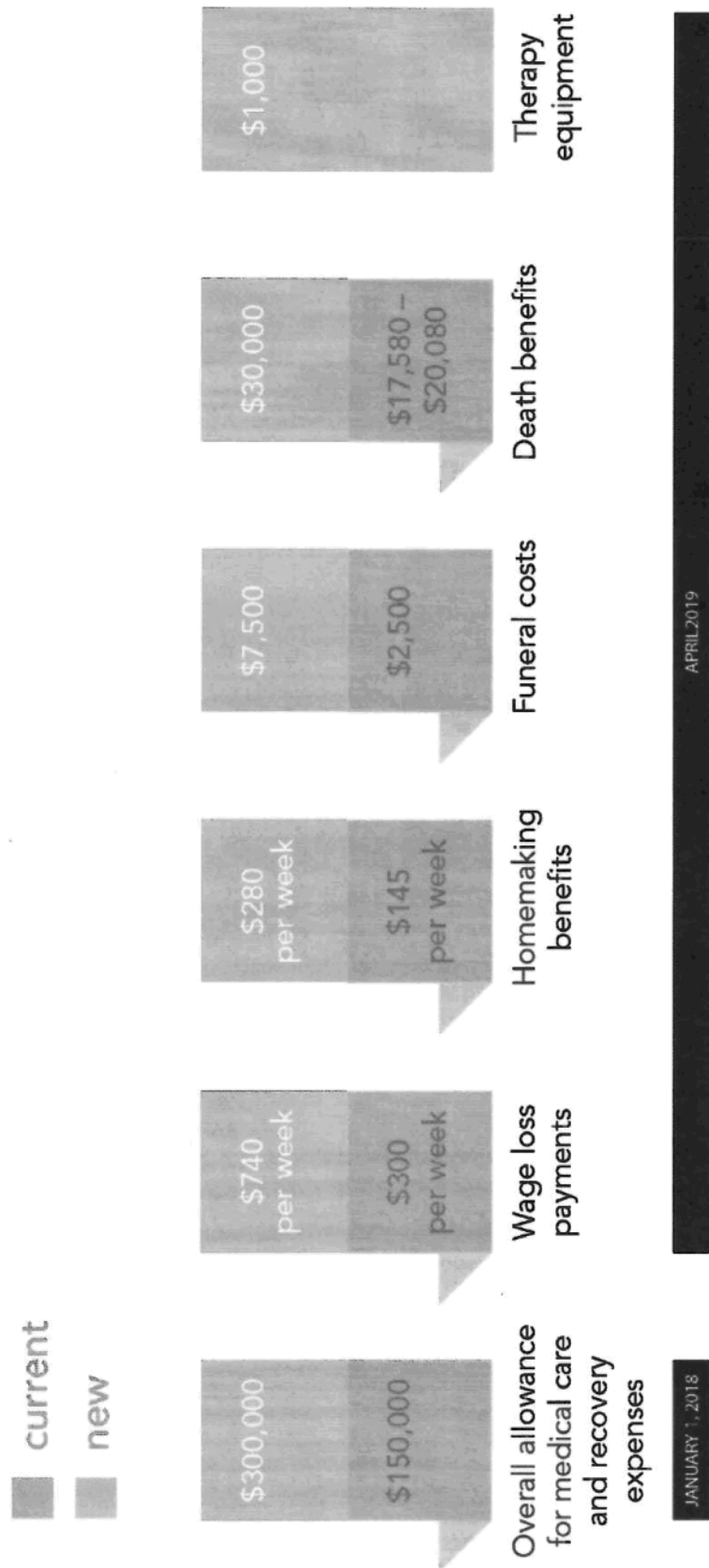
Plan to improve fairness

- Make high-risk drivers pay more; low-risk drivers pay less

Changes announced today



Increased accident benefits for all



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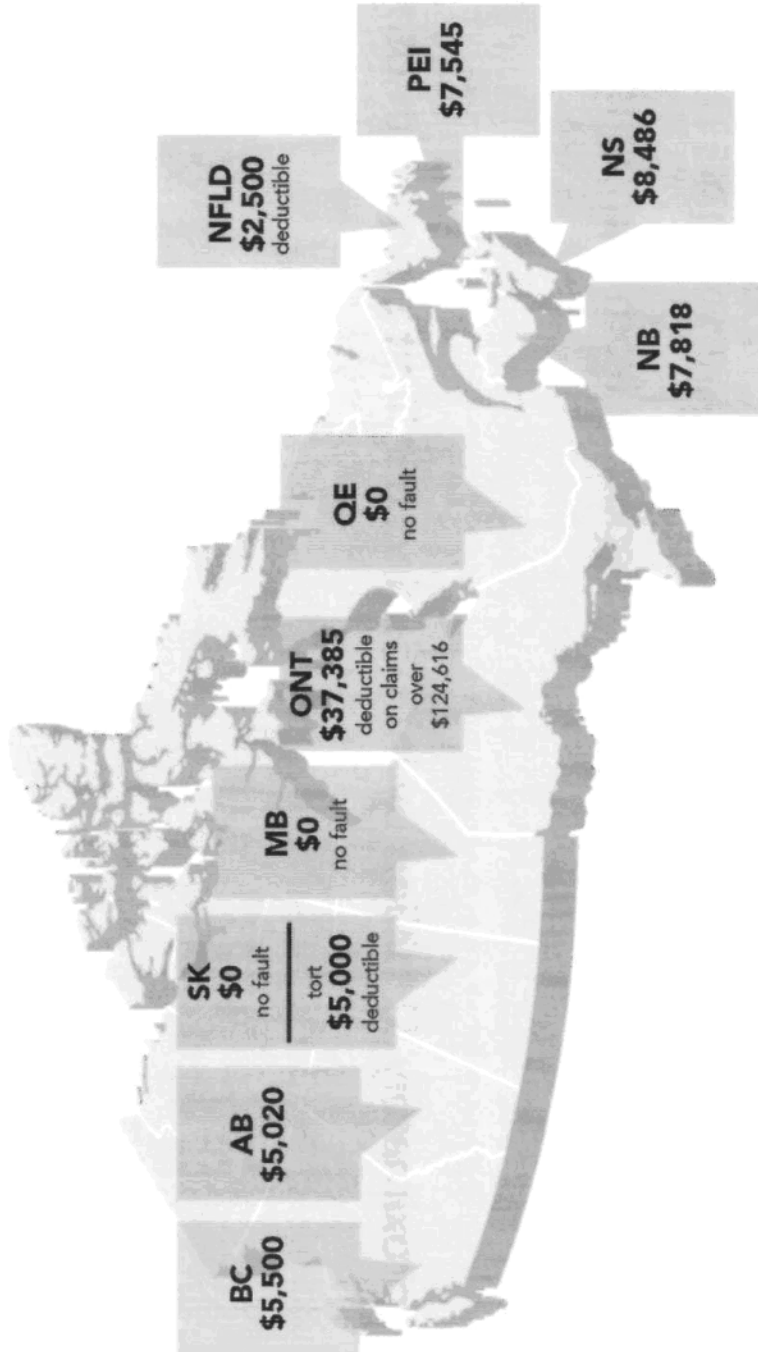
Limit on payouts for pain and suffering

\$5,500 limit will apply to minor injuries only, effective April 1, 2019

- Payments for pain and suffering are entirely separate from compensation for any medical treatments

Savings of approximately \$1 billion by introducing the limit along with other changes

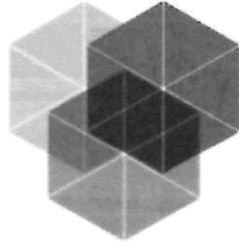
Provincial comparison



Definition of a minor injury

- “Minor injury” will likely include sprains, strains, general aches and pains; mild whiplash; cuts and bruises; anxiety and stress from a crash
- If these symptoms persist beyond 12 months, the injury would no longer be considered minor – and the limit would not apply
- A medical professional – not ICBC – will determine the severity of injuries and therefore if it falls under the definition of a minor injury

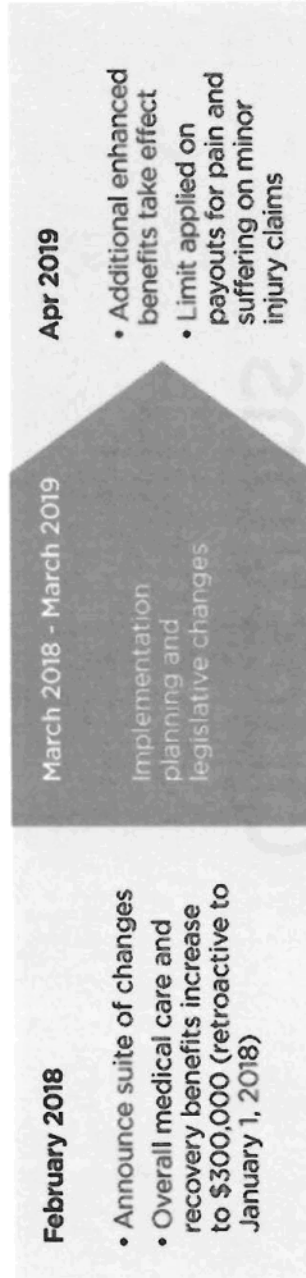
New independent dispute resolution process



Civil Resolution Tribunal

- Disputes related to ICBC injury claims
 - ✓ Online, accessible and efficient
 - ✓ Independent from ICBC
 - ✓ Reduce reliance on courts and legal system
 - ✓ Faster decisions for customers

Timeline



Questions

Thank you

Nanninga, Tanera AG:EX

From: Zadravec, Don GCPE:EX
Sent: Thursday, February 1, 2018 4:54 PM
To: Lloyd, Evan GCPE:EX; Kristianson, Eric GCPE:EX; Gibbs, Robb GCPE:EX; Smith, George AG:EX
Subject: FW: comms materials
Attachments: Media Technical briefing - 31JAN18 - DRAFT.PPTX

Follow Up Flag: Follow up
Flag Status: Flagged

See attached

From: Nelson, Tiffany GCPE:EX
Sent: Thursday, February 1, 2018 4:02 PM
To: Zadravec, Don GCPE:EX
Subject: RE: comms materials

Hi Don – Catherine is compiling latest round of ICBC and program edits to the NR and BK, which I should receive in moments. I'll send to you simultaneously so you have them.

The PPT for the technical briefing is attached, and with MO. It currently reads as though from a government source though it's still unclear who is delivering this.

Below is a list of outstanding questions I have with MO as to the rollout. I have a hold on the press theatre for now but welcome any details you have, including focus group messaging I should be aware of as I review materials.

Thanks

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Tiffany
250 858-4680

From: Zadravec, Don GCPE:EX
Sent: Thursday, February 1, 2018 3:28 PM
To: Nelson, Tiffany GCPE:EX <Tiffany.Nelson@gov.bc.ca>
Subject: comms materials

Hi Tiffany, can you give me an update on the status of the ICBC comm materials?

Thanks,

Don Zadravec
Executive Director
Resource Ministries
GCPE
778-584-1252





Technical briefing

Changes to ICBC

February 1, 2018

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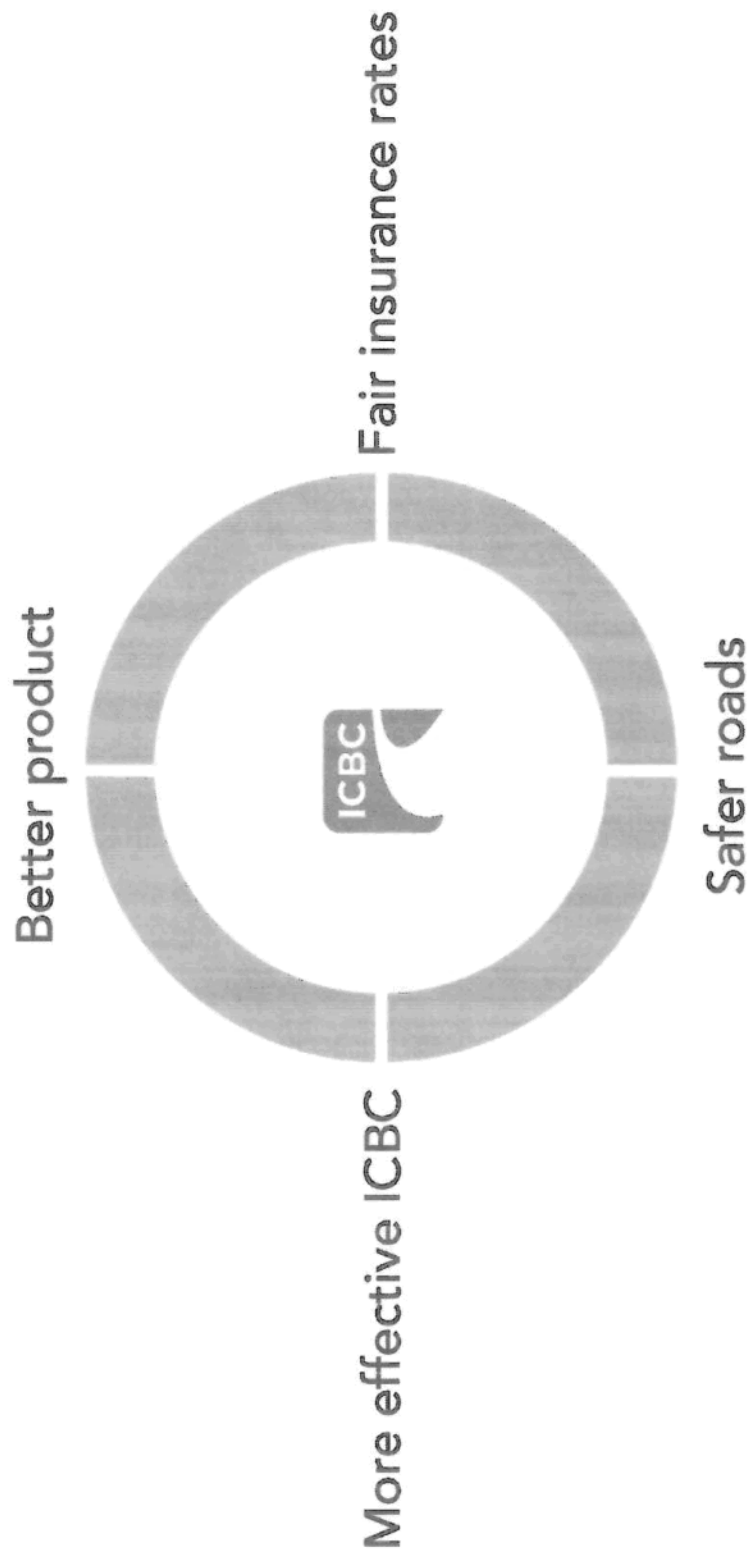
Outline

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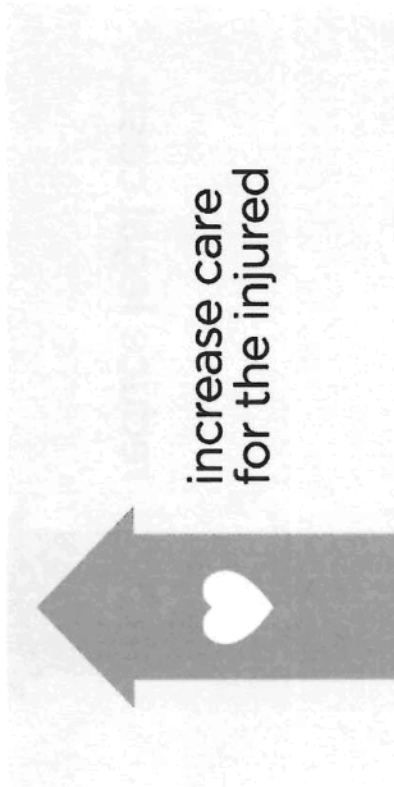
- Break -

- Public announcement

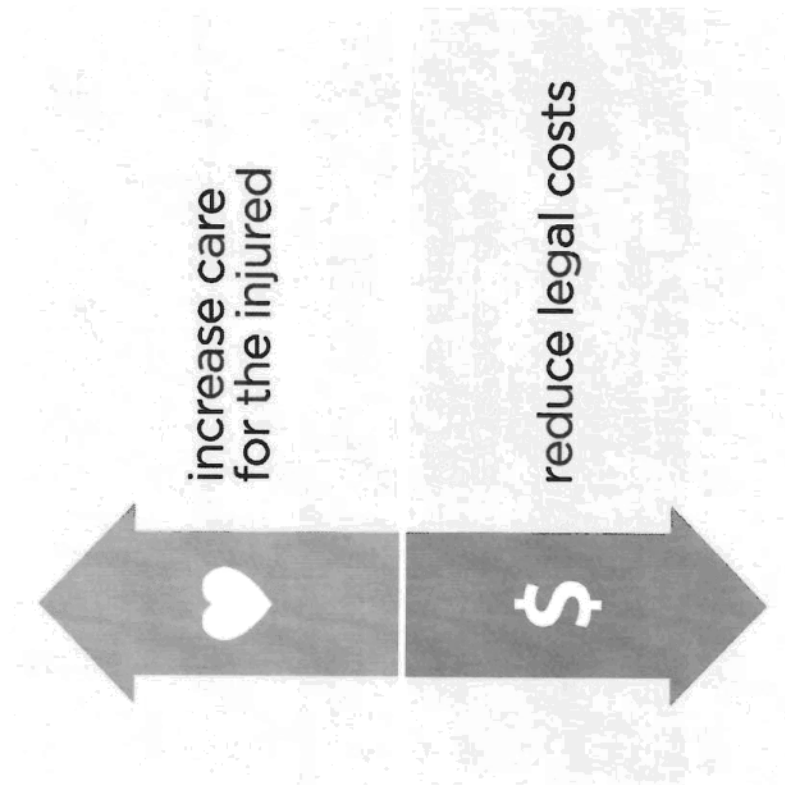
Suite of changes needed



Changes announced today



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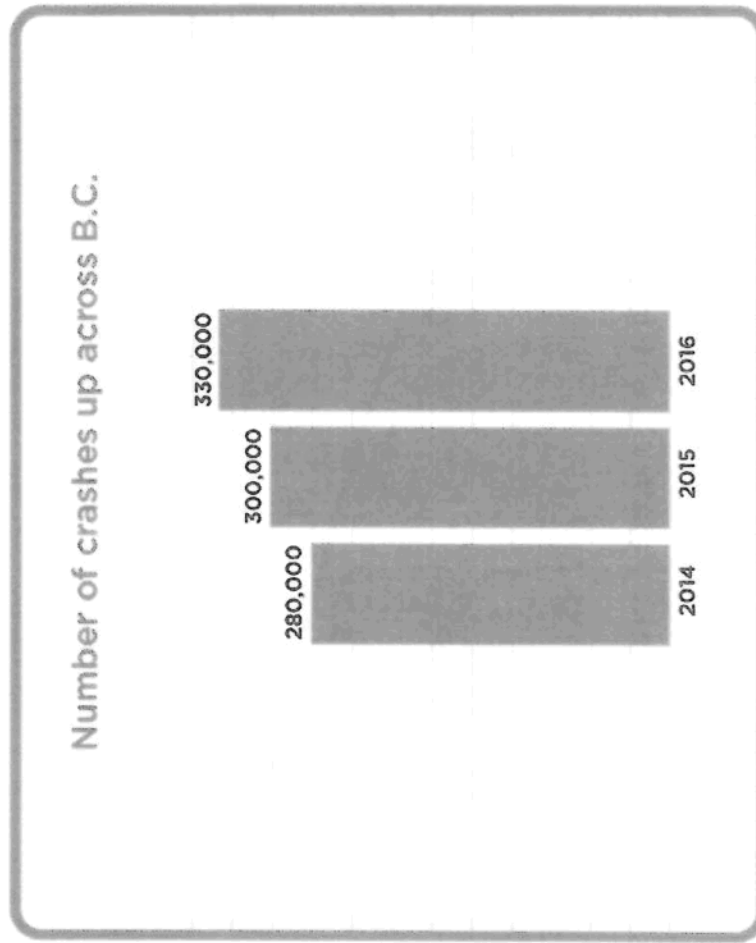
\$ 2109

ICBC's financials

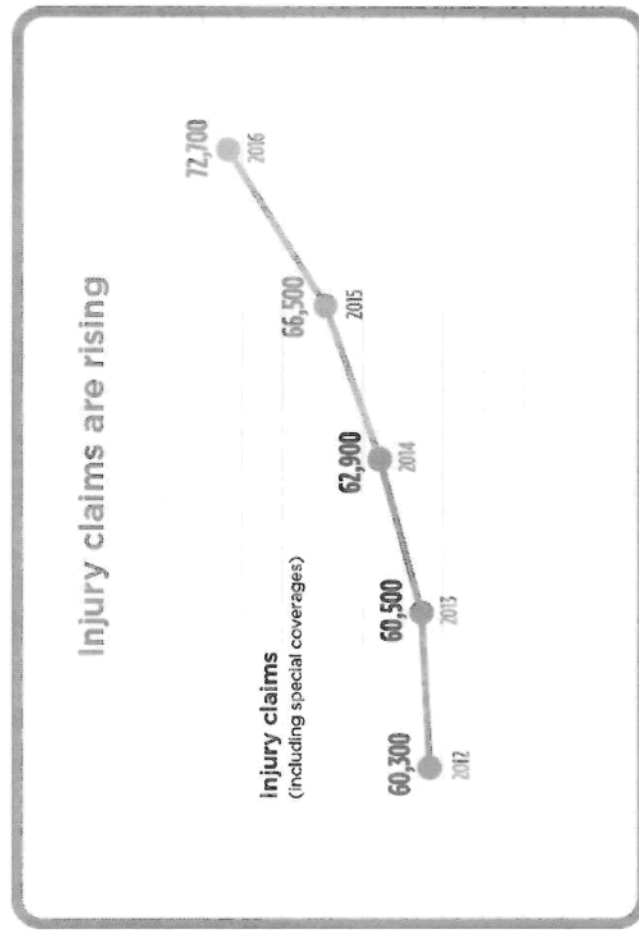
- Q3 results

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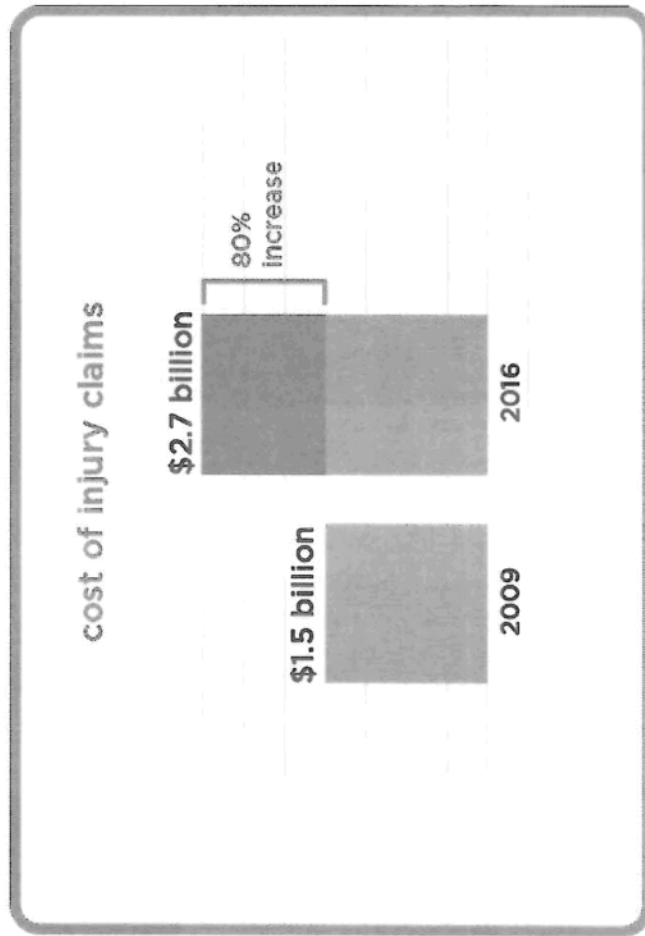
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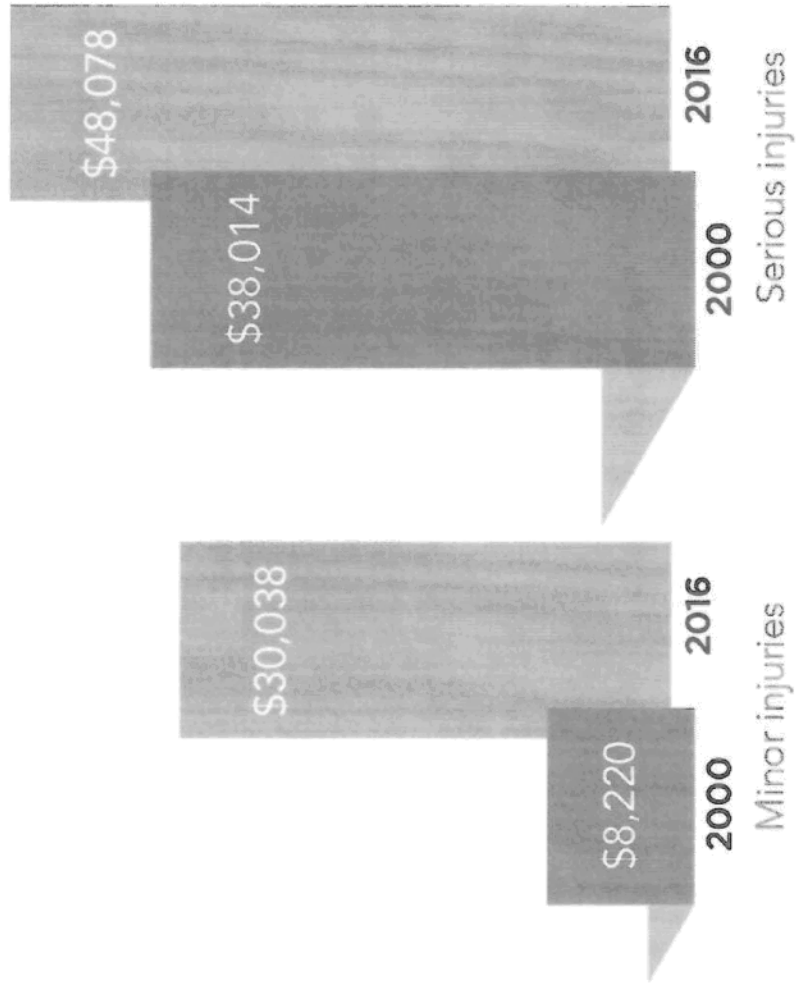
More injury claims



Rising cost of injury claims



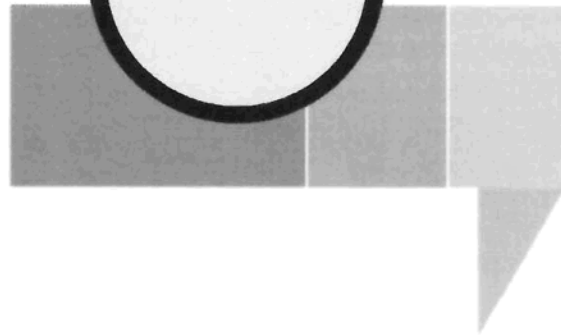
Injury claims



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Breakdown of a minor injury claim

\$30,038

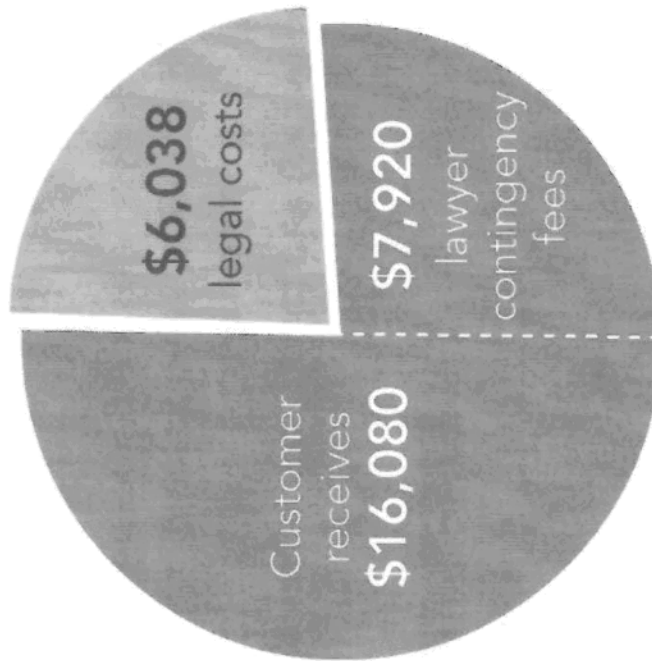


2016

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An example of a settlement distribution



Legal costs

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12%

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Major injuries

Payouts for serious and critical injuries

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Accident benefits have not increased since 1991

