

Page 001

Withheld pursuant to/removed as

s.13;s.17

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

This is what it looks like now.

s.13

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

Thanks

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

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

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

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

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

Doug I am sending you the deck
Thx
Shauna

Sent from my iPhone

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

FYI –

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

Hi Holly;

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

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

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

Best – Chris

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

Send with one package thx

Sent from my iPhone

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

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

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

Hi Shauna,

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

Thanks,

Melissa

Page 006 to/à Page 050

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s.12;s.13

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

Hi Doug and Holly

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

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

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

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

Thank you!

Ang



.....
Angelica Tong, BBA

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

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

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[Contact Us](#)

Groot, Jeff AG:EX

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

Back at you with limited, but some critical edits.

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

JG

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

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

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

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

Hope that's ok with you.

CB

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

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

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

Details to come.

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

Catherine

ICBC Q3 financial results
Questions & Answers

Key Messages:

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

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

Qs & As:

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

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

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

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

2. Why the increase in large loss claims?

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

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

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

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

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Comment [NTG2]: How many?

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Comment [TN3]: Since when?

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

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

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

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

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

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

6.

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

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

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

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

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

9. Will you release the 2014 EY report?

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Comment [JG8]: Suggest ICBC review this message.

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

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

Tiff says no statement, just the scrum.

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

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

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

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

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

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Details to come.

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

Catherine

Groot, Jeff AG:EX

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

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

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

Catherine

**ICBC Q3 financial results
Questions & Answers**

Key Messages:

- Years of bad decisions and mismanagement by the former government have undermined ICBC's ability to deliver low-cost insurance to B.C. drivers.
- But we never expected to find this level of mismanagement by the previous government.
- In nine months of its fiscal year, ICBC's losses have escalated to \$900 million.
- ICBC's board chair has let me know that ICBC's projected year-end loss now totals \$1.3 billion – that's nearly the amount the former government siphoned out of ICBC while ignoring the needs of B.C. families.
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- ICBC must become financially sustainable to keep rates affordable for British Columbians.

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 - But it's not the only cost pressure impacting insurance rates – on top of this, vehicle repair costs have increased 30 per cent in just two years, to a total of \$1.5 billion in 2016 alone.
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 - You have heard me say before that we are considering a model that puts limits on minor injury payouts, much like what has been done in a number of other provinces.

- I can tell you that we are working on solutions aimed at keeping rates affordable and improving medical care for those hurt in minor accidents, while creating a system that fairly delivers improved financial certainty and sustainability.
 - I expect to have more to say on this soon.
- 7. Some are saying caps will discriminate against ethnic communities. How are you addressing that?**
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 - The message I've been giving to everyone is that fixing the problems at ICBC mean there will have to be compromises on all sides.
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- 9. Will you release the 2014 EY report?**
- That question should be directed to Todd Stone or Michael de Jong.
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 - ICBC is also quickly moving ahead with its pilot program to test how technology can help curb distracted driving.
 - Along with that, we believe higher-risk drivers should pay higher premiums because they have a greater chance of costing the system more. We also believe low risk drivers should bear less of the costs.
 - We are also expecting to release a final report from PwC on the effectiveness of ICBC's operations in fairly short order. I anticipate there will be recommendations in there where we can find further savings, including working with the auto body industry.
- 11. You say you'll have an announcement soon – when can we expect that?**
- We need to act on this immediately. The financial mess at ICBC left by the old government is unacceptable and we will announce further action to address this in the days ahead.
- 12. How are consultants reports – those by EY and PwC – helping the situation?**

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

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

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

14. Will you consider a move to privatization?

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

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

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

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

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

Groot, Jeff AG:EX

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

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

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

No -- it hasn't been shared yet

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

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

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

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

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

Catherine

Groot, Jeff AG:EX

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

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

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

Can you please review and provide comments asap.

Let me know if you have any questions.

