

Nanninga, Tanera AG:EX

From: Eby, David AG:EX
Sent: Thursday, March 8, 2018 9:30 AM
To: Smith, George AG:EX
Subject: FW: Heads Up: See CTV News W5 documentary on fraud - Airing on March 10 at 7 pm ... FW: Aviva Undercover Investigation -Auto Body Shop Fraud
Attachments: Project Bumper - Government one-pager_FINAL.PDF

I would like to chat with senior ICBC folks about this.
D.

From: Minister, AG AG:EX
Sent: Thursday, March 8, 2018 9:24 AM
To: Smith, George AG:EX; Robins, Shawn GCPE:EX; Nelson, Tiffany GCPE:EX
Subject: Heads Up: See CTV News W5 documentary on fraud - Airing on March 10 at 7 pm ... FW: Aviva Undercover Investigation -Auto Body Shop Fraud

Hi George, Shawn and Tiffany –

FYI

Candice

From: grace.flanagan@aviva.com [mailto:grace.flanagan@aviva.com] **On Behalf Of** karin.ots@aviva.com
Sent: Thursday, March 8, 2018 8:30 AM
To: Minister, AG AG:EX
Subject: Aviva Undercover Investigation -Auto Body Shop Fraud

Aviva: **Public**

Dear Minister Eby,

We wanted to give you a heads up that this Saturday (March 10) at 7 pm, CTV News' W5 will be airing a documentary on one of our fraud investigations. Please watch.

Our Fraud Management team carried out a year-long investigation across the Greater Toronto Area to understand the extent of auto repair fraud in the insurance industry. The results shocked us. Based on this this investigation, we estimate that auto repair fraud across Ontario could be as high as \$547 million annually. There is little reason to believe the extent of fraud involving automotive repair suppliers would be different in any other province. We believe that automotive repair fraud may be as high as \$91 million in Alberta.

Attached you will find a one pager with additional information and recommendations. The one pager also includes a link to a summary video on W5's Facebook page under "Project Bumper".

We will be issuing a press release on Monday. Part of our intent in writing to you today is to give you advance notice in the event that you receive media calls.

We would be happy to meet with you and discuss in more detail.



Karin Ots B.P.H.E.. LL.B.

Senior Vice-President, Regulatory and
Government Relations

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Nanninga, Tanera AG:EX

From: Eby, David AG:EX
Sent: Monday, September 11, 2017 10:15 AM
To: Smith, George AG:EX
Cc: Fyfe, Richard J JAG:EX
Subject: ICBC
Attachments: BN - 90 Day Minister Initiatives - FINAL- 08.31.2017 (3).pdf

George:

Joy MacPhail needs your contact info. When you speak with her, ICBC sent a 90 day business note (BN) with some proposals that sound like a good start – things they should be working on right now but which they may be waiting for our go ahead on. Can you advise her that I am supportive of the initiatives in the note, s.13
s.12,s.13

s.12,s.13

4. Deputy working group will also need heads up on this, and that we've asked ICBC to proceed expeditiously on their internal initiatives. Copy of ICBC BN attached for your ref. Not sure if they've seen the note yet.

Have cc'd Richard for information.

d.

Nanninga, Tanera AG:EX

From: Smith, George AG:EX
Sent: Wednesday, September 20, 2017 7:22 PM
To: Eby, David AG:EX
Subject: Fwd: ICBC Operational Review - Summary of Services
Attachments: image001.png; ATT00001.htm; ICBC Operational Review - Overview of Services.docx; ATT00002.htm

-George

Begin forwarded message:

From: "Brouwer, Shauna JAG:EX" <Shauna.Brouwer@gov.bc.ca>
Date: September 20, 2017 at 3:36:35 PM PDT
To: "Smith, George AG:EX" <George.Smith@gov.bc.ca>
Subject: ICBC Operational Review - Summary of Services

Hi George,
I know you have a lot on the go – just moving this up in your “in basket”
Thank you,
Shauna

From: Brouwer, Shauna JAG:EX
Sent: Tuesday, September 19, 2017 4:04 PM
To: Smith, George AG:EX
Cc: Fyfe, Richard J JAG:EX; Brouwer, Shauna JAG:EX
Subject: ICBC Operational Review - Summary of Services
Importance: High

George,

Further to our meeting last week on ICBC, attached is the final summary of services for the operational review. The Minister wanted to have a last look after Richard F reviewed.