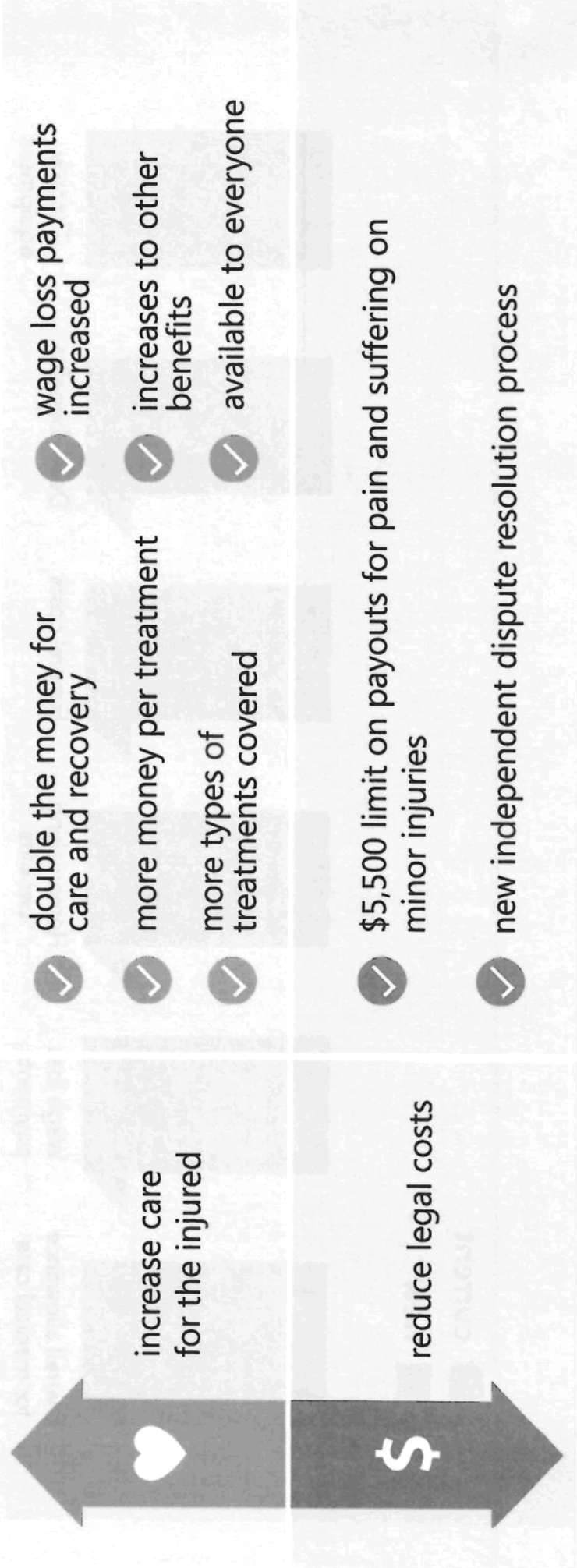
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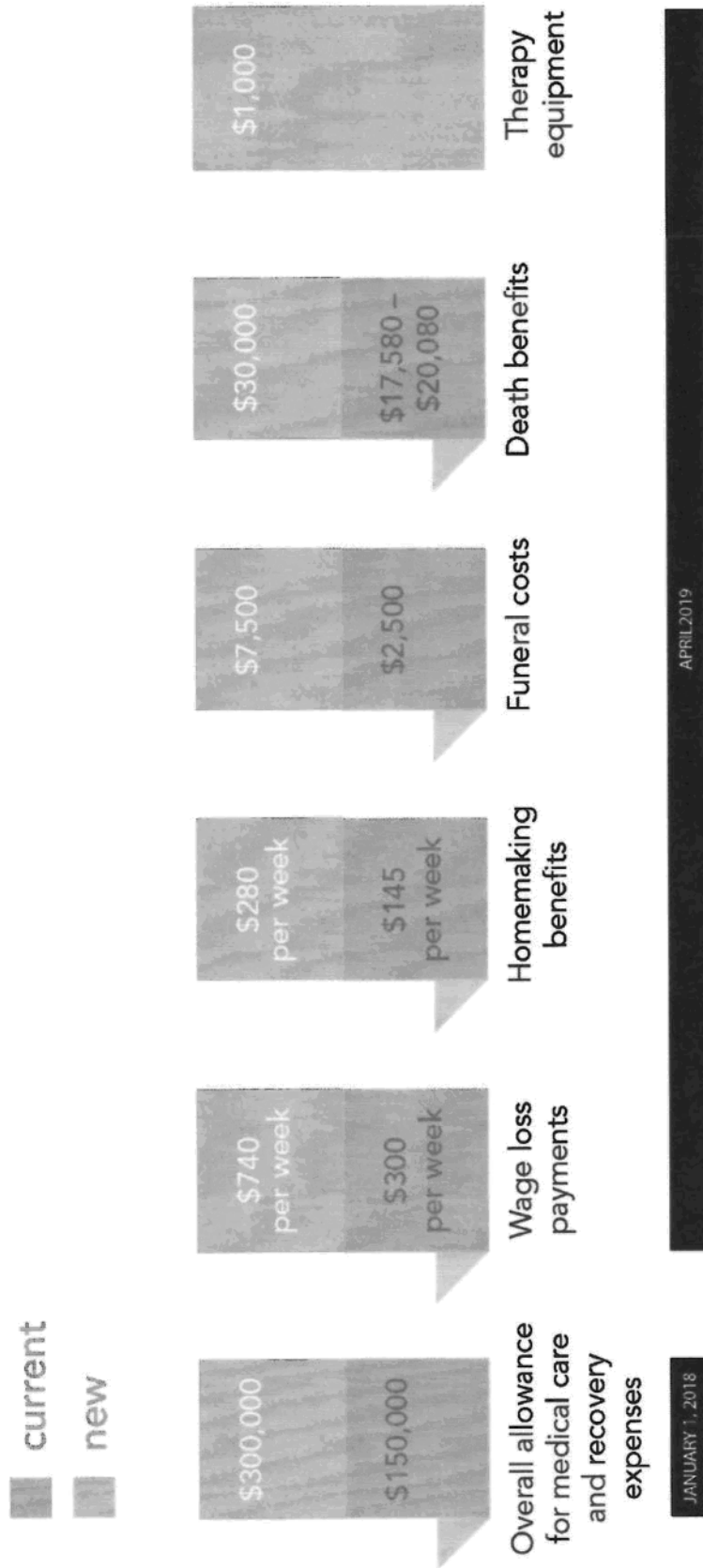
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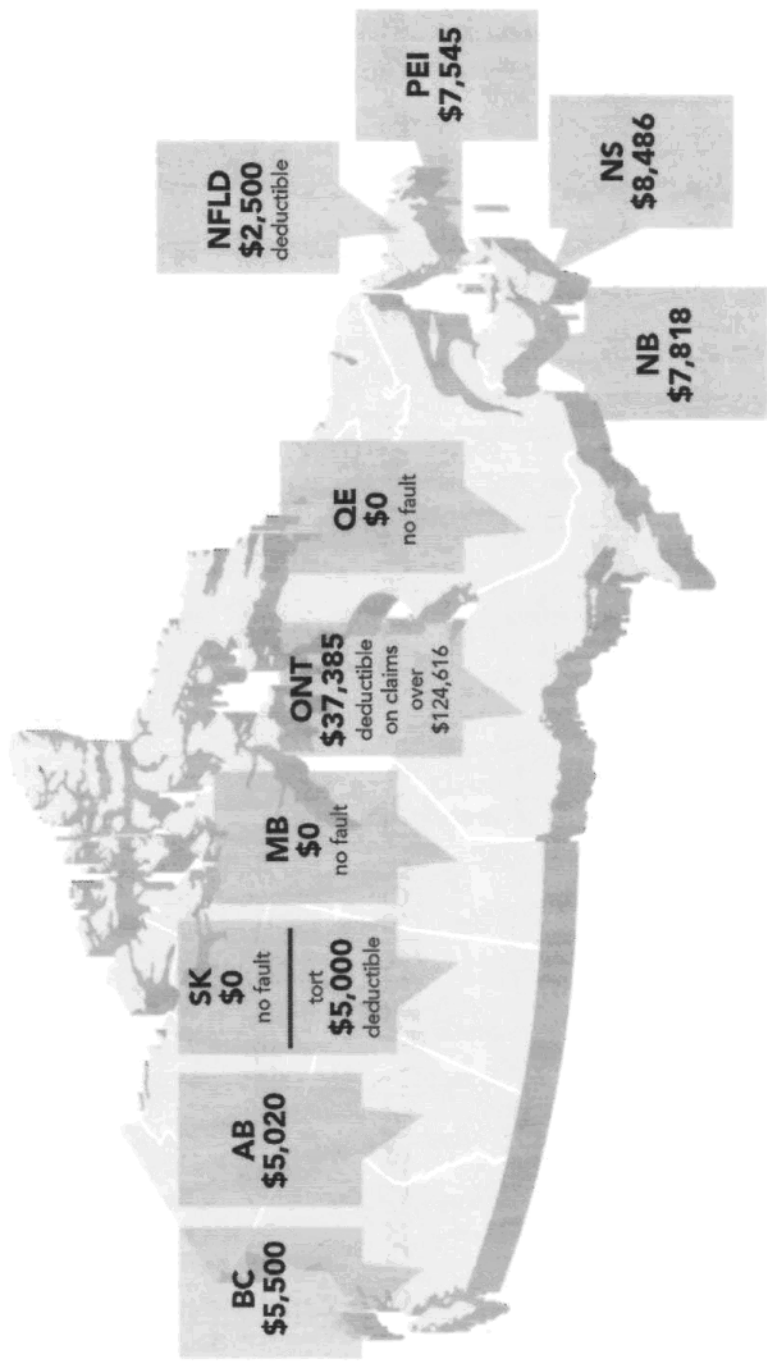
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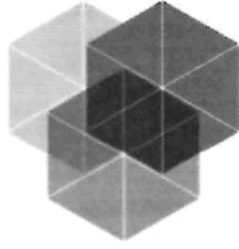
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Definition of a minor injury

- “Minor injury” will likely include sprains, strains, general aches and pains; mild whiplash; cuts and bruises; anxiety and stress from a crash
- If these symptoms persist beyond 12 months, the injury would no longer be considered minor – and the limit would not apply
- A medical professional – not ICBC – will determine the severity of injuries and therefore if it falls under the definition of a minor injury

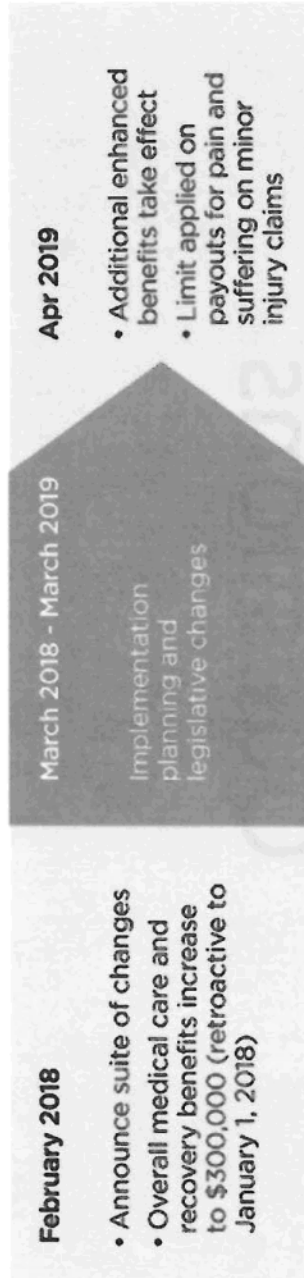
New independent dispute resolution process



Civil Resolution Tribunal

- Disputes related to ICBC injury claims
 - ✓ Online, accessible and efficient
 - ✓ Independent from ICBC
 - ✓ Reduce reliance on courts and legal system
 - ✓ Faster decisions for customers

Timeline



Questions

Thank you

Nanninga, Tanera AG:EX

From: Richard McCandless <rick.mccandless@shaw.ca>
Sent: Friday, February 2, 2018 7:13 AM
To: Eby, David
Cc: Smith, George AG:EX
Subject: Justine Hunter Today's Globe and Mail
Attachments: Justine Hunter MCT my comments 2 Feb 2018.pdf

Follow Up Flag: Follow up
Flag Status: Flagged

Minister,

My quick fact check on some aspects of Justine Hunter's piece on ICBC's capital reserves.

Also the Insurance Bureau is circling. <https://www.insurancebusinessmag.com/ca/news/breaking-news/ibc-calls-for-more-auto-insurance-competition-in-bc-91089.aspx>

Regards,
Rick

COMMENTS ON JUSTINE HUNTER'S STORY ON ICBC'S RAPIDLY DEMINISHING
CAPITAL RESERVES

<https://www.theglobeandmail.com/news/british-columbia/icbc-approaches-d-day-for-capital-reserves-to-pay-soaring-claims/article37828216/>

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Page 051

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Nanninga, Tanera AG:EX

From: Zadravec, Don GCPE:EX
Sent: Friday, February 2, 2018 1:19 PM
To: Gibbs, Robb GCPE:EX
Cc: Lloyd, Evan GCPE:EX; Kristianson, Eric GCPE:EX; Smith, George AG:EX
Subject: FW: For review: ICBC NR, BK (x2), slides
Attachments: NR - ICBC Product Changes - 02FEB18 - DRAFT - for HQ.docx; BK - ICBC Minor Injury Claims - 02FEB18 - DRAFT.DOCX; BK - ICBC enhanced accident benefits - 02FEB18 - DRAFT.DOCX; Technical briefing - 02FEB18 - DRAFT.PPTX

Importance: High

Follow Up Flag: Follow up
Flag Status: Flagged

Robb, as discussed.

Don

From: Nelson, Tiffany GCPE:EX
Sent: Friday, February 2, 2018 1:09 PM
To: Zadravec, Don GCPE:EX
Subject: For review: ICBC NR, BK (x2), slides
Importance: High

Hi Don – please start reviewing the updated NR and two BKs for Tuesday. The latest slideshow is attached but note that the CRT slide will change.

More to follow.

Thanks,

Tiffany
250 858-4680

NEWS RELEASE

For Immediate Release
[release number]
Feb. 6, 2018

Ministry of Attorney General

Government takes action to address ICBC financial crisis with major reforms

VICTORIA— The Government of British Columbia is taking immediate and decisive action to put ICBC on the road to financial stability by significantly increasing accident benefits for those injured in crashes, introducing a limit on pain and suffering payouts for minor injuries and using an independent dispute resolution process for ICBC injury claims. These changes will improve treatment for those injured in a crash, reduce legal expenses and keep insurance rates affordable for British Columbians.

ICBC announced earlier in the week a projected net loss of \$1.3 billion for the full year, after years of mismanagement and inaction by the former government. Without changes to the way claims are treated, B.C. drivers would need to pay on average at least \$400 more for their full basic and optional coverage by 2019 – an average premium of approximately \$2,100 – in order to cover rising claims costs.

When these changes take effect April 1, 2019, a new limit of \$5,500 on pain and suffering for minor injury claims will redirect costs currently spent on legal fees, courts and litigation towards direct care of those injured in crashes. B.C. is the last province in Canada to take this kind of action to limit claims costs in order to keep insurance rates affordable.

“Our government is taking the first step in a suite of actions that were denied and delayed by the old government,” said Attorney General David Eby. “Our solutions will create a sustainable auto insurance system that strikes the balance between increased care for the injured, more affordable and fair rates for everyone, with less spent on legal costs. We expect these changes will help people get better, faster, and at the same time, reduce ICBC’s claims costs by more than \$1 billion each year.”

For the first time in more than 25 years, major changes will be made to ICBC’s accident benefits to dramatically increase the care available for anyone injured in a crash, regardless of fault. “Unbelievably, accident benefits haven’t been increased since 1991,” said Giovanna Boniface, national director of professional affairs for the Canadian Association of Occupational Therapists. “By raising the amount covered, and expanding the variety of treatments that are eligible, these changes will encourage more people to seek the treatment they need and recover more quickly.”

The enhancements to accident benefits include:

- Doubling the overall allowance for medical care and recovery costs to \$300,000. Legislation will be introduced with the intention of making this benefit retroactive to Jan. 1, 2018, in order to immediately start helping those British Columbians most seriously injured in a crash.
- Covering a greater variety of treatment services.

- Significantly increasing the amount covered for treatments, so customers don't have to pay out-of-pocket.
- More than doubling wage loss payments to \$740 per week, almost doubling home support benefits to \$280 per week, tripling funeral costs to \$7,500, and increasing death benefits to \$30,000.

"British Columbians can no longer afford to keep paying more and more for their auto insurance every year, and this is the decisive and immediate action which is needed to relieve the pressure on ICBC's rates," said Joy MacPhail, Chair, ICBC Board of Directors. "These changes make the injured customer our top priority, by redirecting payments away from legal costs into significantly enhancing the care and treatments for anyone who is injured in a crash."

In this new system, certain disputes regarding motor vehicle injury claims will be directed to the Civil Resolution Tribunal (CRT) where they can be decided quickly and affordably by independent adjudicators, without requiring the need for lawyers.

"The system we have today does not do a good enough job of taking care of those who are injured in crashes," said Jane Dyson, Executive Director, Disability Alliance BC. "We welcome these improved benefits – and particularly the doubling of the overall allowance for medical care and recovery. This should be seen as welcome relief by anyone who is unfortunate enough to be catastrophically injured in a crash."

Quick Facts:

- Injury claims totalled \$2.7 billion in 2016 – an increase of 80 percent in just the last seven years.
- The average claim paid out for minor injuries has risen from \$8,2200 in the year 2000 to \$30,038 in 2016 – an increase of more than 265 percent.
- At the same time, the average pain and suffering awards paid out for minor injuries have risen from \$5,004 in 2000 to more than \$16,499 in 2016.
- Vehicle damage claims costs have increased 30 percent in just two years, to a total of \$1.5 billion in 2016 alone.
- Use of the CRT for dispute resolution means injured claimants who don't use a lawyer will get to keep their entire settlement rather than paying a portion of it to lawyer fees.
- The use of the CRT for these disputes will also reduce ICBC's legal costs, which account for 24 per cent of the corporation's total annual costs – greater than the cost of running ICBC.

Learn More:

ICBC icbc.com/change

B.C.'s Civil Resolution Tribunal civilresolutionbc.ca

Backgrounders on limits to minor injury claims and enhanced accident benefits are located here: [add newsroom link]

Media contacts:

Ministry of Attorney General

778 678-1572

ICBC

604 250-1155

Backgrounder 2:

Limits to minor injury claims

Massive increases in injury claim costs and payouts are a primary cause of soaring costs at ICBC and the biggest pressure on insurance rates. In 2016, payouts for injury claims reached a record \$2.7 billion, an increase of 80 per cent or \$1.2 billion since 2009. The average claim paid out for minor injuries has risen from \$8,220 in 2000 to \$30,038 in 2016 – an increase of 265 per cent.

As of April 1, 2019, a \$5,500 limit will be applied to pain and suffering payouts for minor injuries in B.C. Any compensation provided by accident benefits, such as benefits for medical treatments, wage loss and home care support, is completely separate from pain and suffering.

Claims that have already occurred – or that occur between now and the implementation of the changes – will stay in the current system.

Drivers will have an option to purchase additional coverage for a higher limit in pain and suffering compensation. The limit would be set at \$75,000 and would cost approximately \$1,300 a year on top of the cost of their basic and other optional insurance. Charging for this optional coverage means the customers who stand to benefit from increased coverage will pay for it, rather than every B.C. driver.

Currently, customers not at-fault for a crash are usually paid an amount for pain and suffering, which is in addition to compensation provided by accident benefits that includes medical treatments, wage loss and home care support.

By introducing a limit to pain and suffering, along with other changes, ICBC will save more than \$1 billion in claims costs annually.

Minor injury definition

ICBC will develop a clear, legal definition of what constitutes a minor injury in B.C. The new legal definition will include things like sprains, strains, mild whiplash, cuts and bruises, anxiety and stress from a crash. It does not include broken bones, brain injuries (concussions) or other more serious impairments.

A medical professional – not ICBC – will determine the nature of an injury and this will determine whether it falls under the definition of a minor injury. An injury initially diagnosed as minor may also be determined by a medical professional to become non-minor over time.

If, after 12 months, a customer continues to have serious impairment from the injury, or has a significant inability to care for themselves, it would no longer be considered minor and would not be subject to the limit for pain and suffering payouts.

New dispute resolution model for minor injury claims

As of April 1, 2019, the Civil Resolution Tribunal (CRT) will resolve certain disputes concerning motor vehicle injury claims.

These adjudicators are independent of ICBC and will provide fair, fast resolution, without requiring the involvement of a lawyer. Currently, the CRT aims to resolve claims in 60-90 days, on average, whereas the average legal claim with ICBC can take up to 30 months.

The CRT currently helps people resolve strata and small claims disputes quickly and affordably. It also encourages a collaborative approach to dispute resolution and is available 24/7.

Backgrounder 1:

Enhanced accident benefits

As of April 1, 2019, everyone injured in a crash will have access to greatly enhanced accident benefits that improve care and support for recovery.

More money for treatments

- The overall allowance for medical care and recovery expenses will double to \$300,000 from \$150,000 to better support those most catastrophically injured in a crash.
 - This includes necessary medical, surgical, dental, nursing or physical therapy services, as well as costs for chiropractic treatment, occupational therapy or speech therapy.
 - Legislation will be introduced to make this benefit retroactive so that it will apply to anyone injured in a crash on or after Jan.1, 2018 in order to start helping British Columbians sooner.
- Significantly greater treatment costs will be covered.
 - Customers will no longer be out-of-pocket for most expenses.
 - ICBC will pay more for treatments based on current fair market rates. These rates have not been updated since 1991.

More services covered

- More types of service providers will be covered by ICBC, so that customers have more choice about the treatments they are able to receive.
- Kinesiology, acupuncture, counselling and massage therapy visits will be added to the list of pre-approved services that already include doctor visits, physiotherapy, occupational therapy and chiropractic treatment.

Other enhancements

- Customers who are unable to work due to their injury will receive wage loss support of up to \$740 per week, a 147 per cent increase from \$300 per week. This will be indexed to keep up with the cost of living.
- If an injury prevents a customer from completing household tasks they are primarily responsible for (e.g. cooking, cleaning and other activities in the home), they will receive \$280 per week in homemaking benefits – a 93 per cent increase from \$145 per week.
- In the event of death, up to \$7,500 will be reimbursed for funeral costs – a 200 per cent increase from \$2,500; and, up to \$30,000 will be available in death benefits, up from the previous rate which ranged from \$17,580 - \$20,080.
- ICBC will review other accident benefits (funeral, homemaker, death and accident benefits limits) on an ongoing basis.

Nanninga, Tanera AG:EX

From: Nelson, Tiffany GCPE:EX
Sent: Friday, February 2, 2018 6:25 PM
To: Smith, George AG:EX
Subject: Technical QAs
Attachments: QA - ICBC Product Changes - 02FEB18 - DRAFT.DOCX

Follow Up Flag: Follow up
Flag Status: Flagged

Staff are working on the QAs to convert into media QAs. The 60 attached (program approved info) are not that.

Will send when I receive them.

From: Nelson, Tiffany GCPE:EX
Sent: Friday, February 2, 2018 4:28 PM
To: Smith, George AG:EX
Subject: FYI only: latest Tues products
Importance: High

Hi – FYI only as these are all with HQ and likely undergoing many revisions. Just so you see where they're at. I have QAs back from program and going through now to send to Don next.

FIN GCPE also has materials for review.

The PPT has been updated slightly since MDE signed off. Will point out the changes once we have a final package to send you.

The two validators are confirmed to attend the event, speak and are sending us approved NR quotes now.

Tiffany
250 858-4680

From: Nelson, Tiffany GCPE:EX
Sent: Friday, February 2, 2018 1:09 PM
To: Zadravec, Don GCPE:EX <Don.Zadravec@gov.bc.ca>
Subject: For review: ICBC NR, BK (x2), slides
Importance: High

Hi Don – please start reviewing the updated NR and two BKs for Tuesday. The latest slideshow is attached but note that the CRT slide will change.

More to follow.

Thanks,

Tiffany
250 858-4680

**Product Changes
Questions & Answers**

Qs & As:

General

1. What is changing?

- Government is announcing solutions to relieve the pressure on ICBC's Basic insurance rates and help prevent annual large rate increases.
- The changes reflect a shift to a care-based model – which makes taking care of the injured customer as the top priority –and move the focus away from maximizing compensation and towards directing more money to the care, treatments and support the customer's needs.
- ICBC will significantly increase accident benefits for those injured in crashes and introduce a limit on pain and suffering payouts for minor injuries.
- That means ICBC will increase payments for treatments, as well as increase the variety of treatments covered to help customers get better faster.
- The enhanced accident benefits will be available for all injury claims, which means any British Columbian injured in a crash will now benefit.
- We are also introducing a \$5,500 limit on pain and suffering payouts for minor injuries.
- ICBC will develop a clear, legal definition of what constitutes a minor injury in B.C.
- The new legal definition will include things like sprains, strains, mild whiplash, cuts and bruises, anxiety and stress from a crash.
- The limit does not apply to things like broken bones, brain injuries (concussions) or other non-minor and catastrophic injury claims.
- These changes will move the focus away from maximizing compensation, reduce legal costs, and allow more money to be allocated to the care, treatments and support the customer needs to get better.
- We are also introducing the Civil Resolution Tribunal to resolve certain disputes for motor vehicle injury claims.
- The CRT has been successful in resolving disputes for strata and small claims.
- Use of the CRT will mean that lawyers are not required to be involved, and help reduce legal costs to ICBC.

2. These are substantial changes for the legal profession. What do the Trial Lawyers of BC think about these changes?

- Over the last two months, the Attorney General has had some tough conversations with a number of stakeholders, including the TLABC.
- At the request of the Attorney General, the ICBC board requested an externally retained actuary to look at specific areas where the TLA raised concerns.
- This independent actuary found that ICBC's assumptions in both areas were appropriate and the TLABC's concerns did not have substance and would not have changed ICBC's calculations.
- Also at the request of the Attorney General, PwC is undertaking an external assessment of the reasonableness of the methodology and assumptions used in ICBC's service plan forecasts contained in the Q3 Financial Outlook.

3. Why haven't you asked the public for comment?

- We want all British Columbians to be involved in helping to shape the future of insurance in B.C.
- We are planning a public engagement to talk about the fairness of rates that will be announced in March.
- We will ask British Columbians for their opinions about rate fairness, and for their input on how to make lower risk drivers pay less and higher-risk drivers pay more.

4. What do you think of the advocacy activities of the Trial Lawyers?

- While I certainly understand their reluctance to accept these changes, I know that these decisions will increase benefits for everyone involved in an accident.
- Today, legal costs (including estimated contingency fees charged by lawyers for the injured) account for 24 per cent of ICBC's total annual costs – greater than the cost of running ICBC itself.
- The reality is that a large portion of a litigated minor injury payout is not going to the injured customer as legal costs and lawyer contingency fees are first taken out.
 - Using the average settlement of \$30,038, an example of what the injured customer will receive is \$16,080 plus their ICBC accident benefits.
 - This is because:
 - \$6,038 goes to cover legal costs, including expert reports.
 - Out of the remaining \$24,000, the customer's lawyer would take as much as 33 per cent of the award. In this scenario, therefore, around \$7,920 would be deducted for lawyer contingency fees.
 - This leaves the injured party with only \$16,080 out of the original \$30,038 payout – that's almost half of the settlement not going to the person who needs it most.

5. Why are you doing this now?

- ICBC's losses are projected to escalate dramatically to \$1.3 billion this year.
- Everyone will benefit from these changes of drastically cutting legal and claims costs and focusing on providing care for those hurt in accidents and keeping insurance affordable.
- It's also important to note that in its 45 years of its existence, ICBC has never seen crashes spike at the rate they have recently, which has led to claims costs ballooning to \$5 billion last year.
- British Columbians can no longer afford the annual increases for their Basic auto insurance.
- If we don't institute fundamental changes to the current insurance model, drivers would have to pay on average at least \$400 more per year for their insurance by 2019 just to close the existing rate gap.

6. Why wasn't ICBC's financial crisis identified earlier?

- Years of bad decisions and mismanagement by the old government has undermined ICBC's ability to deliver low-cost insurance to BC drivers.
- While ICBC and government made a number of attempts to address the financial pressures, the rate of crashes and cost of claims has ballooned to a level that's unprecedented.
- Although improvements have saved millions every year, it's simply not enough to combat the rising costs ICBC is experiencing.
- According to the EY report, there is no indication that the underlying issues will correct themselves on their own, and we agree. That's why government and ICBC are taking these significant changes to address this problem.
- Changes to how injuries are treated and compensated under B.C.'s auto insurance system is the single biggest action we can take to provide improved benefits and make rates more affordable for British Columbians, while ensuring a sustainable auto insurance system.

7. Why did it take so long to propose these changes if trends were indicating increased crash rates and claims costs?

- Crash rates have continually risen over the years in B.C. – between 2014 and 2016 alone, crashes increased by 18 per cent from 280,000 to 330,000.
- During the same period, injury claims were up 16 per cent and vehicle damage claims were up 15 per cent.
- In 2016 alone, injury claims costs total \$2.7 billion alone, an increase of \$1.2 billion, or 80 per cent, over the last seven years; vehicle damage claims totaled \$1.5 billion in 2016 alone, an increase of almost 30 per cent in just two years.
- As a result of more crashes, more claims and higher claims costs, ICBC reported a \$913 million net loss in its last fiscal year and ICBC's year-end loss is now projected to hit \$1.3 billion for its current fiscal year (April 2017 – March 2018).
- This was the first time since 2001 that ICBC has reported a loss and the loss will be higher at the end of this fiscal year.

8. Isn't this another way that the public will have to pay the price for poor fiscal management?

- The pressure on insurance rates is not coming from ICBC's controllable operating costs.
- ICBC has made significant strides around management staffing numbers and compensation in recent years – including reductions to the executive team and compensation.
- In 2016, ICBC's controllable operating costs made up just 10 per cent of total costs compared to 24 per cent in 2000 and 14 per cent in 2011.

9. When will these changes be effective?

- We are aiming for April 1, 2019.

10. Do you need to introduce legislation and/or for these changes?

- Yes, and our intention is that legislation will be introduced this spring.

11. What will happen if you don't implement this?

- If we don't make these changes now, insurance rates would need to rise dramatically every year or ICBC would need to be funded through government transfers, which would impact other government priorities
- Neither of those options is palatable to this government.
- In order to cover rising claims costs, each B.C. driver would need to pay on average at least \$400 more for their full Basic and Optional coverage by 2019 – an average premium of almost \$2,100 – just to cover the existing rate gap
- Continued deterioration in ICBC's 2017/18 financial plan demonstrates the increasing shortfall between Basic insurance premiums and costs.

12. How much will we save with these changes?

- ICBC will save approximately \$1 billion annually in claims costs by introducing this limit on payouts for pain and suffering for minor injuries as well as other changes such as the alternative dispute resolution process.

13. How much will these changes cost?

- ICBC estimates the cost to implement the proposed changes is \$94 million (\$67 million in capital cost and \$27 million in operating expenses).
- These are high level preliminary estimates. The final cost of implementation could be impacted by refinements or revisions.

