

**MINISTRY OF ATTORNEY GENERAL  
CORPORATE MANAGEMENT SERVICES  
BRIEFING NOTE**

**PURPOSE:** For INFORMATION for David Eby, QC, Attorney General

**ISSUE: Automobile Retailers Association (ARA) Proposal to Reduce ICBC Costs**

**SUMMARY:**

- The Automobile Retailers Association (ARA) submitted a proposal with initiatives that they indicate, if adopted, would reduce ICBC costs.
- This proposal is in response to the meeting between representatives from the ARA and Ministers Eby and Trevena in September 2017.
- ARA states that ICBC should focus on its core business of providing insurance coverage and allow the automotive industry to determine how vehicles are to be repaired and provides a number of specific proposals that reflect that position.

**BACKGROUND:**

- The ARA represents approximately 41 per cent of ICBC's material damage suppliers (collision repair, glass and towing services).
- From the ARA's perspective, the key benefits from implementing the proposal are for the industry to be paid fair rates and red tape to be reduced around compliance with motor vehicle repair standards.
- The ARA indicates that the industry is no longer willing to absorb traditional ICBC functions without compensation (i.e. collision repairers write the majority of estimates on behalf of ICBC now) and they request that the concerns around profitability and viability of the industry be addressed.
- The ARA also raises concerns about industry's ability to recruit and retain staff due to lack of wage competitiveness.
- Refer to Appendix A for a summary of the initiatives, proposed solutions and expected benefits to ARA and ICBC. The Appendix also includes ICBC's response; however, the ARA has not shared their proposal with ICBC. Therefore, ICBC's response at this time is based on limited information/review.
- The ARA proposal identifies areas of ICBC's operations that are currently also under review by PwC as part of the Operational Review. These include a review of the estimator staff levels, the Alternative Transportation Services Program, and driver licensing services.
  - The proposal should be considered within the context of the initiatives that are being reviewed by Cabinet and the Operational Review.
- A number of the initiatives, if implemented, will move administrative and oversight responsibility from ICBC to ARA. ARA states that by devolving these responsibilities from ICBC to the ARA with appropriate compensation, net cost savings to ICBC will result. However, the estimated benefit to ICBC, and cost impacts of higher supplier rates and costs for program administration, are not quantified in the proposal.
  - These initiatives include reducing ICBC estimator staff, implementing towing supplier accreditation, and implementing a certified AutoGlass program.

- The ARA requested a response to the proposal within 60 days and an interim increase in compensation within 90 days. The proposal is dated October 20, 2017.

**OTHER MINISTRIES IMPACTED/CONSULTED: N/A**

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**Attachment: ARA Submission – ICBC Cost Cutting Proposal**

## Appendix A

Proposed Initiative	Identified Issue	Proposed Solution	Expected Benefit (ICBC and ARA)	ICBC Response *
Reduce ICBC estimator staff	<p>Standards and requirements for repairs have changed as the materials and technology used to build cars have changed. Technological changes have also increased the cost of parts and materials substantially over recent years.</p> <p>ARA believes that ICBC estimators have not kept up with these changes and that the estimates do not always identify the correct materials and techniques required for the appropriate repairs.</p> <p>ARA estimates that ICBC employs 250 estimator staff while other private insurers operate with a much smaller workforce, instead relying on industry expertise.</p> <p>Collision repair staff often rewrites estimates.</p>	<p>Utilize the already available Certified Collision Repair Program to ensure facilities meet business, facility, equipment and training requirements.</p> <p>There would be independent audits conducted by a third party to validate that repairs comply with standards.</p> <p>The ICBC c.a.r Shop program will be replaced with the Certified Collision Repair Program through a tiered network of collision facilities.</p>	<p>This program will reduce the need for ICBC staff to produce estimates, as repairs will be completed to industry standards and it will be managed by industry staff.</p> <p>ARA indicated that if the industry is to remain viable, it needs to be compensated fairly. By paying fair rates and reducing red tape it will allow industry to reduce risk for ICBC and reduce cost by repairing vehicles efficiently and to industry standards.</p> <p>ARA estimates ICBC can reduce its costs by \$10.625M annually through a 50% reduction to estimator staff (125 staff @ \$85,000 each).</p>	<p>ICBC's largest material damage supplier spend is collision repairs, and ICBC must provide proper oversight of this spend. As a result, ICBC has been, and continues to be, focused on hiring more (rather than reduce) estimating services staff to ensure appropriate staffing for shop governance.</p> <p>ICBC is looking at all opportunities that help increase efficiencies, while reducing costs, and this includes reviewing its material damage programs; improving training and capacity for estimators; and strengthening governance of shops.</p> <p>ICBC recently successfully implemented a new estimating platform for its 500+ top tier suppliers. The new platform provides improved data and insights to support stronger governance of repair shops.</p> <p>As stated by the ARA (page 4): third-party providers would complete "random repair spot-checks to validate repairs for compliance with the OEM". As a result, ICBC would lose oversight of compliance (performance and spend).</p> <p>While the ARA provided estimated cost savings, there are no estimated costs identified for "independent third party audits" and compensation to industry for managing estimates.</p> <p>The ARA proposes ICBC's current supplier program be replaced with the ARA's Certified Collision Repair Program. The ARA does not represent all body shops in BC and the program is aimed at ARA members. This proposal may increase costs for suppliers – program costs are \$800/year for members and \$1450/year for non-members.</p> <p>ARA indicates one of the benefits is that repairs will</p>

