

## Nanninga, Tanera AG:EX

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**From:** Eby, David · s.17  
**Sent:** Wednesday, February 28, 2018 6:36 PM  
**To:** Smith, George AG:EX  
**Subject:** Fwd: ICBC's Latest Three-Year Forecast  
**Attachments:** Occasional Paper No. 53 26 Feb 2018.pdf; ATT00001.htm

**Follow Up Flag:** Follow up  
**Flag Status:** Completed

To discuss.

Begin forwarded message:

**From:** s.22  
**Date:** February 26, 2018 at 1:17:31 PM PST  
**To:** "Eby, David" <s.17>  
**Cc:** George Smith <[george.smith@gov.bc.ca](mailto:george.smith@gov.bc.ca)>  
**Subject:** FW: ICBC's Latest Three-Year Forecast

For information.

s.22

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**From:** s.22  
**Sent:** Monday, February 26, 2018 1:14 PM  
**To:** Amy Smart ([asmart@timescolonist.com](mailto:asmart@timescolonist.com)) <[asmart@timescolonist.com](mailto:asmart@timescolonist.com)>; Andrew MacLeod <[amacleod@thetyee.ca](mailto:amacleod@thetyee.ca)>; Charlie Smith ([gs.info@straight.com](mailto:gs.info@straight.com)) <[gs.info@straight.com](mailto:gs.info@straight.com)>; Dave Obee ([dobee@timescolonist.com](mailto:dobee@timescolonist.com)) <[dobee@timescolonist.com](mailto:dobee@timescolonist.com)>; David Ball ([david.ball@metronews.ca](mailto:david.ball@metronews.ca)) <[david.ball@metronews.ca](mailto:david.ball@metronews.ca)>; Gary Mason ([gmason@globeandmail.com](mailto:gmason@globeandmail.com)) <[gmason@globeandmail.com](mailto:gmason@globeandmail.com)>; George Smith ([george.smith@gov.bc.ca](mailto:george.smith@gov.bc.ca)) <[george.smith@gov.bc.ca](mailto:george.smith@gov.bc.ca)>; ghoekstra@postmedia.com; Ian Bailey ([IBailey@globeandmail.com](mailto:IBailey@globeandmail.com)) <[IBailey@globeandmail.com](mailto:IBailey@globeandmail.com)>; imulgrew@postmedia.com; Jake Costello ([jake.costello@cbc.ca](mailto:jake.costello@cbc.ca)) <[jake.costello@cbc.ca](mailto:jake.costello@cbc.ca)>; John O'Dowd ([john@cknw.com](mailto:john@cknw.com)) <[john@cknw.com](mailto:john@cknw.com)>; Jon McComb ([jon@cknw.com](mailto:jon@cknw.com)) <[jon@cknw.com](mailto:jon@cknw.com)>; Justine Hunter ([JHunter@globeandmail.com](mailto:JHunter@globeandmail.com)) <[JHunter@globeandmail.com](mailto:JHunter@globeandmail.com)>; Keith Baldrey <[Keith.Baldrey@globalnews.ca](mailto:Keith.Baldrey@globalnews.ca)>; Les Leyne ([LLeyne@timescolonist.com](mailto:LLeyne@timescolonist.com)) <[LLeyne@timescolonist.com](mailto:LLeyne@timescolonist.com)>; Liza Yuzda <[liza@cknw.com](mailto:liza@cknw.com)>; lkines@timescolonist.com; Marcella Benardo ([Marcella.Bernardo@vancouVERRadio.rogers.com](mailto:Marcella.Bernardo@vancouVERRadio.rogers.com)) <[Marcella.Bernardo@vancouVERRadio.rogers.com](mailto:Marcella.Bernardo@vancouVERRadio.rogers.com)>; Matt Prepost ([editor@ahnfjsj.ca](mailto:editor@ahnfjsj.ca)) <[editor@ahnfjsj.ca](mailto:editor@ahnfjsj.ca)>; Mike Smyth ([msmyth@postmedia.com](mailto:msmyth@postmedia.com)) <[msmyth@postmedia.com](mailto:msmyth@postmedia.com)>; Omand, Geordon <[Geordon.Omand@thecanadianpress.com](mailto:Geordon.Omand@thecanadianpress.com)>; paul willcocks <[willcocks@gmail.com](mailto:willcocks@gmail.com)>; Richard Zussman <[Richard.Zussman@globalnews.ca](mailto:Richard.Zussman@globalnews.ca)>; rshaw@postmedia.com; Vaughn Palmer ([vpalmer@vancouverSun.com](mailto:vpalmer@vancouverSun.com)) <[vpalmer@vancouverSun.com](mailto:vpalmer@vancouverSun.com)>; Wendy Stueck ([wstueck@globeandmail.com](mailto:wstueck@globeandmail.com)) <[wstueck@globeandmail.com](mailto:wstueck@globeandmail.com)>

**Subject:** ICBC's Latest Three-Year Forecast

Last week ICBC released its 2017/18 to 2020/21 financial forecast, which showed a \$1.4 billion capital reserve loss for 2017/18. The \$614 million forecast loss for 2018/19 will degrade the reserves to just over \$400 million, significantly raising the risk of a taxpayer bail-out.

A review of the forecast is hampered by the lack of program detail and the absence of even elementary planning assumptions. However, it would appear that the three-year forecast is replete with

inconsistent and questionable results. It seems that the ICBC management and the ministry of finance staff spent little time reviewing the forecast.

s.22

## Nanninga, Tanera AG:EX

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**From:** s.22  
**Sent:** Tuesday, February 27, 2018 8:46 PM  
**To:** Smith, George AG:EX  
**Subject:** nice

**B.C. suspends ICBC's capital reserve minimum, raising prospect of bailout**

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## Nanninga, Tanera AG:EX

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**From:** Robins, Shawn GCPE:EX  
**Sent:** Wednesday, February 28, 2018 11:29 AM  
**To:** Smith, George AG:EX; Godfrey, Sam AGRI:EX; Milne, Gala AG:EX; Arora, Jasleen MCF:EX  
**Cc:** Nelson, Tiffany GCPE:EX; Groot, Jeff AG:EX  
**Subject:** FW: Eby - ICBC financial shortfalls ■

Transcript of MDE on CBC Early Edition- ICBC Minimum Capital Threshold changes

**From:** tno@gov.bc.ca [mailto:tno@gov.bc.ca]  
**Sent:** Wednesday, February 28, 2018 10:52 AM  
**Subject:** CBU: Eby - ICBC financial shortfalls ■

CBU (CBC Vancouver)  
CBC Early Edition  
28-Feb-2018 08:12

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## Nanninga, Tanera AG:EX

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**From:** Robins, Shawn GCPE:EX  
**Sent:** Tuesday, February 27, 2018 1:47 PM  
**To:** Smith, George AG:EX  
**Subject:** RE: IN ICBC Minimum Capital Test Suspended

George: I assume that Doug has informed you that the MCTs in Saskatchewan and Manitoba are both 100%. Thanks.

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**From:** Smith, George AG:EX  
**Sent:** Tuesday, February 27, 2018 12:40 PM  
**To:** Robins, Shawn GCPE:EX  
**Subject:** RE: IN ICBC Minimum Capital Test Suspended

Could you please confirm that Manitoba and Saskatchewan both have lower basic minimum capital tests?

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**From:** Robins, Shawn GCPE:EX  
**Sent:** Tuesday, February 27, 2018 11:29 AM  
**To:** Smith, George AG:EX  
**Subject:** IN ICBC Minimum Capital Test Suspended

For MDE in advance of interview with Justine Hunter.

## **Nanninga, Tanera AG:EX**

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**From:** Robins, Shawn GCPE:EX  
**Sent:** Tuesday, February 27, 2018 11:29 AM  
**To:** Smith, George AG:EX  
**Subject:** IN ICBC Minimum Capital Test Suspended  
**Attachments:** ICBC - MCT Suspended - IN - 26FEB18 - DRAFT.docx

For MDE in advance of interview with Justine Hunter.

## Nanninga, Tanera AG:EX

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**From:** Robins, Shawn GCPE:EX  
**Sent:** Friday, February 23, 2018 2:20 PM  
**To:** Smith, George AG:EX  
**Cc:** Nelson, Tiffany GCPE:EX; Bianco, Catherine GCPE:EX; Groot, Jeff AG:EX  
**Subject:** FW: For your review -- Draft IN  
**Attachments:** ICBC - MCT Suspended - IN - 22FEB18 - DRAFT.docx

George: This note is still awaiting final approval from ADM. However, given that we may get questions sooner I am providing now. Thank you

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**From:** Bianco, Catherine GCPE:EX  
**Sent:** Friday, February 23, 2018 8:58 AM  
**To:** Robins, Shawn GCPE:EX  
**Cc:** Nelson, Tiffany GCPE:EX  
**Subject:** For your review -- Draft IN

This IN has been approved by Jeff and ICBC -- it does need ADM approval, but wanted to share it with you before taking that step.

Let me know if you have questions or edits.

Catherine

**ICBC'S LATEST THREE-YEAR FINANCIAL FORECAST RAISES MANY  
QUESTIONS**

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## **ICBC Basic Minimum Capital Test Suspended**

### **SUGGESTED RESPONSE:**

- Government and ICBC continue to focus on the urgent task of pursuing significant reforms to our vehicle insurance system to make sure life is affordable for British Columbians.
- Due to inaction by the previous government, who put off difficult decisions for political reasons, the projected loss at ICBC is now heading toward \$1.3 billion.
- With this loss in mind, we have directed the BC Utilities Commission to suspend the capital requirements for ICBC's Basic insurance.
- We are taking this step because ICBC's capital cannot be increased without an unaffordable and frankly unacceptable increase in insurance premiums for British Columbians.
- Earlier this month, we announced product reforms effective April 1, 2019 that are the first critical steps to allow us to keep rates affordable for years to come and I can assure you there will be more announcements in the weeks and months ahead.
- This government is working to ensure that ICBC is financially sustainable for the benefit of all British Columbians.

### **BACKGROUND:**

In January 2018, ICBC reported a Q3 2017/18 net loss of \$935M and a Basic Insurance Minimum Capital Test (MCT) ratio of 72%. In any instance where the estimates or outlook for the quarterly or year-end MCT level is below 100%, ICBC is required to file a plan with the BCUC within 60 days on how the company will return to 100% MCT.

s.12; s.17

With the Basic Insurance MCT below 100% s.17 government has directed the BC Utilities Commission (BCUC) to suspend the requirement that BCUC set Basic rates to maintain a Basic insurance MCT of at least 100% to cover its financial risks. To do this, two OICs will be released Feb. 23, 2018, regarding ICBC's Basic Insurance MCT. One will suspend the requirement by BCUC to set Basic insurance rates to maintain at least 100% MCT for 2018-2021. The second OIC will approve an Attorney General directive to ICBC to file as a plan a letter indicating it will work with Government to

implement legislative changes as a way to restore the current capital management target of 145%.

In the past, ICBC's Basic Insurance MCT ratio has been bolstered by transfers from the Optional Insurance business. However, there is no longer any Optional Insurance capital available to transfer to Basic Insurance during the plan period. ICBC's MCT ratio cannot be increased without a significant increase in insurance premium rates that would be unaffordable and unacceptable to the general public.

Program Area	Deputy / ADM	GCPE
J. Groot – Feb. 23/18 ICBC – Feb. 23/18	D. Scott – Feb. 26/18	C. Bianco – Feb. 22/18 T. Nelson – Feb. 26/18 S. Robins – Feb. 26/18

## **ICBC Basic Minimum Capital Test Suspended**

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s.12; s.17

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Attorney General directive to ICBC to file as a plan a letter indicating it will work with Government to implement legislative changes as a way to restore the current capital management target of 145%.