- Once fully implemented, ICBC will save approximately \$1 billion annually by introducing a limit on payouts for pain and suffering for minor injuries as well as other changes such as the alternative dispute resolution process.
- These savings will be realized starting 2019/2020 fiscal year.

14. Are you sure this is the best way to “solve” the problem?

- According to the EY report, there is no indication that the underlying issues will correct themselves on their own.
- That’s why ICBC and government are taking these significant changes.
- Changes to how injuries are treated and compensated under B.C.’s auto insurance system is the single biggest action we can take to both provide improved benefits and make rates more affordable for British Columbians.
- ICBC needs to do everything it can to make sure it takes better care of those injured in crashes by delivering their benefits to them quickly, and improving the way they work with customers so they don’t feel the need to go to a lawyer.
- There are no other actions ICBC can take within the current auto insurance system in B.C. that will close the gap between the premiums ICBC is collecting and the cost of the claims being paid out.

15. If you implement this, does it mean savings can be passed onto drivers (i.e. rates will go down)?

- It’s too soon to say for certain.
- In the short-term, these changes will help us avoid the necessary increases of \$400 per driver by next year.
- In the long-term, there could be lower insurance rates for safer drivers through improved fairness in how insurance rates are set.
- However, rates will continue to increase unless changes also occur to the increasing trends in frequency and severity of crashes.

16. Isn’t this distracting from the real issue – that drivers need to drive safely?

- ICBC and the government have already taken action to further penalize people who choose to drive dangerously.
- Starting March 1, 2018, repeat offenders for distracted driving will pay up to \$2,000 through the Driver Risk Premium program.
- ICBC and government are making all 140 red light cameras fully operational throughout the province to catch more people who are breaking the law.
- The focus from the outset has been to develop a model that will make insurance rates fair for drivers, which means that higher risk drivers should pay more.
- British Columbians have said for years that the system needs to be more fair and we agree.
- This spring, we will be looking to get the public’s feedback on other ways ICBC can increase fairness for all ratepayers.

17. What is ICBC doing to reduce the rising number of crashes?

- ICBC helps make roads safer by investing about \$50 million every year on road safety-related projects and campaigns – money that helps support police enforcement and road improvements across our province.
- ICBC is also committed to working with government to develop and implement a dangerous roads initiative to help improve safety at high-risk intersections.
- With the number of crashes in our province increasing every year, government and ICBC are working to identify areas with a high number of collisions and then work with local governments to review where improvements can be made.

18. Doesn't this proposal penalize victims rather than tackle the poor drivers that are causing the accidents?

- The move from the current compensation-based model to the proposed care-based model provides increased accident benefits and improved treatment and care for all British Columbians.
- These changes will allow ICBC to better support all injured customers and help them to recover faster.
- The increased accident benefits will benefit those who need it most – those who are seriously injured in crashes – by substantially increasing the coverage they are able to receive to help them recover.
- Increased accident benefits will also help those who are involved in a single vehicle crash or in other situations where there isn't another driver's insurance policy to claim against, such as an animal collision.

19. Isn't the increase in legal costs really a result of ICBC pushing more and more cases to court?

- ICBC only had half as many injury claims proceed to trial in 2016 than 2012 (348 in 2012 compared to 185 in 2016).
- By taking those 185 claims to trial, ICBC has saved \$10 million; the difference between what was being demanded and what was awarded.
- Less than half a per cent of the injury claims ICBC receives proceed to trial and they only do so when ICBC believes the settlement being demanded is above what is thought to be fair.

20. How much does ICBC currently spend in legal costs? And how much do you expect to save with this proposal?

- Today, legal costs (including estimated contingency fees charged by lawyers for the injured) account for 24 per cent of ICBC's total annual costs.
- This is greater than the cost of running ICBC plus the benefits received by customers with either minor or serious injury claims.

21. Won't these changes mean the people at-fault are not being held accountable/not punished for their actions since they won't be taken to court for their actions?

- At-fault drivers are and will continue to be held accountable.
- These changes will just mean that if you're at-fault and injured, you will have access to the same benefits to recover as drivers who are not at fault.
- Drivers who cause crashes pay more for their auto insurance because their premiums go up and that will continue to be the case.

22. What else are you doing to address ICBC's financial situation?

- Changes to how injuries are treated and compensated under B.C.'s auto insurance system is the single biggest action government can take to both provide improved benefits and more affordable rates to British Columbians.
- There are no other options ICBC can take within the current auto insurance system in B.C. that will close the gap between the premiums ICBC is collecting and the cost of the claims being paid out.
- Today's announcement is part of a suite of initiatives focused on keep rates fair and affordable and more will be announced in the coming weeks.
- We are expecting to release a final report from PwC Canada on the effectiveness of ICBC's operations in fairly short order, and anticipate there will be recommendations on finding further savings by working with the auto body industry.

23. Are you sure that implementing these changes will rectify the situation?

- B.C. is the last province in Canada to introduce some form of restriction to supplementary compensation for minor injury claims beyond the treatment or benefits required for recovery.
- As the EY report noted: "Product reform has been largely effective across Canada, and the universal result has been a reduction in claims costs and, subsequently, insurance rates."
- ICBC will save approximately \$1 billion annually by introducing a limit on payouts for pain and suffering for minor injuries as well as other changes such as the alternative dispute resolution process.

Accident Benefits

24. What are accident benefits?

- Accident benefits help injured customers get better and are defined in regulation.
- They are a first party coverage, which means a driver, their passengers and members of their household who have medical costs, wage loss and more can claim accident benefits if they are injured in a motor vehicle crash, whether they are a not-at-fault claimant or the driver that caused the crash.
- Accident benefits include medical benefits, weekly wage benefits while injured and unable to work, treatment like physiotherapy, chiropractors and massage, money for home or vehicle modifications if needed and for other supports.
- Accident benefits have not increased since 1991.

25. Why haven't accident benefits increased before now?

- ICBC's accident benefits have not been updated since 1991 because the system hasn't had the resources to fund changes without large rate increases.

26. How are accident benefits changing?

- More money for treatments.
 - ICBC currently pays 1991 rates (\$23/visit) and the customer pays the rest. The customer can be reimbursed the extra charges (up to \$50/visit) only if they are not at-fault in the crash.
 - If implemented, ICBC is committed to paying the fair market rate for necessary treatments whether the driver is at-fault or not. This rate will be determined in consultation with medical service providers.
 - By providing more money for treatment, customers will be less likely to have to pay out of pocket.
 - The exact amount ICBC pays per type of treatment will be developed in consultation with medical stakeholders, but the goal is to cover the full cost of most treatments.
- More types of treatments will be covered.
 - Currently only the most common types of treatment are pre-approved for payment (general practitioner, physiotherapy, occupational therapy, and chiropractic treatment).
 - When these changes are implemented, ICBC will add new treatment providers including kinesiologists, acupuncture, counselling and massage therapy to the list of treatments pre-approved for payment.
- When implemented, ICBC will also significantly increase the overall dollars available for accident benefits:
 - 100 per cent increase for the overall limit for medical and physiotherapy costs for treatments to \$300,000, up from \$150,000;
 - 147 per cent increase in wage loss payments while injured and unable to work, to \$740 per week, up from \$300 per week;

- 93 per cent increase in homemaking benefits to assist with household tasks such as cooking, cleaning and grocery shopping if the primary provider is unable to do these tasks after a crash to \$280 per week, up from \$145 per week;
- 200 per cent increase for funeral costs to \$7,500, up from \$2,500; and
- 49 to 71 per cent increase in death benefits to \$30,000, up from \$17,580-\$20,080.

27. How did you decide on the amount to increase accident benefits?

- Overall limit for medical and physiotherapy costs for treatments will increase from \$150,000 to \$300,000
 - ICBC will be doubling this benefit to recognize increased costs over the last 25 years and as a key measure in the shift to a care focused model.
 - \$150,000 is equivalent to \$234,200 in today's dollars, as indexed to inflation
 - \$300,000 was also previously put forward by disability advocates as an appropriate increase by the B.C. Coalition of People with Disabilities
 - Legislation is required to implement this change, but our intention is to make it retroactive to Jan. 1, 2018.
- Wage loss payments increased from \$300 per week to \$740 per week
 - The new weekly wage loss payment will provide 75 percent of gross weekly pay for the average B.C. full-time worker
 - This benefit is not intended to provide full compensation, but is designed to provide a fair and equitable supplement to lessen the financial hardship customers may experience following a crash
 - 75% of gross, instead of 100%, also recognizes taxes and deductions so the wage loss payments are not greater than net lost wages
 - This benefit will be indexed and adjusted annually to align with fluctuating British Columbia wages
 - ICBC will continue to align it to the 50th percentile of the average full-time earning for a B.C. resident
- Homemaking benefits increased from \$145 per week to \$280 per week
 - Increased to recognize increased costs over the last 25 years and help support the shift to a care focused model
 - \$145 is equivalent to \$227 in today's dollars, as indexed to inflation
- Funeral costs increased from \$2,500 to \$7,500
 - ICBC is increasing this benefit to cover the average cost of a funeral
 - ICBC estimates the average cost of a basic burial to be on average \$6,500
- Death benefits increased from \$17,580-\$20,080 to \$30,000, and the process simplified
 - Moving forward the spouse of the deceased will receive one lump sum payment of \$30,000
 - ICBC will no longer adjust the benefit based on the wage earning status of the deceased
 - Today, if the highest wage earner dies, the surviving spouse receives a total of \$20,080; if the lower wage earner dies, the surviving spouse only receives \$17,580.

28. Will benefits now be frozen at these levels?

- Wage loss benefits and the market rate for medical treatments – both key components of B.C.'s significantly enhanced accident benefits – will be indexed to ensure they keep up with the cost of living.
- We will review other accident benefits (funeral, homemaker, death and accident benefits limits) on an ongoing basis.

29. Health providers will benefit from these increased benefits – won't this mean there is an incentive for them to keep treating injuries longer than is needed? Who will monitor this?

- New medical treatment guidelines, to be developed in consultation with medical stakeholders, will introduce checks and balances along the way to help with recovery.
- Today, ICBC relies on a medical professional to determine the severity of an injury and the appropriate treatment plan. This will continue.

30. What have other provinces done in this area? What happened when they implemented this kind of system?

- All other provinces have taken some kind of action to introduce limits to compensation for pain and suffering from minor injuries after insurance rates reached unaffordable levels.

Minor Injuries

31. What are minor injuries?

- Government and ICBC will develop a clear, legal definition of a minor injury claim in British Columbia.
- We are reviewing legal definitions for minor injury claims used by other provinces to help determine what makes the most sense for British Columbians.
- We anticipate our new legal definition in B.C. will include sprains, strains, general aches and pains; mild whiplash: cuts and bruises; mental anxiety and stress from a crash.
- It will not include non-minor injuries like broken bones or brain injuries (concussions).
- If these symptoms persist beyond 12 months, the injury would no longer be considered minor.

32. Will whiplash be included?

- There is a broad spectrum of injuries that fall under whiplash associated disorders.
- Mild versions of whiplash will be included in the minor injury definition.

33. Will concussions be included?

- No, brain injuries like concussions will not be included in the definition of a minor injury. Concussions are considered a form of brain injury which is not considered minor in nature.

34. Who will define/decide if an injury is minor?

- Today, ICBC relies on a medical professional to determine the severity of an injury. ICBC trusts their judgement and will continue to.
- There will be a new independent dispute resolution system for customers if they disagree with a decision to classify their injuries as minor.
- ICBC will also monitor the definition of a minor injury and, as seen in other jurisdictions, it will likely continue to evolve over time.

35. What if I'm not getting better, will my injury remain minor forever?

- New medical treatment guidelines, to be developed in consultation with medical stakeholders, will introduce checks and balances along the way to gauge recovery.
- At any time if an individual is not recovering and a medical professional determines the customer is not expected to improve, a minor injury may be redefined as a non-minor injury, and would no longer be subject to the limit on payouts for pain and suffering.
- If after 12 months a customer continues to have serious impairment from their injury, such as not being able to work/ go to school, or having to work modified hours or reduced duties, their injury is also no longer considered minor.
- There will be a new independent dispute resolution system for customers if they disagree with a decision to classify their injuries as minor.

- ICBC will also monitor the definition of a minor injury and, as seen in other jurisdictions, it will likely continue to evolve over time.

36. Won't people just wait 12 months for their minor injury definition to expire?

- Customers need to demonstrate they are working to recover.
- There needs to be evidence of treatment geared to recovery.
- There will be a new independent dispute resolution system for customers if they disagree with a decision to classify their injuries as minor.

Dispute Resolution

37. What if I disagree with an assessment that says I have minor injuries?

- A new, independent dispute resolution system for customers with certain motor vehicle injury disputes will be created through the Civil Resolution Tribunal (CRT)
- Customers with questions about their injury claim will be able to contact the CRT 24 hours a day, seven days a week if they have concerns about things like:
 - The classification of their injury
 - the compensation they are offered/received

38. Why did you select the CRT as the dispute resolution system?

- The CRT already helps to resolve small claims disputes of \$5,000 and under, and strata property (condominium) claims of any amount.
- The CRT will reduce reliance on the courts to help settle certain ICBC disputes and mean faster decisions for customers.
- Fees to use this service are far more cost-effective than retaining a lawyer (current CRT fees range from \$75 to \$150).

39. Does the Civil Resolution Tribunal (CRT) have the capacity to take on this role?

- The CRT has been consulted throughout this process and is confident they can take on this additional work.

40. It sounds like these changes take away the right to seek legal representation for customers, and that customers will be left on their own to navigate dispute resolution through the CRT – is this a fair process for the customer?

- Nothing in these changes takes away a customer's right to hire a lawyer if they choose.
- The information and processes used by the CRT are user-friendly can be navigated without the need for legal representation and are available to customers seven days a week, 24 hours a day.
- Introducing a limit on pain and suffering for minor injuries doesn't remove an individual's right to compensation, which includes the right to be covered for financial losses and expenses incurred as a result of the accident, whether or not the injury is deemed minor.
- If you're seriously injured in a crash, you will continue to be able to sue the at-fault driver for pain and suffering. That will remain unchanged. A limit on payouts for pain and suffering is being introduced for minor injury claims only.
- Government and leadership with the CRT have been consulted throughout this process and those discussions are ongoing as details still need to be finalized, including ensuring the ability to take challenges to B.C. Supreme Court remains.

41. Is there a fee to use the dispute process?

- Fees to use the Civil Resolution Tribunal (CRT) are far more cost-effective than retaining a lawyer (current fees range from \$75 to \$150). It is expected that CRT fees related to motor vehicle disputes will be similar to fees for other types of disputes.

- For more information, please visit <https://civilresolutionbc.ca/resources/crt-fees/>.

42. How long will the dispute process take?

- We expect the process to be much faster – a current litigated claim takes 30 months to settle whereas the goal of the Civil Resolution Tribunal (CRT) is to have disputes resolved within 60 to 90 days, on average.

Limit on pain and suffering

43. What exactly is being limited?

- Currently, if a person is injured in a crash and found not at-fault, that person is usually paid an amount for pain and suffering.
- Under the current full-tort system in B.C., individuals can seek further compensation from the at-fault driver for pain and suffering. There are currently no restrictions on how much money a person can be compensated for pain and suffering, regardless of the severity of the injury.
- A \$5,500 limit on pain and suffering payouts for minor injuries will be implemented, which will move the focus away from maximizing compensation, reduce legal costs, and allow more money to be allocated to the care, treatments and support the customer needs to get better.
- The limit will not apply to non-minor and catastrophic injury claims.

44. What is “pain and suffering”? How does this differ to other elements you might be paid out?

- Pain and suffering describes the physical pain and emotional distress from being in a crash.
- Emotional distress can include things like anxiety, insomnia, irritability and depression.
- Payments for pain and suffering are entirely separate from compensation for any medical treatments, which are and will continue to be covered under ICBC’s accident benefits.
- If a person is injured in a crash and found not at-fault, they’ll continue to be compensated for all losses and expenses.

45. “Pain and suffering” is variable – how can/do you quantify or put a limit on that?

- Every other province has already taken action to introduce limits to minor injury pain and suffering payments after their rates reached unaffordable levels.
- B.C.’s limit will not apply to major and catastrophic injury claims.

46. How will B.C.’s cap compare to the rest of Canada?

- B.C.’s limit on pain and suffering awards is not the lowest, nor is it the highest.
 - However, for every \$1,000 added to the limit, it costs the system in B.C. an additional \$30 million and could increase rates by as much as one per cent.

47. Why are we not considering having a deductible on pain and suffering rather than a cap?

- ICBC currently has a Multiple Crash Premium that requires an at-fault driver to pay a \$1,000 deductible if they have three at-fault crashes in three years.
- Ontario and Newfoundland introduced a form of deductibles on general damages for pain and suffering, which were not effective in addressing rate affordability and required additional reforms to the system in the years following implementation.
- This deductible system could essentially eliminate payment for pain and suffering of any amount to a significant number of injured customers.
- The limit does not reduce pain and suffering awards to zero for any customers.
- The unfairness of the deductible impact for many unrepresented claimants may drive more people to lawyers seeking some compensation for these injuries – which will offset potential savings.

- The cap provides certainty of entitlement, which is actually likely to reduce legal representation and increase overall savings.

48. Can the limit on pain and suffering increase?

- As has been the case in other provinces, the limit on payouts for pain and suffering on minor injuries may increase over time.
- It is proposed to be indexed to inflation so will take into account increases in the cost of living.
- ICBC will save approximately \$1 billion annually by introducing a limit on payouts for pain and suffering for minor injuries as well as other changes such as the alternative dispute resolution process.

49. Doesn't a minor injury limit infringe on the rights of an individual? By putting a limit on minor injuries, aren't you denying victims and injured motorists' fair compensation for their injuries?

- If a person is injured in a crash and found not at-fault, they'll continue to be able to seek compensation for pain and suffering and be compensated for all losses and expenses.
- If a person is seriously injured in a crash, they will maintain the right to sue the at-fault driver for pain and suffering for an unrestricted amount.
- We are retaining court process for certain injury disputes, and if concerns exist coming out of the CRT, those can still be taken to B.C. Supreme Court.
- The change enables ICBC to enrich accident benefits to better care for injured customers.
- It's a shift to a care-based model – which moves the focus away from maximizing compensation towards directing more money to the care, treatments and support the customer needs to get better.

50. Is this the start of bringing in a no-fault system?

- Government is not considering a no-fault model.
- The existing tort system will be modified by putting limits on pain and suffering payouts for defined minor injuries.
- Other provinces have introduced systems changes that have limited awards for pain and suffering for minor soft-tissue injury claims while still covering – and in many cases increasing – payments for care and recovery benefits.

51. Doesn't this pave the way for capping the amounts an individual receives for serious injuries?

- The limit does not apply to non-minor and catastrophic injury claims.
- The general definition of a non-minor/serious or catastrophic injury claim includes: injuries more severe than a minor injury claim – such as fractures or broken bones – to more catastrophic injuries including paraplegia, quadriplegia, amputations, brain injuries, deafness and blindness, which have a life-changing impact on people's lives.
- Drivers will have an option to purchase additional coverage for a higher limit in pain and suffering compensation. The limit would be set at \$75,000 and would cost approximately \$1,300 a year on top of the cost of their basic and other optional insurance.
- Charging for this optional coverage means the customers who stand to benefit from increased coverage will pay for it, rather than every B.C. driver.

52. Does the limit apply to out of province drivers? What if they have the right to sue in their home jurisdiction?

- Just like today, if you have a crash in B.C., the laws of B.C. apply and these changes will apply to everyone who uses B.C. roads.

53. Does the limit apply to injured cyclists and pedestrians?

- Yes, if the cyclist or pedestrian suffers a minor injury.

54. How many claims currently have pain and suffering payouts at \$5,500 or below?

- We estimate about 53% of all bodily injury claims are expected to be impacted.
- 75% of bodily injury claims are for minor injury
 - 70% of these claims are estimated to have general damage payment over the capped amount.
 - The rest (30% of the 75%) of the minor injury claims have general damage less than the cap already and are not impacted by the cap.

Claims Costs

55. How much have the costs of minor injuries increased?

- The payouts for minor soft-tissue injury claims with ICBC have significantly increased over the last 15 years.
- For minor soft-tissue injuries:
 - Based on the recent report released by EY, the average claim paid out for minor injuries has risen from \$8,220 in 2000 to \$30,038 in 2016; an increase of 265 per cent (compared to 26.5 per cent for serious injuries).
 - Based on the recent report released by EY, the average pain and suffering awards paid out for minor injuries has risen from \$5,004 in 2000 to \$16,499 in 2016; an increase of 230 per cent (compared to 52 per cent for serious injuries).
- The system isn't working when total payouts are not drastically different between minor and serious injuries (\$30,000 for a minor injury claim; \$48,000 for a serious injury claim).
- Court awards for pain and suffering for a minor injury claim are close to the same as those for a serious injury claim (\$16,500 for a minor injury claim; \$21,000 for a serious injury claim).

56. How much have the costs of serious injuries increased?

- For serious injuries:
 - Based on the recent report released by EY, the average claim paid out for serious injuries has risen from \$38,014 in 2000 to \$48,078 in 2016; an increase of 26.5 per cent (compared to 265 per cent for minor injuries).
 - Based on the recent report released by EY, the average pain and suffering awards paid out for serious injuries has risen from \$13,789 in 2000 to \$20,954 in 2016; an increase of 52 per cent (compared to 230 per cent for minor injuries).
- The system isn't working when total payouts are not drastically different between minor and serious injuries (\$30,000 for a minor injury claim; \$48,000 for a serious injury claim).
- Court awards for pain and suffering for a minor injury claim are close to the same as those for a serious injury claim (\$16,500 for a minor injury claim; \$21,000 for a serious injury claim).

57. How much does ICBC currently pay to claimants on average? What percentage of this is "pain and suffering"?

- Today the average claim paid out for a minor injury is \$30,000.
- An example of how this could break down for a customer is:
 - \$16,500 for pain and suffering (based on average payout for pain and suffering for a minor injury as listed in the EY report)
 - \$7,500 for additional wage loss and medical care – this payment is above what is covered by ICBC accident benefits
 - \$6,000 for legal costs, including expert reports
- The customer, however, will only receive about \$16,080 (plus ICBC accident benefits).
 - \$7,920 would be deducted for lawyer contingency fees

- For this scenario, contingency fees were calculated based on the assumption the lawyer would take about 33% of the award

Optional top up

58. How much will the option to buy uncapped coverage cost relative to capped coverage? If a driver chooses a capped product, will they be able to change to uncapped? Vice versa? If yes, can they change anytime?

- Drivers will have an option to purchase additional coverage for a higher limit in pain and suffering compensation. The limit would be set at \$75,000 and would cost approximately \$1,300 a year on top of the cost of their basic and other optional insurance.
- Charging for this optional coverage means the customers who stand to benefit from increased coverage will pay for it, rather than every B.C. driver.
- We anticipate the cost of this additional coverage would cost approximately \$1,300, in addition to the cost of their regular insurance policy.
- Customers have long been able to choose different levels of coverage, limits and deductibles on many of ICBC's optional insurance products.
- These choices enable customers to control their automobile insurance costs and decide what's best for them.

59. How many drivers do you think will take coverage with minor injury limits? How many will buy the top-up coverage?

- After the changes are implemented on April 1, 2019, anyone injured in a crash that has a minor injury will be subject to these limits.
- It is too early to say how many people may choose to buy the top-up as details of the options are still in development.

60. Doesn't the top-up product create a two-tiered auto insurance, where the rich have access to a better system?

- Charging for this optional coverage means the customers who stand to benefit from increased coverage will pay for it, rather than every B.C. driver.
- This government wants to create a sustainable auto insurance system that strikes the balance between increased care for the injured, more affordable and fair rates for all, and less spent on legal costs.

Implementation

61. When will these changes take effect?

- Once the appropriate legislation is introduced and passed, the increase for the overall limit for medical and physiotherapy costs for treatments to \$300,000, up from \$150,000 will be retroactive to January 1, 2018.)
- This means customers who were injured in a car crash on or after January 1, 2018 will have access to this significantly improved benefit.
- We anticipate the remainder of the enhanced accident benefits at the individual coverage level and the changes to payouts for pain and suffering on minor injury claims to go into effect on April 1, 2019.

62. What will happen to claims that are currently in the system?

- Claims that have already occurred – or that occur between now and the implementation of the changes – will stay in the current full-tort system.
- For example, a person involved in a crash in February 2019, will not be subject to any limits on pain and suffering, even if their claim is settled after April 1, 2019.

Nanninga, Tanera AG:EX

From: Nelson, Tiffany GCPE:EX
Sent: Sunday, February 4, 2018 1:04 PM
To: Smith, George AG:EX; Zadravec, Don GCPE:EX
Subject: Edits to PPT for ICBC version
Attachments: Technical briefing - 02FEB18 - approved - for ICBC .pptx

Follow Up Flag: Follow up
Flag Status: Flagged

Hi - I've edited the PPT to reflect Joy and Nicolas delivering. Who will next review to ensure this aligns with what you'd like delivered, in light of the Minister's remarks that follow? Nicolas and Joy will be rehearsing today as to who says what.





Technical briefing

Changes to ICBC

February 6, 2018

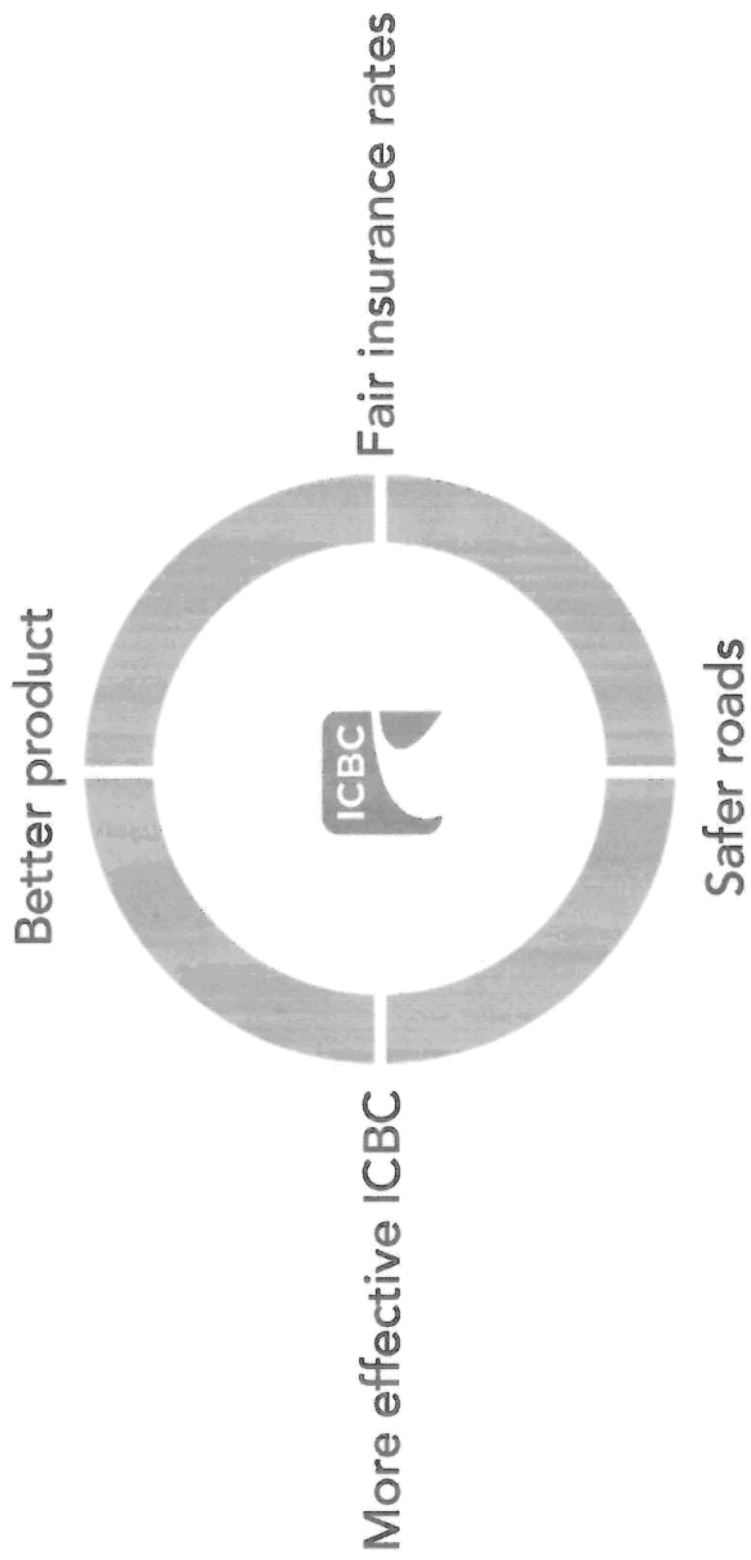
DRAFT | CONFIDENTIAL

Outline

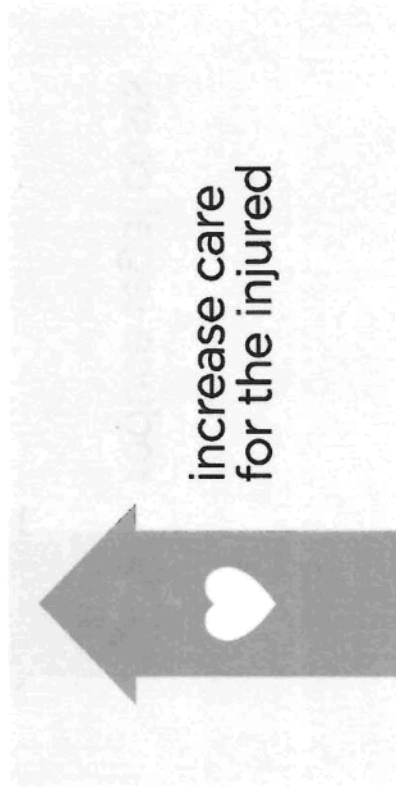
- Changes to ICBC
 - Financial update
 - Current pressures
 - Details of changes
 - Timeline
 - Questions
- Break -
- Public announcement

