

## Follow-up: Opposition Briefing (May 2, 2019)

**FOLLOW UP:** Provide MLA Yap with information related to ICBC's organizational structure, # of FTEs, budget and trend line from last year.

<i>Annual Full-Time Equivalents (FTEs)</i>	2017/18 Actual	2018/19 Actual	2019/20 Plan
CEO	1	1	1
Executive	7	7	7
Senior leadership	38	33	37
Management Group	1,017	1,098	1,202
Bargaining Unit	4,098	4,273	4,462
Contractors and government recoverable FTEs	88	119	131
Total FTEs	5,249	5,531	5,840

- Lower FTEs in senior leadership in 2018/19 actuals compared to 2017/18 and 2019/20 was due to unfilled vacancies (2018/19 plan was 37 FTEs).
- The increase in FTEs in 2018/19 and 2019/20 is attributed to claims-related staffing increases to address claims volume and complexity in pending claims, and filling vacancies from 2017/18, as well as to provide smooth transition to new product. Claims related staffing increases in Bargaining Unit include positions such as vehicle estimators and injury adjusters. Claims related staffing increases in management group are largely due to increase in capacity of in-house legal counsel, staff in the Quality Assurance program, Special Investigation Unit to support ICBC's fraud strategy, and proportionate increases in management positions to manage increasing staffing levels. Claims-related staffing are expected to decrease in 2020/21, as product reform stabilizes.
- Increase in contractors and government recoverable FTEs is due to expansion of government programs, including intersection safety cameras, cannabis impaired driving enforcement, enhanced road tests and drinking driving improvement program.

**FOLLOW UP:** Provide MLA Yap with details regarding ICBC executive and management make up.

Nicolas Jimenez	President and CEO
Lindsay Matthews	Vice President, Public Affairs
Jason McDaniel	Vice President, Corporate Affairs
Bill Carpenter	Vice President, Insurance
Kathy Parslow	Vice President, Claims and Driver Licensing Operations
Gary Eastwood	Chief Information and Technology Officer
Victor Lee	Interim Chief Investment Officer
Phil Leong	Interim Chief Financial Officer

## Follow-up: Opposition Briefing (May 2, 2019)

**FOLLOW UP:** Provide MLA Yap with details regarding ICBC board of directors and changes from last year to this year.

Board Member	March 31, 2018	Board Member	March 31, 2019
JOY MACPHAIL	Chair	JOY MACPHAIL	Chair
DOUG ALLEN	Vice Chair	DOUG ALLEN	Vice Chair
JEREMY BELL		JEREMY BELL	
CATHY MCLAY		CATHY MCLAY	
BONNIE PEARSON		BONNIE PEARSON	
RAJ KHATAR		RAJ KHATAR	
MAUREEN HOWE		JILL LEVERSAGE	
KEVIN MCINTYRE		JENNIE MOUSHOS	
		JANET WOOD	

**FOLLOW UP:** Provide MLA Yap with high level submission details regarding BCUC review of ICBC filings (dates, topics) over the last 18 months.

### Recent BCUC Filings:

**2017 Revenue Requirements Application (RRA)** - filed on September 15, 2017 (further to *Special Direction IC2* as amended by Order in Council 310/17, August 31, 2017) for 6.4% increase.

- Link: [https://www.bcuc.com/Documents/Proceedings/2017/DOC\\_49993\\_B-1\\_ICBC-2017-Revenue-Requirements-Application.pdf](https://www.bcuc.com/Documents/Proceedings/2017/DOC_49993_B-1_ICBC-2017-Revenue-Requirements-Application.pdf)
- Gov't announced rate on Sept 5/17: <https://news.gov.bc.ca/releases/2017AG0018-001534>
- BCUC's Decision: [https://www.bcuc.com/Documents/Proceedings/2018/DOC\\_50574\\_01-12-2018\\_G-8-18\\_ICBC-2017-RRA-Reasons-Decision-WEB.pdf](https://www.bcuc.com/Documents/Proceedings/2018/DOC_50574_01-12-2018_G-8-18_ICBC-2017-RRA-Reasons-Decision-WEB.pdf)

**2018 RRA** - there was no 2018 RRA as an amendment to Special Direction IC2 extended the then current policy year & changed the filing date.

**2019 RRA** - filed on December 14, 2018 (further to Special Direction IC2 as amended by Order in Council) for 6.3% increase.