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Program Area	Deputy / ADM	GCPE
J. Groot – Feb. 23/18 ICBC – Feb. 23/18	D. Scott – Feb. xx/18	C. Bianco – Feb. 22/18 T. Nelson – Feb. xx/18 S. Robins – Feb. xx/18



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## Nanninga, Tanera AG:EX

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**From:** Robins, Shawn GCPE:EX  
**Sent:** Thursday, February 15, 2018 10:17 AM  
**To:** Smith, George AG:EX; Godfrey, Sam AG:EX; Milne, Gala AG:EX  
**Subject:** FW: Highlights from 2014 EY report  
**Attachments:** Highlights from 2014 EY report.docx

A roll-up of materials removed from the 2014 EY Report.

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**From:** Bianco, Catherine GCPE:EX  
**Sent:** Thursday, February 15, 2018 10:06 AM  
**To:** Robins, Shawn GCPE:EX; Nelson, Tiffany GCPE:EX  
**Subject:** Highlights from 2014 EY report

Here are the highlights and recommendations that were deleted from the 2014 EY report.

CB



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## Nanninga, Tanera AG:EX

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**From:** Eby, David AG:EX  
**Sent:** Thursday, February 15, 2018 8:47 AM  
**To:** Smith, George AG:EX  
**Subject:** ICBC report in Sun

Can you please ask ICBC for briefing today on topics redacted from the EY report, which the sun has published? Especially the \$800m gap between ICBC's 2010 and 2017 projected savings from caps, the MCT recommendations vs where we are currently, and any differences between our approach on RAAP and the driver rating approach recommended in the report.

D.

## Nanninga, Tanera AG:EX

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**From:** Smith, George AG:EX  
**Sent:** Tuesday, February 13, 2018 4:57 PM  
**To:** Eby, David AG:EX  
**Cc:** Robins, Shawn GCPE:EX  
**Subject:** Auditor General considers bumping up timeline for review of ICBC capital reserves | Globalnews.ca

FYI-

<https://globalnews.ca/news/4023050/auditor-general-considers-bumping-up-timeline-for-review-of-icbc-capital-reserves/>

-George

## Nanninga, Tanera AG:EX

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**From:** Harris, Megan A GCPE:EX  
**Sent:** Wednesday, November 15, 2017 10:01 AM  
**To:** Eby, David AG:EX  
**Cc:** Smith, George AG:EX; Milne, Gala AG:EX; Godfrey, Sam AGRI:EX; Nelson, Tiffany GCPE:EX  
**Subject:** RE: Media: In studio - ICBC  
**Attachments:** QA\_CKNW\_14NOV17\_DRAFT.DOCX

HI Minister,

Attached is the draft QA for your interview today. In short:

1. Dangerous roads: MoTI and PSSG (with ICBC) are currently analyzing data.
2. Autobody repair costs: stakeholder discussions currently taking place
3. Admin costs and efficiencies: PwC Canada engaged for a comprehensive business audit
4. Tech pilot: ICBC speaking with makers of telematics supported apps to determine their interest in working with ICBC on a pilot program – this will most likely be our next announcement in 1 -2 weeks.
5. Red light cameras: Moving to 50% in new year (most likely March) and 100% later in 2018

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**From:** Eby, David AG:EX  
**Sent:** Wednesday, November 15, 2017 9:45 AM  
**To:** Harris, Megan A GCPE:EX  
**Subject:** Re: Media: In studio - ICBC

Can you get me a current list with status of each initiative thanks

On Nov 14, 2017, at 1:36 PM, Harris, Megan A GCPE:EX <[Megan.Harris@gov.bc.ca](mailto:Megan.Harris@gov.bc.ca)> wrote:

Topic: ICBC initiatives announced since taking over the file  
Reporter: Steele and Drex Show  
Style: The interview would be two to three six minute segments. There would be screened, on-topic questions from callers.  
Arrival time: 3:50 (or close to)  
On-air time: 4:00 – 4:25 p.m.  
Note: Chair Joy MacPhail will join by phone.  
Joy to call: 604-331-2774

<meeting.ics>

**CKNW Interview – ICBC Update  
Questions & Answers**

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**Key Messages:**

- ICBC is one of British Columbia's most important public assets -- it faces deep and profound issues that need to be addressed to keep rates affordable for British Columbians over the long term.
- We need to take drastic action to fix ICBC's challenging financial outlook.
- 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 rough financial state.
- I believe that British Columbians were deceived about the true state of finances at our public auto insurer and that B.C. drivers should not be made to pay for years of mishandling of this critical public asset.
- Core issues around increasing crashes and claims costs and growing auto body repair costs were not adequately addressed by the previous government.
- I am working together with my colleagues in related ministries as well as ICBC because we know that serious and lasting systemic changes are needed if we hope to avoid repeated significant rate increases.
- I will continue to ask for British Columbians' patience and understanding as we begin to implement the changes that need to be made and that our government will announce in the months to come.
- We are at the beginning of what will be a complex, aggressive reworking to get ICBC back to financial stability.

**Qs & As:**

- 1. What measures are you taking to correct ICBC's financial situation?**
  - Our government is taking action that is swift, exacting and fair. Our work is guided by the principles of:
    1. **Fairness** – safe drivers should pay less for their insurance
    2. **Affordability** – consideration of how changes will impact people's pocket books is paramount
    3. **Awareness** – commitment to open, transparent dialogue with B.C. motorists
    4. **Action** – long-term transformative changes need to be balanced with immediate action
    5. **Sustainability** – all decisions must contribute to the sustainability of the organization
- 2. Last week you announced a change to the Driver Risk Premium program – why was that needed?**
  - Our priority must be to keep British Columbians safe -- drivers who continue to put road users at risk by illegally using their electronic devices while driving must be held accountable.
  - This tough change is targeting repeat driving offenders.
  - Distracted driving is a factor in more than 25% of all car crash fatalities in B.C.

- This change will discourage repeat offences by increasing the cost for those who drive distracted.
  - It will also allow the premiums these drivers pay to be closer to the anticipated claims costs for their high-risk driving behaviour.
  - After the new premium is implemented, if you get two distracted driving tickets in any three-year period, your penalties could be as high as \$2,000. That's an increase of \$740 over the existing penalties – and this is an additional premium on top of what you already pay for your insurance.
  - We estimate that making distracted driving a high-risk driving behaviour under the Driver Risk Premium program will impact about 12,000 drivers each year who have had multiple distracted driving offences over a three-year period.
  - If this change begins to have a positive impact on driver behaviour, that number could decrease in the coming years.
- 3. In September you spoke about a dangerous roads initiative. Do you have an update on that?**
- Based on ICBC claims data, we know that 60 per cent of incidents occur at intersections. Therefore, the initial focus is improving intersection safety on provincial and municipal roads.
  - Staff in the ministries of transportation and infrastructure and public safety and solicitor general, along with ICBC, are currently undertaking thorough analysis of data to better understand and rank the top sites across the province
  - We'll then be looking at a range of options to reduce collisions and injuries in these areas.
- 4. Where are you with auto body repair costs?**
- ICBC is having discussions with their auto body repair stakeholders.
  - However, it is worth noting that vehicle repair costs are increasing for insurers across the world as vehicles have become more and more reliant on technology and expensive proprietary parts and, therefore, more expensive to repair.
  - Stay tuned as we have more to say on this topic.
- 5. You've previously mentioned legal costs for soft-tissue claims. Where are you with that?**
- As the EY report highlighted, other provinces in Canada have made changes to their auto insurance system which have helped lower claims costs and, ultimately, insurance rates. B.C. has the benefit of learning from the experiences of these other jurisdictions.
  - B.C. is the last jurisdiction in Canada with a litigation-based insurance model – a full tort system with no restriction on what you can sue for.
  - However, the fact is, these full tort benefits are expensive and are becoming more so every year. 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.
  - Today, approximately half of all ICBC's injury claims have representation (51 per cent), while a quarter of these claims already have a lawyer involved before they are reported to ICBC.
  - Legal costs account for 24 per cent of ICBC's total annual costs – greater than the cost of running ICBC.
  - We are currently working on this issue.

**6. What mitigation measures has ICBC taken to date?**

- ICBC initiated a number of strategies to help mitigate claims cost trends. While these actions are just a start, they include:
  - Fraud detection and prevention strategies;
  - Changing windshield replacement/repair policy;
  - Hiring more claims adjusters and increasing ICBC's in-house legal and medical expertise.

**7. You were also working on administrative costs and efficiencies – any progress yet?**

- We have engaged PwC Canada 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, and any backlog of claims at ICBC.
- PwC will also talk to front line employees about where they see waste, fraud, overbilling, or other opportunities for reform.
- I look forward to receiving their report early in 2018.

**8. What about the technology pilot previously announced?**

- Our aim is to stop high risk driving behavior and repeat distracted driving offenders, from using cellphones through technological interventions.
- In April, ICBC issued a Request for Information (RFI) looking for technology in the market designed to help combat distracted driving.
- A review of the submissions determined that the most promising technologies are smartphone apps paired with telematics devices.
- This allows the app to block the use of a handheld device while the vehicle ignition is on and the vehicle is in gear, while the inclusion of the telematics has additional benefits in that it could provide useful data related to kilometres driven and driver behaviour.
- In the coming weeks, ICBC plans to speak to the makers of telematics supported apps to determine their interest in working with ICBC to initiate a pilot test with a small number of volunteers.
- We're interested in telematics technology as it could be used to reward better drivers. but We are working with ICBC to finalize the specifics of what this pilot would look like, and will then need to get it underway and analyzed before we can see how it can really be applied here in B.C.
- I will have more to announce about this before the end of this year.

**9. There was talk about increasing the activation of red light cameras – when can we expect that?**

- We are committed to following through and turning on all our intersection safety cameras 100% of the time, up from the six hours a day they are activated right now.
- We will have more to announce on this topic in the New Year.
- We need to stop people from running red lights and causing fatalities and serious injuries.

**10. 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.

s.13

**11. Will government be considering any “zombie law” like Ontario has done recently to discourage walking and texting?**

- The Province is not considering putting in place a law to ticket pedestrians who text and walk (distracted walking.)
- Local governments have the authority under the Motor Vehicle Act to regulate pedestrian traffic, if they wish to do so.
- Police already have the ability to give a \$121 ticket any road user, including pedestrians, for failing to obey a light or any other traffic control device when crossing the street.

**12. These changes and projected changes are pretty small. Doesn't the condition of ICBC require something more drastic?**

- While each change may seem small, all are part of a larger number of changes we have planned.
- Make no mistake – we are looking at every facet of ICBC because of the profound issues affecting one of B.C.'s most important public assets.
- These issues are being addressed to keep rates affordable for British Columbians over the long term.
- We are making a series of fundamental changes to the insurance system to make it more affordable – and fairer for drivers.
- There will be more announcements in the coming weeks and months ahead.

**13. What about dash cams? Are those a good idea for drivers?**

- Reducing the number of crashes and injuries on B.C. roads keeps drivers and passengers safer and will have a positive impact on the cost of auto insurance in the province.
- To that end, dashboard cameras help provide evidence but as they do not necessarily reduce crashes, they are not being looked as a means to reduce insurance fees.
- When there's a claim resulting from a crash, ICBC relies on reports from the parties involved, police and witness statements, and then assess these against the written rules of the road. As technology progresses, more types of evidence are forming part of customers' claims.
- Drivers must make sure the dashboard camera does not become a distraction and that they are mount dash-cams securely to the vehicle. Drivers should not interact with the dash cam while driving.

**14. Isn't it time we let more competition into the insurance market in B.C.?**

- The challenges ICBC is facing go way beyond a simplistic “choice and competition” argument – I don't agree that those private insurance systems are necessarily better.
- You can travel across Canada and find a range of public and private auto insurance and diverse arguments both for and against each system.
- We know some provinces offer lower-priced auto insurance, but others offer higher-priced auto insurance – including some provinces with private auto insurance.
- Drivers in B.C. already do have access to private auto insurance for their optional coverage through the many independent insurance broker offices across the province.
- However, even where there is choice, drivers still overwhelmingly choose ICBC – approximately 80 per cent of customers purchase their full coverage (basic and optional) with ICBC.
- I believe our government can make the necessary changes to ensure ICBC continues to work for British Columbians.



- We should also remember that, as a public agency, ICBC does more than just sell insurance. We provide all vehicle licensing services, administer road tests, process all ticket violations for the province, and invest approximately \$50 million in road safety initiatives every year.