Pending hearing anything different we plan to send this out to tender in the next day or two. Can you confirm MDE is fine with that approach? We would be sending out to the 5 big firms based on an existing Standing Offer the Ministry of Finance holds for Ministries to access.

The actual Statement of Work is a more formal document (same services as those attached) but includes other items eg: non-disclosure agreement, conflict of interest etc.

Once we have your approval Richard will also speak to the Board Chair and share the TOR.

The Litigation review is not included in this document as requested/agreed by MDE - I did meet with James this afternoon and he will be drafting a TOR and approach to that work for MDE consideration.

Thank you,

Shauna Brouwer, MBA

| Assistant Deputy Minister and Executive Financial Officer, Corporate Management Services Branch, Ministries of Attorney General and Public Safety & Solicitor General | 250.387.5258 |

Page 06

Withheld pursuant to/removed as

s.14;s.13

Page 07

Withheld pursuant to/removed as

s.12;s.14;s.13



BRIEFING NOTE

Prepared for: Joy MacPhail, Chair, ICBC for **INFORMATION**

Subject: 90 Day Minister Initiatives

Issue: Following the appointment of Attorney General David Eby, ICBC is working to address urgent matters in the way ICBC does business. These matters have recently been raised by the Attorney General in response to stakeholder and constituent input and ICBC recognizes that they require further action.

Background

- ICBC is committing to the Attorney General to address a number of ongoing matters raised by the Attorney General, stakeholders and customers.
- These matters include:
 - Inadequate front-office staffing levels to respond to the increasing volume of claims over the last few years;
 - Customer service on injury claims and does this contribute to claimants seeking legal representation to receive their entitlements;
 - Need for adequate oversight of repair shops by ICBC;
 - A reduction in the usage of mediations to resolve claims;
 - And pursuing options to prevent subrogation of other insurance benefits from tort claims arising from motor vehicle collisions, which would require a legislative change.
- ICBC is committed to substantially advancing or fully resolving these matters within 90 days.

Key Messages

- I've had some good discussions with ICBC on their financial challenges and the need to keep insurance rates affordable for all British Columbians.
- They've acknowledged staffing levels, customer service, oversight of repair shops and mediation have posed challenges in the recent past and there continues to be room for improvements.
- ICBC has committed that over the next 90 days it will undertake specific improvements in all four of these key areas. Their action will further enhance customer service as well as help control costs.
- This is a positive step in the right direction but much more work needs to be done to address ICBC's serious financial situation and the escalating pressures on rates.

Next Steps

- Business area executives are developing individual implementation plans for each item and will be reporting monthly over the next 90 days.
- To help manage the challenge of increasing crashes, ICBC is also actively out in the marketplace looking at best practices as to how technology could help make our roads safer and potentially lead to savings for customers. This includes continued research into technology aimed at reducing distracted driving.

Discussion

Staffing Levels

In 2012, the government conducted a review of ICBC focused on staffing levels and operating costs.

During and following the review, there was a company-wide hiring freeze. Although, at no time since 2013 have bargaining unit, front-office claims staff been terminated without cause, the hiring freeze did lead to some reductions to staff in this area through attrition.

Prior to the hiring freeze (between 2008 and 2012), there was a decreasing trend in the crash rate on BC roads and ICBC's hiring practice for claims staff focused on replacing staff as required based on the business need.

In late 2014, the number of crashes on BC roads began to increase. The rising number of crashes also led to sharp increases in the number of vehicle damage and injury claims being reported. ICBC did not forecast that the increase in crashes and claims would continue, and did not include a provision for staffing increase in the 2015 budget.

ICBC did not immediately hire claims staff in response to the spike in claims until we were able to confirm an ongoing trend. ICBC recognizes there was a gap in timing between when the increase in claims first occurred and when hiring and training were initiated.

Towards the end of 2015, front-office claims staffing levels were insufficient to address the increased volume of claims now coming in (intake).

ICBC took action in 2016 with an aggressive claims recruitment strategy including large-scale hiring fairs, and a more efficient recruitment and training process.

Following these recent hiring efforts, the total number of ICBC employees in December 2012 and June 2017 are the same with approximately 5,200 full-time equivalents (FTEs). The difference is company-wide we have moved 400 positions from the back-office to the front-office. We now have more employees serving our customers.