- Link: [https://www.bcuc.com/Documents/Proceedings/2018/DOC\\_53062\\_B-1-ICBC-2019-RRA.pdf](https://www.bcuc.com/Documents/Proceedings/2018/DOC_53062_B-1-ICBC-2019-RRA.pdf)
- Gov't announced: <https://news.gov.bc.ca/releases/2018AG0109-002410>
- The 2019 RRA is based on a full, not a constrained, timeline. The RRA proceedings and the related timeline are directed by the BC Utilities Commission (BCUC). The review process is currently on-going. The regulatory timetable and full application can be found on BCUC website: <https://www.bcuc.com/ApplicationView.aspx?ApplicationId=655>
- 2019 Basic RRA filed for a 6.3% Basic insurance rate increase effective April 1, 2019, which was approved, on an interim basis, by BCUC. Major reform to the Basic insurance product effective April 1, 2019, projected to help save approximately \$1 billion per year, has been factored into the Application. Without these savings, ICBC's 2019 Basic insurance rate increase application of 6.3% would have needed to be almost 40%.

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- The insurance premiums included in 2019/20 Service Plan are based on the assumption that BCUC will approve the 6.3% Basic insurance rate increase for 2019/20.

### Rate Design:

- Rate design is aimed to make insurance fairer, so that British Columbians pay according to their crash history and driving records, with insurance premiums reflective of the risk of the drivers.
- In September 2018, BCUC approved ICBC's Basic Insurance Rate Design application. The changes will come into on effect September 1, 2019, and will affect how individual insurance premiums are calculated.
- Customer scenarios available on ICBC.com: <https://www.icbc.com/about-icbc/newsroom/Documents/technical-briefing-ratefairness.pdf>.
- Territory rates for each rate class can also be found in the tariff filing.
- The impacts of the rate design changes will not be directly comparable to the rest of the country, as other provinces operate in different regulatory environments (such as no fault, variations of caps systems etc).
- Rate Design is revenue neutral over the first year of implemented rates.

**FOLLOW UP: Provide MLA Yap with public information from the existing ICBC book (state of current book).**

(\$M)	2017/18	2018/19	2019/20
	Actual	Forecast	Budget
Premiums Earned	5,329	5,826	6,404
<b>Total Earned Revenues</b>	<b>5,442</b>	<b>5,945</b>	<b>6,539</b>
Net claims incurred	5,647	6,437	5,528
Total expenses	7,102	7,541	7,044
<b>Underwriting Loss</b>	<b>(1,660)</b>	<b>(1,596)</b>	<b>(505)</b>
Investment Income	462	544	587
<b>Net income (loss)</b>	<b>(1,325)</b>	<b>(1,180)</b>	<b>(50)</b>

- ICBC reported a net loss of \$860 million for the first nine months of its current fiscal year (April 1 to December 31, 2018) as the pressures caused by the rising cost of claims continues to escalate. As a result of this worsening trend, ICBC has projected a year-end net loss of \$1.18 billion.
- Net claims incurred for the first nine months of ICBC's current fiscal year were \$600 million higher than the same period last fiscal year mainly due to a higher emergence of large loss bodily injury claims which run into hundreds of thousands of dollars each, as well as a continued increase in the average cost per claim and lower closure rates, particularly on represented claims.
- The escalating cost of injury claims is by far the single biggest pressure on ICBC's finances. In particular, these costs are being driven by litigated injury claims, spurred by aggressive pressure from plaintiff counsel and their disproportionate use of experts and expert reports, which, in almost all cases, ICBC is responsible for paying.

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- Legal costs continued to put a significant pressure on ICBC's claims costs. Litigated claim pressure from plaintiff counsel is also contributing to larger payouts, the rise in large injury claims, and challenges for ICBC claims staff to settle litigated injury claims leading up to product reforms that were introduced on April 1, 2019.
- ICBC will continue to monitor crash rates and invest in road safety programs that encourage safe driving behaviours.
- Last year, this government introduced legislation and regulation, to help close the gap between the premiums ICBC is collecting and the cost of the claims they are paying out. These changes came into effect on April 1 and include:
  - Significant increases to accident benefits available to anyone injured in a crash.
  - A limit of \$5,500 on pain and suffering payouts for minor injuries
  - Handling of the disputes over motor vehicle injury claims under \$50,000 through the Civil Resolution Tribunal (CRT).

These changes are projected to save ICBC over \$1 billion annually.