## Nanninga, Tanera AG:EX

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**From:** Eby, David AG:EX  
**Sent:** Monday, October 23, 2017 8:51 AM  
**To:** Brouwer, Shauna FIN:EX  
**Cc:** Fyfe, Richard J JAG:EX; Smith, George AG:EX  
**Subject:** ICBC "non compliance"

Shauna:

s.22 is alleging that ICBC is non-compliant with legal requirements on two fronts. Can you please review with ICBC to see what is happening with these issues.

- (1) Regulatory requirement that capital ratio of ICBC for Optional be at least 200%.
  - a. Is there such a requirement, if so, is ICBC meeting it?
  - b. s.13
- (2) Budget transparency and accountability act requiring "self supporting" Crowns to publicly file Q1 (to June 30) reports by 15 September.
  - a. Is there such a requirement, if so, is ICBC meeting it?
  - b. If not, why not, and when will requirement be met?

Dave

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**Hon. David Eby, QC**  
*Attorney General for British Columbia*  
*Minister responsible for ICBC, Liquor and Gaming*

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## Nanninga, Tanera AG:EX

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**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

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**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**

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**From:** Eby, David AG:EX  
**Sent:** Monday, September 4, 2017 6:57 PM  
**To:** Harris, Megan A GCPE:EX  
**Subject:** SN\_RateIncrease\_04Sept17\_DRAFT2 (2)  
**Attachments:** SN\_RateIncrease\_04Sept17\_DRAFT2 (2).docx

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Withheld pursuant to/removed as

DUPLICATE

## **Nanninga, Tanera AG:EX**

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**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**

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**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.

- 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.

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- 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

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**From:** Harris, Megan A GCPE:EX  
**Sent:** Monday, September 4, 2017 2:02 PM  
**To:** Eby, David AG:EX  
**Cc:** Howard, Stephen AG:EX  
**Subject:** Phone tech  
**Attachments:** SN\_RateIncrease\_04Sept17\_DRAFT2.docx

Hi David,

I put a bit more into the distracted driving technology section. I have their two pager into what they received and I am sure that you will be getting the results. They broke the 13 submissions into 4 categories, 2 of which I have mentioned below and the hardware supported application being the most promising.

- We will also be asking ICBC to pilot a few of the dozen proposed technologies for limiting cell phone use by drivers, and to start that pilot as soon as possible.
- Our aim is to restrict new drivers from using cellphones through technology, and 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 uses the motion detection within your phone and hardware supported applications that use dongles that plug into your vehicle's system.
- These are only two examples and I look forward to hearing from ICBC about the full dozen of interested parties that submitted their technologies.

Page 097 of 260 to/à Page 102 of 260

Withheld pursuant to/removed as

NR

## Event Information/Speaking Notes

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**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, and flanked by screens for PPT.

**Key Participants:**

David Eby, Attorney General and Minister responsible for ICBC

**Other attendees:** Joy MacPhail, Chair, ICBC  
Staff representative TBC, 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 and *ICBC staff* 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.
- 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.
- Specifically, in 2010, legislation was passed allowing government to take unprecedented dividends from the corporation.
- All told, in the following years, this added up to one-point-two billion dollars removed from ICBC to balance the Provincial budget.
- And this happened even while it was becoming clear that ICBC was facing mounting financial pressures due to increasing claims and settlements.
- It's unacceptable for any government to treat ICBC like an ATM machine — while sticking motorists with the bill.
- To make matters worse, at the same time it was siphoning money out of ICBC, the previous government was also avoiding critical and difficult decisions that

should have been made, leading even greater problems on the drivers of British Columbia.

- There are many short-term measures I will speak of today and I recognize you are anxious to hear the Basic Rate increase.
- 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% with subsequent quarterly increases of 2.2%, based on market conditions, to a maximum of 9.6%.
- This annual blended increase of 8% or \$130 for the average driver in British Columbia continues to keep increases to the minimum possible amount for drivers.

- I will go into further detail in a moment.
- 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.
- As a result, a report commissioned by the previous administration recommends basic rate increases of 30% by 2019.
- 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.

- Last year alone, ICBC lost over \$600 million dollars making it the biggest record loss in the corporation's history.
- These losses are projected to increase to \$1 billion in the coming 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.
- 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 is a raid on a business that had nothing to raid.

- 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 significant backlog of claims that has now come home to roost.
- In April 2014, ICBC revealed that it refunded drivers for and the result was government deciding to not recoup these costs and the ICBC ultimately lost approximately \$90 million.
- In July 2015, multiple media outlets reported a spike in luxury car sales. This data would have been widely reported in government as growth in revenue from the luxury car surtax (1-3% for vehicles over \$59,000).
- However, the former government neglected to address the insurance issues caused by this growth.
- Here is a good illustration of the cavalier attitude towards costs at ICBC exhibited by the previous Minister responsible.

**Comment [MH1]:** \$35 million in refunds to customers, plus an additional \$2.7 million in interest and \$53 million in underpayments waived for all customers who underpaid.

- In a video to an auto body repair industry group, the former minister attempted to give away a \$3 million ICBC building for free.
- He boasts that he had reduced speeding enforcement ticket revenue by 60% and commits to a rate review paid by ICBC to 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.
- In addition, the former government's transfer of \$1.2 billion in optional surplus capital from ICBC to the province's books to make the provincial accounts look better than they were means we can't, as many previous governments have done, use that surplus optional capital or related interest earnings to help stabilize basic insurance rates.
- Neglect of ICBC by government must end but it will require tough measures and a blended premium increase of 8% for the average driver is a tough measure.
- 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.

**Announcement today:**

- 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 intend to reward the good drivers of British Columbia and educate and penalize those who are driving unsafely on our roads.
- We aim to bring back a sustainable organization that all British Columbians can be proud of.
- There are two parts to today's announcement.

**[Click - Slide 2.1]**

- The first is short term and immediate steps we are taking and have taken to begin the long process of

reducing costs that are driving the pressure for higher rates.

**[Click - Slide 2.2]**

- The second is the announcement of the proposed rates for Basic insurance that ICBC will be filing with the Utilities Commission by September 15 and higher Optional rates.
- 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**

### **[Click - Slide 3]**

- Over the next year, existing red light cameras at intersections in the Lower Mainland will be activated 24 hours a day.
- Currently, the cameras are only on in six hour per day 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.

### **DISTRACTED DRIVING TECHNOLOGY PILOT**

#### **[Click - Slide 4]**

- We will also be asking ICBC to pilot a few of the dozen proposed technologies for limiting cell phone use by drivers, and to start that pilot as soon as possible.
- Our aim is to restrict new drivers from using cellphones through technology, and 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 uses the motion

detection within your phone and hardware supported applications that use dongles that plug into your vehicle's system.

- These are only two examples and I look forward to hearing from ICBC about the full dozen of interested parties that submitted their technologies.

## **DISTRACTED DRIVING CAMPAIGN**

**[Click - Slide 5]**

- We will ask ICBC to crack down on distracted driving.
- To that end, ICBC will be making an important announcement tomorrow about a distracted driving awareness campaign.

## **DANGEROUS ROADS INITIATIVE**

**[Click - Slide 6]**

- We will be 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 to make improvements to these areas to reduce collisions.

**[Click - Slide 7]**

- ICBC reports on the 10 top crash intersections annually. In the Lower Mainland, the top 10 crash sites were responsible for 2,253 crashes in 2015.

**[PAUSE TO ALLOW TIME TO REVIEW TABLE ON SCREEN]**

**INTERNAL COSTS**

**[Click - Slide 8]**

- 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.
- The review will examine targeted elements of ICBC's operations, 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.
- 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.

**[Click - Slide 9]**

- The previous government's Ernst and Young report recommended a 30% rate increase for Basic insurance. 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.

**[Click - Slide 10]**

- Even with this rate change, ICBC will not be covering the costs of the increase in crashes and claims.

**[Click - Slide 11]**

- To do this, every customer would need to pay close to an additional \$15 per month or the equivalent of a 20% rate increase this year alone.

Comment [MH2]: Megan confirming this number

**[Click - Slide 12]**

- The rising number of crashes, injuries and the cost of these claims are also putting pressure on ICBC's optional insurance rates...

**[Click - Slide 13]**

- ... Liability payouts are above \$200,000, and collision and comprehensive coverage are included under the optional side.

**[Click - Slide 14]**



- As I mentioned earlier, the optional rate will also be adjusted.
- On November 1, 2017, drivers will see the first quarterly increase of 3.1% with subsequent quarterly increases of 2.2%, based on market conditions, to a maximum of 9.6%.
- This annual blended increase of 8% or \$130 for the average driver in British Columbia continues to keep increases to the minimum possible amount for drivers.
- 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 projecting significant losses next year.

## **Conclusion**

- 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.
- Thank you, I will now take your questions.

-END-

## Nanninga, Tanera AG:EX

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**From:** Harris, Megan A GCPE:EX  
**Sent:** Monday, September 4, 2017 11:07 AM  
**To:** Eby, David AG:EX  
**Cc:** Howard, Stephen AG:EX  
**Subject:** Final drafts for tomorrow's event.  
**Attachments:** NR\_RateIncrease\_04Sept17\_DRAFT.docx; PPT\_RateIncrease\_02Sept17\_DRAFT.pptx; QA\_ICBC\_rate filing\_3SEPT17\_DRAFT2.docx; SN\_RateIncrease\_04Sept17\_DRAFT2.docx

Hi David,

I know you have a busy day – here are the finals of the speaking notes and news release. The PPT and QA attached have not changed from what you saw yesterday.

Let me know when you are free for a chat (if you want to review).

Megan

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## NEWS RELEASE

For Immediate Release  
[release number]  
September XX, 2017

Ministry of Attorney General

### **B.C. government to clean up ICBC finances while limiting rate increases for drivers**

VICTORIA – The B.C. government is limiting ICBC rate increases for drivers while embarking on a multi-year plan to fix a financial crisis that has been growing within the public insurer for years, Attorney General David Eby announced today.

“Drastic action is needed to fix ICBC’s devastating financial outlook, but B.C. drivers should not be forced to pay for the previous government’s mishandling of this critical public asset,” said Eby.

Eby says that, in 2010, legislation was passed allowing government to take unprecedented dividends from the Crown Corporation — all told, \$1.2 billion dollars was removed to help balance provincial budgets.

Even worse, Eby adds, funds were transferred out of the corporation when mounting financial pressures were appearing on ICBC’s horizon due to increasing claims and settlements. Critical and difficult decisions that should have been made were avoided, loading these problems on to B.C. drivers.

“It’s unacceptable for any government to treat ICBC like an ATM machine — and it cost drivers in the province more than a billion dollars,” said Eby. “Our priority is to make sure that affordability for good drivers always comes first.”

Eby says there will be a 6.4% Basic rate increase this year, but adds it is far less than the 30% increase recommended in an Ernst Young review of ICBC released this past July. There will also be increases to the Optional rate, but to provide the best possible deal to drivers ICBC will be looking at those in quarterly windows. The rate will be increased by 3.1% in the first quarter with subsequent quarterly increases of 2.2% to a maximum of 9.6%. This is an annual blended increase of 8% or \$130 for the average driver in British Columbia. Eby says it is hoped that by taking this incremental approach, market conditions could see one or more of those increases lowered.

“Our commitment to British Columbians is to make life more affordable for them — forcing 30% increases on drivers is a non-starter,” said Eby. “Our government is prepared to take responsibility for cleaning up the mess we inherited in a way that minimizes the impact on good drivers.”

ICBC’s financial situation began to get worse in recent years as vehicle collisions escalated to the point where B.C. now has an average of 875 per day or 36 every hour.

"ICBC's situation has clearly been dire enough that one of two things needed to be done starting years ago," said Eby. "Either insurance rates had to start going up or non-rate action — such as tougher distracted driving programs — should have been put in place. But neither happened, meaning it's up to our government to move on both fronts."

Eby says that government will work with ICBC to put in place a long-term strategy for financial stability after completing a comprehensive business review of the corporation's operations and practices — a process the Attorney General expects to be completed by the spring sitting of the Legislature.