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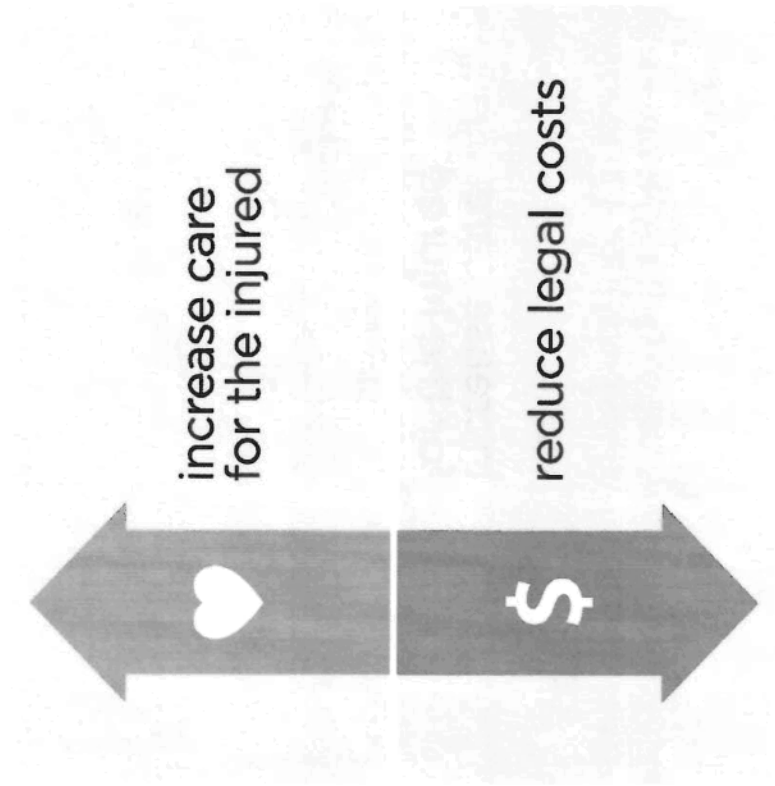
Suite of changes needed



Changes announced today



Changes announced today



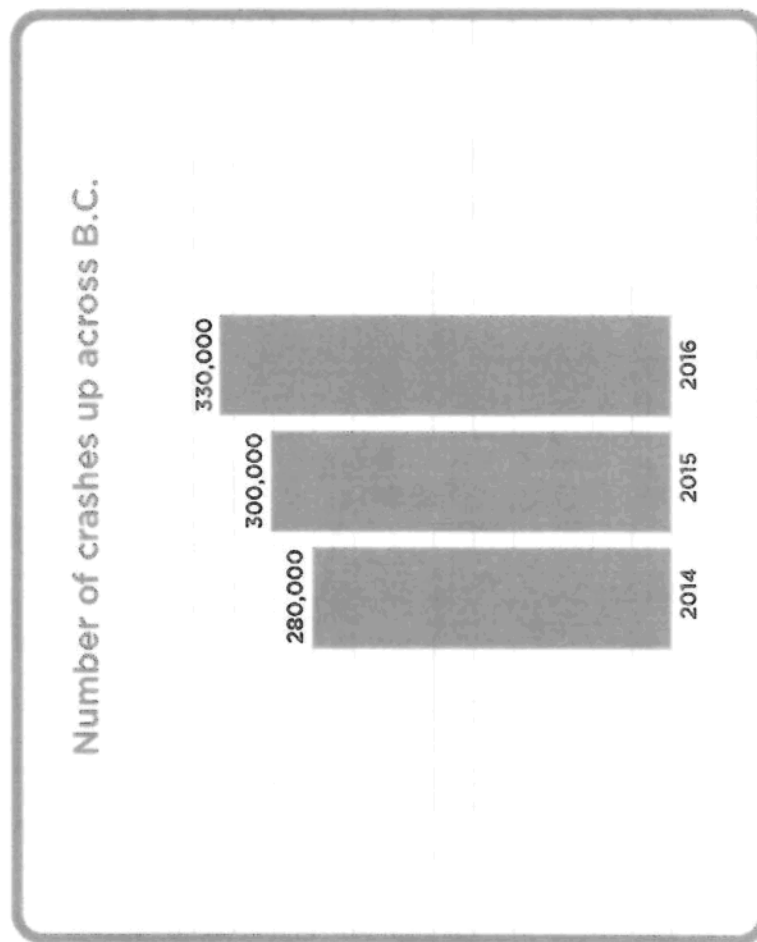
Changes are necessary

Cost of full insurance	
2017	2019
\$ 1700	\$ 2109

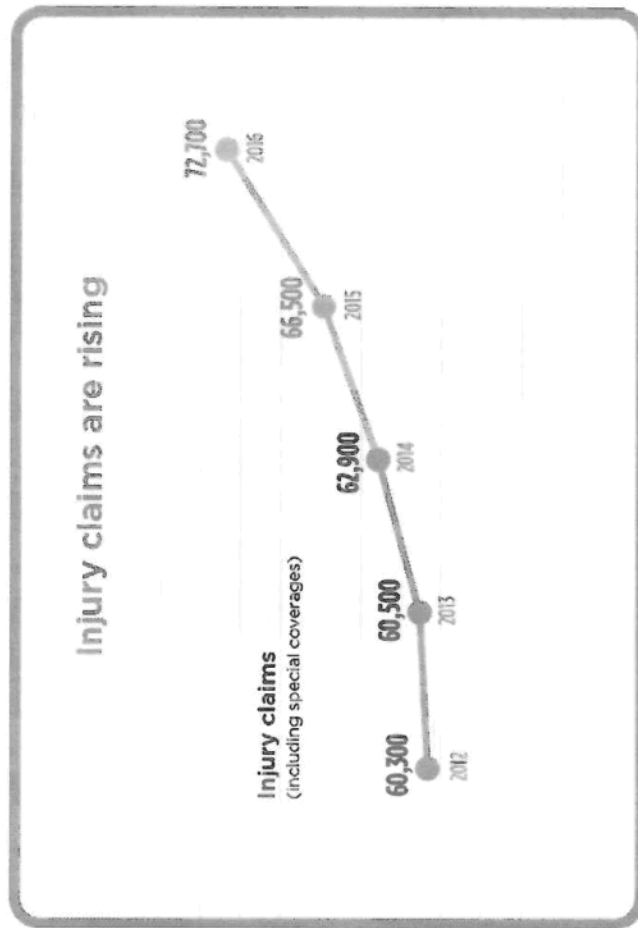
ICBC’s financials

	2017/2018
Earned revenue	\$4.1 billion
Net claims incurred	\$4.25 billion
Prior year’s adjustment	\$443 million
Investments	\$396 million
Net loss (Q3)	\$935 million
Net loss (projected year-end)	\$1.3 billion

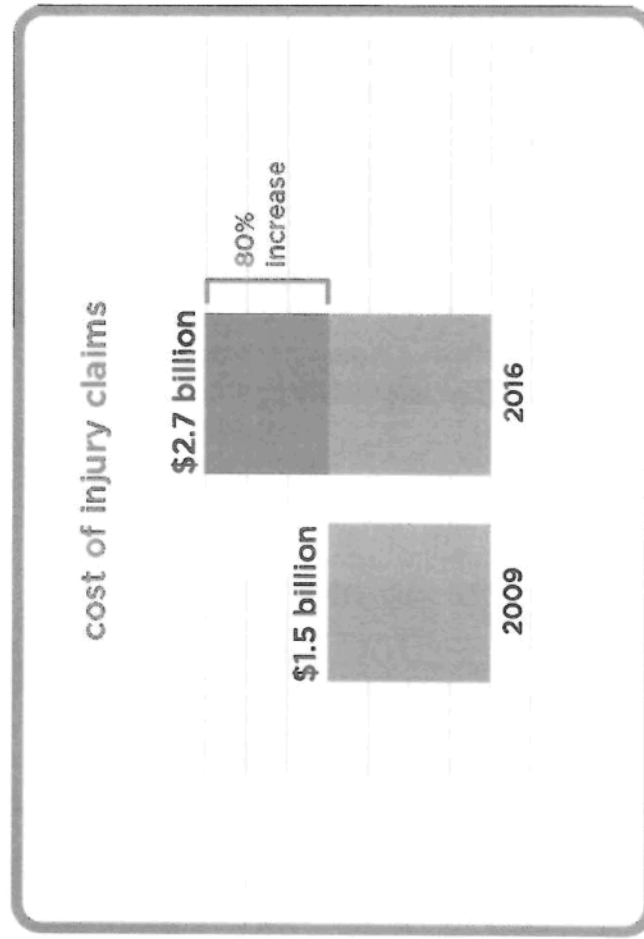
More crashes



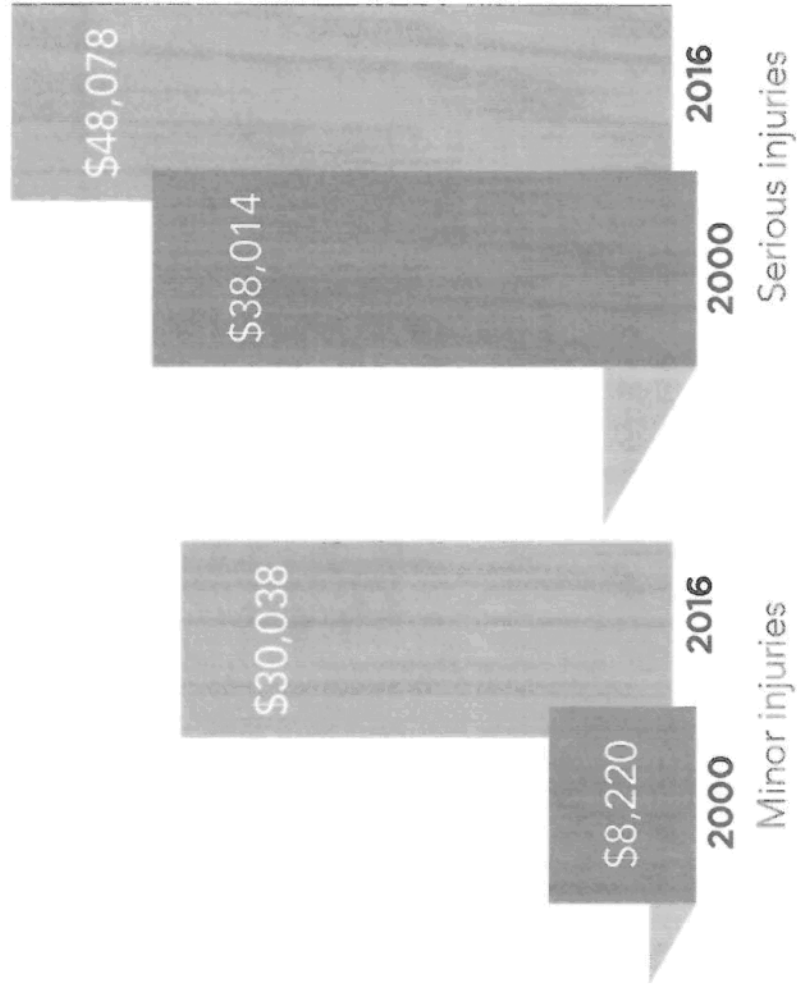
More injury claims



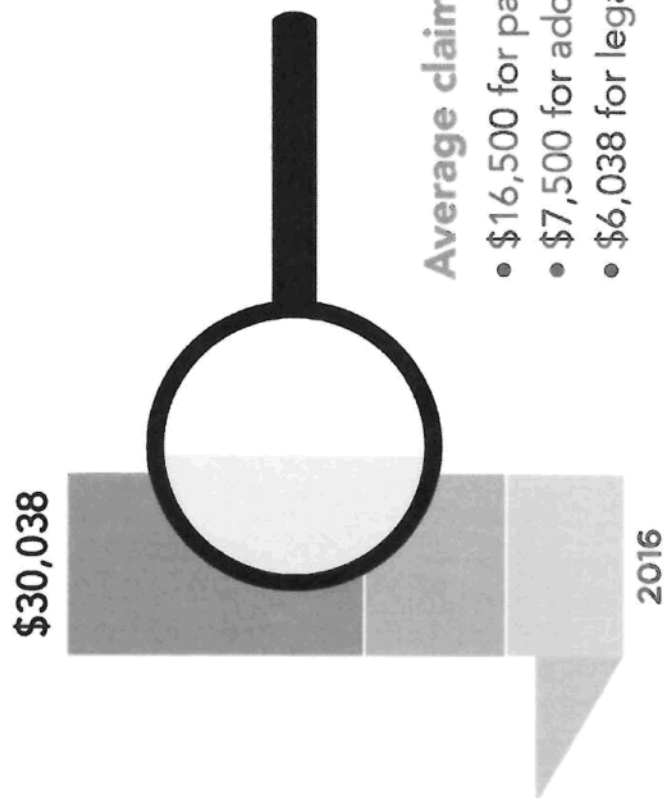
Rising cost of injury claims



Injury claims



Breakdown of a minor injury claim



Average claim paid out for minor injury claim is \$30,038

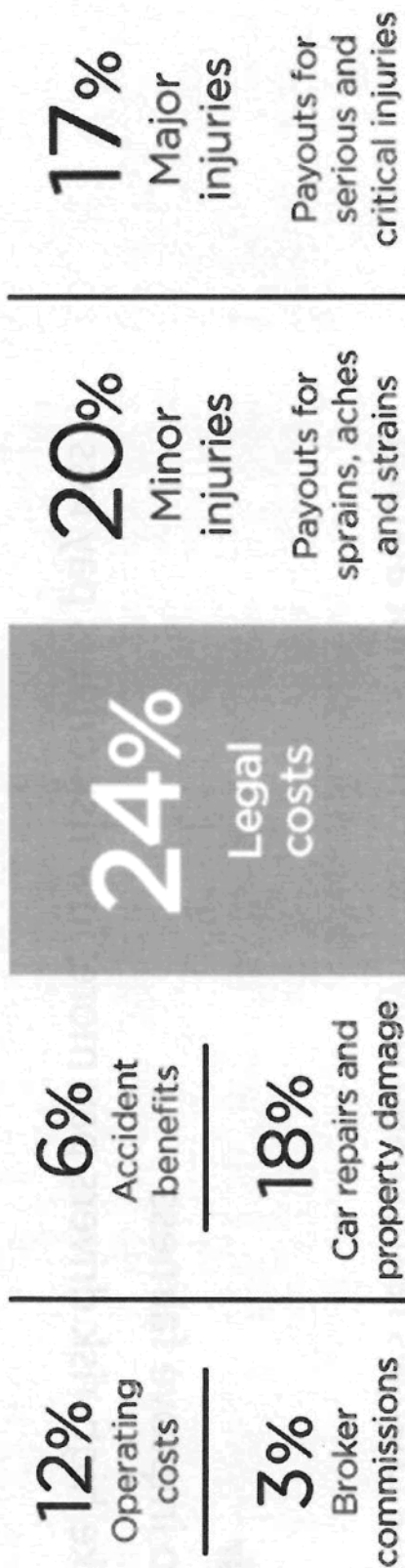
- \$16,500 for pain and suffering
- \$7,500 for additional wage loss and medical care
- \$6,038 for legal costs, including expert reports

An example of a settlement distribution



Legal costs

What your insurance pays for



Not recovery focused

Accident benefits have not increased since 1991

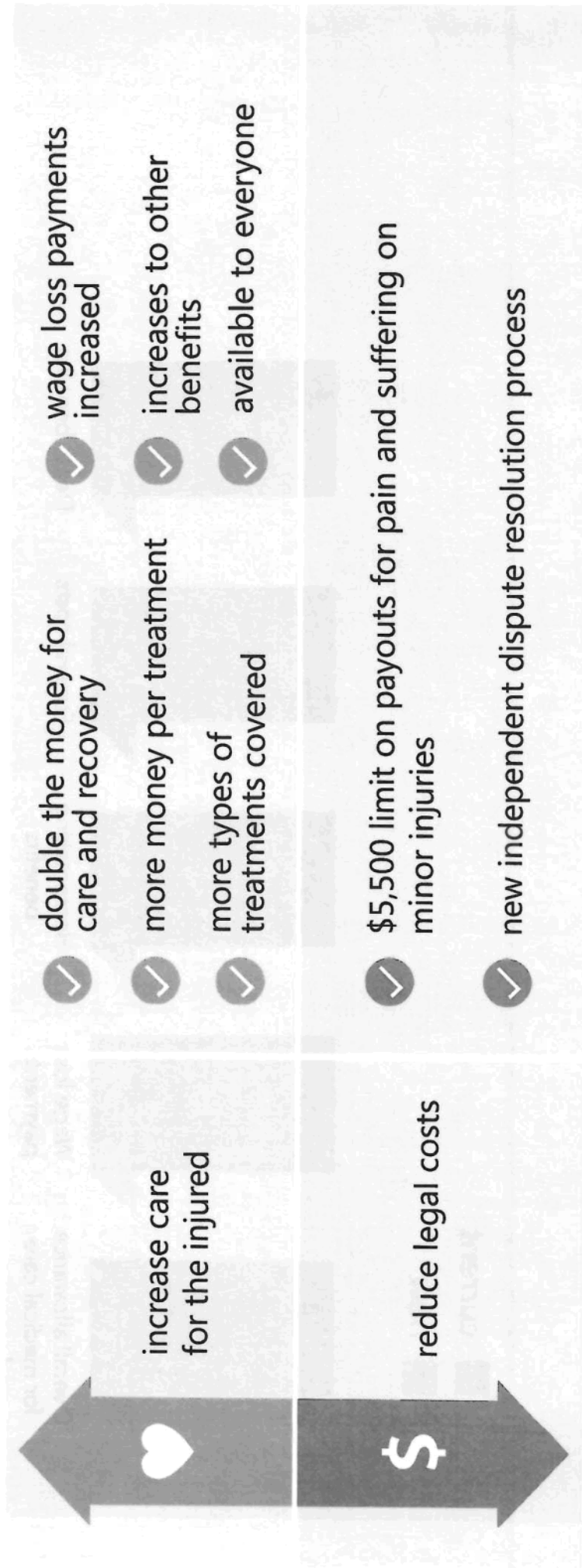
- IBC currently pays \$23 per visit and customer pays the rest (up to \$50/visit)
- Extra charges reimbursed only if customer is not at-fault

Not fair

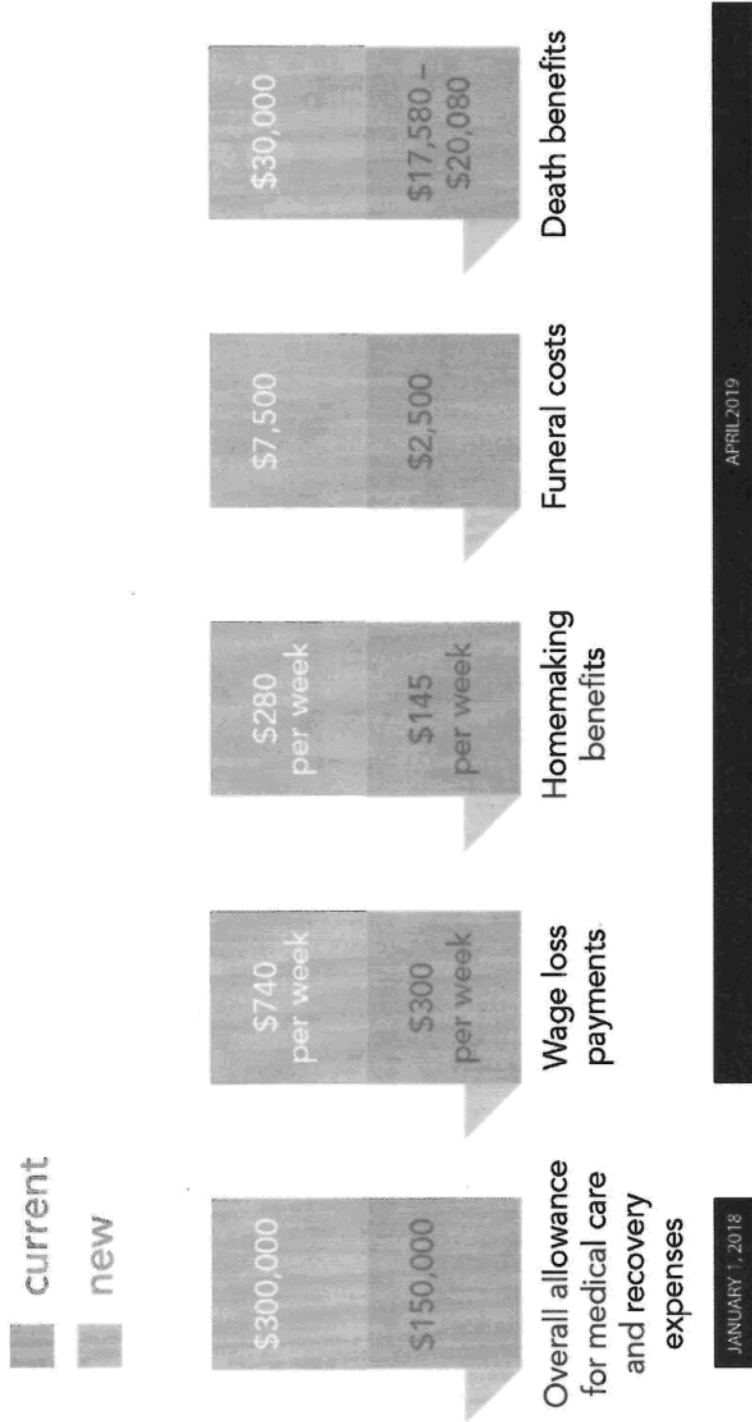
Plan to improve fairness

- Make high-risk drivers pay more; low-risk drivers pay less

Changes announced today



Increased accident benefits for all



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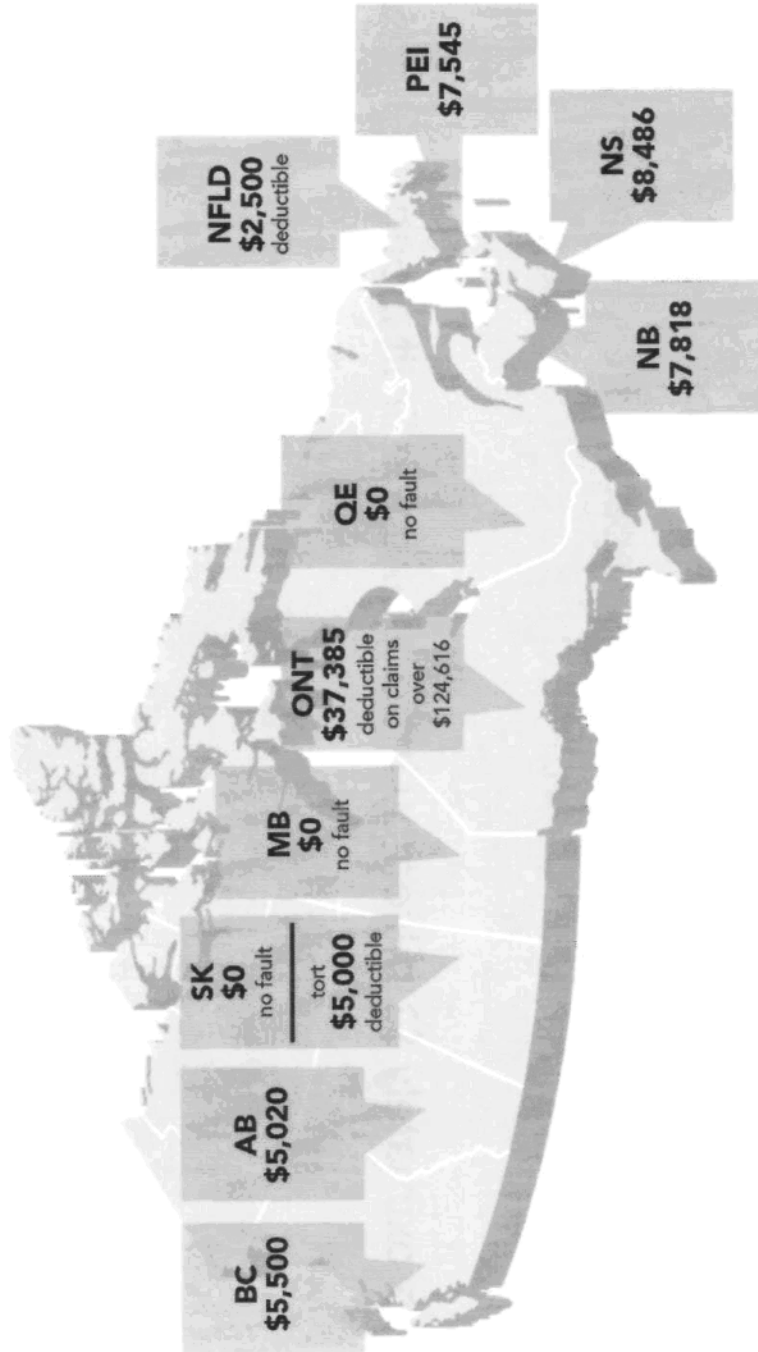
Limit on payouts for pain and suffering

\$5,500 limit will apply to minor injuries only, effective April 1, 2019

- Payments for pain and suffering are entirely separate from compensation for any medical treatments

Savings of approximately \$1 billion by introducing the limit along with other changes

Provincial comparison

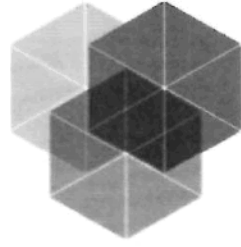


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Definition of a minor injury

- "Minor injury" will likely include sprains, strains, general aches and pains; mild whiplash; cuts and bruises; anxiety and stress from a crash
- If these symptoms persist beyond 12 months, the injury would no longer be considered minor – and the limit would not apply
- A medical professional – not ICBC – will determine the severity of injuries and therefore if it falls under the definition of a minor injury

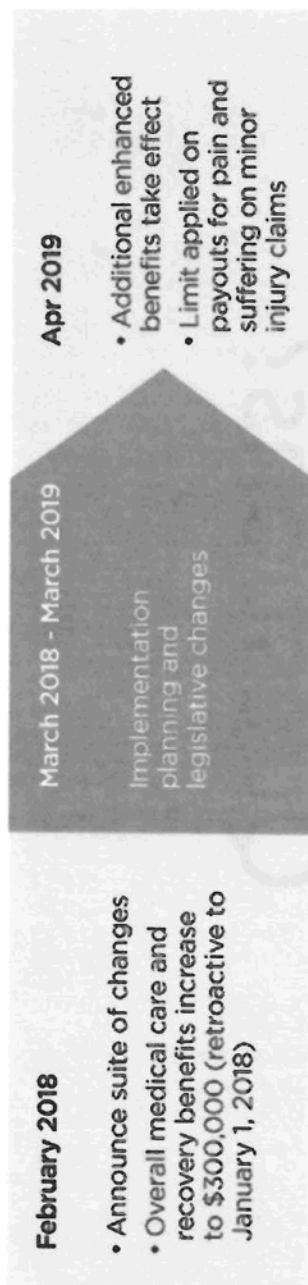
New independent dispute resolution process



Civil Resolution Tribunal

- Disputes related to certain motor vehicle injury claims
- ✓ Online, accessible and efficient
- ✓ Independent from ICBC
- ✓ Reduce reliance on courts and legal system
- ✓ Faster decisions for customers

Timeline



Questions?

Thank you

Nanninga, Tanera AG:EX

From: Eby, David AG:EX
Sent: Tuesday, February 6, 2018 8:22 AM
To: Smith, George AG:EX
Subject: SN - MDE - Product Change - draft
Attachments: SN - MDE - Product Change - draft.DOCX

Revised, attached.
D.

Speaking Notes for the

**Hon. David Eby
Attorney General**

ICBC product change announcement

Press Theatre – Parliament Buildings
Victoria, B.C.

Tues., Feb. 6, 2018
11 a.m.

Event Information/Speaking Notes

Event: ICBC Product Changes
When: Tues., Feb. 6, 2018
Speaking time: 11 a.m.
Where: Press Theatre, Parliament Buildings, Victoria
Contact for AG: Shawn Robins, cell phone TBC
Logistics: Flags, podium, mics, dial-in Q&A with media

Key Participants:

- Attorney General Eby
- Joy MacPhail, ICBC Chair

Other attendees:

- Nicholas Jimenez, ICBC interim President and CEO – leading technical briefing
- Jane Dyson, OBC, Executive Director, Disability Alliance BC
- Shannon Salter, Chair, Civil Resolution Tribunal
- Giovanna Boniface, National Director of Professional Affairs and Managing Director Canadian Association of Occupational Therapists (*not confirmed*)

Audience size: Media only, in person and over the phone provincewide

Agenda: Provided separately

Introduction

- Thank you for joining me today.
- I would first like to acknowledge that we are gathered on the territories of the Lekwungen-speaking people, and of the Songhees and Esquimalt Nations.
- Last week, the Insurance Corporation of BC announced its third-quarter fiscal results.
- It included a staggering projected net loss of \$1.3 billion for the full year.
- Years of mismanagement by the old government have undermined ICBC's ability to deliver low-cost insurance to drivers throughout our province.
- It is unacceptable that we find ourselves in this situation today.

- We now know the former government had received clear recommendations in 2014 from independent auditors that could have saved the corporation hundreds of millions of dollars and prevented this crisis.
- Yet they did not act, they rejected the recommendations and they removed relevant pages from a report they released to the public.
- Now, due to their inaction, B.C. drivers are facing at least \$400 in premium hikes... if we don't act to fix ICBC now.
- ICBC was created to protect British Columbians at the lowest possible cost but, under the BC Liberals, it was grossly mismanaged, and difficult decisions were put off for political reasons.
- Our job of fixing public insurance starts today so that ICBC can do the job it was created to do.
- In other words, today we are taking the first steps to put out the financial dumpster fire at ICBC.