Catherine

**ICBC Q3 financial results
Questions & Answers**

Key Messages:

- Years of bad decisions and mismanagement by the former government have undermined ICBC's ability to deliver low-cost insurance to B.C. drivers.
- But we never expected to find this level of mismanagement by the previous government.
- In nine months of its fiscal year, ICBC's losses have escalated to \$900 million.
- ICBC's board chair has let me know that ICBC's projected year-end loss now totals \$1.3 billion – that's nearly the amount the former government siphoned out of ICBC while ignoring the needs of B.C. families.
- Now, B.C. drivers are looking at the prospect of a \$500 hike in their premiums by next year unless we take immediate action to keep rates more affordable.
- Last week, we learned that the previous government received clear recommendations in 2014 from independent auditors that could have saved the corporation hundreds of millions of dollars.
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Groot, Jeff AG:EX

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

Some suggestions

ICBC Q3 financial results
Questions & Answers

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- ICBC must become financially sustainable to keep rates affordable for British Columbians.

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

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

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

Qs & As:

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

- **How are consultants reports – those by EY and PwC – helping the situation?**
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 - While the PwC report is focused on internal ICBC operations, I anticipate there will be recommendations in there where we can find further savings, including working with the auto body industry.
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 - I refer you to Finance Minister Carole James for questions concerning budget operations.
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 - We have no intention of privatizing Basic auto insurance, but private insurers will continue to have a role in providing services to drivers seeking additional coverage.
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Groot, Jeff AG:EX

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

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

Keeping the call is fine.

Catherine

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

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

How's that? ☺

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

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

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

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

Thanks Catherine.

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

Adam

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

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

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

Catherine

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

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

Groot, Jeff AG:EX

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

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

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

CB

**ICBC Q3 financial results
Questions & Answers**

Key Messages:

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

Qs & As:

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

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

2. Why the increase in large loss claims?

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

- ICBC has experienced an unprecedented 80 per cent growth in large loss claims over the last 12 months beyond the higher than expected growth it already experienced last year.
3. **How is it possible that ICBC is taking a loss at all given how much we pay for our insurance?**
 - Years of mismanagement by the former government have set ICBC on this path of serious financial challenges.
 - We know that the number of crashes on B.C. roads is increasing every year, to a point where there were 330,000 crashes in 2016 alone – that's 900 crashes on any given day.
 - The increase in crashes is being exacerbated by the sharp increase in the number and cost of claims being reported from these crashes.
 - To put it simply, today, the amount of basic insurance premiums ICBC is collecting from customers is not covering the increasing amount they are paying out in basic claims costs.
 - While the number of vehicle damage claims filed with ICBC are rising each year, it is the increase in injury claims that is the most concerning – that's because not only are British Columbians being injured more frequently on our roads, but these claims are substantially increasing costs to ICBC.
 - In 2016 alone, 72,700 new injury claims were reported to ICBC – this is 10,000 more than just two years ago or an increase of 16 per cent.
 4. **When you talk about injury claims costs, are you really talking about legal costs?**
 - Injury claims are particularly concerning because they are the claims that have the most potential to become very costly.
 - After breaking through the \$2 billion threshold as recently as 2014, ICBC's injury claims costs totalled \$2.7 billion in 2016 alone – an increase of \$1.2 billion, or 80 per cent, over the last seven years.
 - We know that injury claims, in particular, often come at a significant cost and not just the cost of helping the injured party recover.
 - These claims cost more because they take longer to settle, legal costs are incurred, more expert reports are typically ordered and there is an increased utilization of medical resources and services.
 - That reality is clearly reflected in ICBC's spending – delays and legal costs, such as those for expert reports, now account for 24 per cent of ICBC's total annual costs. This is greater than the cost of running ICBC, and it's simply not sustainable.
 - But it's not the only cost pressure impacting insurance rates – on top of this, vehicle repair costs have increased 30 per cent in just two years, to a total of \$1.5 billion in 2016 alone.
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 - It is not acceptable to keep asking British Columbians to keep paying more and more for their insurance each year – this is not a situation this government is prepared to let happen.
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 - This government is committed to taking the necessary steps as quickly as possible to bring about long-term, sustainable improvements to B.C.'s auto insurance system.
 - We have to create a sustainable auto insurance system which strikes the balance between increased care for the injured, more affordable and fair rates for all and less spent on legal costs.
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- You have heard me say before that we are considering a model that puts limits on minor injury payouts, much like what has been done in a number of other provinces.
 - I can tell you that we are working on solutions aimed at keeping rates affordable and improving medical care for those hurt in minor accidents, while creating a system that fairly delivers improved financial certainty and sustainability.
 - I expect to have more to say on this soon.
- 7. Some are saying caps will discriminate against ethnic communities. How are you addressing that?**
- I can tell you that is not true.
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- 8. Won't a cap harm the legal profession? Are you consulting with them on the changes?**
- Over the last while, I've been having tough conversations with a wide variety of stakeholders, including those from certain areas of the legal profession.
 - The message I've been giving to everyone is that fixing the problems at ICBC mean there will have to be compromises on all sides.
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- 9. Will you release the 2014 EY report?**
- That question should be directed to Todd Stone or Michael de Jong.
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 - We also need to do more to improve road safety. We've started that by moving forward with steps to turn our red light cameras on 24 hours a day, and by increasing premiums for those people caught distracted driving. In fact, if you're caught twice in three years after March 1, you're going to be hit with a premium increase of almost \$2,000 over that span.
 - ICBC is also quickly moving ahead with its pilot program to test how technology can help curb distracted driving.
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Groot, Jeff AG:EX