The vast majority of those new front-office positions are within claims. We have 300 more front-office claims staff (an increase of 14 percent) than in 2012, and we reduced our back-office claims staff by 41 (a decrease of 47 percent).

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Recent action:

- ICBC increased its staffing by 418 FTEs in claims services and related areas, such as injury adjusting, claims legal services and the fraud special investigation unit, in the 2016/2017 fiscal year.
- As new claims staff were trained and started handling claims in 2016, more bodily injury claims were closed than in any prior year.
- Staffing increases are continuing in the current fiscal year, an additional 99 FTEs have been added in these areas in the current fiscal year.
- As of June 2017, ICBC has 2,489 front-office claims staff.

Additional action in next 90 days:

- ICBC will continue to refine its claims workforce plan to ensure it has the right number of front-office staff to meet customer service needs.
- ICBC's integrated workforce plan uses analytics to determine necessary staffing levels. It looks at the actuarial forecasts to predict volumes and the mix of claims as well as the appropriate staffing models which incorporate forecasted attrition and staff promotions.
- In the fall, ICBC will continue recruitment of 50-100 claims staff and recruit further in 2018 to address forecasted further increase in BI claims volume in FY2019.

Response points:

- ICBC recognizes it did not respond fast enough in terms of having sufficient front-office staff to respond to the growing volume of claims being reported and to meet customer needs.
- They started to address this issue by hiring more than 500 front-office staff over the last two years but more still needs to be done.
- ICBC has committed to me they will hire front-office staff consistent with their need, with their next recruitment campaigns planned for the fall and into 2018.

Customer Service on Injury Claims

There is historic view that ICBC has poor customer service and adjusters do not have the correct authority levels to settle claims. It has been suggested these factors may drive customers to seek legal representation in order to receive their entitlements.

Inconsistent customer service

Prior to the implementation of ICBC's new claims system in 2014, part of its Transformation Program, a customer's claim was handled by the nearest Claim Centre. As a result claim volumes varied across the province, which likely impacted

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customer service. At times, we also did not have enough adjusters in smaller communities capable of handling high volumes or complex claims, which would also negatively impact the quality of customer service.

The new claim system moves claims files from paper to electronic, which increased the transparency of claims handling by allowing easier access for file reviews. Customers now initiate claims by phone or online rather than by visiting a claim centre. This enhancement allows claim assignments for these customers to follow a round-robin format across the province, which improves customer service as customers are now helped by an adjuster with the right level of expertise, no matter where they live.

With the implementation of the new claims system, ICBC also introduced a single online source for claims procedures to help ensure consistent protocols and work plans are in place to guide adjusters in their claims handling.

In 2016, ICBC introduced provincial scheduling to further leverage its new claims system and round-robin assignment. Now claims' staff vacation and shift schedules are based on provincial staffing needs. This change has helped to improve the consistency, timeliness and quality of our claims handling.

Correct authority levels to settle claims

ICBC recognizes that insufficient authority levels for adjusters can negatively impact the claims experience for customers, and, in some cases, drive them towards seeking legal representation. To address this, recent improvements have been made to adjusters' authority levels. ICBC moved away from a one-size fits all model in 2016 to authority levels reflective of the employee's knowledge, skills and abilities.

Previous processes required more decisions from senior levels and with increasing claims intake and insufficient front-office staffing levels (mentioned above), this created challenges for timely and quality decision-making.

Adjusters are now able to make decisions regarding reserves and payments within their authority levels which supports timely claims handling. In fact, 63 percent of injury claims settle within the adjuster's authority and 95 percent settle within front-office managers' authority.

Customer research

A focus on customer service is essential to managing the legal representation rate for customers. However, there are external influencing factors as well. ICBC has conducted research on why customers seek legal representation. In a 2014 study, the first of its kind for ICBC, we found that representation was largely influenced by societal perceptions of the benefits of hiring a lawyer.

In late 2016, ICBC conducted a follow-up study that surveyed both injured customers who worked directly with ICBC and those who had a lawyer in terms of their closed-claim experience. The survey provided insights as to what customer service action ICBC could take to address the needs of those customers who quickly or later in the claims process sought legal counsel. The survey indicated that adjuster responsiveness and timely information were two of the key areas for

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improvement. Claims customer satisfaction scores for 2016/17 remain high at 92 percent, but these survey results indicate room for further improvement.

More customers represented before they call ICBC

ICBC's ability to directly work with customers is being impacted by increased representation. Today more than half (51 percent) of ICBC's injury claims have legal representation.