- The reforms I am announcing today are intended to make ICBC financially sustainable, and are the first critical steps to allow us to keep rates affordable for British Columbians for years to come.
- Our focus of these initial reforms is on reducing legal expenses, and using the savings to direct more care to those injured in crashes, and keep insurance rates affordable.
- First, as of April 1, 2019, a new limit of \$5,500 on pain and suffering for minor injury claims will be in effect, redirecting costs currently spent on legal fees, courts and litigation towards direct care of those injured in crashes.
- Second, certain ICBC injury claims disputes will be directed to the Civil Resolution Tribunal to be decided quickly and affordably by independent adjudicators.
- And third, the savings from these initiatives will allow us not only to get ICBC's finances back on track to ensure

lower insurance rates, but will allow us for the first time in 25 years to make major changes to ICBC's accident benefits which will dramatically increase the care available for anyone injured in a crash.

- Many of these changes require legislation, which will be introduced this spring to ensure implementation by April 1, 2019.
- Together, we are told by those who have reviewed these changes that they are projected to reduce ICBC's claims costs by more than \$1 billion each year, even after the increases in accident benefits are paid for.
- Let me provide more detail now on these changes now.

Increased Care

- As part of this move to a care model, ICBC will increase accident benefits for those injured in crashes.

- A car crash happens in split seconds, and the implications for individuals and families can last a lifetime.
- There is no reason why someone who is seriously injured in a car accident should have to live with a disability in poverty, or not be able to access needed rehabilitation treatments because they can't afford to pay the out of pocket expenses to get better. Unfortunately, those are exactly the consequences that grossly inadequate accident benefits, which haven't been increased since 1991, have had.
- Without today's reforms, ICBC would never have the money to increase these miserly benefits without dramatic increases in insurance rates. With today's reforms, we are able to address this long ignored injustice.
- The enhanced accident benefits will be available for all injury claims, which means any British Columbian injured in a crash will benefit.

- These proposals mean more money for treatments and that more types of treatments will be covered.
- Here are examples of these changes and how customers will benefit, illustrating the extent of savings possible by reigning in the out of control legal costs in the current system.
- There will be a 100 per cent increase for the lifetime allowance for medical care and recovery costs for those who suffer a catastrophic injury in a car crash. That lifetime allowance will double, to \$300,000, up from \$150,000.
- This change is intended to help those people who are most seriously injured in a crash on our roads, a reform that disability advocates have been calling for, for years.

- Our intention is to set out in legislation that this change will be retroactive to January 1, 2018, so that we can immediately start helping those most seriously injured in a crash.
- Changes that will be effective April 1, 2019 include:
- ICBC will pay the fair market rate for necessary treatments, and these will apply whether the driver is at-fault or not. Currently ICBC pays a fraction of actual costs of, for example, physiotherapy appointments.
- With this change, customers are less likely to have to pay out-of-pocket costs and more likely to seek the care they need to recover from injuries.
- ICBC will also add coverage for new treatment providers such as kinesiology, acupuncture, counselling and massage therapy to the list of treatments pre-approved for payment.

- There will be a 147 per cent increase in wage loss coverage for people who are injured and unable to work, to \$740 per week, up from \$300 per week.
- A 93 per cent increase in homemaking benefits to assist with household tasks such as cooking, cleaning and other activities inside the home if the primary provider is unable to do these tasks after a crash to \$280 per week, up from \$145 per week
- A 200 per cent increase for funeral costs to \$7,500, up from \$2,500 and
- An increase in death benefits to \$30,000, up from \$17,580 to \$20,080
- These are substantial changes that will make an enormous difference to British Columbians who are injured and in need of care and recovery, and to their families as well.

Limit on payouts for pain and suffering

- These increases in benefits and the dividends of a financially stable ICBC that offers affordable insurance for drivers come as a result of reforms that will reign in out of control legal costs associated with minor injuries, costs that have increased 265% since 2000.
- These reforms come in two parts
- We will table legislation that proposes to introduce a \$5,500 limit on payouts for pain and suffering for minor injuries.
- This change will move the focus away from maximizing compensation and will reduce legal costs so that more funds can be allocated to the care, treatment and support that customers need to get better.
- B.C. is the last province in Canada to take this kind of action.

- The legislation will propose a definition for minor injury that includes will include things like sprains, strains, mild whiplash, cuts and bruises, anxiety and stress from a crash.
- It will not include things like broken bones, brain injuries (including concussions) or other more serious impairments.
- And it will recognize that, if you don't get better after a certain period of time, your injury is not considered minor.
- We will also be leaving the diagnosis of these injuries to medical professionals.
- And in the weeks and months to come, ICBC will be working directly with those medical providers to determine appropriate guidelines that can be put in place so that we can work together and help people get better as quickly as possible.

Civil Resolution Tribunal

- The second part of the reform to out of control legal costs for minor injuries is our plan to table legislation that will empower BC's Civil Resolution Tribunal, or CRT, to resolve certain motor vehicle injury disputes.
- The CRT is an important part of these changes. British Columbians should be able to appeal the decisions of ICBC to an independent decision-maker, and should be able to pursue that appeal without a lawyer if they so wish.
- Their right to appeal to BC Supreme Court from the CRT will be preserved.
- We know that the CRT is making access to justice faster, less complex and more affordable, while helping people resolve their disputes earlier.

- CRT adjudicators are independent of ICBC and will provide fair, fast resolution, without requiring the involvement of a lawyer, although lawyers are permitted to participate.
- Currently, the CRT aims to resolve claims in 60 to 90 days, on average, whereas the average legal claim with ICBC can take up to 30 months.
- The CRT has been successful in resolving disputes for strata and small claims and is freeing up significant court time.
- As a result of these changes, we expect ICBC will save about \$1 billion each year in claims costs. This is the case even after the additional costs of long overdue improvements to accident benefits are included.
- We have much work yet to do to ensure these changes will become effective April 1, 2019, including the introduction of legislation and filings with the B.C. Utilities Commission.

Rate design

- This is not the end of our work, or of today's announcements.
- In the coming weeks, we will begin consulting with British Columbians on major changes to rate design at ICBC.
- Rate design is the process by which an individual driver's insurance rate is set based on their driving history, including accidents, or convictions for unsafe driving practices like driving while intoxicated or while using a cell phone.
- The guiding principle for the rate design overhaul, the first major reforms to how rates are set in this province in sixteen years, will be that bad drivers must pay more and good drivers deserve a break.
- The consultation on rate design will ensure that these reforms on how insurance rates are set will reflect the values and priorities of British Columbians. It will take all

of us working together to ensure our public insurer is acting in the public interest, delivering affordable rates to British Columbians.

Close

- For too long, ICBC has been made to work for government at the expense of B.C. drivers.
- We are putting it back on the road to working for British Columbians again.
- These changes are the result of several months of tough conversations that I've had with a variety of stakeholders – and I thank them for their input.
- Fixing problems of this magnitude means there will have to be compromises on all sides, and that there is no silver bullet to solve ICBC's problems. More reforms are coming.
- In the coming weeks, we expect to release a final report from PwC Canada on the effectiveness of ICBC's operations...

- And there will be recommendations on finding further savings by working with the auto body industry.
- For today, it is important to note that making changes to how injuries are treated and compensated under B.C.'s auto insurance system is the single biggest action we can take to both provide improved benefits and make rates more affordable for British Columbians.
- It will not be easy, and it will be a long-road ahead but strong and decisive action is needed.
- We will have more to say in the weeks and months ahead.
- I would now like to invite [XX] to say a few words now.
- Thank you.

-END-

Nanninga, Tanera AG:EX

From: Eby, David AG:EX
Sent: Monday, February 5, 2018 3:43 PM
To: Smith, George AG:EX
Subject: NR - ICBC Product Changes - Feb5 -edits
Attachments: NR - ICBC Product Changes - Feb5 -edits.docx

Draft revisions attached in track changes.
D.

NEWS RELEASE

For Immediate Release

[release number]

Feb. 6, 2018

Ministry of Attorney General

Government directs changes to make ICBC work for B.C. drivers again

VICTORIA — The B.C. government is directing changes for the Insurance Corporation of British Columbia (ICBC) to bring about an end to the fiscal crisis while keeping rates affordable for B.C. drivers, Attorney General David Eby announced today.

“ICBC was created to protect British Columbians at the lowest possible cost, but gross neglect and mismanagement turned this valuable public asset into a financial sinkhole,” said Eby. “We will return ICBC to a place where it can provide affordable car insurance while offering adequate care for those injured in an accident.”

Today’s changes come in the wake of multiple revelations about harmful decisions and inaction by the previous government leading to ICBC projecting a 2018 net loss of \$1.3 billion. B.C. drivers could face premium increases averaging \$400 or more if no action is taken.

“For too long, difficult decisions have been put off and growing problems at ICBC hidden from the public. The changes we’re initiating today will reduce ICBC’s claims costs by more than \$1 billion every year, helping make it sustainable for decades to come,” said Eby.

Taking effect April 1, 2019, the changes include:

- A new limit of \$5,500 on pain and suffering for minor injury claims, which have increased 230% since 2000. B.C. is the last province in Canada to take this kind of action.
- An independent dispute resolution process for minor injury claims.
- The first major improvements in accident benefits in 25 years, dramatically increasing the care available for anyone injured in a crash.

Together, these changes will reduce the amount ICBC spends on legal fees and expenses – which have grown to consume 24 percent of ICBC’s budget – the savings from this initiative, when coupled with other planned initiatives, will restore ICBC to financial sustainability and finance the planned accident benefit improvements.

Disputes over whether or not an injury is “minor” will be adjudicated by B.C.’s Civil Resolution Tribunal, an independent tribunal that already adjudicates strata and small claims disputes in the province. “We’re putting ICBC’s priority back where it should be — providing fair, affordable rates for British Columbians, and giving drivers peace of mind with appropriate care if they are in a collision,” said Eby.

Eby also announced that ICBC will be consulting with customers on major revisions to the corporation’s rate structure with the goal of ensuring good drivers pay less, and bad drivers pay more. The consultation will ensure rate structure changes are responsive to the interests of British Columbians and done with full transparency.

Additional Quotes:

"British Columbians can no longer afford to keep paying more and more for their auto insurance every year, and this is the decisive and immediate action which is needed to relieve the pressure on ICBC's rates," said Joy MacPhail, Chair, ICBC Board of Directors. "These changes make the injured customer our top priority, by redirecting payments away from legal costs into significantly enhancing the care and treatments for anyone who is injured in a crash."

"Unbelievably, accident benefits haven't been increased since 1991," said Giovanna Boniface, national director of professional affairs for the Canadian Association of Occupational Therapists. "By raising the amount covered, and expanding the variety of treatments that are eligible, these changes will encourage more people to seek the treatment they need and recover more quickly."

"The system we have today does not do a good enough job of taking care of those who are injured in crashes," said Jane Dyson, Executive Director, Disability Alliance BC. "We welcome these improved benefits – and particularly the doubling of the overall allowance for medical care and recovery. This should be seen as welcome relief by anyone who is unfortunate enough to be catastrophically injured in a crash."

Accident Benefit Details:

- Doubling the lifetime allowance for medical care and recovery costs for those catastrophically injured in a car accident from \$150,000 to \$300,000. Legislation will be introduced with the intention of making this benefit retroactive to Jan. 1, 2018, in order to start immediately helping seriously injured British Columbians.
- Covering a greater variety of treatment services.
- Significantly increasing the amount covered for treatments, so customers don't have to pay out-of-pocket.
- More than doubling wage loss payments to \$740 per week, almost doubling home support benefits to \$280 per week, tripling funeral cost coverage to \$7,500, and increasing death benefits to \$30,000.

Quick Facts:

- Injury claims totalled \$2.7 billion in 2016 – an increase of 80 percent in just the last seven years.
- The average claim paid out for minor injuries has risen from \$8,220 in the year 2000 to \$30,038 in 2016 – an increase of more than 265 percent.
- At the same time, the average pain and suffering awards paid out for minor injuries have risen from \$5,004 in 2000 to more than \$16,499 in 2016.
- Vehicle damage claims costs have increased 30 percent in just two years, to a total of \$1.5 billion in 2016 alone.
- Use of the CRT for dispute resolution means injured claimants who don't use a lawyer will get to keep their entire settlement rather than paying a portion of it to lawyer fees.
- The use of the CRT for these disputes will also reduce ICBC's legal costs, which account for 24 per cent of the corporation's total annual costs – greater than the cost of running ICBC.

Learn More:

ICBC icbc.com/change

B.C.'s Civil Resolution Tribunal civilresolutionbc.ca

Backgrounders on limits to minor injury claims and enhanced accident benefits are located here: [add newsroom link]

Media contacts:

Ministry of Attorney General
778 678-1572

ICBC
604 250-1155

Nanninga, Tanera AG:EX

From: Eby, David AG:EX
Sent: Friday, February 2, 2018 9:57 AM
To: Milne, Gala AG:EX
Subject: SN - Canadian Club of Vancouver Luncheon - 31JAN18 - DRAFT
Attachments: SN - Canadian Club of Vancouver Luncheon - 31JAN18 - DRAFT.docx

Event Information/Speaking Notes

Event: Canadian Club of Vancouver Luncheon/Reception

When: Friday, Feb. 2, 2018
11:15 a.m. – 1:00 p.m.

Where: Terminal City Club
837 W Hastings St
Vancouver, B.C.

Parking: There is a parkade under the Terminal City Club, accessible from Cordova, just west of Howe Street. The organizers will provide Minister Eby with a parking pass once inside that can be used on exit.

Contact: Carolina Miranda, on-site contact
Cell: (604) 723-7216

Length: 20 minutes with Q&A afterwards

Key Participants: Raymond Greenwood, President, Canadian Club of Vancouver

Speaking Backdrop: Podium and mic

Audience Description: Representatives from the corporate, educational, professional and government sectors.

Media invited Yes

Number of Participants: 80-90 members

Agenda:

11:00 a.m.	Registration opens
11:30 a.m.	Welcome remarks – Raymond Greenwood
	O’Canada
	Intro - Head Table
	Thanks to Sponsors
11:35 a.m.	Raymond Greenwood introduces Honourable David Eby
	Minister Eby provides remarks
11:55 a.m.	Q&A
12:05 p.m.	Burt Hicks, Rising Tide Consultants and event sponsor, thanks Minister Eby & presents him with gift
12:08 p.m.	Lunch
12:45 p.m.	Closing remarks – Raymond Greenwood

Speaking Notes

for

Attorney General David Eby

Canadian Club of Vancouver
Luncheon/Reception

Friday, Feb. 2, 2018

Event runs 11:00 a.m.- 1:00 p.m.

Minister speaks at 11:35 a.m.

Introduction

- Thank you, Raymond, for that kind introduction.
- I would like to acknowledge the territory of the Musqueam (*mus-kwee-um*), Tsleil-waututh (*sail-wha-tooth*), and Squamish First Nations.
- I want to thank the Canadian Club of Vancouver for inviting me here today.
- On behalf of Premier John Horgan and the government of B.C., it's my pleasure to join you.
- As Attorney General, I'm proud of the work we are undertaking to help make B.C. a better place to live,
- And I appreciate the opportunity to discuss some of that work today.

- Over the past months, I have been actively engaging with our many stakeholders, partners, ministries, and all levels of government to ensure B.C. improves the services British Columbians count on.
- Today I wanted to focus on two topics that I know are of great interest to many in the province today:
- First, we are actively looking into improvements and reforms for B.C.'s gambling sector, including a review into allegations of money laundering in Lower Mainland casinos; and,
- Second, we are taking action to address the fiscal crisis at ICBC, and I will give you some idea about what our government is doing to address it.

Gambling

- On arriving as a new Minister, freshly appointed, staff from various areas of the public service and our crown corporations and regulators come to brief you on the files you have inherited.
- I was sat down by members of BC's Gaming Policy Enforcement Branch. One of the members of the public service said, "Get ready. I think we are going to blow your mind."
- He was right. While I cannot share all of the details, I can advise you that the briefing outlined for me allegations of serious, large-scale, transnational laundering of the proceeds of crime in British Columbia casinos.

- I've tried a couple of times to express to people how surprising it was to see such a frank admission of this problem come from the public service given that I was the critic on this file for a number of years, and had often raised concerns about money laundering given the size and volume of large cash transactions passing through BC casinos.
- Since these matters have become more public, in part due to the efforts of my office, and in significant part due to the efforts of reporter Sam Cooper of the Vancouver Sun, many people have said to me, "Well, of course you knew that this was going on, you asked the government about it."
- It's not quite so simple. My many, many queries to the previous government on these cash transactions were met by flat denials of any serious, let alone transnational criminal, issue.

- At this briefing, surrounded by members of the public service and a representative of the RCMP, I felt a bit like a UFO-ologist being invited to the Roswell military base and being introduced to an alien.
- We knew there was something strange going on, but, my God, we had no idea it was this big.
- In response to this briefing, I released a secret report on the issue in full, a report commissioned by the Ministry of Finance under the last government, but never released.
- I hired someone who knew more about the field than I did to tell me how we could best clean up this mess. I am grateful to Dr. Peter German for taking on this responsibility, his investigation and review is currently underway and his report to me will be complete by March, 2018.

I have reason to believe that these matters might be linked to other areas of BC's economy, and I have asked Mr. German to examine these connections as well.

- In December, our government received two such interim recommendations from Dr. German that addressed suspicious cash transactions in casinos,
- and I quickly directed the BC Lottery Corporation and the Gaming Policy and Enforcement Branch to implement them as soon as possible.
- First, Gaming service providers – or GSPs – must complete a Source of Funds Declaration for cash deposits or bearer monetary instruments of \$10,000 or more.
- At a minimum, the declaration must outline a customer's identification and provide the source of their funds, including the financial

institution and account from which the cash or instrument was sourced.

- After two consecutive transactions, cash can only be accepted from the customer once it has been determined that it is not of a suspicious or illegal nature.
- Second, government regulators must be seen on-site at large, high-volume facilities on the Lower Mainland and available to the GSPs.
- We are working to ensure that a GPEB investigator will be on-shift and available to those operators on a 24/7 basis.
- This presence will allow for an increased vigilance required in casinos.
- In early January, BCLC implemented the first of Dr. German's interim recommendations, so that updated source of funds requirements

are now in place for all cash and bank draft or certified cheque buy-ins for \$10,000 or more.

- Customers must now prove the source of the funds, or they are turned away.
- I know there is more to come on this issue,
- But I am proud that our government is moving forward to enhance public confidence in our gambling facilities by ensuring that high standards are enforced and that criminals are kept out of casinos.
- The back story of how we got to this point in our casinos is significant, and interesting.
- In 2009, the province's integrated gambling policing team produced a report. The report said, according to the Vancouver Sun, that quote "known gangsters were gambling in BC casinos."

- The report detailed links to extortion, prostitution, loan sharking and kidnapping, as well as links to various organized crime groups including the Hells Angels, Asian organized crime groups and Italian crime groups operating illegal gambling sites.
- Reforms were proposed to address the identified need, and to improve the ability of the existing policing team in identifying and prosecuting offenders.
- In response to this startling report from the police about the need to increase enforcement, the Province of BC, under the oversight of then Minister Responsible Rich Coleman, defunded the policing team, shutting it down.

- Fast forward to March 2016, where a memo to the former Finance Minister, Mike Dejong, who had seen massive increases in provincial gambling revenue, identified, again according to the Vancouver Sun, that there had been “a significant increase in the use of illegal gaming houses in the province and the legitimization of proceeds of crime through BC’s gaming facilities.”
- This was not the first report received by the then Finance Minister on the problem, there were countless red flags from regulators, just the most explicit. It is important to note that this same period was a period of exceptional growth in the province’s gaming revenues.
- Although the activity behind the scenes in government was remarkable, in the legislature, you would never have guessed there was a problem.
- A month after receiving that report about the significant increase in the legitimization of proceeds of crime through BC’s gaming

facilities, the former Finance Minister told the legislature, on April 4, 2016, quote “I can tell you this. We take very seriously the obligation that we have to British Columbians to ensure that the activities that take place within regulated and lawful gaming establishments are being conducted with proceeds that are not – I repeat not - the result of criminal activity.”

- Given this gap between public statements by government, and the reality on the ground, on becoming Minister, in addition to hiring Dr. German, I took steps to release key documents so that the public would understand the extent of the challenge we face.
- The public is no longer in the dark about what is going on. And they shouldn't be.
- And there is surely more to come.

- For example, in one of the more disturbing moments of the many briefings I have received on this issue, I was advised that the particular style of money laundering in BC related to BC casinos is being called quote, “the Vancouver Model” in at least one international intelligence community.
- I’d like to underline this point.
- The previous administration’s lax attitude towards this issue means British Columbia has apparently developed its own, internationally recognized, model of money laundering.
- This has a major and serious consequence for our international reputation, and also for the encouragement of whatever illegal activity might be generating these proceeds of crime.
- But we’re not just addressing money laundering. In December, we made the most significant increase in more than a decade in front-line service availability for British

Columbians who are, or may be, at risk of gambling addiction.

- These protections include new and much-needed additional off-site services, along with an expanded GameSense Advisor program to be rolled out by the BC Lottery Corporation.
- Under a new model, BCLC has assumed full responsibility and cost of the GameSense Advisor program, and will hire on-site advisors for all 18 Community Gaming Centres in the province.
- GameSense Advisors are responsible gambling specialists in casinos who help patrons make safer decisions about their gambling and provide support and information about accessing problem gambling resources.
- GameSense Advisors also play a vital role in the Voluntary Self-Exclusion Program which

allows patrons to voluntarily exclude themselves from all gambling facilities and from accessing BCLC's online gambling site.

- Meanwhile, the government's Gaming Policy and Enforcement Branch will keep \$1.2 million in funding that was previously dedicated to GameSense Advisors and use it to expand out-of-casino services like early intervention, counselling and harm reduction.
- Government will also address existing service gaps, including outreach to online players exhibiting problem gambling behaviour and the expansion of community training programs in Indigenous communities to provide culturally sensitive supports.

ICBC

- I want to turn now to one of the most significant issues facing our government – both from the perspective of affordability,

and with regards to the impact it has on our bottom line.

- That issue is the financial state of ICBC.
- Earlier this week, ICBC announced that its year-end loss is now projected to hit \$1.3 billion – that’s nearly the amount the former government siphoned out of ICBC while ignoring the needs of B.C. families.
- Now, B.C. drivers are looking at a hike of at least \$400 more in their premiums by next year unless we take immediate action to keep rates more affordable.
- It’s unfortunate that years of bad decisions and mismanagement have undermined ICBC's ability to deliver low-cost insurance to B.C. drivers.

- We have seen evidence that the former government knew about ICBC's deteriorating financial situation and the action required to get costs under control,
- And did nothing to protect ICBC and the people it serves.
- In particular, in 2014, government received a report by a third party business firm, E&Y< that told them that major reforms were required to ensure ICBC didn't face massive deficits in the future. Instead of releasing that report, the previous finance Minister Mike Dejong has now admitted that government deleted the relevant pages from the report before releasing it to the public.
- The previous minister responsible for ICBC, Todd Stone, denies knowing about the missing pages. But he did introduce something called "rate smoothing", which while it was designed to keep rates lower,

coupled with the lack of reforms meant that the gap between premiums collected and amounts paid out of the system grew at a record pace.

- That's why we're moving forward quickly to repair the damage that's been done.
- Over the last while, I've been having tough conversations with a wide variety of stakeholders, including those from the legal profession and the auto body industry.
- There are many groups that benefit financially under the current system that will be unhappy with the reforms that need to be made. If the fixes were easy, the previous government wouldn't have been cutting pages out of reports, they'd be fixing the system.

- The message I've been giving to everyone is that fixing the problems at ICBC means there will have to be compromises on all sides.
- It's truly a province-wide problem, and I know some of you are quite concerned about the impact any changes would have.
- You may have heard me say in the media that we are considering a model that puts limits on non-monetary damages, similar to what's been done in a number of other provinces.
- I expect to have more to say on this in fairly short order, but for now I can tell you that we are working on solutions aimed at keeping rates affordable and improving medical care for those hurt in crashes, while creating a system that fairly delivers improved financial certainty and sustainability.

- Unfortunately, we know that years of mismanagement have created an environment where many people feel their only way to get a fair settlement is to retain counsel.
- And that reality is clearly reflected in ICBC's spending – delays and legal costs, such as those for expert reports, now account for 24 per cent of ICBC's total annual costs.
- This is greater than the cost of running ICBC, and it's simply not sustainable.
- But this is not our only area of concern ...
- Injury claims totalled \$2.7 billion in 2016 – an increase of 80 percent in just the last seven years.

- The average claim paid out for minor injuries has risen from just over \$8,000 in the year 2000 to more than \$30,000 in 2016 – an increase of more than 250 percent.
- At the same time, the average pain and suffering awards paid out for minor injuries have risen from about \$5,000 in 2000 to more than \$16,000 in 2016.
- Auto body repair costs have increased 30 percent in just two years, to a total of \$1.5 billion in 2016 alone.
- To put it simply: the amount of basic insurance premiums ICBC is currently collecting from customers cannot cover the increasing amount they are paying out in basic claims costs.
- These costs must be reduced.

- Our government wants to focus on keeping insurance affordable and providing care for those hurt in accidents.
- And we also need to do more to improve road safety.
- We've started that by turning on our red light cameras 24 hours a day, and by increasing premiums for those people caught distracted driving.
- In fact, if you're a repeat distracted driver who's caught twice in three years after March 1, you're going to be hit with fines and an ICBC insurance premium increase of almost \$2000 over that span.
- We believe higher risk drivers should pay higher premiums because they have a greater chance of costing the system more ...

- Accordingly, we believe low risk drivers should bear less of the costs –
- And we will be making changes in the future to help ensure that's the case.
- We are also expecting to release a final report from PricewaterhouseCoopers on the effectiveness of ICBC's operations in fairly short order,
- And I anticipate there will be recommendations on finding further savings by working with the auto body industry.
- Clearly, we have much work to do.
- However, while there is much work ahead of us, I know that everyone will benefit if we drastically cut down on legal costs, provide increased care for those with minor injuries and keep insurance affordable.

Conclusion

- These are topics that I am taking very seriously,
- And I look forward to sharing more information with British Columbians as our work progresses.
- Thank you everyone for the opportunity to be here today,
- And I am happy to answer any questions you have.

Nanninga, Tanera AG:EX

From: Eby, David AG:EX
Sent: Monday, January 29, 2018 9:20 AM
To: Smith, George AG:EX
Subject: SN - ICBC Q3 - 29JAN18 - final (3)
Attachments: SN - ICBC Q3 - 29JAN18 - final (3).DOCX

Revised revisions, can you please reprint.

Speaking Notes for the

**Hon. David Eby
Attorney General**

Media Availability – Response to ICBC Q3

Vancouver

Mon., Jan. 29, 2018

11:00 a.m.

INTRO

- Thank you for joining me.
- Yesterday, the Insurance Corporation of BC posted the details of their third quarter fiscal situation.
- They posted a net loss of \$935 million dollars for the first nine months of the fiscal year 2017/2018.
- And ICBC now projects a net loss of 1.3 billion for the full year.
- This is, quite simply, a financial dumpster fire.
- British Columbians deserve the truth, no matter how brutal the news is.
- Years of reckless decisions by the former government have undermined ICBC's ability to deliver low-cost insurance to B.C. drivers.

- In recent years, it became common knowledge that ICBC was being politically directed, in a way that was not sustainable, including government taking more than a billion dollars out of the corporation.
- But I never believed that the former government would go to such lengths to put their own interests ahead of those of BC motorists.
- Last week, we learned that three years ago the previous government received clear warnings AND recommendations from independent consultants that could have prevented these massive losses.
- Yet the previous government did not act. They rejected these recommendations.

- But not only did they reject these recommendations, it seems that they scrubbed those recommendations, and projections of trouble on the horizon, from a report presented to the public.
- They knew the dumpster was on fire, but they simply pushed it behind the building instead of trying to put the fire out.
- Just over three years later, the impact of these reckless decisions is clear for anyone to see.
- I note that before the election, the previous government told British Columbians their projection for the corporation's losses was \$11m.
- ICBC's year-end loss is now projected to hit \$1.3 billion – that's nearly exactly the amount the BC Liberal government siphoned out of ICBC while ignoring the needs of British Columbians.

- ICBC must become financially sustainable to keep rates affordable for British Columbians.
- If we don't take action, B.C. drivers will face a \$400 premium hike just to get ICBC to break even. Obviously, we won't let that happen.
- We will be announcing major reforms in the coming weeks to repair the damage done by our predecessors.
- We are preparing significant solutions for introduction in the Spring legislature session that will keep rates affordable and see high-risk drivers pay more while low-risk drivers pay less.
- We must cut legal and autobody repair costs and focus ICBC resources on providing more care for those hurt in crashes.

- I will have more to say on these initiatives in the days and weeks ahead, but let me tell you now that these initiatives will be difficult for many groups who have a financial interest in the status quo.
- If these changes were easy, the previous government wouldn't have been cutting pages out of consultant reports to hide the truth, they would have been making the changes needed.
- British Columbians elected us to change how things are done in government.
- We have committed to providing good services and making life more affordable.
- British Columbians were not told the truth about the state of ICBC.
- They were told that the problem was not serious, a loss of about a hundred times less than was actually the case.

- The public was misled by the previous government about ICBC's finances.
- Now British Columbians are facing the full consequences of the previous government's decision to bury the truth.
- We will take on the difficult and painful task of addressing this unnecessary crisis at ICBC, guided first and foremost by the interests of British Columbians.
- Thank you.

-30-

Speaking Notes for the

**Hon. David Eby
Attorney General**

Media Availability – Response to ICBC Q3

Vancouver

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- They knew the dumpster was on fire, but they simply pushed it behind the building instead of trying to put the fire out.
- Just over three years later, the impact of these reckless decisions is clear for anyone to see.
- I note that before the election, the previous government told British Columbians their projection for the corporation's losses was \$11m.
- ICBC's year-end loss is now projected to hit \$1.3 billion – 100 times the pre-election projection, and almost exactly the amount the BC Liberal government siphoned out of ICBC.