In addition, the government will move forward with a suite of short-term actions to reduce accident rates by:

- Moving forward with evaluating and adapting distracted driving technology;
- Making sure red-light cameras are activated 24 hours a day and seven days a week, up from the current six hours per day;
- Bolstering ICBC's annual distracted driving campaign; and
- Launching a dangerous roads initiative to identify areas with a high number of collisions and along with local governments, review where improvements can be made to reduce collisions.

-30-

**Media contact:** Media Relations  
Government Communications and Public Engagement  
Ministry of the Attorney General  
778 678-1572

# Controlling Rates



# Creating a sustainable organization

1. Steps to reduce costs that are driving higher rates
2. Propose Basic Rate application

# Red light cameras

## 24/7 use of red light cameras at intersections in the Lower Mainland



# Distracted driving technology

Limiting cell phone use by drivers

- 12 responses received to ICBC's Request for Information
- Government will pilot at least 5 of these proposed technologies

# Distracted driving campaign

- Provincewide education and awareness campaign launching Sept. 6
- TV, radio, social media encouraging drivers to “take a break from your phone”
- Enhanced police enforcement and community volunteered “cell watches”

## Dangerous roads initiative

- ICBC invests about \$8 million annually in their Road Improvement Program
- Location selection typically based on studies, crash data and other information
- For every \$1 invested by ICBC to improve infrastructure, \$4.70 are returned to ICBC in reduced claims costs

# Dangerous roads initiative

## Top 10 crash intersections in the Lower Mainland

Year: 2015		
Intersection	City Location	Crash Count
Brunette Ave & Brunette Ave offramp & Brunette Ave onramp & Trans-Canada Hwy & United Blvd offramp	Coquitlam & New Westminister	316
Trans-Canada Hwy & Willingdon Ave & Willingdon Ave offramp & Willingdon Ave onramp & turning lane	Burnaby	295
264 St & 264 St onramp & 56 Ave & 56 Ave offramp & 56 Ave onramp & Trans-Canada Hwy	Langley	252
Knight St & Knight St Bridge & SE Marine Dr & SE Marine Dr offramp & SE Marine Dr onramp	Vancouver	231
Boundary Rd & Grandview Hwy	Burnaby & Vancouver	215
Broadway St & Mary Hill Bypass	Port Coquitlam	196
Kensington Ave & Kensington Ave offramp & Kensington Ave onramp & Kensington-Deer Lake Ave underpass & Trans-Canada Hwy & turning lane	Burnaby	194
88 Ave & King George Blvd	Surrey	194
232 St & 232 St offramp & 232 St onramp & 72 Ave & 72 Ave onramp & Trans-Canada Hwy	Langley	190
Main St & Terminal Ave	Vancouver	170

Crash counts over one hundred have been rounded. Counts exclude crashes that occurred in parking lots or involved parked vehicles.

Source: ICBC's Corporate Data Warehouse and Enterprise Data Warehouse (as of June 30, 2016).

# Steps to ICBC sustainability

Immediate operational review of ICBC's...

- Sample claim files
- Salvage and material damage payment process
- Settlement litigation strategies
- Backlog of claims
- Customer service improvements

## Minimal Basic rate increase

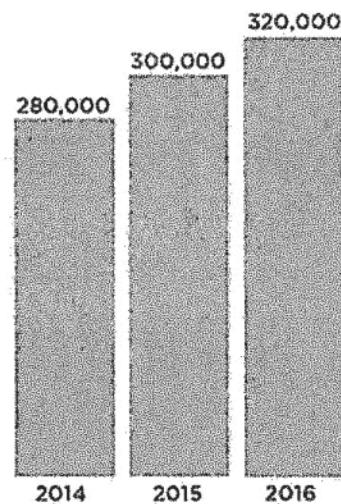
**6.4% increase in 2017 Basic Rate application to BCUC**

= \$57 / year for average driver

= \$4.75 / month

# Number of crashes are up

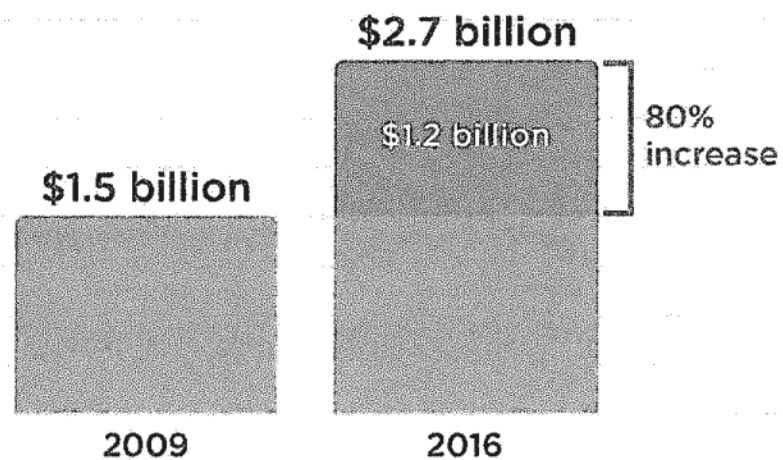
Number of crashes up across B.C.



Ultimately, the pressure on ICBC's rates start from one place — the number of crashes in our province is increasing every year, to a point where we saw 320,000 crashes in 2016 alone.

# Injury claims

**\$1.2 billion increase in injury claims costs since 2009**

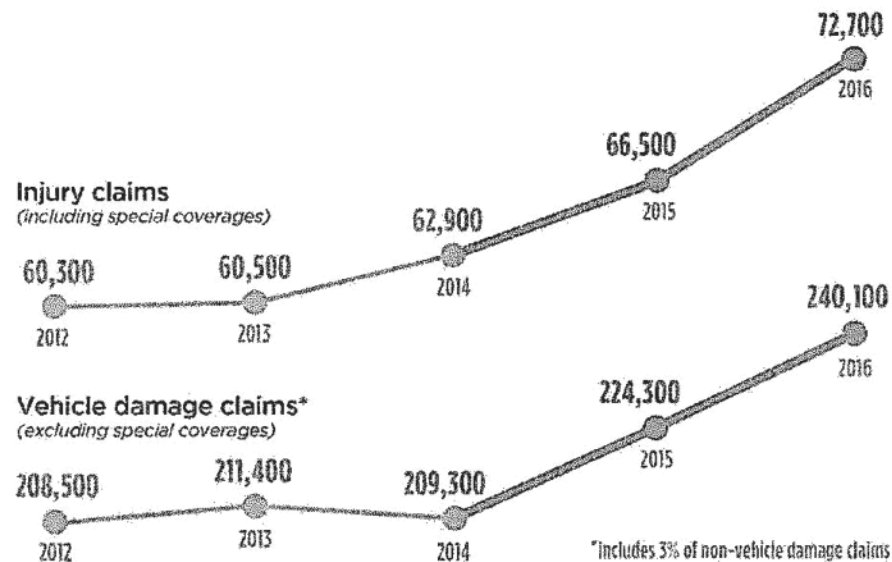


After only breaking through the \$2 billion threshold as recently as 2014, ICBC's injury claims costs totalled \$2.7 billion in 2016 alone—an increase of \$1.2 billion, or 80 per cent, over the last seven years.



# Injury and vehicle claims

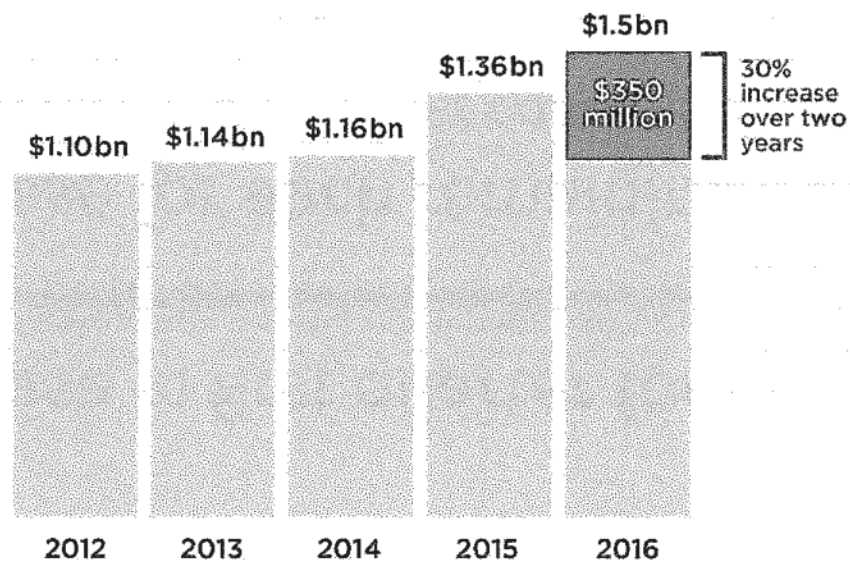
## Injury & vehicle damage claims continue to rise



Compounding the increase in the number of crashes, the number of injury and vehicle damage claims ICBC receives have also accelerated over the last two years—a 16% increase in injury claims, a 15% increase in vehicle damage claims.

# Vehicle damage claims

**\$350 million increase in vehicle damage claims in just two years**



The cost of repairing vehicles is becoming more expensive every year, as vehicles become more reliant on technology and expensive materials. ICBC's vehicle damage costs have increased by 30 per cent in just two years, to a total of \$1.5 billion in 2016 alone.

## Minimal Optional rate increase

**3.1%** increase in first quarter for Optional Rate

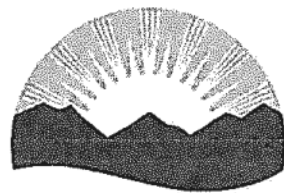
**2.2%** increase for each remaining quarter

*\* Approx. and based on market conditions*

= 9.6% annual maximum increase

= \$130 / year for average driver

# Taking Action



BRITISH  
COLUMBIA

**ICBC – 2017 Basic Rate Application  
Questions & Answers**

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**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. On November 1, 2017, drivers will see the first quarterly increase of 3.1% with subsequent quarterly increases of 2.2%, based on market conditions, to a maximum of 9.6%.
- This annual blended increase of 8% or \$130 for the average driver in British Columbia continues to keep increases to the minimum possible amount for drivers.
- 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.
- 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 an increase of 9.6% premiums is a tough measure.
- 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.
- 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 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.

***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 next year, 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.

**DISTRACTED DRIVING TECHNOLOGY PILOT**

- We have also asked ICBC to pilot a few of the dozen proposed technologies for limiting cell phone use by drivers, and to start that pilot as soon as possible.
- Our aim is to restrict new 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 crack down on distracted driving.
- To that end, ICBC will be making an important announcement tomorrow about a distracted driving awareness campaign.

**DANGEROUS ROADS INITIATIVE**

- 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 to make improvements to these areas to reduce collisions.
- ICBC reports on the 10 top crash intersections annually. In the Lower Mainland, the top 10 crash sites were responsible for 2,253 crashes in 2015.

## INTERNAL COSTS

- 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.
- 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 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.
- This is an annual maximum increase of 9.6% or \$130 for the average driver.

## 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 capital reserves to hide the deep-seeded financial problems, has left ICBC in a shocking financial state.
- Last year alone, ICBC lost over \$600 million dollars making it the biggest record loss in the corporation's history.
- These losses are projected to increase to \$1 billion in the coming 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, an ICBC report was not received by government and the recommendations within had not been evaluated or implemented yet were built into future year projections.
- 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 is a raid on a business that had nothing to raid.
- 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 significant backlog of claims that has now come home to roost.
- In April 2014, ICBC revealed that it refunded drivers for and the result was government deciding to not recoup these costs and the ICBC ultimately lost approximately \$90 million.
- In July 2015, multiple media outlets reported a spike in luxury car sales. This data would have been widely reported in government as growth in revenue from the luxury car surtax (1-3% for vehicles over \$59,000).
- Here is a good illustration of the cavalier attitude towards costs at ICBC exhibited by the previous Minister responsible.
- In a video to an auto body repair industry group, the former minister attempted to give away a \$3 million ICBC building for free.
- He boasts that he had reduced speeding enforcement ticket revenue by 60% and commits to a rate review paid by ICBC to 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?**

- No, this has not happened.
- The former minister responsible spoke about ICBC transferring ownership of its training centre to the automotive industry – the Automotive Retailers Association and other industry partners – as part of a wider plan for them to taking over body shop industry training in B.C.
- There were ongoing conversations about this but, to-date, it has not happened.