Customers are becoming represented earlier in the process. They often have representation before we've had the opportunity to provide them with any service. The percentage of new claims where the customer is already represented when they first contact ICBC increased from 2 percent in 2008 to 25 percent in 2016.

One factor which may be contributing to the increasing legal representation rate is increased advertising by law firms. Based on external research, traditional advertising in BC by law firms in the province increased from \$1.0 million in 2015 to \$1.7 million in 2016 – a 73 percent increase. The number of law firms utilizing television advertising also increased by 120 percent from 2015 to 2016.

Recent action:

- In the past 12 to 24 months, ICBC introduced numerous initiatives that focused on improving customer service; moving adjusters away from a shared caseload to dedicated caseloads; improving adjuster training and processes for determining/communicating who is at-fault in a crash.
- In June 2017, ICBC introduced a Claims Quality Assurance program for adjusters handling unrepresented injury claims. This includes listening to recorded calls and reviewing files for each adjuster, and providing coaching feedback to support their improved performance and customer service.
- Further refinements to adjusters' authority levels were made in April 2017, including a twice yearly review of authority levels for injury adjusters.

Additional action in next 90 days:

- ICBC will initiate the design and then launch an internal dispute resolution process for unrepresented injury customers.
- ICBC will create a centralized Quality Assurance Team to review claims file handling and improve service and performance. As directed by our board chair, the first step for this team will be to undertake a closed-file review to identify further opportunities for customer service improvements.
- ICBC will refine its Claims Quality Assurance program and in the fall of 2017 will expand the program to include represented injury claims staff and introduce a coach-the-coach model to support managers in their development as coaches, helping their staff learn and improve in their roles.
- ICBC is also developing improved customer service training. The improved training will be rolled out to all adjusters handling unrepresented injury claims starting in October 2017 through to March 2018.

ICBC BRIEFING NOTE

Response points:

- ICBC recognizes it needs to do more work on its processes and training for adjusting staff in order to ensure high levels of customer service.
- ICBC has told me they are continuing to address this issue by implementing numerous initiatives to improve efficiencies and the workload levels for adjusters.
- ICBC has committed to me they will continue to improve customer service through training and the introduction of a new Quality Assurance Program.
- I have asked ICBC to look at defining a new claims dispute resolution process to make sure unrepresented customers have options for escalating their questions and concerns.
- ICBC needs to do everything it can so customers don't feel the need to look to a lawyer to help them get the fair compensation they deserve.

Suppliers' estimates of vehicle damage

Governance of accredited repair shops

ICBC has a material damage accreditation program, and Express Repair shops are the highest-tier shops. In June 2017, there were 505 Express Repair shops.

Customers resoundingly choose Express Repair shops for their vehicle repairs and estimates. They prefer to go directly to the accredited shop of their choice, than visit an ICBC facility to have their vehicle estimated. Repairs from an Express Repair shop are also guaranteed for as long as the customer owns the vehicle.

Today, more than 70 percent of all material damage claims are estimated at an Express Repair shop, compared to 25 percent in 2009. This customer driven shift requires appropriate systems to ensure that repair shops are charging appropriately for repairs. Currently, Express Repair shops submit estimates to ICBC via a shared computer platform for review/approval.

ICBC has two levels of earned authority for Express Repair shops (\$1,500 or \$2,500). An Express Repair shop that submits an estimate within their earned authority level, does not require ICBC authorization prior to commencing repairs.

ICBC must review and approve estimates and supplements (follow-up estimates) that exceed the supplier's earned authority before repairs can begin.

As a result, ICBC reviews 66 percent of all estimates on repairs completed by Express Repair shops. And these estimates represent 89 percent of the total dollars paid to the Express Repair shops.

And while estimates within a shop's earned authority do not require review before repairs begin, ICBC may still review them as part of its governance process.

On a regular basis conducts both unannounced and pre-arranged site visits at Express Repair shops. As part of this process, ICBC can randomly select estimates submitted within a shop's earned authority level for compliance review.

ICBC has completed approximately 3,597 site visits to date in the 2017 – 2018 fiscal year. ICBC conducted 3,118 during the same time frame last year.

ICBC BRIEFING NOTE

ICBC also regularly performs supplier audits which include estimates that were authorized under earned authority.