- In addition, in February 2019, the Provincial Government announced changes to rules of court to limit the number of expert reports allowed in litigated cases. This change will help to reduce escalating disbursement costs for litigated injury claims and bring British Columbia in line with other provinces that limit the number of experts in court cases.
- The provision for unpaid claims on ICBC's books is approximately \$14B.

(\$ MILLIONS)	Net Premiums Earned	%	Basic Rate Changes
<b>2009</b>	3,650	<b>2009</b>	0.00%
<b>2010</b>	3,667	<b>2010</b>	-2.40%
<b>2011</b>	3,673	<b>2011</b>	0.00%
<b>2012</b>	3,811	<b>2012</b>	11.20%
<b>2013</b>	3,928	<b>2013</b>	5.20%
<b>2014</b>	4,159	<b>2014</b>	5.20%
<b>2015</b>	4,448	<b>2015</b>	5.50%
<b>2016/17 15 MONTHS</b>	6,051	<b>2016</b>	4.90%
<b>2017/18</b>	5,329	<b>2017*</b>	6.40%
<b>2018/19***</b>	5,826	<b>2019 **</b>	6.30%
<b>2019/20 Budget</b>	6,404		

\* Transitional policy year from November 2017 to March 2019

\*\* 6.3% is the interim rate for 2019 Policy Year pending BCUC final approval

\*\*\* 2018/19 is based on Q3 forecast; all previous years are actuals

- Product changes came into effect as of April 1, 2019. Product reform is expected to deliver significant savings of over \$1B per year, starting 2019/20. The anticipated savings from product reform were reflected in 2019/20 Service Plan.

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- Without these savings, ICBC's 2019 Basic insurance rate increase application of 6.3% would have needed to be almost 40%.
- The selected claim frequency/severity trend assumptions pre and post reform can be found within the 2019 Basic Revenue Requirements Application:  
[https://www.bcuc.com/Documents/Proceedings/2018/DOC\\_53062\\_B-1-ICBC-2019-RRR.pdf](https://www.bcuc.com/Documents/Proceedings/2018/DOC_53062_B-1-ICBC-2019-RRR.pdf)
- Post-Reform trends can be found in Chapter 3, Technical Appendix E.0, Product Reform Costing Report (Ernst & Young, November 2018), Section 11.
- Rate design will not be effective until September 1, 2019. Rate Design is revenue neutral over the first year of implemented rates.

**FOLLOW UP: Provide MLA Yap with public information related to the ICBC investment portfolio over time, as referred to in the service plan (pg. 18).**

- ICBC collects premiums, which are invested prior to being paid out in claims. These funds are invested in accordance with ICBC's investment policy. Investment income is important and is used to reduce the cost of insurance to policyholders.
- It is important to note that Basic line of business is not aimed to earn a profit. Basic insurance rates, when set to cover costs, take into account the anticipated investment income to offset some of the claims costs. In other words, it is expected for Basic insurance line of business to have an underwriting loss.

**From:** [Minister, AG AG:EX](#)  
**To:** [Addo, Wolfgang AG:EX](#)  
**Subject:** AG Draft Email - with a referral to CCU - Many thanks - FW: Writing to the Attorney General RE: ICBC  
**Date:** Wednesday, February 13, 2019 5:54:48 PM

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**From:** Eby.MLA, David  
**Sent:** February 13, 2019 4:11 PM  
**To:** Minister, AG AG:EX  
**Subject:** FW: Writing to the Attorney General RE: ICBC  
**From:** <sup>s.22</sup>

**Sent:** Wednesday, February 13, 2019 3:43 PM  
**To:** Eby.MLA, David <[David.Eby.MLA@leg.bc.ca](mailto:David.Eby.MLA@leg.bc.ca)>  
**Subject:** Re: Writing to the Attorney General RE: ICBC

Please forward

On Wed, Feb 13, 2019, 09:49 Eby.MLA, David <[David.Eby.MLA@leg.bc.ca](mailto:David.Eby.MLA@leg.bc.ca)> wrote:

Thank you for writing to MLA David Eby and the Vancouver-Point Grey Constituency Office. This email address comes to our community office, where we address issues related to the Vancouver-Point Grey community and the residents who live here. Since your inquiry relates to MLA David Eby's role as Attorney General and Minister responsible for ICBC, Liquor and Gaming, your email needs to go to the Ministry office in Victoria. The email address for the Attorney General's office is: [AG.Minister@gov.bc.ca](mailto:AG.Minister@gov.bc.ca). Due to privacy restrictions we are unable to forward your email to the Ministry without your permission. You can forward directly or request that we do so in a return email. We apologize for the inconvenience and thank you for your patience and understanding.