**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 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 liability payouts above \$200,000, collision and comprehensive coverage are included under the optional side.
- Again these rates help to keep increases to the minimum possible amount for drivers.
- 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. On November 1, 2017, drivers will see the first quarterly increase of 3.1% with subsequent quarterly increases of 2.2%, based on market conditions, to a maximum of 9.6%.
- This annual blended increase of 8% or \$130 for the average driver in British Columbia continues to keep increases to the minimum possible amount for drivers.
- 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.
- To do so, we are taking a cross-ministry approach with a solid governance structure in place – and, the senior-level cabinet working group I have assembled will take personal responsibility for overseeing a decisive action plan that will involve public consultation and transparent progress reports.
- ICBC is an important public asset and as such, this government will be accountable to the public for its performance.

**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.
- 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, as it has for all insurance companies.
- 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:**

- 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 next year, 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.

**DISTRACTED DRIVING TECHNOLOGY PILOT**

- We have also asked ICBC to pilot a few of the dozen proposed technologies for limiting cell phone use by drivers, and to start that pilot as soon as possible.
- Our aim is to restrict new 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 crack down on distracted driving.

- To that end, ICBC will be making an important announcement tomorrow about a distracted driving awareness campaign.

#### **DANGEROUS ROADS INITIATIVE**

- 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 to make improvements to these areas to reduce collisions.
- ICBC reports on the 10 top crash intersections annually. In the Lower Mainland, the top 10 crash sites were responsible for 2,253 crashes in 2015.

#### **INTERNAL COSTS**

- 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.
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- 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 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 the primary cost pressure on insurance rates; what will you do to address road safety in B.C.?**

- Improving road safety in B.C. will be a strong focus of our work. More research needs to be done before we can share details, but considerations include looking at ways to curtail distracted driving – particularly people using cell phones when behind the wheel.
- 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 to make improvements to these areas to reduce collisions.
- ICBC reports on the 10 top crash intersections annually. In the Lower Mainland, the top 10 crash sites were responsible for 2,253 crashes in 2015.
- We have also asked ICBC to pilot a few of the dozen proposed technologies for limiting cell phone use by drivers, and to start that pilot as soon as possible.
- Our aim is to restrict new drivers from using cellphones through technology, and to offer improved rates to drivers who adopt these technologies voluntarily.
- We have directed ICBC to crack down on distracted driving.
- To that end, ICBC will be making an important announcement tomorrow about a distracted driving awareness campaign.

**15. Why have you ruled out photo radar?**

- XX

**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.
- In recent years, ICBC's strong investment income has been able to partially offset claims costs pressures and help mitigate rate increases.
- 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.

### **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.

## 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 damages and 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.

### **22. Will you move to a no-fault insurance model?**

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- Other jurisdictions in Canada have decided to cap coverage or place limits on payouts to keep the cost of insurance premiums down. This is a consideration we will be researching carefully.
- The ministry will work with ICBC to make sure British Columbians are provided with the coverage that strikes a balance between affordability and treating victims fairly.

## **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.
- 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. With that said, we believe that maintaining B.C.'s public auto insurance system is core to making life more affordable for British Columbians. 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.



## Event Information/Speaking Notes

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**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, and flanked by screens for PPT.

**Key Participants:**

David Eby, Attorney General and Minister responsible for ICBC

**Other attendees:** Joy MacPhail, Chair, ICBC  
Staff representative TBC, 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 and *ICBC staff* 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.
- 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.
- Specifically, in 2010, legislation was passed allowing government to take unprecedented dividends from the corporation.
- All told, in the following years, this added up to one-point-two billion dollars removed from ICBC to balance the Provincial budget.
- And this happened even while it was becoming clear that ICBC was facing mounting financial pressures due to increasing claims and settlements.
- It's unacceptable for any government to treat ICBC like an ATM machine — while sticking motorists with the bill.
- To make matters worse, at the same time it was siphoning money out of ICBC, the previous government was also avoiding critical and difficult decisions that

should have been made, leading even greater problems on the drivers of British Columbia.

- There are many short-term measures I will speak of today and I recognize you are anxious to hear the Basic Rate increase.
- 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% with subsequent quarterly increases of 2.2%, based on market conditions, to a maximum of 9.6%.
- This annual blended increase of 8% or \$130 for the average driver in British Columbia continues to keep increases to the minimum possible amount for drivers.

- I will go into further detail in a moment.
- 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.
- As a result, a report commissioned by the previous administration recommends basic rate increases of 30% by 2019.
- 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.

- Last year alone, ICBC lost over \$600 million dollars making it the biggest record loss in the corporation's history.
- These losses are projected to increase to \$1 billion in the coming 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.
- 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 is a raid on a business that had nothing to raid.

- 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 significant backlog of claims that has now come home to roost.
- In April 2014, ICBC revealed that it refunded drivers for and the result was government deciding to not recoup these costs and the ICBC ultimately lost approximately \$90 million.
- In July 2015, multiple media outlets reported a spike in luxury car sales. This data would have been widely reported in government as growth in revenue from the luxury car surtax (1-3% for vehicles over \$59,000).
- However, the former government neglected to address the insurance issues caused by this growth.
- Here is a good illustration of the cavalier attitude towards costs at ICBC exhibited by the previous Minister responsible.

**Comment [MH1]:** \$35 million in refunds to customers, plus an additional \$2.7 million in interest and \$53 million in underpayments waived for all customers who underpaid.



- In a video to an auto body repair industry group, the former minister attempted to give away a \$3 million ICBC building for free.
- He boasts that he had reduced speeding enforcement ticket revenue by 60% and commits to a rate review paid by ICBC to 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.
- In addition, the former government's transfer of \$1.2 billion in optional surplus capital from ICBC to the province's books to make the provincial accounts look better than they were means we can't, as many previous governments have done, use that surplus optional capital or related interest earnings to help stabilize basic insurance rates.
- Neglect of ICBC by government must end but it will require tough measures and a blended premium increase of 8% for the average driver is a tough measure.
- 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.

**Announcement today:**

- 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 intend to reward the good drivers of British Columbia and educate and penalize those who are driving unsafely on our roads.
- We aim to bring back a sustainable organization that all British Columbians can be proud of.
- There are two parts to today's announcement.

**[Click - Slide 2.1]**

- The first is short term and immediate steps we are taking and have taken to begin the long process of

reducing costs that are driving the pressure for higher rates.

**[Click - Slide 2.2]**

- The second is the announcement of the proposed rates for Basic insurance that ICBC will be filing with the Utilities Commission by September 15 and higher Optional rates.
- 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**

### **[Click - Slide 3]**

- Over the next year, existing red light cameras at intersections in the Lower Mainland will be activated 24 hours a day.
- Currently, the cameras are only on in six hour per day 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.

### **DISTRACTED DRIVING TECHNOLOGY PILOT**

#### **[Click - Slide 4]**

- We will also be asking ICBC to pilot a few of the dozen proposed technologies for limiting cell phone use by drivers, and to start that pilot as soon as possible.
- Our aim is to restrict new drivers from using cellphones through technology, and to offer improved rates to drivers who adopt these technologies voluntarily.

### **DISTRACTED DRIVING CAMPAIGN**

#### **[Click - Slide 5]**

- We will ask ICBC to crack down on distracted driving.

- To that end, ICBC will be making an important announcement tomorrow about a distracted driving awareness campaign.

## **DANGEROUS ROADS INITIATIVE**

**[Click - Slide 6]**

- We will be 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 to make improvements to these areas to reduce collisions.

**[Click - Slide 7]**

- ICBC reports on the 10 top crash intersections annually. In the Lower Mainland, the top 10 crash sites were responsible for 2,253 crashes in 2015.

**[PAUSE TO ALLOW TIME TO REVIEW TABLE ON SCREEN]**

## **INTERNAL COSTS**

**[Click - Slide 8]**

- 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.
- The review will examine targeted elements of ICBC's operations, 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.

- 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.

**[Click - Slide 9]**

- The previous government's Ernst and Young report recommended a 30% rate increase for Basic insurance. 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.

**[Click - Slide 10]**

- Even with this rate change, ICBC will not be covering the costs of the increase in crashes and claims.

**[Click - Slide 11]**

- To do this, every customer would need to pay close to an additional \$15 per month or the equivalent of a 20% rate increase.

**Comment [MH2]:** Megan confirming this number



**[Click - Slide 12]**

- The rising number of crashes, injuries and the cost of these claims are also putting pressure on ICBC's optional insurance rates...

**[Click - Slide 13]**

- ... Liability payouts are above \$200,000, and collision and comprehensive coverage are included under the optional side.

**[Click - Slide 14]**

- As I mentioned earlier, the optional rate will also be adjusted.
- On November 1, 2017, drivers will see the first quarterly increase of 3.1% with subsequent quarterly increases of 2.2%, based on market conditions, to a maximum of 9.6%.
- This annual blended increase of 8% or \$130 for the average driver in British Columbia continues to keep increases to the minimum possible amount for drivers.

- 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 projecting significant losses next year.

## **Conclusion**

- 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.
- Thank you, I will now take your questions.

-END-

## Nanninga, Tanera AG:EX

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**From:** Harris, Megan A GCPE:EX  
**Sent:** Sunday, September 3, 2017 9:51 AM  
**To:** Eby, David AG:EX  
**Cc:** Howard, Stephen AG:EX  
**Subject:** Speaking notes for Tuesday  
**Attachments:** SN\_RateIncrease\_03Sept17\_DRAFT.docx; NR\_RateIncrease\_03Sept17\_DRAFT.docx

Hi David,

The speaking notes are complete from Stephen and my perspective and they are attached. That being said, Robb Gibbs at GCPE HQ says we are still somewhat oblique when it comes to the causes of the situation and is reworking that angle.

I will be out of contact (on the water) between noon and 4 p.m. today but happy to chat any time. I think it would be good to connect tomorrow after you have a chance to review them to discuss any questions you have and to go through the event.

Cheers,

Megan

## Event Information/Speaking Notes

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**Event:** 2017 ICBC Rate announcement

**When:** Tues., Sept. 5, 2017

**Speaking time:** 1 p.m.

**Where:** Hyatt Regency, Vancouver

Briefing room: TBD

Presser room: TBD

**Parking:** TBD

**Contact for AG:** Megan Harris – 250 882-8013

**Logistics:** Podium with lav. Mic, and flanked by screens for PPT.

**Key Participants:**

David Eby, Attorney General and Minister responsible for ICBC

**Other attendees:** Joy MacPhail, Chair, ICBC  
Staff representative TBC, ICBC

**Audience size:** Media only

**Agenda:** 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 where we gather today.
- I would also like to acknowledge ICBC Chair Joy MacPhail and ICBC staff 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.
- Critical and difficult decisions that should have been made by the former government were neglected and avoided, loading these problems on the future drivers of British Columbia while they spent down the money that was in ICBC's investment and capital accounts.

Comment [MH1]: Tiffany to confirm

Comment [MH2]: Megan to confirm

- There are many short-term measures I will speak of today and I recognize you are anxious to hear the Basic Rate increase.
- 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% with subsequent quarterly increases of 2.2%, based on market conditions, to a maximum of 9.6%.
- This annual blended increase of 8% or \$130 for the average driver in British Columbia continues to keep increases to the minimum possible amount for drivers.
- I will go into further detail in a moment.

- 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.
- As a result, a report commissioned by the previous administration recommends basic rate increases of 30% annually.
- 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.



- Last year alone, ICBC lost over \$600 million dollars making it the biggest record loss in the corporation's history.
- These losses are projected to increase to \$1 billion in the coming 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.
- 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 is a raid on a business that had nothing to raid.