And ICBC performs larger reviews of all estimates annually, runs bi-weekly payment reports to scan for potential issues and all estimates for payment over \$10,000 receive additional reviews by an estimator prior to authorizing payment.

Estimator staffing

ICBC's vehicle estimating services has 356 FTEs, as of June 2017. This includes estimators as well as other staff such as those dedicated to handling glass and commercial claims.

This area has a very high attrition rate and the industry overall has had difficulty attracting qualified staff.

Historically, ICBC estimators more frequently visited individual repair shops for governance purposes. ICBC acknowledges there has been a decline in recent years due in part to the increased number of shops compared to staffing levels and other operational needs.

ICBC is currently recruiting estimators, and will continue to do so, to ensure appropriate staffing for the existing shop governance model.

ICBC has introduced several changes to help increase the capacity of estimators, and is currently completing a review of the steps involved in the estimating and handling practices of non-repairable vehicles to identify areas for improvement. Streamlining this area of operations will help further improve the capacity of estimators.

ICBC is also looking for opportunities to improve training for its current and new estimators.

ICBC recognizes that appropriate governance procedures and estimator staffing levels are essential to managing its material damage claims costs, and that there are opportunities for improvement in these areas.

ICBC is in the process of implementing a new estimating platform for all of its accredited repair shops and recognizes this is impacting the timeliness of estimate review/approvals. The new platform provides improved data and insights to support stronger governance of repair shops.

Rates paid to suppliers

The overall model for ICBC has not been updated for more than a decade. Another driver of ICBC's repair costs are the rates paid to suppliers. ICBC pays some of the highest labour rates in North America. For body repairs, ICBC pays its Express Repair shop \$73.41 per hour for labour, plus an additional \$8.68 per hour for providing the customer with alternative transportation that meets their need while their vehicle is getting repaired.

Whereas the BC average, including rates paid by private insurers, is \$70.54, the Canadian average is \$72.49 and the US average is \$51.09 per hour for body rate.

ICBC BRIEFING NOTE

ICBC compensates its Express Repair shops at significantly higher rates than lower tiered suppliers in recognition of their continued commitment to providing customers with the highest standard of services (i.e. guaranteed repairs), consistency and quality.

Total payments to collision suppliers have increased due to the increased crash frequency and vehicles becoming more expensive to repair.

Compensation changes to labour rates for Express Repair shops have been consistent with BC Consumer Price Index of 4.8 percent since 2011. The most recent increase for Express Repair shops was 1.8 percent in January 2016.

Previously, ICBC negotiated rates directly with industry associations. This practice was stopped in order to comply with changes to the federal *Competition Act* in 2010. ICBC now independently sets supplier rates by considering a variety of factors including: industry surveys, industry feedback, cost analysis, the BC Consumer Price Index, and impact on ICBC customers.

For parts pricing, ICBC pays full retail pricing on collision repair parts. Other insurers, including insurers in BC, receive a discount on their parts costs. ICBC is exploring programs to reduce its parts costs.

Recent action:

- In 2016, ICBC hired 12 additional FTEs to increase governance of repair shops such as increasing shop visits, and assist with the implementation of the new estimating platform.
- In 2017, ICBC hired 29 total loss handlers to create more time for estimators to focus on their core role of estimating and reviewing shop estimates.
- In 2017, ICBC's estimators resumed more frequent site visits to increase governance of repair shops and to build relations.
- In 2017, ICBC completed an assessment of material damage (MD) governance and controls to ensure more effective performance management of MD suppliers.

Additional action in next 90 days:

- ICBC will research estimating models in other jurisdictions to look at the most optimal system for estimating vehicles.
- As directed by our board chair, ICBC will undertake a closed-file review of completed estimates by Express Repair shops to determine opportunities for cost savings and improvements.
- ICBC will pursue the development of a formalized approach to repair shop visits to further improve repair shop governance.
- ICBC will form a working group that will include estimating staff to identify opportunities to improve policies and procedures.

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Response points:

- ICBC recognizes they need to do more to make sure they have proper oversight of their suppliers.
- They have started to address this issue by doing more site visits with repair shops to increase governance and to build relations.
- ICBC has committed to me they will explore creating a formalized approach to repair shop visits to further improve repair shop governance.
- ICBC will continue to undertake a review of completed estimates to look for opportunities for cost savings and improvements, as well as continue recruiting and improving training for staff.

Mediations

A reduction in the usage of mediations to resolve claims.