- ICBC must become financially sustainable to keep rates affordable for British Columbians.
- If we don't take action, B.C. drivers will face a \$400 premium hike just to get ICBC to break even. Obviously, British Columbians can't afford that, and we won't let that happen.
- We will be announcing major reforms in the coming weeks to make ICBC financially sustainable again.
- We are preparing significant initiatives for introduction in the Spring legislature session that will keep rates affordable and see high-risk drivers pay more while low-risk drivers pay less.
- We must cut legal and autobody repair costs and focus ICBC resources on providing more care for those hurt in crashes.

- I will have more to say on these initiatives in the days and weeks ahead, but let me tell you now that these initiatives will be difficult for many groups who have a financial interest in the status quo.
- If these reforms were easy, the previous government wouldn't have been cutting pages out of consultant reports to hide the truth, they would have been making the changes needed.

PAUSE

- British Columbians elected us to change how things are done in government.
- We have committed to providing good services and making life more affordable.
- British Columbians were not told the truth about the state of ICBC.

- They were told that the problem was not serious, a loss of about a hundred times less than was actually the case.
- Now British Columbians are facing the full consequences of the previous government's decision to bury the truth.
- We will take on the task of addressing this unnecessary crisis at ICBC, guided first and foremost by the interests of British Columbians.
- Thank you.

-30-

Page 162 to/à Page 166

Withheld pursuant to/removed as

s.14

Page 001 to/à Page 006

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s.14

Nanninga, Tanera AG:EX

From: Eby, David AG:EX
Sent: Wednesday, January 17, 2018 10:34 AM
To: Nanninga, Tanera AG:EX
Subject: Re: Cliff 429747 - Request to change action (with apologies) ***See new meeting request below***

No, thanks.

> On Jan 17, 2018, at 6:11 PM, Nanninga, Tanera AG:EX <Tanera.Nanninga@gov.bc.ca> wrote:

>

>

> Hi Minister,

>

> Regarding the meeting below. Did you want a BN?

>

> Thank you,

>

> Tanera

>

>

> From: Minister, AG AG:EX

> Sent: Tuesday, January 16, 2018 3:49 PM

> To: Nanninga, Tanera AG:EX; King, Kim J M JAG:EX

> Subject: Cliff 429747 - Request to change action (with apologies) ***See new meeting request below***

>

> Hi Tanera and Kim,

>

> The AG reviewed the draft reply for ^{s.22} on January 10th – the AG has indicated in handwriting, that he would like to meet with ^{s.22} with ICBC staff present. He did not sign the draft response.

>

> I am attaching the AG's handwritten note, for easy reference Tanera.

>

> Kim – I will return the copies (white/pink) of the proposed AG draft email to you in the red book tomorrow.

>

> Candice

> From: Minister, AG AG:EX

> Sent: Friday, August 18, 2017 4:54 PM

> To: Minister, AG AG:EX

> Subject: FW: ICBC

>

>

>

> From: ^{s.22}

> Sent: Tuesday, August 15, 2017 3:11 PM

> To: Minister, AG AG:EX

> Subject: Fwd: ICBC

>

>

> Not sure whether this was forwarded by the constituency office. If anyone wishes to discuss my suggestion in order to get a fuller understanding, my contact info is included.

>
>

> ----- Forwarded Message -----

> Subject:

>
> ICBC

>
> Date:

>
> Thu, 10 Aug 2017 11:07:47 -0700

>
> From:

>
> s.22

>
> To:

>
> david.eby.mla@leg.bc.ca<mailto:david.eby.mla@leg.bc.ca>

>
>
>

> Recent newspaper articles indicate that you are getting suggestions on

>
> how to either improve or eliminate ICBC. s.22

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> s.22

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I have some ideas that might be considered.

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>

> 1. The public meetings involved in the review of no fault found that it

>
> was hard to accept by non professional individuals. This was

>
> particularly difficult regarding repayment of deductibles for vehicle to

>
> vehicle accidents. The insurance industry has often entered into

>
> "guiding principles" arrangements to eliminate costly subrogation costs

>
> and to expedite finalization of claims. The insurance Act in BC should

>
> be amended so that accidents occurring in BC require an insurer to settle

>
> any vehicle to vehicle damage to its client's vehicle, subject to its
>
> deductible, without right to subrogate against a third party. Since
>
> ICBC is the prime insurer for such property damage this will eliminate a
>
> lot of costs and require private insurers to cover the costs involved by
>
> their underwriting vehicle selection decisions, ie high value vehicles etc. Currently,
>
> ICBC is paying all such damages. This will transfer the costs from
>
> the compulsory liability pool to the physical damage pool in which ICBC
>
> is only a participant. The increased overall costs due to vehicle selection will rest with the Insurer and the appropriate premiums can be charged.
>
>
>
> 2. Uninsured physical damage in vehicle to vehicle accidents will be
>
> paid by the ICBC property damage coverage in accordance with a fault
>
> chart to be developed and included in the ICBC Act. It is possible to
>
> limit the payment to an amount that is a normal deductible for such a
>
> vehicle, ie: trucks, buses, construction vehicles, high value vehicles
>
> etc., but the actuaries will be able to know whether this limitation is
>
> worth the public disfavor. Deductibles for vehicle to vehicle accidents
>
> should also be handled by the fault chart, with a provision that this
>
> not be mandatory. Some insurers may decide to require a mandatory
>
> deductible while others may opt to use a fault chart. No subrogation is
>
> permitted except for out of Province losses or in situations where inter-
>
> Gov'T arrangements are in force.
>
>
>
> 3. ICBC should follow the industry in Canada in limiting claims for soft
>
> tissue injuries. The limits for no fault benefits should be raised to a
>
> level equal to or higher than in current use in other Provinces.
>

> Increasing the limits to what is currently likely available from the
>
> court system, will reduce the number of actual cases coming to
>
> court, eliminating a large volume of legal fees and also easing pressure
>
> on court settlement inflation.
>
>
>
> 4. ICBC should purchase reinsurance either individually or in
>
> partnership with SGI and MPIC to cover their property damage exposure in
>
> the event of a catastrophe. Since all three companies have different
>
> catastrophe loss characteristics the costs may be lower when combined.
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> <429747 - s.22 AG changes action to Meeting - from AG draft email Jan 10, 2018.pdf>

Page 011 to/à Page 096

Withheld pursuant to/removed as

s.14

Nanninga, Tanera AG:EX

From: Eby, David AG:EX
Sent: Wednesday, November 1, 2017 8:04 AM
To: Smith, George AG:EX
Subject: RE: Release edits

Edits below

From: Smith, George AG:EX
Sent: Tuesday, October 31, 2017 7:33 PM
To: Eby, David AG:EX
Subject: Release edits

Please take a look at the highlighted changes below to make sure I understand what you had requested:

Government to undertake in-depth file review to identify waste and overbilling, find savings at ICBC

VICTORIA – The Government of B.C. has selected PwC Canada to lead an operational review of ICBC to identify waste, ways to prevent fraud and overbilling, and identify opportunities for business reform at the crown corporation. The review includes selecting 100 random files for a comprehensive review, similar to a financial audit, but directed at business practices and aimed at cutting out waste, overbilling, and poor cost controls.

"This is one of the many actions we are taking so that the people of B.C. can have confidence in and continue to benefit from ICBC, one of our most important public assets," said Attorney General David Eby. "Surprisingly, this is the first review of ICBC we're aware of that directs the reviewers to talk to front line employees about where they see waste, fraud, overbilling, or other opportunities for reform. We are leaving no stone unturned in this review."

Following a competitive process, PwC Canada was selected to conduct an evidence-based operational review of ICBC to identify opportunities to reduce costs at the insurer, which lost almost half a billion dollars last year. Any recommendations PwC Canada makes in these areas are also to consider how to maintain or improve the quality of service levels for ICBC's customers.

"The ICBC board and all senior management are committed to working alongside government to make sure action is taken as quickly as possible to bring about long-term, sustainable improvements at ICBC," said ICBC board chair Joy MacPhail. "The resulting solutions we want to see must be focused on striking the balance between relieving the cost pressures on ICBC while ensuring improved services and affordable rates for all British Columbians."

In conducting this review, PwC Canada will look at all previous reports and recommendations related to the financial management and reporting of ICBC from the last five years, and will review approaches in other jurisdictions and segments within the insurance industry related to ICBC's various business lines.

"ICBC will not be back on the road to financial sustainability or in a position to provide affordable rates to British Columbians without major changes at every level. These are changes that the previous administration was afraid to confront, and now ratepayers are on the hook for losses in the hundreds of millions of dollars," said Eby. "We must act urgently, because major rate increases are not an option."

A final report will be submitted to Government in early 2018. The report will be made public at that time.

-30-

Page 098 to/à Page 167

Withheld pursuant to/removed as

s.12;s.13

Page 001 to/à Page 004

Withheld pursuant to/removed as

s.12;s.13

Nanninga, Tanera AG:EX

From: Eby, David AG:EX
Sent: Tuesday, October 3, 2017 6:37 PM
To: XT:MPS PullPrint CITZ:IN
Subject: Document1
Attachments: Document1.docx

Nanninga, Tanera AG:EX

From: Eby, David AG:EX
Sent: Tuesday, September 5, 2017 11:51 AM
To: Howard, Stephen AG:EX; Harris, Megan A GCPE:EX
Subject: SN_RateIncrease_04Sept17_FINAL
Attachments: SN_RateIncrease_04Sept17_FINAL.docx

Final version speaking notes. Stephen is printing locally.
D.

Event Information/Speaking Notes

Event: 2017 ICBC Rate announcement

When: Tues., Sept. 5, 2017

Speaking time: 1 p.m.

Where: Hyatt Regency, Vancouver

Briefing room: Seymour Room

Presser room: Grouse Room

Parking: TBD

Contact for AG: Megan Harris – 250 882-8013

Logistics: Podium with lav. mic.

Key Participants:

David Eby, Attorney General and Minister responsible for ICBC

Other attendees: Joy MacPhail, Chair, ICBC

Audience size: Media only

Agenda: 12:40 p.m. – briefing

1 p.m. – Attorney General to speak immediately followed by Q/A

1:45 p.m. – Close of presser

Media attending: Yes

Speaking Notes

for the

Hon. David Eby
Attorney General

2017 ICBC rate increase announcement

Hyatt Regency
655 Burrard St.
Vancouver, B.C.

Tues., Sept. 23, 2017
1– 1:45 p.m.

Introduction

- Thank you for joining me today.
- I would first like to acknowledge the traditional territory of the Coast Salish people, including the Musqueam, Squamish, Tsleil-Waututh First Nations where we gather today.
- I would also like to acknowledge ICBC Chair Joy MacPhail for joining me today.
- ICBC is one of British Columbia's most important public assets.
- That said, there are deep and profound issues at ICBC that need to be addressed immediately to keep rates affordable for British Columbians over the long term.
- We need to take drastic action to fix ICBC's devastating financial outlook.

- But B.C. drivers should not be made to pay for years of mismanagement of this critical public asset.
- I will begin by giving you some context about ICBC's current financial state. I will then explain to you how we got here, and the short term measures we are implementing at a structural level. We need to get costs under control at the insurer so that we can get rates under control for BC drivers.
- However, I recognize you are anxious to hear the Basic Rate information, so I'll start with that before going into the background.
- ICBC will be seeking a 6.4% increase in its 2017 Basic Rate application to the British Columbia Utilities Commission, an increase in annual cost of \$57 for the average driver, or \$4.75 per month.
- The optional rate will also be adjusted.

- For optional, on November 1, 2017, the aggregate optional rate will increase 3.1% to a maximum of approximately 2.2% for each remaining quarter, based on market conditions, to a total of 9.6% on average.
- It is important to note that the aggregate optional rate increase is an average across many diverse categories of drivers. For example, at the end of the implementation of these rate changes, 300,000 drivers will actually have lower optional rates.
- Because most drivers get optional and basic insurance coverage, the best measurement to understand the impact on the average driver of the basic and optional rate changes is the so-called “blended rate”.
- The average driver can expect an annual blended rate increase between optional and basic insurance of 8%, or \$130 annually.

- The report we received on taking over government, a report commissioned by the previous government, recommended a 20% basic rate increase. This blended rate increase, which includes optional, is 12% lower than this report's recommended rate.
- I'll begin today's overview with the context of today's rate announcement.
- ICBC's finances have been on a downward trajectory in recent years with the root of the problem dating back to 2010.
- These problems have been growing more alarming and must be addressed urgently through both necessary rate adjustments, and more critically, through strategic reforms to reduce crashes, reduce claims and reduce ICBC's costs.
- The previous government failed to take the structural steps necessary to make ICBC financially stable, and reduce the need for rate increases.

- As a result, the report commissioned by the previous administration recommends basic rate increases of 20% this year, and 30% by 2019.
- Last year alone, ICBC lost over half a billion dollars in just twelve months. That loss is the largest annual loss in ICBC's history.
- ICBC's annual losses are projected to increase to \$1 billion in the coming years if we don't take action now.
- Our government will take action starting today to solve the fundamental problems at ICBC to ensure affordable rates, because 30% rate increases are not an option for BC families, and losses in the hundreds of millions of dollars at ICBC are not sustainable for even a short period of time.
- Because the deep crisis facing ICBC will surely be taking many British Columbians by surprise, I would like to take some time to outline how we got to this place, and why it appears ICBC is so suddenly in deep financial difficulty.

- First, it is my opinion that British Columbians were deceived about the true state of finances at our public auto insurer before the election.
- For example, the Budget 2017 documents projected next year's losses at ICBC to be \$25m. The revised projection for next year's losses in the base case, with existing rates, is \$454m. That's a loss that is 18 times higher than projected in the Budget 2017 documents.
- Even with today's announced rate increases, which are significant increases, the projected loss at ICBC is still \$360m. That's 14 times the original loss projected in the Budget 2017 documents that were released before the election. There is simply no excuse for the previous government's projections being so wrong.
- Second, the previous government raided ICBC for its savings, savings that could have been used to offset this year's rate increases while we wait for systemic reforms to begin to show some impact. Between 2010 and 2016, the previous government took a total of \$1.2 billion from ICBC's savings to help balance provincial budgets.

- Less money in the ICBC savings account as a result of these actions means significantly lower investment income which would have been used to reduce rates today.
- Third, an August 2012 ICBC cost cutting exercise resulted in ICBC deferring legitimate claims that were supposed to be paid out.
- This meant that ICBC's claims costs were reduced in the short term, but in the long term there was a significant backlog of claims that has now come home to roost and must be paid. This backlog of unpaid claims is part of the explanation of a sudden spike in claims costs.
- Fourth, there was a cavalier and reckless attitude towards ICBC's financial stability within the previous government.

- For example, in a video recording of remarks to an auto body repair industry group by the former minister responsible for ICBC, the minister surprised the group by attempting to give them a \$3 million ICBC building for free.
- He boasts in the same video about reducing speeding enforcement by 60%.
- In the same video he committed to a review of the industry association's rates under a review where the industry writes the terms of reference.
- The report that exercised produced was, in ICBC's words, quote "deficient in that many of the conclusions are based on insufficient data...[with] factual errors that have not been corrected and findings based upon incomplete information."
- The former government knew years ago that the issues at ICBC were spiralling rapidly out of control, yet they completely failed to look out for the drivers and road users of our province.

- We are paying for those short sighted decisions today.
- Half billion dollar annual losses at ICBC must end, but to turn ICBC around after years of neglect will require difficult measures.
- A blended premium increase of 8% for the average driver will have a major impact on many families. However, 20% increases would put many families over a financial tipping point, and that cannot be allowed to happen.
- Unfortunately, insurance rates must be adjusted in the short-term while we implement changes that will take at least a year, and in some cases longer, to begin to show significant effect on costs.
- We wish that structural changes had been made sooner at ICBC and in BC to make roads safer. These changes were not made, so drivers are forced to pay today for the mistakes and negligence of yesterday's government.

- I am assuming responsibility to get ICBC back on the right track, along with my colleagues in related Ministries. We will fix this problem.
- I will now outline what we are doing to get ICBC back on track in the short term in order to avoid similar rate increases as we're announcing today, in the future.
- Getting ICBC back into long-term financial sustainability, delivering affordable rates for BC residents will be an ongoing project over the next several years, and I will have regular updates for you in the months and years to come on additional steps.
- In short, these steps are just the beginning of what will be a complex and aggressive reworking of ICBC back to financial stability.

1. RED LIGHT CAMERAS

- Over the next several months, existing red light cameras at intersections in the Lower Mainland will be activated 12 hours a day, and then 24 hours a day.
- Currently, the cameras are only on in six hour per day shifts. The phased roll out will enable administration to keep up with increased processing volumes.
- Accidents at city intersections are a major driver of costs and misery, and we need to stop people from running red lights and causing fatalities and serious injuries.
- I note that this was one of the recommendations of the Ernst and Young report to reduce accident costs.

2.DISTRACTED DRIVING TECHNOLOGY PILOT

- I have instructed ICBC to pilot several new technologies for limiting cell phone use by high risk drivers, and to start that pilot as soon as possible.
- Our aim is to restrict high risk drivers, like new drivers or repeat distracted driving offenders, from using cellphones through technological interventions.
- We'd also like to offer improved rates to drivers who adopt these technologies voluntarily.
- There are a number of ways this can be done including stand-alone applications, which use the motion detection sensors within a phone, and hardware supported applications that plug directly into a vehicle.
- These are only two examples and I look forward to hearing from ICBC about the cutting edge firms that submitted their new technologies for consideration.

3.DISTRACTED DRIVING CAMPAIGN

- We have asked ICBC to increase public awareness about the costs and impacts of distracted driving.
- To that end, ICBC's annual distracted driving campaign launches tomorrow, with ICBC and police announcing their latest enforcement blitz on distracted driving, supported by new educational materials and advertising.

4.DANGEROUS ROADS INITIATIVE

- ICBC reports on the 10 top crash intersections annually. In the Lower Mainland in 2015, the top 10 crash sites were responsible for 2,253 crashes.
- We are working with ICBC and the Ministries of Transportation and Infrastructure, and Public Safety and Solicitor General and local governments to update and expand work identifying the areas with the highest number of collisions and to make urgent improvements to the speed limits, signage, and infrastructure in these areas to reduce collisions, and the injuries and costs these preventable accidents can bring.

5.ADMINISTRATION COSTS AND EFFICIENCY

- We are currently issuing an RFI to approved senior management consulting firms for an immediate and comprehensive business audit of ICBC's operations and practices.
- The review will examine targeted elements of ICBC's operations, including an audit of a random sample of 100 claim files, a full review of ICBC salvage and material-damage payment processes, ICBC's settlement and litigation strategies, and the backlog of claims at ICBC.
- It should be noted that the Ernst and Young report specifically did not address internal processes at ICBC, nor did it examine in detail the reasons that may be internal to ICBC behind increasing litigation costs, material damage costs, and injury settlement costs it reported on.

- I have seen internal documents from ICBC that lead me to believe there is significant room for improvement in costs at the insurer through revised internal policies and procedures.
- We are not satisfied with the lack of detail behind the alarming trends identified by the E&Y report, so we are doing a full internal business audit.

CLOSE

- The previous government's Ernst and Young report recommended a 20% rate increase for Basic insurance this year alone. We promised British Columbians that would not happen.
- ICBC will instead be seeking a 6.4% increase in its 2017 Basic Rate application to the British Columbia Utilities Commission, an increase in annual cost of \$57 for the average driver, or \$4.75 per month.
- Even with this rate change, ICBC will not be covering the costs of the increase in crashes and claims.

- To actually cover the costs at ICBC of providing insurance, every customer would need to pay close to an additional \$15 per month or the equivalent of a 20% rate increase.
- The rising number of crashes, injuries and the cost of these claims are also putting pressure on ICBC's optional insurance rates.
- As I mentioned earlier, the optional rate will also be adjusted.
- On November 1, 2017, overall optional rates will be increased in the first quarter at 3.1% with subsequent quarterly increases of 2.2%, based on market conditions, to a maximum of 9.6%.
- This number is an average for the entire optional category. Individual policy rates will depend on age, value, and use of a vehicle and where it is being driven, with hundreds of thousands of drivers actually receiving lower optional rates, or seeing no increase at all.

- The most comprehensive assessment of what this means for the average British Columbian driver is the blended rate, which combines average increases between optional and basic. The blended rate tells us that the average driver will see an increase of 8% or \$130.
- I ask for British Columbian's patience and understanding as we implement the long overdue changes that need to be made. I will be announcing more to come in the months and years ahead.
- Thank you, I will now take your questions.

-END-

Nanninga, Tanera AG:EX

From: Eby, David AG:EX
Sent: Tuesday, September 5, 2017 10:00 AM
To: Harris, Megan A GCPE:EX; Howard, Stephen AG:EX
Subject: SN_RateIncrease_04Sept17_FINAL
Attachments: SN_RateIncrease_04Sept17_FINAL.docx

Revised speaking notes as of 10:00 am this morning.
D.

Event Information/Speaking Notes

Event: 2017 ICBC Rate announcement

When: Tues., Sept. 5, 2017

Speaking time: 1 p.m.

Where: Hyatt Regency, Vancouver

Briefing room: Seymour Room

Presser room: Grouse Room

Parking: TBD

Contact for AG: Megan Harris – 250 882-8013

Logistics: Podium with lav. mic.

Key Participants:

David Eby, Attorney General and Minister responsible for ICBC

Other attendees: Joy MacPhail, Chair, ICBC

Audience size: Media only

Agenda: 12:40 p.m. – briefing

1 p.m. – Attorney General to speak immediately followed by Q/A

1:45 p.m. – Close of presser

Media attending: Yes

Speaking Notes
for the
Hon. David Eby
Attorney General

2017 ICBC rate increase announcement

Hyatt Regency
655 Burrard St.
Vancouver, B.C.

Tues., Sept. 23, 2017
1– 1:45 p.m.

Introduction

- Thank you for joining me today.
- I would first like to acknowledge the traditional territory of the Coast Salish people, including the Musqueam, Squamish, Tsleil-Waututh First Nations where we gather today.
- I would also like to acknowledge ICBC Chair Joy MacPhail for joining me today.
- ICBC is one of British Columbia's most important public assets.
- That said, there are deep and profound issues at ICBC that need to be addressed immediately to keep rates affordable for British Columbians over the long term.
- We need to take drastic action to fix ICBC's devastating financial outlook.

- But B.C. drivers should not be made to pay for years of mismanagement of this critical public asset.
- I will begin by giving you some context about ICBC's current financial state. I will then explain to you how we got here, and the short term measures we are implementing at a structural level to get costs under control at the insurer.
- However, I recognize you are anxious to hear the Basic Rate increase, so I'll start with that before going into the background.
- ICBC will be seeking a 6.4% increase in its 2017 Basic Rate application to the British Columbia Utilities Commission, an increase in annual cost of \$57 for the average driver, or \$4.75 per month.
- The optional rate will also be adjusted.
- For optional, on November 1, 2017, the average optional rate will increase 3.1% to a maximum of

approximately 2.2% for each remaining quarter, based on market conditions, to a total of 9.6% on average.

- It is important to note that the optional rate increase is an average across many diverse categories of drivers. For example, at the end of these rate changes, 300,000 drivers will actually have lower optional rates.
- The best measurement to understand the impact on the average driver is the so-called “blended rate” between optional and basic coverage.
- The average driver can expect an annual blended increase between optional and basic insurance of 8%, or \$130 annually.
- The report we received on taking over government, a report commissioned by the previous government, recommended a 20% basic rate increase. This blended rate increase, which includes optional, is 12% lower than this recommended rate.

- ICBC's finances have been on a downward trajectory in recent years with the root of the problem dating back to 2010. These problems have been growing more alarming.
- These problems must be addressed through necessary rate adjustments, but more critically, through strategic reforms to reduce crashes, reduce claims and reduce ICBC's costs.
- The previous government failed to take these structural steps necessary to make ICBC financially stable.
- As a result, the report commissioned by the previous administration recommends basic rate increases of 20% this year, and 30% by 2019.
- Our government will take action starting today to solve the fundamental problems at ICBC to ensure affordable rates, because 30% rate increases are not an option for BC families.

- The former government's unprecedented mismanagement of the organization, including the use of capital reserves to hide the deep-seeded financial problems, has left ICBC in an unprecedented financial state.
- Last year alone, ICBC lost over half a billion dollars in just twelve months. That loss is the largest annual loss in ICBC's history.
- ICBC's annual losses are projected to increase to \$1 billion in the coming years if we don't take action now.
- Before explaining some of the actions we are taking, I would like to take some time to outline how we got to this place.
- First, I believe that British Columbians were deceived about the true state of finances at our public auto insurer before the election.
- For example, the Budget 2017 documents projected next year's losses at ICBC to be \$25m. The revised

projection for next year's losses in the base case, with current rate levels, is \$454m. That's a loss that is 18 times higher than projected in the Budget 2017 documents.

- Even with today's announced rate increases, which are significant increases, the projected loss is still \$360m. That's 14 times the original loss projected in the Budget 2017 documents that were released before the election.
- Second, the previous government raided ICBC for its savings, savings that could have been used to offset this year's rate increases. Between 2010 and 2016, the previous government then took a total of \$1.2 billion from ICBC's savings to help the former government to balance provincial budgets.
- Less money in the savings account meant significantly lower investment income to be used to reduce rates today.
- Third, an August 2012 ICBC cost cutting exercise resulted in ICBC deferring legitimate claims that were

supposed to be paid out. This meant that ICBC's claims costs were reduced in the short term, but in the long term there was a significant backlog of claims that has now come home to roost and must be paid.

- Fourth, there was a generally cavalier attitude towards ICBC's financial stability within the previous government.
- For example, in a video recording of remarks to an auto body repair industry group, the former minister surprised the group by attempting to them a \$3 million ICBC building for free.
- He boasts in the same video about reducing speeding enforcement by 60%.
- In the same video he commits to a review of the industry association's rates under a review where the industry writes the terms of reference.
- The report that exercised produced was, in ICBC's words, quote "deficient in that many of the conclusions

are based on insufficient data...[with] factual errors that have not been corrected and findings based upon incomplete information.”

- The former government knew years ago that the issues at ICBC were spiralling rapidly out of control, yet they completely failed to look out for the drivers and road users of our province.
- We are paying for those short sighted decisions today.
- Half billion dollar annual losses at ICBC must end, but to turn ICBC around after years of neglect will require difficult measures.
- I recognize that a blended premium increase of 8% for the average driver will be a major impact for many families. However, 20% increases would put many families over a financial tipping point, and that cannot be allowed to happen.
- Unfortunately, insurance rates must be adjusted in the short-term while we implement changes that will take

at least a year, and in some cases longer, to begin to show significant effect on costs.

- We wish these structural changes had been made sooner at ICBC. They were not, so drivers are forced to pay today for the mistakes and negligence of yesterday's government.
- I am assuming responsibility to get ICBC back on the right track, along with my colleagues in related Ministries. We will fix this problem.
- I will now outline what we are doing to get ICBC back on track in the short term in order to avoid similar rate increases as we're announcing today, in the future.
- Getting ICBC back into long-term financial sustainability, delivering affordable rates for BC residents will be an ongoing project over the next several years, and I will have regular updates for you in the months and years to come on additional steps.

- In short, these steps are just the beginning of what will be a complex and aggressive reworking of ICBC back to financial stability.

1. RED LIGHT CAMERAS

- Over the next several months, existing red light cameras at intersections in the Lower Mainland will be activated 12 hours a day, and then 24 hours a day.
- Currently, the cameras are only on in six hour per day shifts. The phased roll out will enable administration to keep up with increased processing volumes.
- Accidents at city intersections are a major driver of costs and misery, and we need to stop people from running red lights and causing fatalities and serious injuries.
- I note that this was one of the recommendations of the Ernst and Young report to reduce accident costs.

DISTRACTED DRIVING TECHNOLOGY PILOT

- I have instructed ICBC to pilot several new technologies for limiting cell phone use by high risk drivers, and to start that pilot as soon as possible.
- Our aim is to restrict high risk drivers, like new drivers or repeat distracted driving offenders, from using cellphones through technological interventions.
- We'd also like to offer improved rates to drivers who adopt these technologies voluntarily.
- There are a number of ways this can be done including stand-alone applications, which use the motion detection sensors within a phone, and hardware supported applications that plug directly into a vehicle.
- These are only two examples and I look forward to hearing from ICBC about the cutting edge firms that submitted their new technologies for consideration.

DISTRACTED DRIVING CAMPAIGN

- We have asked ICBC to increase public awareness about the costs and impacts of distracted driving.
- To that end, ICBC's annual distracted driving campaign launches tomorrow, with ICBC and police announcing their latest enforcement blitz on distracted driving, supported by new educational materials and advertising.

DANGEROUS ROADS INITIATIVE

- ICBC reports on the 10 top crash intersections annually. In the Lower Mainland in 2015, the top 10 crash sites were responsible for 2,253 crashes.
- We are working with ICBC and the Ministries of Transportation and Infrastructure, and Public Safety and Solicitor General and local governments to update and expand work identifying the areas with the highest number of collisions and to make urgent improvements to the speed limits, signage, and infrastructure in these areas to reduce collisions, and the injuries and costs these preventable accidents can bring.

ADMINISTRATION COSTS AND EFFICIENCY

- We will immediately be issuing an RFI to approved senior management consulting firms for a comprehensive business audit of ICBC's operations and practices.
- The review will examine targeted elements of ICBC's operations, including an audit of a random sample of 100 claim files, a full review of ICBC salvage and material-damage payment processes, ICBC's settlement and litigation strategies, and the backlog of claims at ICBC.
- It should be noted that the Ernst and Young report specifically did not address internal processes at ICBC, nor did it examine in detail the reasons that may be internal to ICBC behind increasing litigation costs, material damage costs, and injury settlement costs it reported on.
- I have seen internal documents from ICBC that lead me to believe there is significant room for improvement in

costs at the insurer through revised internal policies and procedures.

- We are not satisfied with the lack of detail behind the alarming trends identified by the E&Y report, so we are doing a full internal business audit.