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

Importance: High

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

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

JG

Jeff Groot

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

**ICBC Q3 financial results
Questions & Answers**

Key Messages:

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

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

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

**ICBC Q3 financial results
Questions & Answers**

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

2. Why the increase in large loss claims?

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

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

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

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

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

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

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

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

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

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

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

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

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

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

14. Will you consider a move to privatization?

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

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

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

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

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

Groot, Jeff AG:EX

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

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

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

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

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

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

Groot, Jeff AG:EX

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

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

Thanks - Holly

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

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

Groot, Jeff AG:EX

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

**ICBC Q3 financial results
Questions & Answers**

Key Messages:

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

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Groot, Jeff AG:EX

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

Yes

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

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

Groot, Jeff AG:EX

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

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

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

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

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

Catherine

Groot, Jeff AG:EX

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

FYI. Here's the plan for Q3.

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

Hi – latest on timing for Monday:

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

Thanks

Groot, Jeff AG:EX

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

Good to go

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

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

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

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

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

Sorry – and Q3 QAs too?

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

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

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

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

GCPE would like it back asap.

Groot, Jeff AG:EX

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

Sorry – just two minor typos

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

Shauna approved. No changes.

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

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

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

CB

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Questions & Answers**

Key Messages:

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

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

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

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

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

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

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

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

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

14. Will you consider a move to privatization?

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

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

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

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

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

Groot, Jeff AG:EX

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

Back at you with comments/tweaks for consideration.

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

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

Thanks!

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

ICBC Q3 financial results
Questions & Answers

Key Messages:

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

Comment [JG1]: Adam will be able to confirm

Comment [NTG2]: Do we know amount?

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

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

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

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

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

Qs & As:

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

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

2. Why the increase in large loss claims?

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

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

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

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

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

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

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

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

services.

- That reality is clearly reflected in ICBC's spending – delays and legal costs, such as those for expert reports, now account for 24 per cent of ICBC's total annual costs. This is greater than the cost of running ICBC, and it's simply not sustainable.
- But it's not the only cost pressure impacting insurance rates – on top of this, vehicle repair costs have increased 30 per cent in just two years, to a total of \$1.5 billion in 2016 alone.
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- You have heard me say before that we are considering a model that puts limits on minor injury payouts, much like what has been done in a number of other provinces.
- I can tell you that we are working on solutions aimed at keeping rates affordable and improving medical care for those hurt in minor accidents/crashes, while creating a system that fairly delivers improved financial certainty and sustainability.
- I expect to have more to say on this soon.

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

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

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

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

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

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

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

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

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

Of note, this particular bullet:

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

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

certain drivers.

- B.C.'s estimated uninsured rate is less than one per cent – much lower than other jurisdictions in North America with rates ranging from four to 20%.
- Our public system also enables enhanced security by enabling the linking of licence plates and decals to a customer's basic insurance policy.
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