In early 2007, there was an internal decision to use mediation less frequently and focus on the negotiations prior to mediation as a first step to settle files. The decision was in part a cost saving measures since mediation can add additional costs to the claims settlement process.

The number of claims which use mediation has been on a steady decline since then. In 2007, when the decision was made, ICBC used mediation approximately 3,900 times. This dropped to about 3,200 times in 2012, and then reached a low point in 2014 with 1,780 cases.

There has been as slight increase in the use of mediation over the last three years. ICBC was involved in over 2,200 mediation (at a cost of \$2.2 million in alternate dispute resolution fees) in 2016 and is on track to reach a similar number this year.

ICBC currently considers the benefits of mediation on a case by case basis and will engage this dispute resolution process where it is believed to enhance the opportunity for settlement.

Recent action:

- Over the last few years, ICBC has focused on the negotiations prior to mediation as a first step to settle claims. This has included improved negotiation training for injury adjusters.
- Similar to mediation, ICBC also makes bulk settlements where ICBC meets with plaintiff counsel to review a number of claims being represented by the firm. This alternative approach has been successful in facilitating the resolution of multiple claims in one meeting with no additional cost.

Additional action in next 90 days:

- ICBC will initiate a review of its use of mediation to look for opportunities to increase its use in cases where it can assist in a timely and cost effective resolution of the claim.
- ICBC will explore other collaborative approaches with plaintiff counsel, such

ICBC BRIEFING NOTE

as bulk settlements and early document disclosure, to ensure customers receive fair offers in a timely manner.

Response points:

- It is important to me that ICBC settles customers' insurance claims both quickly and fairly.
- Mediation can be a fast and effective way to settle a claim.
- I have instructed ICBC's claims staff to initiate a review of its use of mediation over the next 90 days to look for further opportunities.

Deduction of Insurance Benefits from Tort Claims

Pursuing options to prevent subrogation of other insurance benefits from tort claims arising from motor vehicle collisions.

In the current system, customers who are injured in a crash can also receive insurance benefits from other non-vehicle insurance coverage (i.e. insurance through their employer) for medical treatment or wage loss associated with their injury. They are then entitled to claim against the at-fault driver for these same medical and wage loss benefits.

Typically, these other insurers have subrogation clauses which will compel their injured client to recover this money from the at-fault driver as part of the tort claim being advanced, and then reimburse these (third-party) insurers for the benefits paid once a settlement is reached in the claim against the at-fault driver.

The Trial Lawyers Association of BC has recently suggested a change to our system that would eliminate ICBC's obligation to reimburse third-party insurers when settling tort claims.

This can be achieved by making changes to the Insurance (Vehicle) Act which prevent injured parties from claiming against the at-fault driver for any wage loss or medical treatments that were paid (or payable) under their non-vehicle insurance policies. Today, the Insurance (Vehicle) Act already prevents injured parties from claiming for amounts payable under vehicle insurance (i.e. Part 7 benefits). The change would be to simply broaden this to all insurance policies.

Other jurisdictions have already adopted this change, including Alberta which has a mechanism to exclude all third-party insurance benefits from motor vehicle accident claims.

Anticipated overall cost savings and the impact to future insurance rates from this change are likely to be quite modest since the majority of savings will come from claims with serious injuries, not actually where we are experiencing the cost pressures associated with the rapidly increasing cost of minor injury claims, particularly general damages for these claims.

Recent action:

- Preliminary analysis has identified that it will be difficult to accurately

ICBC BRIEFING NOTE

forecast savings since identifying all of the other insurance benefits payable to injured claimants can be challenging.

Additional action in next 90 days:

- ICBC will undertake a closed-file review to assist in estimating cost savings.
- ICBC will also conduct a full review of the risks and stakeholder impacts of the proposed change.

Response points:

- ICBC has told me they will look at options to prevent subrogation of other insurance benefits.
- This could be a small step in helping to reduce claims costs but much more work needs to be done to address ICBC's serious financial situation and the escalating pressures on rates.
- It is encouraging to see ICBC is open to exploring suggestions from stakeholders, as well as bringing forward its own ideas.