CLOSE

- The previous government's Ernst and Young report recommended a 20% rate increase for Basic insurance this year alone. We promised British Columbians that would not happen.
- ICBC will instead be seeking a 6.4% increase in its 2017 Basic Rate application to the British Columbia Utilities Commission, an increase in annual cost of \$57 for the average driver, or \$4.75 per month.
- Even with this rate change, ICBC will not be covering the costs of the increase in crashes and claims.
- To actually cover the costs at ICBC of providing insurance, every customer would need to pay close to

an additional \$15 per month or the equivalent of a 20% rate increase.

- The rising number of crashes, injuries and the cost of these claims are also putting pressure on ICBC's optional insurance rates.
- As I mentioned earlier, the optional rate will also be adjusted.
- On November 1, 2017, overall optional rates will be increased in the first quarter at 3.1% with subsequent quarterly increases of 2.2%, based on market conditions, to a maximum of 9.6%.
- This number is an average for the entire optional category. Individual policy rates will depend on age, value, and use of a vehicle and where it is being driven, with hundreds of thousands of drivers actually receiving lower optional rates, or seeing no increase at all.
- The most comprehensive assessment of what this means for the average British Columbian driver is the

blended rate, which combines average increases between optional and basic. The blended rate tells us that the average driver will see an increase of 8% or \$130.

- I ask for British Columbian's patience and understanding as we implement the changes that need to be made and that I will be announcing in the months and years to come.
- Thank you, I will now take your questions.

-END-

Nanninga, Tanera AG:EX

From: Eby, David AG:EX
Sent: Monday, September 4, 2017 5:46 PM
To: Harris, Megan A GCPE:EX
Subject: FW: ICBC restated, 2016 fiscal year
Attachments: ICBC restated 2016 fiscal.pdf

From: Eby, David AG:EX
Sent: Monday, September 4, 2017 3:24 PM
To: Harris, Megan A GCPE:EX
Subject: FW: ICBC restated, 2016 fiscal year

For fact check on last year's record loss, \$533m. \$253m loss in optional, \$280m loss in basic.

From: Howard, Stephen AG:EX
Sent: Monday, August 28, 2017 8:16 PM
To: Eby, David AG:EX
Subject: ICBC restated, 2016 fiscal year

Just in. I'll take a read in the morning.

Stephen Howard
Ministerial Assistant
Attorney General

s.17

Page 046

Withheld pursuant to/removed as

Copyright

Nanninga, Tanera AG:EX

From: Eby, David AG:EX
Sent: Monday, September 4, 2017 4:17 PM
To: Harris, Megan A GCPE:EX
Subject: FW: NR_RateIncrease_04Sept17_DRAFT
Attachments: NR_RateIncrease_04Sept17_DRAFT.docx

Note that news release draft has incorrect figure on ICBC loss last year, \$533m, not "more than \$600". Believe more than \$600m figure comes from 15mo period released by ICBC. Tx.
D.

From: Eby, David AG:EX
Sent: Monday, September 4, 2017 2:59 PM
To: Harris, Megan A GCPE:EX
Subject: NR_RateIncrease_04Sept17_DRAFT

Edits attached. Tracked changes, but not sure how useful that will be. Here is revised version.
D.

NEWS RELEASE

For Immediate Release
[release number]
September XX, 2017

Ministry of Attorney General

B.C. government to limit rate increases for drivers while repairing ICBC

VICTORIA – The B.C. government is limiting ICBC rate increases for drivers while embarking on a multi-year plan to fix the public insurer's financial crisis, Attorney General David Eby announced today. Immediate measures include rolling out 24 hour red light cameras at high-collision intersections, an audit of ICBC, and a pilot program of new technologies to eliminate distracted driving among high-risk groups.

ICBC had their largest financial loss in the organization's history last year, losing more than \$600m in just twelve months.

"Drastic action is needed to fix ICBC's devastating financial crisis, but B.C. drivers should not be forced to pay 30% higher basic insurance rates as a result of the previous government's mismanagement," said Eby.

Eby notes that legislation passed in 2010 allowed government to take unprecedented levels of cash out of ICBC. After that regulation was introduced, government took \$1.2 billion dollars from ICBC into general revenue.

"It's unacceptable for any government to treat ICBC like an ATM machine. Yesterday's cash grab cost drivers who need that support today more than a billion dollars," said Eby.

Eby says there will be a 6.4% Basic rate increase this year, which is more than 20% lower than the 30% rate hike recommended by the report commissioned by the previous government.

ICBC will also increase the Optional rate, but increases will be tied to a driver's personal claims history. While most drivers will see modest increases, thousands of good drivers will actually see rate decreases of 1% in their optional insurance because of a spotless claims history.

The overall optional rate will be increased by 3.1% in the first quarter with subsequent quarterly increases of 2.2% to a maximum of 9.6% for drivers with more challenging driving histories. For an average driver, this is an annual blended increase between basic and optional of 8%, or \$130.

"Our commitment to British Columbians is to make life more affordable for them — forcing 30% rate increases on drivers is a non-starter," said Eby. "Our government is working overtime to clean up the previous government's mess in a way that minimizes impacts on drivers."

In the short term, the government will move forward with a suite of short-term actions to improve ICBC's operations and reduce accident rates by:

- Launching an intensive internal operational audit of the crown corporation;

- Moving forward with a pilot project to evaluate distracted driving reduction technology;
- Activating red-light cameras 24 hours a day and seven days a week, up from the current six hours per day;
- Increasing public awareness of the risks of distracted driving through a new advertising campaign; and
- Introducing a dangerous roads initiative to identify and rapidly retrofit infrastructure, regulations and signage at dangerous roads and intersections.

-30-

Media contact: Media Relations
Government Communications and Public Engagement
Ministry of the Attorney General
778 678-1572

Nanninga, Tanera AG:EX

From: Eby, David AG:EX
Sent: Monday, September 4, 2017 3:59 PM
To: Harris, Megan A GCPE:EX
Subject: QA_ICBC_rate filing_3SEPT17_DRAFT2
Attachments: QA_ICBC_rate filing_3SEPT17_DRAFT2.docx

Track changes.

**ICBC – 2017 Basic Rate Application
Questions & Answers**

Key Messages:

- ICBC is one of British Columbia's most important public assets.
- That said, there are deep and profound issues at ICBC that need to be addressed immediately to keep rates affordable for British Columbians over the long term.
- Let me be clear: We need to take drastic action beginning today to fix ICBC's devastating financial outlook.
- But let me be equally clear that B.C. drivers should not be made to pay for years of mishandling of this critical public asset.
- ICBC will be seeking a 6.4% increase in its 2017 Basic Rate application to the British Columbia Utilities Commission, an increase in annual cost of \$57 for the average driver, or \$4.75 per month.
- The optional rate will also be adjusted. While most drivers will see a modest increase, thousands of drivers with exceptional claims histories will actually see a decrease. Those with the most challenging driving histories will see a substantial increase. On November 1, 2017, overall optional rates will be increased in the first quarter at 3.1% with subsequent quarterly increases of 2.2%, based on market conditions, to a maximum of 9.6%.
- The combined increases between optional and basic will mean that the average driver will see an increase of 8% or \$130. Keep in mind that this combined rate increase is 22% lower than the 30% basic rate hike recommended by the report commissioned by the previous government.
- ICBC's finances have been on a downward trajectory in recent years with the root of the problem dating back to 2010. These problems have been growing more alarming.
- Our government will take action starting today to solve the fundamental problems at ICBC because 30% increases are not an option.
- The former government's unprecedented mismanagement of the organization including the use of capital reserves to hide the deep-seeded financial problems, has left ICBC in a shocking financial state.
- I believe that British Columbians were deceived about the true state of finances at our public auto insurer. The Budget 2017 documents projected next year's losses at \$25m. The revised projection for next year's losses is \$454m. That's a loss that is 18 times higher than the projected loss released to the public just months ago.
- Core issues around road safety, increasing claims costs and growing auto body repair costs were not adequately addressed.
- Neglect of ICBC by government must end but it will require tough measures and a blended increase of 8% to premiums is a tough measure for so many families.
- All factors combined have resulted in a situation where insurance rates need to be adjusted in the short-term while we implement changes that will take at least a year, and in some cases longer, to begin to show significant effect on costs.

Bu1

- I am assuming responsibility to get ICBC back on the right track, along with my colleagues in related Ministries, and we will fix this problem.
- I think it is important to note that even with these rate increases, that we know will impact many families very seriously, ICBC is still projected to lose \$225 million dollars next year.
- Obviously, very serious and lasting systemic changes are going to be made if we hope to avoid repeated significant rate increases.
- I ask for British Columbian's patience and understanding as we implement the changes that need to be made and that I will be announcing in the months and years to come.

If asked about the future focused plans:

- Our government has a plan to ensure that drivers in British Columbia do not bear the costs of this unprecedented mismanagement of ICBC and to work with ICBC in finding the right tools to reduce the number of crashes in our province.
- We aim to bring back a sustainable organization that all British Columbians can be proud of.
- There will be short term and immediate steps taken to begin the long process of reducing costs that are driving the pressure for higher rates.
- This will be an ongoing project over the next several years, and I will have regular updates for you on additional steps.
- This is just the beginning of what will be a complex and aggressive reworking of ICBC back to financial stability.
- I have taken the following actions:

RED LIGHT CAMERAS

- Over the coming months, existing red light cameras at intersections in the Lower Mainland will be activated 24 hours a day.
- Currently, the cameras are only on in eight hour shifts. Accidents at city intersections are a major driver of costs and misery. We need to stop people from running red lights and causing fatalities and serious injuries.

DISTRACTED DRIVING TECHNOLOGY PILOT

- We have also directed ICBC to pilot several of the identified technologies for limiting cell phone use by drivers, and to start that pilot as soon as possible.
- Our aim is to restrict high-risk drivers from using cellphones through technology, and to offer improved rates to drivers who adopt these technologies voluntarily.

DISTRACTED DRIVING CAMPAIGN

- We have directed ICBC to increase public awareness of the costs of distracted driving.
- To that end, ICBC will be making an important announcement tomorrow about a distracted driving awareness campaign.

DANGEROUS ROADS INITIATIVE

- ICBC reports on the 10 top crash intersections annually. In the Lower Mainland in 2015, the top 10 crash sites were responsible for 2,253 crashes.
- We are working with ICBC and the Ministries of Transportation and Infrastructure, and Public Safety and Solicitor General and local governments to identify the areas with the highest number of collisions and make urgent improvements to the speed limits, signage, and infrastructure in these areas to reduce collisions.

INTERNAL COSTS

- Starting immediately, we will be issuing an RFI to approved senior management consulting firms for a comprehensive business audit of ICBC's operations and practices.
- This review will examine aspects of ICBC's processes, including an audit of a random sample of 100 claim files, a full review of ICBC salvage and material damage payment processes, ICBC's settlement and litigation strategies, and the backlog of claims at ICBC.
- ICBC will be seeking a 6.4% increase in its 2017 Basic Rate application to the British Columbia Utilities Commission, an increase in annual cost of \$57 for the average driver, or \$4.75 per month.
- The optional rate will also be adjusted. On November 1, 2017, drivers will see the first quarterly increase of 3.1% to a maximum of approximately 2.2% for each remaining quarter, based on market conditions. BC's drivers with the longest spotless claims histories will actually see an optional rate decrease. Drivers with more challenging driving histories will see the highest optional rate increases. Most drivers will see a modest optional rate increase.
- For the average driver, this is a blended increase between optional and basic rates of 8%, or \$130.

Qs & As:

Rate increase:

- 1. You have said that rate increases would not happen on your watch. How did this happen?**
 - ICBC's finances have been on a downward trajectory in recent years with the root of the problem dating back to 2010. These problems have been growing more alarming.
 - These problems can only be addressed through a rate increase and strategic actions to reduce crashes, reduce claims and ICBC's costs. The previous government chose to do neither.
 - The former government's unprecedented mismanagement of the organization including the use of ICBC's savings to hide the deep-seeded financial problems, has left ICBC in a shocking financial state.
 - Last year alone, ICBC lost over half a billion dollars, setting a record for the highest loss in the corporation's history. If ICBC had not taken almost \$1bn in "equity gains" from the corporation's investments into income in 2015, the story would have been similar in that year.
 - These ongoing annual losses are projected to increase to \$1 billion in just three years if we don't take action now.
 - I believe that British Columbians were deceived about the true state of finances at our public auto insurer.

- For example, a review of ICBC which had not been received by government was listed in financial documents as producing savings from changes that were not only not implemented, but not even known yet. These savings were built into future year projections.
 - The Budget 2017 documents projected 2018/19 losses at \$25m. The revised projection for next year's losses are \$454m. That's a loss that is 18 times higher than the projected loss released to the public just months ago.
 - We now know that when these problems surfaced, instead of addressing the underlying issues, the former government amended legislation that same year to allow the removal of capital from ICBC's optional insurance to mitigate losses on the basic insurance side.
 - Between 2010 and 2016, the previous government took a total of \$1.2 billion from the corporation to help the former government to balance provincial budgets. This was a cash grab from a business that desperately needs that money today to help drivers.
 - In May 2011, the former Minister of Finance rejected ICBC's proposed rate increase and directed the organization to not go to the BCUC with a two-year rate plan. The proposed plan from ICBC would have applied increased premiums to drivers based on their driving records.
 - An August 2012 cost cutting exercise resulted in ICBC deferring claims while costs were reduced in the short term, yet in the long term there was a backlog of claims grew and grew. That backlog has now come home to roost.
 - Here is a good illustration of the cavalier attitude towards costs at ICBC exhibited by the previous Minister responsible.
 - In a 2015 video of a presentation to an auto body repair industry group, the former minister responsible for ICBC attempted to give away a \$3 million ICBC building for free.
 - He boasts in his speech that he had reduced speeding enforcement ticket revenue by 60% and commits to a rate review paid for by ICBC whose terms were dictated by the association's members with an eye to boosting these rates.
 - The former government knew years ago that the issues at ICBC were spiralling rapidly out of control, yet they neglected to look out for the drivers and road users of our province.
 - We are paying for those short sighted decisions today.
 - Again, let me reiterate, critical and difficult decisions that should have been made by the former government were neglected and avoided, loading these problems on the drivers of British Columbia.
 - Core issues around road safety, increasing claims costs and growing auto body repair costs were not adequately addressed.
 - All together, these factors have resulted in a situation where insurance rates need to be adjusted in the short-term while we implement changes that will take at least a year, and in some cases longer, to begin to show significant effect on costs.
 - I am assuming responsibility to get ICBC back on the right track, along with my colleagues in related Ministries, and we will fix this problem.
- 2. Can you confirm if ICBC gave an auto body repair lobby group a \$3 million ICBC property at no cost?**

- The Minister was, for unknown reasons, unable to deliver his promise to give away a \$3m public building, owned by ICBC to a trade association for free.
 - Like reducing speeding enforcement by 60%, the decision to give away a \$3m building owned by ICBC for free illustrates the problematic attitude toward the insurer's financial situation and the safety of BC's roads under the previous government.
- 3. How can people pay the 6.4% increase when it's higher than the inflation rate and more than the average wage increase for most people?**
- This government is committed to making life more affordable for British Columbians and safer for all road users. Fixing the very grave financial situation at ICBC will contribute to this goal in the long-run.
 - Even with this rate change, ICBC will not be covering the costs of the increase in crashes and claims. To do this, every customer would need to pay close to an additional \$15 per month or a 20% rate increase.
 - I think it is important to note that even with these significant rate increases, that we know will impact many families very seriously, that ICBC is still projected to lose \$225 million dollars next year.
 - Obviously, very serious and lasting systemic changes are going to be made if we hope to avoid repeated significant rate increases.
 - I ask for British Columbian's patience and understanding as we implement the changes that need to be made.
- 4. What about Optional rates? Does ICBC plan to increase Optional insurance rates too?**
- The rising number of crashes, injuries and the cost of these claims are also putting pressure on ICBC's optional insurance rates as liability payouts above \$200,000, collision and comprehensive coverage are included under the optional side.
 - The optional rate will also be adjusted. While most drivers will see a modest increase, thousands of drivers with exceptional claims histories will actually see a decrease. Those with the most challenging driving histories will see a substantial increase. On November 1, 2017, overall optional rates will be increased in the first quarter at 3.1% with subsequent quarterly increases of 2.2%, based on market conditions, to a maximum of 9.6%.
 - The combined increases between optional and basic will mean that the average driver will see an increase of 8% or \$130. Keep in mind that this combined rate increase is 22% lower than the 30% basic rate hike recommended by the report commissioned by the previous government.
 - I think it is important to note that even with these significant rate increases, that we know will impact many families very seriously, that ICBC is still projected to lose \$225 million dollars next year.
 - Obviously, very serious and lasting systemic changes are going to be made if we hope to avoid repeated significant rate increases.
 - I ask for British Columbian's patience and understanding as we implement the changes that need to be made and that I will be announcing in the months and years to come.
- 5. How will raising Optional insurance affect B.C.'s competitive insurance market at large? Will this drive rates up across the boards?**

- The optional rate increase is phased in so that ICBC may measure impacts of these changes in the competitive market. If we begin to lose significant market share, ICBC will adjust rates accordingly to remain competitive.
- 6. If approved by the BCUC, when will this rate increase become effective?**
- This 6.4% increase to the Basic insurance rate will come into effect as of Nov. 1, 2017, and BCUC will review the full application during this time.
 - Optional rates do not go before the Utilities Commission.
- 7. Given the rate increase is being announced today, why is ICBC waiting another 10 days before submitting its application to the BCUC?**
- By announcing the rate today, this allows ICBC two weeks to finalize and file the Basic Rate application.
- 8. The E&Y report says rates could climb 30% in the next two years – will this happen and if not, how can you be sure?**
- While the report reveals the depths of ICBC's financial crisis, this government will not allow British Columbians to be on the hook for a 30% rate increase.
 - We are taking swift and decisive action and British Columbians are going to see a new and long-overdue approach to tackling this very serious situation.
 - Help is here for British Columbians – we are committed to working with the public, ICBC and stakeholders to make rates affordable for people.
- 9. But we heard the same promise from the previous government – what's different now?**
- Fixing the structural problems within B.C.'s auto insurance industry is one of this government's top priorities as part of our commitment to make life more affordable for British Columbians.
 - Trying to give away a multi-million dollar public asset and reducing speeding enforcement are good examples of the previous government's failed approach under the last minister responsible.
 - ICBC is an important public asset and as such, this government will be accountable to the public for its performance, starting with a business audit to ensure ICBC is working as efficiently as possible.

Current state:

10. How did ICBC get to this point where it's on the brink of financial collapse?

- ICBC's finances have been on a downward trajectory in recent years with the root of the problem dating back to 2010. These problems have been growing more alarming, while it appears the last government was unwilling to make the changes necessary to improve road safety and ICBC's operations.

- For several years, ICBC has faced unprecedented financial deterioration due to a number of key factors which have been mismanaged or ignored by the previous government:
 - The rapidly increasing frequency of vehicle collisions;
 - More bodily injury claims;
 - Rising vehicle repair costs;
 - Softening interest rates that negatively impact investment income; and
 - Lower-than-required Basic premium rates that have failed to cover the widening gap created by rising claims costs.
- There are three major external pressures on ICBC's insurance rates – a sustained increase in the number of crashes occurring on our roads, leading to more vehicle damage and injury claims being reported, compounded by higher vehicle repair and injury claims costs.
- In previous years, ICBC's strong investment income helped to relieve these pressures but this is no longer the case – as interest rates have fallen to historical lows, maintaining strong investment returns has become increasingly challenging for ICBC, especially with the government removing \$1.1bn from that investment fund in the last six years.
- As the recent report on ICBC produced by E&Y concluded, the pressures ICBC are under have led to "overall claims costs and expenses becoming greater than current insurance premiums collected". This is not sustainable.

Facts and figures:

- ICBC had its biggest loss ever in 2016/17, losing \$530m in a single twelve month period.
- After changing rules in 2010, government took \$1.1bn out of ICBC's savings into the province's general revenue, money that is no longer available to help reduce rate pressures through investment income.
- A growing number of crashes being reported to ICBC: Ultimately, these pressures start from one place – more crashes are occurring in our province every year – with 320,000 in 2016 alone.
- More vehicle damage claims than ever before: This spike in the number of crashes has correlated into a sharp increase in the number of vehicle damage claims being reported to ICBC. There were 233,300 vehicle damage claims reported to ICBC during the last 12 months of claims data available (July 2016 to June 2017) – 24,700 more than just three years ago, an increase of 12 per cent increase.
- Vehicle repair costs soar to \$1.5 billion in just one year: The growth in vehicle damage claims being reported is being compounded by the cost of repairing those vehicles, which is becoming more expensive every year. As our vehicles become more reliant on technology and expensive materials – from back-up sensors and cameras to composite and high-strengths steels – ICBC's vehicle damage costs have soared by \$350 million, or 30 per cent, in just two years, to a total of \$1.5 billion in 2016 alone.
- Injury claims skyrocket; 75,000 reported over the last 12 months alone: A total of 75,000 new injury claims were reported to ICBC during the last 12 months of claims data available (July 2016 to June 2017) – 14,200 more than just three years ago, an increase of 23 per cent.

- Injury claims costs close in on \$3 billion for a single year: After only breaking through the \$2 billion threshold as recently as 2014, ICBC's injury claims costs totalled \$2.7 billion in 2016 alone – an increase of \$1.2 billion, or 80 per cent, over the last seven years.
- See question #1 for full answer

11. How will this new government be using the E&Y report that was commissioned under the previous administration?

- We are reviewing findings in this report very carefully and with great interest.
- Starting immediately, we will be issuing an RFI to approved senior management consulting firms for a comprehensive business review of ICBC's operations and practices.
- This review will examine aspects of ICBC's processes, including a review and evaluation of a random sample of 100 claim files, a full review of ICBC salvage and material damage payment processes, ICBC's settlement and litigation strategies, and the backlog of claims at ICBC.
- It should be noted that the Ernst and Young report specifically did not address internal processes at ICBC, nor did it examine in detail the reasons that may be internal to ICBC behind increasing litigation costs, material damage costs, and injury settlement costs it reported on.
- I have seen internal documents from ICBC that lead me to believe there is significant room for improvement in costs at the insurer through revised internal policies and procedures. For example, ICBC has noted that it is paying twice what cash transactions are for windshield repairs.
- We are not satisfied with the lack of detail behind the alarming trends identified by the E&Y report, so we are doing a full review.

Actions taken:

12. What measures are you taking to correct ICBC's deteriorating financial situation and the subsequent rate increases?

- This government is going to act – it will be swift, exacting and fair. Our work will be guided by the following principles:
 1. **Fairness** – e.g. safe drivers should pay less for their insurance
 2. **Affordability** – e.g. consideration of how changes will impact people's pocket books is paramount
 3. **Awareness** – e.g. commitment to open, transparent dialogue with B.C. motorists
 4. **Action** – e.g. long-term transformative changes need to be balanced with immediate action
 5. **Sustainability** – e.g. all decisions must contribute to the sustainability of the organization
- I have taken the following steps in the immediate term to begin the long process of bending the cost curves driving pressures for higher rates at ICBC.
- This will be an ongoing project over the next several years, and I will have regular updates for you on additional steps.
- In short, this is just the beginning of what will be a complex and aggressive reworking of ICBC back to financial stability.

- I have taken the following actions:

RED LIGHT CAMERAS

- Over the coming months, existing red light cameras at intersections in the Lower Mainland will be activated 24 hours a day.
- Currently, the cameras are only on in eight hour shifts. Accidents at city intersections are a major driver of costs and misery. We need to stop people from running red lights and causing fatalities and serious injuries.

DISTRACTED DRIVING TECHNOLOGY PILOT

- We have also directed ICBC to pilot several of the identified technologies for limiting cell phone use by drivers, and to start that pilot as soon as possible.
- Our aim is to restrict high-risk drivers from using cellphones through technology, and to offer improved rates to drivers who adopt these technologies voluntarily.

DISTRACTED DRIVING CAMPAIGN

- We have directed ICBC to increase public awareness of the costs of distracted driving.
- To that end, ICBC will be making an important announcement tomorrow about a distracted driving awareness campaign.

DANGEROUS ROADS INITIATIVE

- ICBC reports on the 10 top crash intersections annually. In the Lower Mainland in 2015, the top 10 crash sites were responsible for 2,253 crashes.
- We are working with ICBC and the Ministries of Transportation and Infrastructure, and Public Safety and Solicitor General and local governments to identify the areas with the highest number of collisions and make urgent improvements to the speed limits, signage, and infrastructure in these areas to reduce collisions.

INTERNAL COSTS

- Starting immediately, we will be issuing an RFI to approved senior management consulting firms for a comprehensive business audit of ICBC's operations and practices.
- This review will examine aspects of ICBC's processes, including an audit of a random sample of 100 claim files, a full review of ICBC salvage and material damage payment processes, ICBC's settlement and litigation strategies, and the backlog of claims at ICBC.
 - It should be noted that the Ernst and Young report specifically did not address internal processes at ICBC, nor did it examine in detail the reasons that may be internal to ICBC behind increasing litigation costs, material damage costs, and injury settlement costs it reported on.
 - I have seen internal documents from ICBC that lead me to believe there is significant room for improvement in costs at the insurer through revised internal policies and procedures. For example, ICBC has noted that it is paying twice what cash transactions are for windshield repairs.

- We are not satisfied with the lack of detail behind the alarming trends identified by the E&Y report, so we are doing a full review.

13. What mitigation measures has ICBC taken to date?

- ICBC initiated a number of strategies to help mitigate claims cost trends. They are not sufficient. However, they advise that these measures have included:
 - Fraud detection and prevention strategies;
 - Changing windshield replacement policy;
 - Introducing strategic ICBC procurement of back office and other supports;
 - Hiring more claims adjusters and increasing ICBC's in-house legal and medical expertise.

Road safety

14. You say the rapidly increasing frequency of vehicle collisions is one of the cost pressures on insurance rates; what will you do to address road safety in B.C.?

RED LIGHT CAMERAS

- Over the coming months, existing red light cameras at intersections in the Lower Mainland will be activated 24 hours a day.
- Currently, the cameras are only on in eight hour shifts. Accidents at city intersections are a major driver of costs and misery. We need to stop people from running red lights and causing fatalities and serious injuries.

DISTRACTED DRIVING TECHNOLOGY PILOT

- We have also directed ICBC to pilot several of the identified technologies for limiting cell phone use by drivers, and to start that pilot as soon as possible.
- Our aim is to restrict high-risk drivers from using cellphones through technology, and to offer improved rates to drivers who adopt these technologies voluntarily.

DISTRACTED DRIVING CAMPAIGN

- We have directed ICBC to increase public awareness of the costs of distracted driving.
- To that end, ICBC will be making an important announcement tomorrow about a distracted driving awareness campaign.

DANGEROUS ROADS INITIATIVE

- ICBC reports on the 10 top crash intersections annually. In the Lower Mainland in 2015, the top 10 crash sites were responsible for 2,253 crashes.
- We are working with ICBC and the Ministries of Transportation and Infrastructure, and Public Safety and Solicitor General and local governments to identify the areas with the highest number of collisions and make urgent improvements to the speed limits, signage, and infrastructure in these areas to reduce collisions.

15. Why have you ruled out photo radar?

- Our preference is for predictable, stationary technology that changes driver behaviour, instead of technologies that don't change behaviour but instead are perceived to be, and often act as, revenue generation tools. For example, red light cameras with appropriate signage that are active 24 hours a day will encourage appropriate driver behaviour at red lights.
- Hidden photo radar that captures drivers speeding but does not change the behaviour does not make roads safer when compared to enforcement officers stopping speeding vehicles, which interrupts the behaviour and has the added benefit of identifying the driver for additional consequences in relation to insurance rates.

ICBC management:

16. Isn't the rising rate another example of mismanagement at ICBC?

- One of the main objectives in launching a comprehensive business review of ICBC's operations and practices is to review ICBC's current lines of business to ensure they are operating in a manner that provides ratepayers with the most efficient, cost effective products and programs as well as looking at overall corporate structure.

17. Can you provide more info on ICBC's lower investment income? Isn't that a sign of poor management?

- Like many companies, ICBC is facing increasingly challenging investment markets with interest rates at historically low levels. These diminishing returns are closely linked to government policy under the previous administration that raided ICBC's savings at a time when, post 2008, ICBC's investments were at some of their lowest values.
- In recent years, ICBC's strong investment income has been able to partially offset claims costs pressures and help mitigate rate increases. This would have been a greater contribution but for the \$1.1bn removed from ICBC's investment accounts by the previous government since 2010.
- ICBC also took a significant portion of equity gains into net income in 2015, which has left very little to be realized today and in the near future.
- In 2015, ICBC's investment income at year-end was \$920 million – at the mid-way point in 2016, it sat at just \$44 million.

Government dividend / ICBC transfer

18. Will this government continue to take a dividend?

- No, absolutely not. It is clear that there are no more dividends that can be used as capital pressures are mounting. The cupboard is bare.

19. What about capital transfer from Optional to Basic?

- In order to immediately mitigate ICBC's financial situation, a transfer of \$470 million in capital from ICBC's Optional line of business to Basic will ensure capital levels stay above 2017 regulatory minimums.

20. Won't this transfer perpetuate the cycle of putting ICBC in a bad financial position again for the following year?

- In order to immediately mitigate ICBC's Basic side financial situation, a transfer of \$470 million in capital from ICBC's Optional line of business to Basic will ensure capital levels stay above regulatory minimums in 2017.
- It is a regulatory minimum that we must put in place. Your minimum MCT level must be at 100% and to accomplish for 2017, this transfer must take place by law.

Legal model

21. What will this government do to address ICBC's skyrocketing legal costs? Will you place a cap on certain injury claims?

- There are a number of recommendations in the Ernst & Young report around capping pain and suffering awards related to soft tissue injuries, and we're studying the numbers to make sure they're accurate and that the recommendations make sense. We will also be looking at proposals outside the Ernst & Young report. In short, we will ensure our research covers all bases before coming to a decision on this matter.

22. Will you move to a no-fault insurance model?

- No.
- Access to lawyers is one of the few ways people in BC have been able to ensure their rights were protected after the previous government eliminated hundreds of service employees at ICBC in a disastrous attempt to cut costs that instead simply built a massive claims backlog. We will not be taking away the right of people to sue to claim the payments they are entitled to under law.