- 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 significant backlog of claims that has now come home to roost.
- In April 2014, ICBC revealed that it had undercharged drivers for six years and the result was government deciding to not recoup these costs and the ICBC ultimately lost approximately \$110 million.
- In July 2015, multiple media outlets reported a spike in luxury car sales. This data would have been widely reported in government as growth in revenue from the luxury car surtax (1-3% for vehicles over \$59,000).
- However, the former government neglected to address the insurance issues caused by this growth.
- Here is a good illustration of the cavalier attitude towards costs at ICBC exhibited by the previous Minister responsible.

Comment [MH3]: Need ICBC to confirm this

- In a video to an auto body repair industry group, the former minister attempted to give away a \$3 million ICBC building for free.
- He boasts that he had reduced speeding enforcement ticket revenue by 60% and commits to a rate review paid by ICBC to 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.
- In addition, the former government's transfer of \$1.2 billion in optional surplus capital from ICBC to the province's books to make the provincial accounts look better than they were means we can't, as many previous governments have done, use that surplus optional capital or related interest earnings to help stabilize basic insurance rates.
- Neglect of ICBC by government must end but it will require tough measures and an increase of 9.6% premiums is a tough measure.
- 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.

**Announcement today:**

- 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 intend to reward the good drivers of British Columbia and educate and penalize those who are driving unsafely on our roads.
- We aim to bring back a sustainable organization that all British Columbians can be proud of.
- There are two parts to today's announcement.

**[Click - Slide 2.1]**

- The first is short term and immediate steps we are taking and have taken to begin the long process of

reducing costs that are driving the pressure for higher rates.

**[Click - Slide 2.2]**

- The second is the announcement of the proposed rates ICBC will be filing with the Utilities Commission by September 15.
- 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**

**[Click - Slide 3]**

- Over the next year, 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.

## **DISTRACTED DRIVING TECHNOLOGY PILOT**

**[Click - Slide 4]**

- We have also asked ICBC to pilot a few of the dozen proposed technologies for limiting cell phone use by drivers, and to start that pilot as soon as possible.
- Our aim is to restrict new drivers from using cellphones through technology, and to offer improved rates to drivers who adopt these technologies voluntarily.

## **DISTRACTED DRIVING CAMPAIGN**

**[Click - Slide 5]**

- We have directed ICBC to crack down on distracted driving.

- To that end, ICBC will be making an important announcement tomorrow about a distracted driving awareness campaign.

## **DANGEROUS ROADS INITIATIVE**

**[Click - Slide 6]**

- 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 to make improvements to these areas to reduce collisions.

**[Click - Slide 7]**

- ICBC reports on the 10 top crash intersections annually. In the Lower Mainland, the top 10 crash sites were responsible for 2,253 crashes in 2015.

**[PAUSE TO ALLOW TIME TO REVIEW TABLE ON SCREEN]**

## **INTERNAL COSTS**

**[Click - Slide 8]**

- 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.

**Comment [MH4]:** For ICBC: Does ICBC pay twice what cash transactions are for windshield repair? What is paid?

- 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.

**[Click - Slide 9]**

- The previous government's Ernst and Young report recommended a 30% rate increase for basic insurance annually. 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.

**[Click - Slide 10]**

- Even with this rate change, ICBC will not be covering the costs of the increase in crashes and claims.

**[Click - Slide 11]**

- To do this, every customer would need to pay close to an additional \$15 per month or the equivalent of a 20% rate increase.

**[Click - Slide 12]**

- The rising number of crashes, injuries and the cost of these claims are also putting pressure on ICBC's optional insurance rates...

**[Click - Slide 13]**

- ... Liability payouts are above \$200,000, and collision and comprehensive coverage are included under the optional side.

**[Click - Slide 14]**

- As I mentioned earlier, the optional rate will also be adjusted.
- On November 1, 2017, drivers will see the first quarterly increase of 3.1% with subsequent quarterly increases of 2.2%, based on market conditions, to a maximum of 9.6%.
- This annual blended increase of 8% or \$130 for the average driver in British Columbia continues to keep increases to the minimum possible amount for drivers.

- 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.

## **Conclusion**

- 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.
- Thank you, I will now take your questions.

-END-

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## NEWS RELEASE

For Immediate Release

Ministry of Attorney General

[release number]

September XX, 2017

### **Government of B.C. announces plans to correct challenges at ICBC**

VICTORIA – The B.C. government is taking decisive action to rectify the serious financial challenges at British Columbia's public auto insurer, ICBC.

"ICBC is one of British Columbia's most important public assets," said B.C.'s Attorney General David Eby and Minister responsible for ICBC. "With that said, there are deep and profound issues at ICBC that need to be addressed to keep rates affordable for British Columbians. I am assuming responsibility of this situation and, along with ICBC, the Solicitor General and the Minister of Transportation, we will work together to fix this problem."

A recent report into ICBC's financial problems called for premium increases of 30% and such a significant increase is not in the best interest of British Columbians. "The solution is not massive premium increases. It will take discipline and commitment to make significant changes to the system combined with modest premium increases that keep rates as affordable as possible until we can get ICBC back on firm financial footing," said Minister Eby.

ICBC will submit its application to the BC Utilities Commission for a 6.4% increase in rates for mandatory basic insurance coverage. The proposed basic increase that will cost drivers an additional \$57 per year for the average driver, is the maximum allowed under the Province's regulatory rate smoothing framework, and will come into effect on November 1, 2017, provided the application is approved by the BCUC.

The optional rate will also be adjusted. On November 1, 2017, drivers will see the first quarterly increase of 3.1% with subsequent quarterly increases of 2.2%, based on market conditions, to a maximum of 9.6%.

This annual blended increase of 8% or \$130 for the average driver in British Columbia continues to keep increases to the minimum possible amount for drivers.

Several years ago, ICBC started to face worsening external pressures when the growing prevalence of vehicle collisions began to escalate with more crashes being reported than ever before. Compounded by more bodily injury costs, rising vehicle repair fees, along with an environment of softening interest rates and lower-than-required annual basic rate increases, ICBC has not been able to cover the widening gap created by rising claims costs and the problem has only gotten worse over the last three years.

"We're seeing an unprecedented number of crashes – an average of 875 per day or 36 crashes every hour," said ICBC president and CEO Mark Blucher. "ICBC's senior leadership team is committed to working with government, the public and our stakeholders on identifying all

actions necessary to turn this trend around and safeguard the long-term financial health of the organization.” **NOT APPROVED WITHIN NR CONTEXT – NEEDS FURTHER APPROVAL**

The rising number of crashes, injuries and the cost of these claims, is also putting pressure on ICBC’s optional insurance rates as claims liability payouts above \$200,000, collision and comprehensive coverage are included under optional insurance.

In response to ICBC’s financial problems, government will also take further short-term and immediate steps to reduce costs that are driving the pressure for higher rates. This includes the launch of a comprehensive business review of the corporation’s operations and practices, further evaluation of distracted driving technology, ensuring red light cameras are activated 24 hours a day, seven days a week, supporting ICBC’s annual distracted driving campaign and initiating a dangerous roads initiative. This latter initiative will see government working with ICBC and local governments to identify the areas with the highest number of collisions and to make improvements to those areas with the goal of reducing collisions. In 2015, ICBC reported that the top 10 crash sites in the Lower Mainland were responsible for over 2,000 crashes alone.

“ICBC is an important public asset and as such, this government will be accountable to the public for its performance,” added Eby. “British Columbians are going to see a new and long-overdue approach to tackling this situation. This is my commitment to the people of British Columbia and I will continue to keep the public informed on our progress.”

-30-

**Media contact:** Media Relations  
Government Communications and Public Engagement  
Ministry of the Attorney General  
778-678-1572

## Nanninga, Tanera AG:EX

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**From:** Harris, Megan A GCPE:EX  
**Sent:** Saturday, September 2, 2017 10:42 PM  
**To:** Gibbs, Robb GCPE:EX; Howard, Stephen AG:EX; Eby, David AG:EX; Kristianson, Eric GCPE:EX; Spilker, Robyn FIN:EX; Gillezeau, Rob FIN:EX; McGregor, Cara GCPE:EX; Devereux, Rick GCPE:EX  
**Cc:** Nelson, Tiffany GCPE:EX; Zadravec, Don GCPE:EX; Currie, David GCPE:EX; Hannah, Matt GCPE:EX  
**Subject:** Further DRAFTS for rate announcement  
**Attachments:** NR\_RateIncrease\_02Sept17\_DRAFT.docx; PPT\_RateIncrease\_02Sept17\_DRAFT.pptx; QA\_ICBC\_rate filing\_2SEPT17\_DRAFT.docx; SN\_RateIncrease\_02Sept17\_DRAFT2.docx  
**Importance:** High

Good evening again,

Following feedback, attached are VERY updated and close to final (I hope) materials for the announcement on Tuesday.

Included:

1. QA with KMs – these include only the most high level KMs followed by QA. The comments within are the same as you will see within the SN. **ERIC**, there is one comment for you to review, please.
2. SN – these are now in formal format and within you will see revised “clicks” to correspond to the ppt.
3. PPT – this is based on the SN and using info received from ICBC. Once again, GCPE graphics will need to make pretty (**RICK**). I will also rely on GCPE HQ/Eric K./Cara McGregor to add any additional commentary that would go past a GCPE comms shop.
4. NR – It is a page too long however, I understand the importance of what is within. The ICBC quote still needs to be approved so we need to ensure we allow time for this.

I will be away from my computer and phone on Sunday between 12 and 4 p.m. Please provide feedback by 4 p.m. if possible.

Thanks,  
Megan

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## NEWS RELEASE

For Immediate Release  
[release number]  
September XX, 2017

Ministry of Attorney General

### Government of B.C. announces plans to correct challenges at ICBC

VICTORIA – The B.C. government is taking decisive action to rectify the serious financial challenges at British Columbia's public auto insurer, ICBC.

"ICBC is one of British Columbia's most important public assets," said B.C.'s Attorney General David Eby and Minister responsible for ICBC. "With that said, there are deep and profound issues at ICBC that need to be addressed to keep rates affordable for British Columbians. I am assuming responsibility of this situation and, along with ICBC, the Solicitor General and the Minister of Transportation, we will work together to fix this problem."

A recent report into ICBC's financial problems called for premium increases of 30% and such a significant increase is not in the best interest of British Columbians. "The solution is not massive premium increases. It will take discipline and commitment to make significant changes to the system combined with modest premium increases that keep rates as affordable as possible until we can get ICBC back on firm financial footing," said Minister Eby.

ICBC will submit its application to the BC Utilities Commission for a 6.4% increase in rates for mandatory basic insurance coverage. The proposed basic increase that will cost drivers an additional \$57 per year for the average driver, is the maximum allowed under the Province's regulatory rate smoothing framework, and will come into effect on November 1, 2017, provided the application is approved by the BCUC.

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 2.2% for each remaining quarter, based on market conditions. This is an annual maximum increase of 9.6% or \$130 for the average driver. This continues to keep increases to the minimum possible amount for drivers.

Several years ago, ICBC started to face worsening external pressures when the growing prevalence of vehicle collisions began to escalate with more crashes being reported than ever before. Compounded by more bodily injury costs, rising vehicle repair fees, along with an environment of softening interest rates and lower-than-required annual basic rate increases, ICBC has not been able to cover the widening gap created by rising claims costs and the problem has only gotten worse over the last three years.

"We're seeing an unprecedented number of crashes – an average of 875 per day or 36 crashes every hour," said ICBC president and CEO Mark Blucher. "ICBC's senior leadership team is committed to working with government, the public and our stakeholders on identifying all actions necessary to turn this trend around and safeguard the long-term financial health of the organization." **NOT APPROVED WITHIN NR CONTEXT – NEEDS FURTHER APPROVAL**



These factors combined have resulted in a situation where insurance rates need to be adjusted in the short-term as an immediate stop-gap measure until more permanent solutions are put in place.

The rising number of crashes, injuries and the cost of these claims, is also putting pressure on ICBC's optional insurance rates as claims liability payouts above \$200,000, collision and comprehensive coverage are included under optional insurance.