ICBC Key Contact:

Mark Blucher
President and Chief Executive Officer
Phone: 604 982-2401
Email: mark.blucher@icbc.com

Date: 31 August 2017



BRIEFING NOTE

Appendix:

	ICBC's 90 day action items	Response points
Inadequate staffing levels	<p>Refine its claims workforce plan to ensure it has the right number of front-office staff to meet customer service needs</p> <p>Use analytics to determine necessary staffing levels</p> <p>Continue recruitment of 50-100 claims staff in the fall and recruit further in 2018</p>	<p>ICBC recognizes it did not respond fast enough in terms of having sufficient front-office staff to respond to the growing volume of claims being reported and to meet customer needs.</p> <p>They started to address this issue by hiring more than 500 front-office staff over the last two years but more still needs to be done.</p> <p>ICBC has committed to me they will hire front-office staff consistent with their need, with their next recruitment campaigns planned for the fall and into 2018.</p>
Inconsistent customer Service	<p>Initiate the design and launch an internal dispute resolution process for unrepresented injury customers</p> <p>Create a centralized Quality Assurance Team to review claims file handling</p> <p>Undertake a closed-file review to identify further opportunities for customer service improvements</p> <p>Expand the Claims Quality Assurance program to include represented injury claims staff and coaching support managers</p> <p>Develop improved customer service training for all adjusters handling unrepresented injury claims</p>	<p>ICBC recognizes it needs to do more work on its processes and training for adjusting staff in order to ensure high levels of customer service.</p> <p>ICBC has told me they are continuing to address this issue by implementing numerous initiatives to improve efficiencies and the workload levels for adjusters.</p> <p>ICBC has committed to me they will continue to improve customer service through training and the introduction of a new Quality Assurance Program.</p> <p>I have asked ICBC to look at defining a new claims dispute resolution process to make sure unrepresented customers have options for escalating their questions and concerns.</p> <p>ICBC needs to do everything it can so customers don't feel the need to look to a lawyer to help them get the fair compensation they deserve.</p>

ICBC BRIEFING NOTE

	ICBC's 90 day action items	Response points
Oversight of vehicle repairs	<p>Research estimating models in other jurisdictions to identify an optimal system</p> <p>Undertake a closed-file review of completed estimates by Express Repair shops to determine opportunities for cost savings and improvements</p> <p>Pursue developing a formalized approach to repair shop visits to further improve governance</p> <p>Create a working group, including estimating staff, to identify opportunities to improve policies and procedures</p>	<p>ICBC recognizes they need to do more to make sure they have proper oversight of their suppliers.</p> <p>They have started to address this issue by doing more site visits with repair shops to increase governance and to build relations.</p> <p>ICBC has committed to me they will explore creating a formalized approach to repair shop visits to further improve repair shop governance.</p> <p>ICBC will continue to undertake a review of completed estimates to look for opportunities for cost savings and improvements, as well as continue recruiting and improving training for staff.</p>
Use of mediation	<p>Initiate a review of ICBC's use of mediation to look for opportunities to increase its use</p> <p>Explore other collaborative approaches with plaintiff counsel, such as bulk settlements and early document disclosure, to ensure customers receive fair offers in a timely manner</p>	<p>It is important to me that ICBC settles customers' insurance claims both quickly and fairly.</p> <p>Mediation can be a fast and effective way to settle a claim.</p> <p>I have instructed ICBC's claims staff to initiate a review of its use of mediation over the next 90 days to look for further opportunities.</p>
Deduction of insurance benefits from tort claims	<p>Undertake a closed-file review to assist in estimating cost savings</p> <p>Conduct a full review of the risks and stakeholder impacts of the proposed change</p>	<p>ICBC has told me they will look at options to prevent subrogation of other insurance benefits.</p> <p>This could be a small step in helping to reduce claims costs but much more work needs to be done to address ICBC's serious financial situation and the escalating pressures on rates.</p> <p>It is encouraging to see ICBC is open to exploring suggestions from stakeholders, as well as bringing forward its own ideas.</p>

Current Context

--deleted for this review-standard overview

Engagement

The Ministry, in cooperation with other ministries and agencies, has established a steering committee which includes ICBC to undertake an evidence-based Operational Review of ICBC to identify opportunities to improve operational efficiencies; cost effectiveness of its programs and functions; further operational cost savings; all while maintaining or improving quality service levels for ICBC's customers.

The Ministry requires the expert services of a Contractor to assist it in that process. The Operational Review will:

- (1) review, evaluate and provide recommendations regarding the structure and accountability of ICBC's current lines of business to help ensure that ratepayers are provided with the most efficient, cost effective products, programs and services; and
- (2) assess and report on overall fiscal and operational management of the corporation.