Privatization

23. If ICBC is on a fast path to insolvency, as you've described, why not move to a privatized system?

- You can travel across Canada and find a range of public and private auto insurance and diverse arguments both for and against each system. Ontario has a fully private system, and they also have the highest rates in Canada.
- We believe our system in B.C. works for a number of reasons, but mainly to ensure that all British Columbia drivers have the same minimum amount of insurance and insurance benefits that protect them and the other drivers and pedestrians on the road.
- This has meant that B.C. has an estimated uninsured rate of less than one per cent – much lower than other jurisdictions in North America which have rates ranging from four to 20 per cent.

- The linking of the licence plate and decal to a customer's basic insurance policy is unique to only a few jurisdictions in North America and is also one of the main reasons why we have such a low uninsured rate compared to other jurisdictions in North America.
- ICBC is more than just an insurance company – it makes investments no other insurer would, for example: for its 2016/17 fiscal year (January 2016 to March 2017), ICBC invested \$50 million on road safety-related projects and campaigns.
- In saying that, private insurers do have a role for people who are looking for additional coverage.
- People who would like to purchase more than the basic level of insurance can do so through ICBC or private insurers.

24. But doesn't B.C. have the second highest insurance rates in the country right now? How can you say privatization won't benefit consumers?

- This statistic was included in the Ernst & Young report.
- We will be undertaking a process to validate the findings of this report, as we have seen similar reports that say BC has the third highest rates.
- Regardless, rates should be more affordable as there are many controllable costs and mechanisms we can use to bring costs down.
- We are confident that we will be able to turn this ship around and get insurance rates to a point of affordability, long-term affordability, for British Columbians.

25. Will these changes be incorporated into the province's fiscal plan in the budget update?

- All information related to the fiscal plan is released as part of the budget. ICBC is a quickly moving file, and the service plan reflects many of the previous government's assumptions. The reform of ICBC will be ongoing and we will make many public announcements about our initiatives to keep British Columbians informed.

Nanninga, Tanera AG:EX

From: Eby, David AG:EX
Sent: Friday, September 1, 2017 9:23 AM
To: Harris, Megan A GCPE:EX
Subject: QA - ICBC - rate filing - 30AUG17 - DRAFT
Attachments: QA - ICBC - rate filing - 30AUG17 - DRAFT.DOCX

Got up to question 9 and ran out of time. Wanted to share asap so there could be work done today. There is lots left to do here, worried we won't be ready for Tuesday. Most of my info is in the comments section.
D.

CONFIDENTIAL ADVICE TO MINISTER – Aug. 30, 2017 (DRAFT)

**ICBC – 2017 Basic Rate Application
Questions & Answers**

Key Messages:

- ICBC is one of British Columbia's most important public assets.
- That said, there are deep and profound issues at ICBC that need to be addressed to keep rates affordable for British Columbians.
- ICBC's finances have been on a downward trajectory ^{s.13}
 - s.13
 - s.13
 - s.13
 - s.13
 - s.13
 - s.13
 - s.13
 - s.13
 - s.13
- Our government has a plan to ensure that drivers in British Columbia do not bear the costs of this unprecedented mismanagement of ICBC and to work with ICBC in finding the right tools to reduce the number of crashes in our province.
 - s.13
- We aim to bring back a sustainable organization that all British Columbians can be proud of.
 - s.13
 - s.13 short term and immediate steps ^{s.13}
taken to begin the long process of reducing costs that are driving the pressure for

higher rates. s.13
s.13

- I have taken the following steps in the immediate term to begin the long process of bending the cost curves driving demand for higher rates at ICBC. This will be an ongoing project over the next several years, and I will have regular updates for you on additional steps. In short, this is just the beginning of what will be a complex and aggressive full-scale reworking of ICBC back to financial stability.
- I have taken the following actions:
 - **INTERNAL COSTS** Starting immediately, we will be issuing an RFI to approved senior management consulting firms for s.13 **audit of ICBC's internal processes.** This audit s.13 will examine s.13 ICBC's process, including an audit of a random sample of 100 claim files, a full review of ICBC salvage and material damage payment processes, ICBC's litigation strategies, and the backlog of files at ICBC. s.13
 - s.13
 - s.13
 - **RED LIGHT CAMERAS** s.13 existing red light cameras at intersections in the Lower Mainland will be activated 24 hours a day. Currently, the cameras are only on in eight hour shifts. Accidents at urban intersections are a major driver of costs, and we need to stop people from running red lights and causing fatalities and serious injuries. s.13
 - s.13
 - **DISTRACTED DRIVING CAMPAIGN** We have directed ICBC to s.13 distracted driving. To that end, ICBC will be making an important announcement tomorrow about a distracted driving awareness campaign.
 - **DISTRACTED DRIVING TECHNOLOGY PILOT** We have also asked ICBC to pilot s.13 technologies for limiting cell phone use by drivers, and to commence that pilot as soon as possible. Our aim is to restrict s.13 drivers from using cellphones through technology, and to offer improved rates to drivers who adopt these technologies voluntarily. s.13
 - **DANGEROUS ROADS INITIATIVE** We are working with ICBC and the Ministry of Transportation to identify the areas with the highest number of collisions and to make s.13 to these areas to reduce collisions. s.13 s.13

s.13

s.13

- s.13
- ICBC will instead be seeking a 6.4% increase in its 2017 Basic Rate application to the British Columbia Utilities Commission, an increase in annual cost of \$57 for the average driver, or \$4.75 per month.
- The optional rate will be adjusted as well. s.13
s.13
- The blended impact of basic rate increases and optional rate increases is 8% for the average driver,
s.13
- s.13 I think it is important to note
that even with these s.13 rate increases, that we know will impact many families very
seriously, that ICBC is still projected to lose s.13 million dollars next year.
- Obviously, very serious and lasting systemic changes are going to be made if we hope to avoid
repeated significant rate increases. I ask for British Columbian's patience and understanding as we
implement the changes that need to be made, and that I will be announcing in the months and years
to come.

Qs & As:

Rate increase:

1. You have said that rate increases would not happen on your watch. How did this happen?

- The former government's unprecedented mismanagement of the organization including the use of
s.13 has left ICBC in a shocking financial state, losing half a billion
dollars last year. This was a record loss.
- s.13
- We now know that when s.13 problems started surfacing s.13, instead of addressing the
underlying issues, the former government amended legislation s.13 to allow s.13
s.13 remove capital from ICBC's optional insurance to mitigate these issues on the
basic insurance side.
- Between 2010 and 2016, the previous government took a total of \$1.2 billion from the corporation
s.13 to balance the provincial budget.
- s.13

- In May 2011, the former Minister of Finance rejected ICBC's proposed rate increase and directed the organization to not go to the BCUC with a two year rate plan. The proposed plan from ICBC would have applied increased premiums to drivers based on their driving records.

- In August 2012, in a cost cutting exercise ^{s.13}
s.13

s.13 backlog that has now come home to roost.

s.13

- s.13

- s.13

s.13

- s.13

- As an illustration of the cavalier attitude towards costs at ICBC exhibited by the previous Minister responsible, ^{s.13} addressing an industry stakeholder group that does auto repair work for ICBC.

- s.13 to give away a \$3m ICBC building for free ^{s.13}
boasts he has reduced speeding enforcement ticket revenue by 60%; and commits to a review of the rates paid by ICBC ^{s.13}
s.13

- s.13

- s.13

- The former government knew ^{s.13} that the issues at ICBC were growing rapidly yet they neglected to look out for the drivers and road users of our province. We are paying for those short sighted decisions today.

2. How can people pay the 6.4% increase when it's higher than the inflation rate and more than the average wage increase for most people?

- This government is committed to making life more affordable for British Columbians and safer for all road users. Fixing the very grave financial situation at ICBC will contribute to this goal in the long-run.

- s.13

- s.13

- s.13

- s.13

3. What about Optional rates? Does ICBC plan to increase Optional insurance rates too?

- The rising number of crashes, injuries and the cost of these claims, is also putting pressure on ICBC's optional insurance rates as liability payouts above \$200,000, collision and comprehensive coverage are included under optional insurance.

- s.13

- The average blended basic and optional rate increase for drivers is 8% for this year.

4. How will raising Optional insurance affect B.C.'s competitive insurance market at large? Will this drive rates up across the boards?

- The optional rate increase is phased in so that ICBC may measure impacts of these changes in the competitive market. If we begin to lose significant market share, ICBC will adjust rates accordingly to remain competitive.

5. If approved by the BCUC, when will this rate increase become effective?

- This 6.4% increase to the Basic insurance rate will come into effect as of Nov. 1, 2017, and BCUC will review the full application during this time.

- s.13

- Optional rates do not go before the Utilities Commission.

6. The E&Y report says rates could climb 30% in the next two years – will this happen and if not, how can you be sure?

- While the report reveals the depths of ICBC's financial crisis, this government will not allow British Columbians to be on the hook for a 30% rate increase.
- We are taking swift and decisive action and British Columbians are going to see a new and long-overdue approach to tackling this very serious situation.
- Help is here for British Columbians – we are committed to working with the public, ICBC and stakeholders to make rates affordable for people.

7. But we heard the same promise from the previous government – what's different now?

- Fixing the structural problems within B.C.'s auto insurance industry is one of this government's top priorities as part of our commitment to make life more affordable for British Columbians.

s.13

- ICBC is an important public asset and as such, this government will be accountable to the public for its performance.

Current state:

8. How did ICBC get to this point where it's on the brink of financial collapse?

s.13

- s.13, ICBC has faced unprecedented financial deterioration due to a number of key factors which have been mismanaged or ignored by the previous government: 1) the rapidly increasing frequency of vehicle collisions; 2) more bodily injury claims; 3) rising vehicle repair costs; 4) softening interest rates that negatively impact investment income; and, 5) lower-than-required Basic premium rates that have failed to cover the widening gap created by rising claims costs.

Facts and figures:

- A growing number of crashes being reported to ICBC: Ultimately, these pressures start from one place – more crashes are occurring in our province every year – with 320,000 in 2016 alone.
- More vehicle damage claims than ever before: This spike in the number of crashes has correlated into a sharp increase in the number of vehicle damage claims being reported to ICBC. There were 233,300 vehicle damage claims reported to ICBC during the last 12 months of claims data available (July 2016 to June 2017) – 24,700 more than just three years ago, an increase of 12 per cent increase.
- Vehicle repair costs soar to \$1.5 billion in just one year: The growth in vehicle damage claims being reported is being compounded by the cost of repairing those vehicles, which is becoming more expensive every year. As our vehicles become more reliant on technology and expensive materials – from back-up sensors and cameras to composite and high-strengths steels – ICBC's vehicle damage costs have soared by \$350 million, or 30 per cent, in just two years, to a total of \$1.5 billion in 2016 alone.
- Injury claims skyrocket; 75,000 reported over the last 12 months alone: A total of 75,000 new injury claims were reported to ICBC during the last 12 months of claims data available (July 2016 to June 2017) – 14,200 more than just three years ago, an increase of 23 per cent.
- Injury claims costs close in on \$3 billion for a single year: After only breaking through the \$2 billion threshold as recently as 2014, ICBC's injury claims costs totalled \$2.7 billion in 2016 alone – an increase of \$1.2 billion, or 80 per cent, over the last seven years.
- See question #1 for full answer

s.13

9. How will this new government be using the E&Y report that was commissioned under the previous administration?

- We have reviewed the findings in this report very carefully and with great interest.
- s.13

Actions taken:

10. What measures are you taking to correct ICBC's deteriorating financial situation and the subsequent rate increases?

- This government is going to act – it will be swift, exacting and fair. Our work will be guided by the following principles:
 1. **Fairness** – e.g. safe drivers should pay less for their insurance
 2. **Affordability** – e.g. consideration of how changes will impact people's pocket books is paramount
 3. **Awareness** – e.g. commitment to open, transparent dialogue with B.C. motorists
 4. **Action** – e.g. long-term transformative changes need to be balanced with immediate action
 5. **Sustainability** – e.g. all decisions must contribute to the sustainability of the organization

- s.13

- s.13

- s.13

- s.13

11. What mitigation measures has ICBC taken to date?

- s.13

Road safety

12. You say the rapidly increasing frequency of vehicle collisions is the primary cost pressure on insurance rates; what will you do to address road safety in B.C.?

• s.13

• s.13

13. Why have you ruled out photo radar?

• XX

ICBC management:

14. Isn't the rising rate another example of mismanagement at ICBC?

- One of the main objectives in launching an operational review is to review ICBC's current lines of business to ensure they are operating in a manner that provides ratepayers with the most efficient, cost effective products and programs as well as looking at overall corporate structure.

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- ICBC also took a significant portion of equity gains into net income in 2015, which has left very little to be realized today and in the near future.
- In 2015, ICBC's investment income at year-end was \$920 million – at the mid-way point in 2016, it sat at just \$44 million.

Comment [KAG11]: 2017 update?

Government dividend / ICBC transfer

16. Will this government continue to take a dividend?

- No, absolutely not. It is clear that there are no more dividends that can be used as capital pressures are mounting.

17. What about capital transfer from Optional to Basic?

- In order to immediately mitigate ICBC's financial situation, a transfer of \$470 million in capital from ICBC's Optional line of business to Basic will ensure capital levels stay above regulatory minimums.

s.13

18. Won't this transfer perpetuate the cycle of putting ICBC in a bad financial position again for the following year?

• XX

Legal model

19. What will this government do to address ICBC's skyrocketing legal costs? Will you place a cap on certain injury claims?

- There are a number of recommendations in the Ernst & Young report around capping ^{s.13} capping pain and suffering related to soft tissue injuries, and we're looking at those and studying the numbers to make sure they're accurate and that the recommendations make sense. We will also be looking at proposals outside the Ernst & Young report. In short, we will ensure our research covers all bases before coming to a decision on this matter.

20. Will you move to a no-fault insurance model?

- No ^{s.13}
- ^{s.13}
- ^{s.13}
- ^{s.13}
- ^{s.13}
- ^{s.13}

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21. If ICBC is on a fast path to insolvency, as you've described, why not move to a privatized system?

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- We believe our system in B.C. works for a number of reasons, but mainly to ensure that all British Columbia drivers have the same minimum amount of insurance and insurance benefits that protect them and the other drivers and pedestrians on the road.
- This has meant that B.C. has an estimated uninsured rate of less than one per cent – much lower than other jurisdictions in North America which have rates ranging from four to 20 per cent.
 - The linking of the licence plate and decal to a customer's basic insurance policy is unique to only a few jurisdictions in North America and is also one of the main reasons why we have such a low uninsured rate compared to other jurisdictions in North America.
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- In saying that, private insurers do have a role for people who are looking for additional coverage.
- People who would like to purchase more than the basic level of insurance can do so through ICBC or private insurers.

22. But doesn't B.C. have the second highest insurance rates in the country right now? How can you say privatization won't benefit consumers?

- This statistic was included in the Ernst & Young report.
- We will be undertaking a process to validate the findings of this report. ^{s.13}
s.13

s.13

Nanninga, Tanera AG:EX

From: Richter, Connie JAG:EX
Sent: Friday, September 22, 2017 2:46 PM
To: Smith, George AG:EX; Milne, Gala AG:EX; Godfrey, Sam AG:EX
Cc: Nanninga, Tanera AG:EX
Subject: As Requested: s.13
Attachments: s.13,s.17

Good afternoon,

The attached is for the Minister's information please.

The Minister requested this material via Stephen Howard.

Thank you, C

Page 076 to/à Page 141

Withheld pursuant to/removed as

s.13;s.17

Page 01 to/à Page 40

Withheld pursuant to/removed as

s.13;s.17

Nanninga, Tanera AG:EX

From: Harris, Megan A GCPE:EX
Sent: Wednesday, November 1, 2017 9:10 AM
To: Smith, George AG:EX; Milne, Gala AG:EX; Godfrey, Sam AG:EX
Cc: Nelson, Tiffany GCPE:EX
Subject: Embargoed - Government undertakes in-depth file review to find savings at ICBC
Attachments: 2017AG0035-001841.pdf

Importance: High

Hi George,

NR is being released provincewide now. I will let you know when I see it.

For Immediate Release
2017AG0035-001841
Nov. 1, 2017

Ministry of Attorney General

NEWS RELEASE

Government undertakes in-depth file review to find savings at ICBC

VICTORIA - The Government of British Columbia has selected PwC Canada to lead an operational review of ICBC to identify waste, ways to prevent fraud and overbilling, and identify opportunities for business reform at the Crown corporation.

The review includes selecting 100 random files for a comprehensive review, similar to a financial audit, but directed at business practices and aimed at cutting waste, overbilling and poor cost controls.

"This is one of the many actions we are taking so that the people of B.C. can have confidence in and continue to benefit from ICBC, one of our most important public assets," said Attorney General David Eby. "Surprisingly, this is the first review of ICBC we're aware of that directs the reviewers to talk to front-line employees about where they see waste, fraud, overbilling or other opportunities for reform. We are leaving no stone unturned."

Following a competitive process, PwC Canada was selected to conduct an evidence-based operational review of ICBC to identify opportunities to reduce costs at the insurer, which lost almost half a billion dollars last year. Any recommendations PwC Canada makes in these areas are also to consider how to maintain or improve the quality of service levels for ICBC's customers.

"The ICBC board and all senior management are committed to working alongside government to make sure action is taken as quickly as possible to bring about long-term, sustainable improvements at ICBC," said ICBC board chair Joy MacPhail. "The resulting solutions we want to see must be focused on striking the balance between relieving the cost pressures on ICBC while ensuring improved services and affordable rates for all British Columbians."

In conducting this review, PwC Canada will look at all previous reports and recommendations related to ICBC's operations over the last five years, and will review approaches in other jurisdictions and segments within the insurance industry related to ICBC's various business lines. PwC Canada will conduct interviews with current unionized and management staff from ICBC and review industry best practices.

"ICBC will not be back on the road to financial sustainability or in a position to provide affordable rates to British Columbians without major changes at every level. These are changes that the previous administration was afraid to confront, and now ratepayers are on the hook for losses in the hundreds of millions of dollars," said Eby. "We must act urgently, because major rate increases are not an option."

A final report will be submitted to government in early 2018. The report will be made public at that time.

Quick Facts:

* This comprehensive review of ICBC operations and practices was originally announced on Sept. 5, 2017, when Eby introduced a suite of short-term actions to improve ICBC's financial stability.

* An evidence-based operational review is a qualitative and quantitative assessment of an organization's operations taking into consideration relevant market leading practices.

Contact:

Ministry of Attorney General
778 678-1572

Connect with the Province of B.C. at: www.gov.bc.ca/connect

NEWS RELEASE

For Immediate Release
2017AG0035-001841
Nov. 1, 2017

Ministry of Attorney General

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Contact:

Ministry of Attorney General
778 678-1572

Connect with the Province of B.C. at: www.gov.bc.ca/connect

Nanninga, Tanera AG:EX

From: Harris, Megan A GCPE:EX
Sent: Thursday, November 23, 2017 6:02 AM
To: Godfrey, Sam AG:EX; Smith, George AG:EX; Milne, Gala AG:EX
Subject: Fwd: TNO: Eby eyes measures to get ICBC's books in order - Ian Bailey - Globe and Mail

FYI

Globe and Mail
23-Nov-2017
Page S02
By Ian Bailey

Copyright

Page 46

Withheld pursuant to/removal as

Copyright

Nanninga, Tanera AG:EX

From: Fyfe, Richard J JAG:EX
Sent: Thursday, January 11, 2018 1:04 PM
To: Milne, Gala AG:EX
Subject: FW: ICBC materials for Minister meeting
Attachments: ICBC financial outlook presentation January 11 2018-Vs.3.pdf

Richard J.M. Fyfe QC
Deputy Attorney General
Ministry of Attorney General
Tel. (250) 356-0149

From: Kortum, Melissa PSSG:EX
Sent: Thursday, January 11, 2018 12:05 PM
To: Fyfe, Richard J JAG:EX; Brouwer, Shauna JAG:EX; Foster, Doug FIN:EX
Cc: Cairns, Holly JAG:EX; Pearson, Barbera JAG:EX; Richter, Connie JAG:EX
Subject: ICBC materials for Minister meeting

Hi,

Find attached the materials for the 1pm meeting regarding ICBC.

Thanks,

Melissa

Manager, Crown Agencies
Corporate Management Services Branch,
Ministries of Attorney General and Public Safety and
Solicitor General
Tel: s.17 Cell: s.17

CMSB

Striving to be:
An outstanding service provider
A great place to work

Page 48 to/à Page 63

Withheld pursuant to/removed as

s.13;s.17

Nanninga, Tanera AG:EX

From: Smith, George AG:EX
Sent: Tuesday, March 20, 2018 11:40 AM
To: Arora, Jasleen AG:EX
Subject: FW: For TB tomorrow pls load to Minister site Updated TB documents
Attachments: s.12

Please look at the slide deck, especially slide 6, and advise how it maps up s.13

From: Smith, George AG:EX
Sent: Tuesday, March 20, 2018 11:14 AM
To: Eby, David AG:EX
Subject: FW: For TB tomorrow pls load to Minister site Updated TB documents

I believe this is the slide deck you referenced.

From: Brouwer, Shauna JAG:EX
Sent: Wednesday, January 24, 2018 4:08 PM
To: Fyfe, Richard J JAG:EX; Richter, Connie JAG:EX
Cc: Smith, George AG:EX
Subject: For TB tomorrow pls load to Minister site Updated TB documents

Sent from my iPhone

Begin forwarded message:

From: "Kortum, Melissa AG:EX" <Melissa.Kortum@gov.bc.ca>
To: "Brouwer, Shauna JAG:EX" <Shauna.Brouwer@gov.bc.ca>
Subject: Updated TB documents

Manager, Crown Agencies
Corporate Management Services Branch,
Ministries of Attorney General and Public Safety and
Solicitor General
Tel: s.17 Cell: s.17



Page 65 to/à Page 90

Withheld pursuant to/removed as

s.12;s.13;s.17

Nanninga, Tanera AG:EX

From: Nanninga, Tanera AG:EX
Sent: Wednesday, January 24, 2018 4:50 PM
To: Arora, Jasleen AG:EX
Subject: FW: TB Material
Attachments: s.12

From: Richter, Connie JAG:EX
Sent: Wednesday, January 24, 2018 4:49 PM
To: Nanninga, Tanera AG:EX
Subject: TB Material

Tanera, for tomorrow's TB meeting.

Thank you, C

Nanninga, Tanera AG:EX

From: May, Ed LASS:EX
Sent: Monday, January 29, 2018 12:11 PM
Subject: FW: ICBC and BC Liberals - Key Messages and Video

FYI

Edward May | Director of Communications | c 250.208-2554 | Edward.May@leg.bc.ca | New Democrat - BC
Government Caucus
www.facebook.com/johnhorganbc/

From: May, Ed
Sent: January 29, 2018 12:11 PM
Subject: ICBC and BC Liberals - Key Messages and Video

Hi all,

Below: Up to date messaging on the BC Liberals' bad choices with ICBC, and the resulting impact on people.

Here is a video telling the story.

Facebook:

<https://www.facebook.com/BCNDPCaucus/videos/1739320859464105/>

Twitter:

<https://twitter.com/BCNDPCaucus/status/958068839136223232>

-Edward

Key Message:

- The BC Liberals made a series of bad choices at ICBC, and kept those choices and their disastrous result secret from people. Now it's people who will have to pay for their mess.
- British Columbians are still feeling the impact in their wallets from bad choices the BC Liberals made.
- John Horgan and the New Democrats are working hard to fix the problems created by the BC Liberals, and are determined to keep rates affordable for people.

Background:

- First the BC Liberals raided over a billion dollars from ICBC – money that should have been kept at ICBC to keep rates affordable for people.
- Then in 2014 the BC Liberals were warned that ICBC was headed for financial disaster, but they rejected advice on how to avoid it, deleted the recommendations from a report and hid it from the public.

- Three years later, in 2017, ICBC was revealed to be in financial chaos, with a staggering near-billion dollar loss for the year – even though the BC Liberals told people before the election it was going to be a small and manageable \$11 million deficit.
- The BC Liberals were blatantly dishonest with people about the financial mess they created at ICBC, and about what it meant for people's rates.
- Even worse – as a direct result of claims initiated under the BC Liberal government and because they ignored advice on how to keep claims under control – ICBC is looking at a staggering \$1.3 billion loss in 2018.

Edward May | Director of Communications | c 250.208-2554 | Edward.May@leg.bc.ca | New Democrat - BC
Government Caucus
www.facebook.com/johnhorganbc/

Nanninga, Tanera AG:EX

From: Groves, Joanna LASS:EX
Sent: Thursday, November 16, 2017 4:05 PM
Subject: FW: Correction: B.C. Liberal \$1 billion ICBC mess is 9000 per cent worse than what they claimed

FYI

Joanna Groves | Research and Communications Officer | Joanna.Groves@leg.bc.ca | P: 250-952-0542 | C: 250-886-5172
New Democrat BC Government Caucus | www.facebook.com/johnhorganbc/

From: Groves, Joanna
Sent: Thursday, November 16, 2017 4:03 PM
Subject: Correction: B.C. Liberal \$1 billion ICBC mess is 9000 per cent worse than what they claimed

Correction: The deficit is actually 9000 per cent higher than the B.C. Liberals first claimed (not 900).

Caucus website: <http://bit.ly/2i1dnzq>

Facebook for sharing:

<https://www.facebook.com/BCNDPCaucus/photos/a.1084550158274515.1073741828.1061053830624148/1656778601051665/?type=3&theater>

Twitter for retweeting: <https://twitter.com/BCNDPCaucus/status/931290952458579968>

NEW DEMOCRAT

BC GOVERNMENT CAUCUS

<http://bcndpcaucus.ca> 250-886-5172
REALITY CHECK

For Immediate Release
Nov. 16, 2017

B.C. Liberal \$1 billion ICBC mess is 9000 per cent worse than what they claimed

VICTORIA – The B.C. Liberal's ICBC deficit is nearly \$1 billion – dramatically higher than the \$11 million they falsely told people before the election. Even worse, British Columbians are getting stuck with the bill after the B.C. Liberals raided ICBC coffers to pad their own budgets.

Attorney General David Eby revealed Wednesday that the B.C. Liberal's pre-election claim of a minor \$11 million deficit for ICBC was actually closer to a staggering and massive \$1 billion loss.

The B.C. Liberal pre-election claim misrepresented the truth by 9000 per cent.

Over several years, the B.C. Liberals also drained \$1.2 billion from ICBC coffers in order to pad their own annual budgets.

Then as the election approached, the B.C. Liberals downplayed and hid the truth from voters, claiming things were under control and that they would keep rates low.

In fact, then transportation minister and current B.C. Liberal leadership candidate Todd Stone told people a whopper before the 2017 election, saying, "It has been very clear that we are going to keep rates as affordable as possible."

But the only thing that's clear is that this B.C. Liberal ICBC election deception is looking exactly like their 2013 election hydro deception – when they told people hydro rates might not go up, but then announced a massive hydro rate hike as soon as the ballots were counted.

Todd Stone and the B.C. Liberals should tell British Columbians why they deliberately hid the truth. Was it because they had no plan for how to deal with their mess, because they knew it would hurt their election chances if people knew the truth, or both?

-30-

Media contact: Joanna Groves 250-886-5172

Nanninga, Tanera AG:EX

From: Harris, Megan A GCPE:EX
Sent: Tuesday, November 28, 2017 1:47 PM
To: Smith, George AG:EX
Cc: Milne, Gala AG:EX; Godfrey, Sam AG:EX; Nelson, Tiffany GCPE:EX; Bianco, Catherine GCPE:EX; Arora, Jasleen AG:EX
Subject: ICBC Q2 financials
Attachments: Statement of Operations - September 2017 for icbc.pdf

Hi George,

As I mentioned yesterday, MCJ released the Q2 budget update today which included reference to "continued losses from ICBC":

<https://news.gov.bc.ca/releases/2017FIN0034-001983>

Attached is ICBC's Q2 financial statement that they will likely post on icbc.com shortly. This will be solely a post with no proactive push.

ICBC's notes:

- ICBC's latest financials are continued evidence of the pressure they are under from the rising number of crashes, claims and related costs.
- ICBC's actual net loss as of Q2 (April 1, 2017, to September 30, 2017) was \$237 million, compared to a net loss of \$67 million for the same time period last year.
- ICBC's projected net loss for its fiscal year (April 1, 2017, to March 31, 2018) is now \$364 million, compared to a \$225 million net loss projection in the Budget 2017 Update (difference of \$139 million).



Statement of Operations

For the Six Months Ended September 30, 2017 and 2016

(\$ Millions)

	2017/18 Actuals	2016/17 Actuals	2016/17 Actuals ¹
Premiums written	\$ 2,905	\$ 2,666	\$ 3,819
Premiums earned	2,667	2,461	3,598
Service fees	56	53	77
TOTAL EARNED REVENUES	2,723	2,514	3,675
Net claims costs incurred during the year	2,421	2,193	3,241
Prior years' claims adjustments	12	20	124
Net claims incurred	2,433	2,213	3,365
Claims services and road safety	191	177	257
Total claims and related costs	2,624	2,390	3,622
Administrative and insurance expenses	115	111	164
Transformation program	15	12	19
Premium taxes and commissions	312	295	428
Deferred premium acquisition cost adjustment	50	31	29
Total claims and expenses	3,116	2,839	4,262
UNDERWRITING LOSS	(393)	(325)	(587)
Investment income	220	323	314
LOSS - INSURANCE OPERATIONS	(173)	(2)	(273)
PROVINCIAL LICENCES AND FINES	316	303	436
LESS:			
Licences and fines transferable to the Province	316	303	436
Non-insurance operating expenses	51	52	76
Commissions	16	17	24
Non-insurance other income	(3)	(4)	(5)
Total non-insurance expenses	380	368	531
LOSS - NON-INSURANCE OPERATIONS	(64)	(65)	(95)
NET LOSS	\$ (237)	\$ (67)	\$ (368)
Minimum capital test	87%	112% ²	112% ²

¹ Represents the 9 month period January 1 - September 30, 2016.

² As at March 31, 2017.