"This government has made a promise to the people of British Columbia that we will work to make life more affordable," said Minister Eby. "Preventing a continued downward spiral of ICBC's finances is part of that commitment and will make auto insurance rates more affordable in the long-run. We will not allow British Columbians to be on the hook to pay the full price of ICBC's urgent predicament."

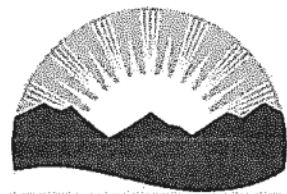
In response to ICBC's downward financial trajectory, government will also take further short-term and immediate steps to reduce costs that are driving the pressure for higher rates. This includes the launch of a comprehensive business review of the corporation's operations and practices, further evaluation of distracted driving technology, ensuring red light cameras are activated 24 hours a day, seven days a week, supporting ICBC's annual distracted driving campaign and initiating a dangerous roads initiative. This latter initiative will see government working with ICBC and local governments to identify the areas with the highest number of collisions and to make improvements to those areas with the goal of reducing collisions. In 2015, ICBC reported that the top 10 crash sites in the Lower Mainland were responsible for over 2,000 crashes alone.

"ICBC is an important public asset and as such, this government will be accountable to the public for its performance," added Eby. "British Columbians are going to see a new and long-overdue approach to tackling this situation. This is my commitment to the people of British Columbia and I will continue to keep the public informed on our progress."

-30-

**Media contact:** Media Relations  
Government Communications and Public Engagement  
Ministry of the Attorney General  
778-678-1572

# Controlling Rates



BRITISH  
COLUMBIA

# Creating a sustainable organization

1. Steps to reduce costs that are driving higher rates
2. Propose Basic Rate application

# Red light cameras

24/7 use of red light cameras at intersections  
in the Lower Mainland

## Distracted driving technology

Limiting cell phone use by drivers

- 12 responses received to ICBC's Request for Information
- Government will pilot at least 5 of these proposed technologies

# Distracted driving campaign

- Provincewide education and awareness campaign launching Sept. 6
- TV, radio, social media encouraging drivers to “take a break from your phone”
- Enhanced police enforcement and community volunteered “cell watches”

## Dangerous roads initiative

- ICBC invests about \$8 million annually in their Road Improvement Program
- Location selection typically based on studies, crash data and other information
- For every \$1 invested by ICBC to improve infrastructure, \$4.70 are returned to ICBC in reduced claims costs

# Dangerous roads initiative

## Top 10 crash intersections in the Lower Mainland

Year: 2015		
Intersection	City Location	Crash Count
Brunette Ave & Brunette Ave offramp & Brunette Ave onramp & Trans-Canada Hwy & United Blvd offramp	Coquitlam & New Westminster	316
Trans-Canada Hwy & Willingdon Ave & Willingdon Ave offramp & Willingdon Ave onramp & turning lane	Burnaby	295
264 St & 264 St onramp & 56 Ave & 56 Ave offramp & 56 Ave onramp & Trans-Canada Hwy	Langley	252
Knight St & Knight St Bridge & SE Marine Dr & SE Marine Dr offramp & SE Marine Dr onramp	Vancouver	231
Boundary Rd & Grandview Hwy	Burnaby & Vancouver	215
Broadway St & Mary Hill Bypass	Port Coquitlam	196
Kensington Ave & Kensington Ave offramp & Kensington Ave onramp & Kensington-Deer Lake Ave underpass & Trans-Canada Hwy & turning lane	Burnaby	194
88 Ave & King George Blvd	Surrey	194
232 St & 232 St offramp & 232 St onramp & 72 Ave & 72 Ave onramp & Trans-Canada Hwy	Langley	190
Main St & Terminal Ave	Vancouver	170

Crash counts over one hundred have been rounded. Counts exclude crashes that occurred in parking lots or involved parked vehicles.

Source: ICBC's Corporate Data Warehouse and Enterprise Data Warehouse (as of June 30, 2016).



# Steps to ICBC sustainability

Immediate operational review of ICBC's...

- Sample claim files
- Salvage and material damage payment process
- Settlement litigation strategies
- Backlog of claims
- Customer service improvements

## Minimal Basic rate increase

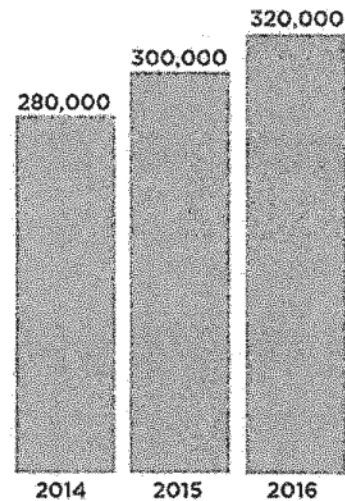
**6.4%** increase in 2017 Basic Rate application  
to BCUC

= \$57 / year for average driver

= \$4.75 / month

# Number of crashes are up

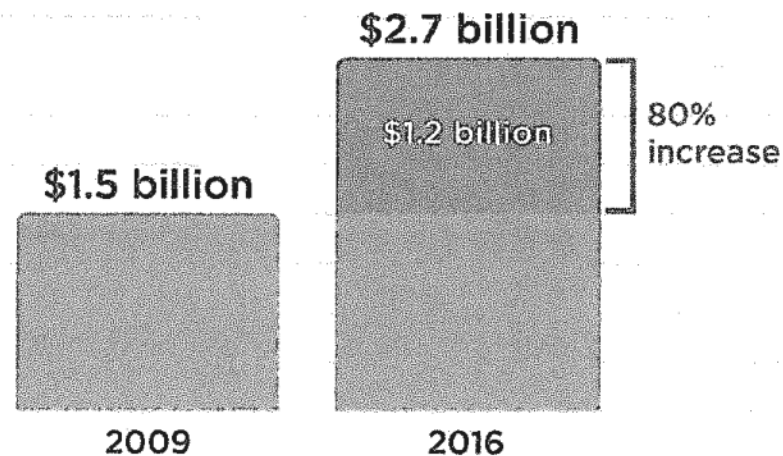
Number of crashes up across B.C.



Ultimately, the pressure on ICBC's rates start from one place — the number of crashes in our province is increasing every year, to a point where we saw 320,000 crashes in 2016 alone.

# Injury claims

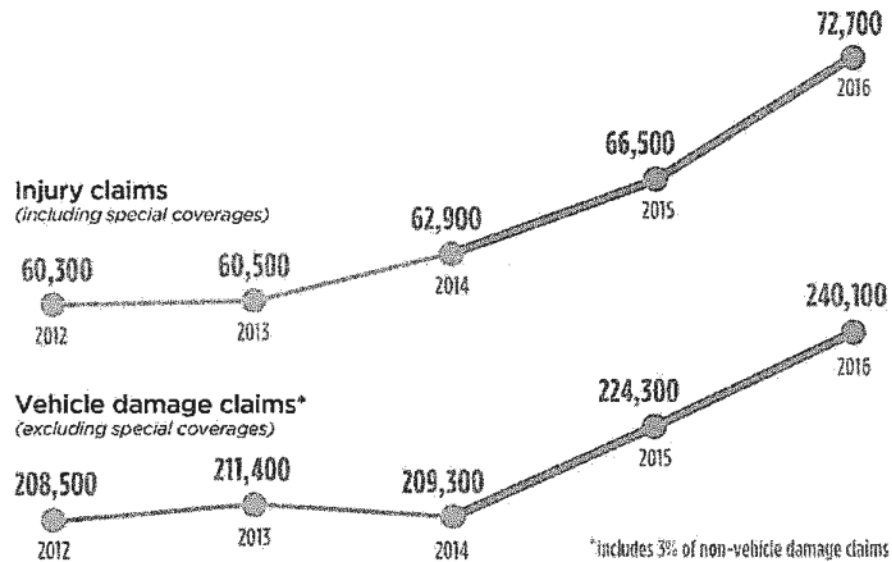
**\$1.2 billion increase in injury claims costs since 2009**



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.

# Injury and vehicle claims

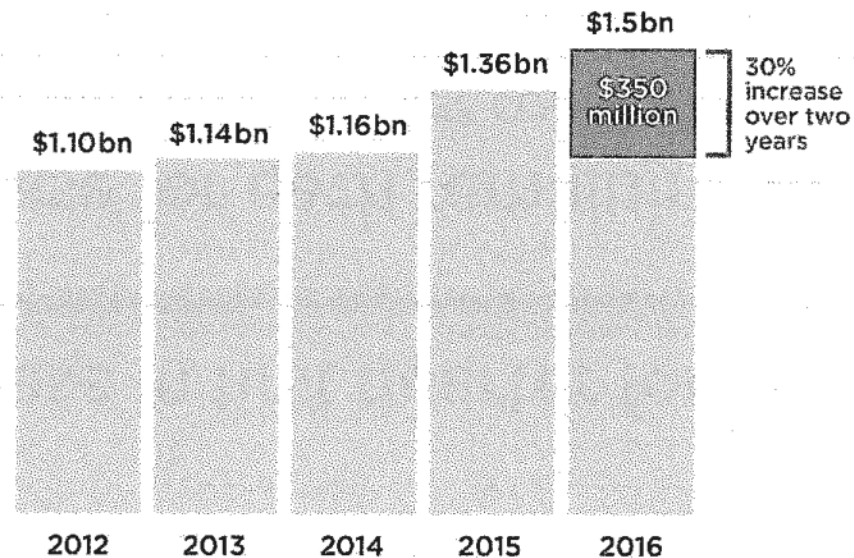
## Injury & vehicle damage claims continue to rise



Compounding the increase in the number of crashes, the number of injury and vehicle damage claims ICBC receives have also accelerated over the last two years—a 16% increase in injury claims, a 15% increase in vehicle damage claims.

# Vehicle damage claims

**\$350 million increase in vehicle damage claims in just two years**



The cost of repairing vehicles is becoming more expensive every year, as vehicles become more reliant on technology and expensive materials. ICBC's vehicle damage costs have increased by 30 per cent in just two years, to a total of \$1.5 billion in 2016 alone.

## Minimal Optional rate increase

**3.1%** increase in first quarter for Optional Rate

**2.2%** increase for each remaining quarter

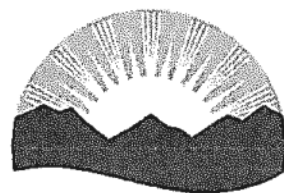
*\* Approx. and based on market conditions*

= 9.6% annual maximum increase

= \$130 / year for average driver



# Taking Action



BRITISH  
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**CONFIDENTIAL ADVICE TO MINISTER – Sept. 2, 2017 (DRAFT)**

**ICBC – 2017 Basic Rate Application  
Questions & Answers**

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**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.
- 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 while they spent down the money that was in ICBC's investment and capital accounts.
- 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.
- This is an annual maximum increase of 9.6% or \$130 for the average driver.
- 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.
- 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 an increase of 9.6% premiums is a tough measure.
- 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.
- 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 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.

***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 next year, 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.

**DISTRACTED DRIVING TECHNOLOGY PILOT**

- We have also asked ICBC to pilot a few of the dozen proposed technologies for limiting cell phone use by drivers, and to start that pilot as soon as possible.
- Our aim is to restrict new 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 crack down on distracted driving.
- To that end, ICBC will be making an important announcement tomorrow about a distracted driving awareness campaign.

**DANGEROUS ROADS INITIATIVE**

- 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 to make improvements to these areas to reduce collisions.
- ICBC reports on the 10 top crash intersections annually. In the Lower Mainland, the top 10 crash sites were responsible for 2,253 crashes in 2015.

**INTERNAL COSTS**

- 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.
- 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 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.
- This is an annual maximum increase of 9.6% or \$130 for the average driver.

#### 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 capital reserves to hide the deep-seeded financial problems, has left ICBC in a shocking financial state.
  - Last year alone, ICBC lost over \$600 million dollars making it the biggest record loss in the corporation's history.
  - These losses are projected to increase to \$1 billion in the coming 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, an ICBC report was not received by government and the recommendations within had not been evaluated or implemented yet were built into future year projections.
  - 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 is a raid on a business that had nothing to raid.
  - 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.