The review will include consideration of any relevant ICBC or other materials or data and it will incorporate the findings and analysis prepared in previous external reviews conducted over the past five years [including those identified in Schedule ##]. The Contractor will evaluate the status of all past recommendations, unless there has been a substantial change in the underlying environment that renders such recommendations impractical or infeasible. Additionally, the Contractor will consider and incorporate other government-sponsored reviews that may be underway in relation to financial management and reporting of the corporation.

The evaluation will also include a review of approaches taken by other jurisdictions or other segments of the insurance industry in relation to ICBC's various business lines, and it will include interviews with relevant ICBC staff, executives and any other ministry staff or key stakeholders as deemed appropriate for the purposes of this evaluation.

Under direction of the Project Executive Steering Committee, the Contractor will provide the following services:

1. Prepare and submit for the approval of the Ministry Lead, or such other person as the Ministry Lead may designate, a **Project Implementation Plan (Plan)**. Such plan will include, but not be limited to:
 - a) A Project Charter (Charter) identifying clear objectives; project scope, and detailed roles and responsibilities;
 - b) A project work plan with timelines and milestones;

- c) A project communications approach;
 - d) A project risk management plan; and
 - e) A listing of the proposed project team members and credentials.
- 2. Review all reports/reviews conducted (2012-2017) on ICBC's current lines of business and identify to the Project Executive Steering Committee:
 - a) Opportunities missed within the scope of the prior reports and reviews;
 - b) Recent industry best practice standards that were not identified within the reports and reviews; and
 - c) Recommendations in the prior reports and reviews that were not implemented by ICBC, the reasons why such recommendations were not adopted, and an assessment of whether those recommendations should be revisited.

This review will consider ICBC operational expenses and investment strategies. Operational expenses include administrative, claims operations and other business lines.

- 3. Review and evaluate ICBC's current lines of business to assess if they are structured, managed and operating in a manner that provides ratepayers with the most efficient, cost effective products, programs and services. The following priority areas and questions are highlighted:
 - a) Conduct a closed file review of a random sample of ~100 completed estimates by express repair shops to identify cost savings opportunities.
 - i. Conduct a comparison of the costs in BC for auto-body and glass and other services paid by ICBC as opposed to costs paid by insurers in other provinces/jurisdictions;
 - b) Review ICBC's vehicle salvage and material damage payment process and write-off rates (including a cross jurisdictional review of these rates). How does BC compare? Are there internal policies or procedures that may be contributing to increasing material claims costs.
- 4. Assess service quality and ICBC's productivity in processing claims - both vehicle side and bodily injury. Is there potential for changes that could or would result in improvements to overall service quality and productivity?
 - a) Conduct a qualitative review of a random sample of ~100 claims over the past five years. This sample will include lower, medium and higher-

value claims; early settlements vs claims that take longer to settle (including those that went to trial). Specific claimant/adjustor interviews will not be required but rather higher-level findings and assessments;

- b) Examine the claims backlog to the extent that one exists – assess the appropriateness of the number of pending open claims and pending claims amounts within the current claims environment and best practice, and identify any further opportunities for improvement.
5. Compare and contrast rehabilitation times, benefits paid, and outcomes with other claims systems (e.g. WorkSafeBC).
 6. Conduct a cost-benefit analysis of recently implemented fraud-related initiatives.
 7. Are there other opportunities to make improvements in terms of overall fiscal and operational management within ICBC to be considered?
 - a) Work with ICBC's union (MoveUp) to identify and interview key employees regarding their experiences and suggestions for efficiencies;
 - b) Evaluate the merits and feasibility of such suggestions.
 8. Develop recommendations where appropriate, on the results of the evaluation findings at section 3, having regard to the Ministry's evaluation purpose and objectives. Such recommendations will include a description of implementation considerations (e.g. changes to policy; regulations; legislation, as well as timing and other considerations that address upstream or downstream impacts on provincial programs and resources).
 9. Prepare and submit to the Ministry Lead, or such other person as the Ministry Lead designates, an **Operational Review Report** as follows:
 - a) A **Draft Report** by December 18, 2017, on the findings, conclusions and recommendations related to work completed at section 3; and
 - b) A **Final Report** by January 12, 2018, that incorporates received feedback from the Project Steering Committee on the Draft Report.

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