**From:** <sup>s.22</sup>

**Sent:** Monday, February 11, 2019 6:20 PM  
**To:** Eby.MLA, David <[David.Eby.MLA@leg.bc.ca](mailto:David.Eby.MLA@leg.bc.ca)>  
**Subject:** ICBC

Dear minister ; in regards to the ICBC spiralling debt issue , perhaps we should talk about the elephant in the room , of course I'm referring to the property at 151 west esplanade in North Vancouver , as there is currently a glut of commercial space in the lower mainland the liquidation of the long under utilized head office would make a huge dent in the red ink.....rgds <sup>s.22</sup>

s.22

Email: s.22

Dear s.22

Thank you for your February 11 and 13, 2019 emails, regarding the Insurance Corporation of British Columbia (ICBC). I welcome the opportunity to respond to your concerns.

I think we can all agree that in light of the serious financial challenges facing ICBC, major changes are needed to get ICBC back on the road to financial sustainability and in a position to provide affordable rates to British Columbians.

Our government has been clear we want to create a sustainable auto insurance system which strikes the balance between increased care for the injured, and affordable and fair rates for all. On August 9, 2018, our government announced the most significant updates on how ICBC's Basic insurance rates are set and driver risk is assessed in more than 30 years. The changes have now been approved and ICBC is working towards implementing these changes to be fully effective on September 1, 2019. The changes are focused on making insurance rates fairer by ensuring drivers are held more accountable for their driving decisions with a goal to ensure drivers pay premiums which better match their risk.

Other changes have been made to make the injured customer ICBC's top priority, and redirect payments away from expert and legal costs toward significantly enhancing the care and treatment to those who are injured in a crash. Together, these changes are anticipated to deliver \$1 billion in savings per year for ICBC, once fully implemented on April 1, 2019. More information about all these changes and how our government is going to make ICBC work for people again is available online at: [www.icbc.com/change](http://www.icbc.com/change).

Regarding the ICBC Head Office, located at 151 West Esplanade, I can share with you that it is operating at full staff capacity. In the event ICBC were to sell this property, they would have to secure alternate locations for a large number of staff. This would be both challenging and not currently cost effective given the lack of available office space and high rents in the tight Lower Mainland real estate market. Government will continue to ensure ICBC uses their real estate assets to benefit British Columbians.

I appreciate your taking the time to write.

Yours truly,

David Eby, QC  
Attorney General

bc: ICBC Customer Relations  
559023

**From:** [Eby.MLA, David](#)  
**To:** [Minister, AG AG:EX](#)  
**Subject:** Fw: ICBC  
**Date:** Monday, April 22, 2019 9:16:39 PM

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Dulcy Anderson  
Constituency Assistant  
MLA David Eby, Vancouver Pt. Grey

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From: s.22  
Sent: Monday, April 22, 2019 10:36 AM  
To: Eby.MLA, David  
Subject: ICBC

Sir,

We are aware of the financial mess ICBC is at present. Using the Insurance as a Government Cashcow as well as inefficiencies have brought us to this situation.

Rather than to just concentrate on increasing Rates, how about moving the Headoffice from prime waterfront in North Vancouver to a much more affordable location outside the city. Surly this would bring many millions of dollars toward the debt.

We believe this could be a great help to bring ICBC back to a much better financial situation.

Yours truly,

s.22

s.22

Email: s.22

Dear s.22

Thank you for your April 22, 2019 email, regarding your suggestion of relocating the head office of the Insurance Corporation of British Columbia (ICBC).

ICBC owns its head office building in North Vancouver; therefore, is not incurring ongoing leasing costs. To sell this property and relocate to a less expensive area within the Lower Mainland would be challenging and may not result in cost savings, given the high costs of building or leasing a new facility large enough to accommodate their requirements.

ICBC has approximately 1,600 employees currently working at its head office location, who would need to be relocated, which would come at a cost. In addition, office space large enough to accommodate their requirements in the Lower Mainland is rarely available and may even have to be constructed, which would be very costly.

For these reasons, I can advise that ICBC does not have any current plans to sell its North Vancouver location.

Thank you again for taking the time to write.

Yours truly,

David Eby, QC  
Attorney General

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