**Comment [MH1]:** Can anyone confirm this statement?

**Comment [MH2]:** Eric K. can you confirm this statement? Can you confirm if there was direction not to proceed to the BCUC. Was there direction to come back with a new plan? Was that received?

- 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 significant backlog of claims that has now come home to roost.
- In April 2014, ICBC revealed that it had undercharged drivers for six years and the result was government deciding to not recoup these costs and the ICBC ultimately lost approximately \$110 million.
- In July 2015, multiple media outlets reported a spike in luxury car sales. This data would have been widely reported in government as growth in revenue from the luxury car surtax (1-3% for vehicles over \$59,000).
- Here is a good illustration of the cavalier attitude towards costs at ICBC exhibited by the previous Minister responsible.
- In a video to an auto body repair industry group, the former minister attempted to give away a \$3 million ICBC building for free.
- He boasts that he had reduced speeding enforcement ticket revenue by 60% and commits to a rate review paid by ICBC to 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.

**Comment [MH3]:** Need ICBC to confirm this.

**Comment [MH4]:** May not be a strong enough point to make.

**2. Can you confirm if ICBC gave an auto body repair lobby group a \$3 million ICBC property at no cost?**

- No, this has not happened.
- The former minister responsible spoke about ICBC transferring ownership of its training centre to the automotive industry – the Automotive Retailers Association and other industry partners – as part of a wider plan for them to taking over body shop industry training in B.C.
- There were ongoing conversations about this but, to-date, it has not happened.

**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 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 liability payouts above \$200,000, collision and comprehensive coverage are included under the optional side.
- Again these rates help to keep increases to the minimum possible amount for drivers.
- 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 Columbia'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. 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.
- This is an annual maximum increase of 9.6% or \$130 for the average driver.
- Again these rates help to keep increases to the minimum possible amount for drivers.
- 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 Columbia'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.
- To do so, we are taking a cross-ministry approach with a solid governance structure in place – and, the senior-level cabinet working group I have assembled will take personal responsibility for overseeing a decisive action plan that will involve public consultation and transparent progress reports.
- ICBC is an important public asset and as such, this government will be accountable to the public for its performance.

**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.
- 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, as it has for all insurance companies.
- 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:**

- 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 next year, 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.

#### **DISTRACTED DRIVING TECHNOLOGY PILOT**

- We have also asked ICBC to pilot a few of the dozen proposed technologies for limiting cell phone use by drivers, and to start that pilot as soon as possible.
- Our aim is to restrict new 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 crack down on distracted driving.



- To that end, ICBC will be making an important announcement tomorrow about a distracted driving awareness campaign.

#### **DANGEROUS ROADS INITIATIVE**

- 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 to make improvements to these areas to reduce collisions.
- ICBC reports on the 10 top crash intersections annually. In the Lower Mainland, the top 10 crash sites were responsible for 2,253 crashes in 2015.

#### **INTERNAL COSTS**

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- 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 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 the primary cost pressure on insurance rates; what will you do to address road safety in B.C.?**

- Improving road safety in B.C. will be a strong focus of our work. More research needs to be done before we can share details, but considerations include looking at ways to curtail distracted driving – particularly people using cell phones when behind the wheel.
- 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 to make improvements to these areas to reduce collisions.
- ICBC reports on the 10 top crash intersections annually. In the Lower Mainland, the top 10 crash sites were responsible for 2,253 crashes in 2015.
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- Our aim is to restrict new drivers from using cellphones through technology, and to offer improved rates to drivers who adopt these technologies voluntarily.
- We have directed ICBC to crack down on distracted driving.
- To that end, ICBC will be making an important announcement tomorrow about a distracted driving awareness campaign.

**15. Why have you ruled out photo radar?**

- XX

**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.
- In recent years, ICBC's strong investment income has been able to partially offset claims costs pressures and help mitigate rate increases.
- 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.

**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.

#### 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 damages and 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.

**22. Will you move to a no-fault insurance model?**

s.13

- Other jurisdictions in Canada have decided to cap coverage or place limits on payouts to keep the cost of insurance premiums down. This is a consideration we will be researching carefully.
- The ministry will work with ICBC to make sure British Columbians are provided with the coverage that strikes a balance between affordability and treating victims fairly.

### 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.
- 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. With that said, we believe that maintaining B.C.'s public auto insurance system is core to making life more affordable for British Columbians. 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.

Comment [NTG5]: TBC

**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.

## Event Information/Speaking Notes

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**Event:** 2017 ICBC Rate announcement

**When:** Tues., Sept. 5, 2017

**Speaking time:** 1 p.m.

**Where:** Hyatt Regency, Vancouver

Briefing room: TBD

Presser room: TBD

**Parking:** TBD

**Contact for AG:** Megan Harris – 250 882-8013

**Logistics:** Podium with lav. Mic, and flanked by screens for PPT.

**Key Participants:**

David Eby, Attorney General and Minister responsible for ICBC

**Other attendees:** Joy MacPhail, Chair, ICBC  
Staff representative TBC, ICBC

**Audience size:** Media only

**Agenda:** 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 where we gather today.
- I would also like to acknowledge ICBC Chair Joy MacPhail and ICBC staff 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.
- Critical and difficult decisions that should have been made by the former government were neglected and avoided, loading these problems on the future drivers of British Columbia while they spent down the money that was in ICBC's investment and capital accounts.

Comment [MH1]: Tiffany to confirm

Comment [MH2]: Megan to confirm

- There are many short-term measures I will speak of today and I recognize you are anxious to hear the Basic Rate increase.
- 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.
- This is an annual maximum increase of 9.6% or \$130 for the average driver.
- Again these rates help to keep increases to the minimum possible amount for drivers.
- I will go into further detail in a moment.



- 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.
- As a result, a report commissioned by the previous administration recommends basic rate increases of 30% annually.
- 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.

- Last year alone, ICBC lost over \$600 million dollars making it the biggest record loss in the corporation's history.
- These losses are projected to increase to \$1 billion in the coming 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, an ICBC report was not received by government and the recommendations within had not been evaluated or implemented yet were built into future year projections.
- 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.

Comment [MH3]: Can anyone confirm this statement?

- 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 is a raid on a business that had nothing to raid.
- 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 significant backlog of claims that has now come home to roost.
- In April 2014, ICBC revealed that it had undercharged drivers for six years and the result was government deciding to not recoup these costs and the ICBC ultimately lost approximately \$110 million.

**Comment [MH4]:** Eric K. can you confirm this statement? Can you confirm if there was direction not to proceed to the BCUC. Was there direction to come back with a new plan? Was that received?

**Comment [MH5]:** Need ICBC to confirm this.

- In July 2015, multiple media outlets reported a spike in luxury car sales. This data would have been widely reported in government as growth in revenue from the luxury car surtax (1-3% for vehicles over \$59,000).
- However, the former government neglected to address the insurance issues caused by this growth.
- Here is a good illustration of the cavalier attitude towards costs at ICBC exhibited by the previous Minister responsible.
- In a video to an auto body repair industry group, the former minister attempted to give away a \$3 million ICBC building for free.
- He boasts that he had reduced speeding enforcement ticket revenue by 60% and commits to a rate review paid by ICBC to 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

Comment [MH6]: May not be a strong enough point to make.

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.
- In addition, the former government's transfer of \$1.2 billion in optional surplus capital from ICBC to the province's books to make the provincial accounts look better than they were means we can't, as many previous governments have done, use that surplus optional capital or related interest earnings to help stabilize basic insurance rates.

- Neglect of ICBC by government must end but it will require tough measures and an increase of 9.6% premiums is a tough measure.
- 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.

**Announcement today:**

- 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 intend to reward the good drivers of British Columbia and educate and penalize those who are driving unsafely on our roads.

- We aim to bring back a sustainable organization that all British Columbians can be proud of.
- There are two parts to today's announcement.

**[Click - Slide 2.1]**

- The first is short term and immediate steps we are taking and have taken to begin the long process of reducing costs that are driving the pressure for higher rates.

**[Click - Slide 2.2]**

- The second is the announcement of the proposed rates ICBC will be filing with the Utilities Commission by September 15.
- 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**

#### **[Click - Slide 3]**

- Over the next year, 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.

### **DISTRACTED DRIVING TECHNOLOGY PILOT**

#### **[Click - Slide 4]**

- We have also asked ICBC to pilot a few of the dozen proposed technologies for limiting cell phone use by drivers, and to start that pilot as soon as possible.



- Our aim is to restrict new drivers from using cellphones through technology, and to offer improved rates to drivers who adopt these technologies voluntarily.

## **DISTRACTED DRIVING CAMPAIGN**

**[Click - Slide 5]**

- We have directed ICBC to crack down on distracted driving.
- To that end, ICBC will be making an important announcement tomorrow about a distracted driving awareness campaign.

## **DANGEROUS ROADS INITIATIVE**

**[Click - Slide 6]**

- 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 to make improvements to these areas to reduce collisions.

**[Click - Slide 7]**

- ICBC reports on the 10 top crash intersections annually. In the Lower Mainland, the top 10 crash sites were responsible for 2,253 crashes in 2015.

**[PAUSE TO ALLOW TIME TO REVIEW TABLE ON SCREEN]**

## **INTERNAL COSTS**

**[Click - Slide 8]**

- 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.

**Comment [MH7]:** For ICBC: Does ICBC pay twice what cash transactions are for windshield repair? What is paid?

- 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.

### **[Click - Slide 9]**

- The previous government's Ernst and Young report recommended a 30% rate increase for basic insurance annually. 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.

**[Click - Slide 10]**

- Even with this rate change, ICBC will not be covering the costs of the increase in crashes and claims.

**[Click - Slide 11]**

- To do this, every customer would need to pay close to an additional \$15 per month or the equivalent of a 20% rate increase.

**[Click - Slide 12]**

- The rising number of crashes, injuries and the cost of these claims are also putting pressure on ICBC's optional insurance rates...

**[Click - Slide 13]**

- ... Liability payouts are above \$200,000, and collision and comprehensive coverage are included under the optional side.

**[Click - Slide 14]**

- 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.
- This is an annual maximum increase of 9.6% or \$130 for the average driver.
- Again these rates help to keep increases to the minimum possible amount for drivers.
- 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.

## **Conclusion**

- 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.
- Thank you, I will now take your questions.

-END-

## **Nanninga, Tanera AG:EX**

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**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

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**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

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- 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.

**Announcement today:**

- 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.

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- We aim to bring back a sustainable organization that all British Columbians can be proud of.
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 short term and immediate steps 

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 taken to begin the long process of reducing costs that are driving the pressure for



higher rates.

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- 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 a 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.

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- **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.

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- **DISTRACTED DRIVING TECHNOLOGY PILOT** We have also asked ICBC to pilot s 13 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.
- **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

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- 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.

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- 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.

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- 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

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s.13 backlog that has now come home to roost.

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- 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

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- The former government knew in 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

**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.

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### 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.
- To do so, we are taking a cross-ministry approach with a solid governance structure in place – and, the senior-level cabinet working group I have assembled will take personal responsibility for overseeing a decisive action plan that will involve public consultation and transparent progress reports.
- 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.

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**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

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11. What mitigation measures has ICBC taken to date?

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**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.?**

- Improving road safety in B.C. will be a strong focus of our work. More research needs to be done before we can share details, but considerations include looking at ways to curtail distracted driving – particularly people using cell phones when behind the wheel.

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**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.

**15. 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.
- In recent years, ICBC's strong investment income has been able to partially offset claims costs pressures and help mitigate rate increases.
- 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?**

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- Other jurisdictions in Canada have decided to cap coverage or place limits on payouts to keep the cost of insurance premiums down. This is a consideration we will be researching carefully.
- The ministry will work with ICBC to make sure British Columbians are provided with the coverage that strikes a balance between affordability and treating victims fairly.

**Privatization**

**21. 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.
- 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.

**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. With that said, we believe that maintaining B.C.'s public auto insurance system is core to making life more affordable for British Columbians. 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.

s.13

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s.14