Proposed Initiative	Identified Issue	Proposed Solution	Expected Benefit (ICBC and ARA)	ICBC Response *
				<p>completed be to industry standards. It's worth noting that ICBC's top tier collision repair suppliers provide guaranteed repairs.</p> <p>The ARA notes this initiative is focused on supplier rates. The rates ICBC pays suppliers have a direct impact on Basic and Optional insurance rates. In addition, ICBC pays some of the highest labour rates in North America. For body repairs, ICBC pays its Express Repair shop \$73.41 per hour for labour, plus an additional \$8.68 per hour for providing the customer with alternative transportation that meets their need while their vehicle is getting repaired.</p> <p>Whereas the BC average, including rates paid by private insurers, is \$70.54, the Canadian average is \$72.49 and the US average is \$51.09 per hour for body rate.</p> <p>As part of ICBC's Rate Affordability Action Plan (RAAP), ICBC is exploring changes to its Collision Repair Program to revise the tier model with a view of increasing volume of work to shops that invest in current technology and training. <sup>s.17</sup></p>
Review the Alternative Transportation Services Program	<p>ICBC compensates the industry to provide transportation services to customers while their cars are being repaired.</p> <p>Challenges identified by ARA include that the amount received from ICBC is less than the cost of providing the rental coverage, the program is complex to manage and implement, and it competes</p>	ARA together with industry should revisit the program to address issues around rates, procedures, vicarious liability and the impact on industry.	If the negative financial impacts to industry are reduced and the program is less complex to implement, it will increase adoption of the program that will expand customer satisfaction.	<p>In 2015, ICBC spent approximately \$26 million on the Alternative Transportation Services (ATS) program, and ICBC must provide proper oversight of this spend.</p> <p>ARA have stated benefits of the proposed solution include "reduced negative financial impact on industry" and "expanded customer satisfaction". Currently ICBC's top tier collision repair shops must offer ATS options to customers; and with today's program shops can (and do) charge the hourly rate even if a courtesy vehicle is not provided. (e.g. shop provides courtesy shuttle).</p> <p>The rates ICBC pays suppliers have a direct impact on</p>

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	with ICBC's own Loss of Use coverage. These factors are limiting full adoption of the program.			<p>Basic and Optional insurance rates.</p> <p>ICBC is focused on continuing to look at all opportunities that help increase efficiencies, while reducing costs, and this includes its various material damage programs.</p> <p>As part of RAAP, ICBC is exploring making changes to the ATS program with a view to making the program more efficient and more directly related to paying for courtesy vehicles when used by a customer vs incorporating ATS into overall shop rates, regardless of whether a customer takes advantage of the program or not.</p>
Promote low cost funding for a Winter Tire Program	Some British Columbians are not using appropriate winter tires as the cost can be prohibitive for some people.	<p>Offer an incentive to British Columbians to purchase winter tires through a low-interest financing program. There is a similar product offered in Manitoba through the Manitoba Public Insurance winter tire program.</p> <p>ICBC can consider offering a discount on insurance to individuals that have the appropriate winter tires to reflect the reduced risk.</p>	The program would promote the purchase of approved winter tires by British Columbians and the use of appropriate winter tires will reduce the frequency and/or severity of accidents and therefore reduce claims costs.	<p>ICBC is focused on looking at all opportunities that help increase efficiencies, while reducing costs.</p> <p>The ARA did not quantify the estimated reduced claims costs. The ARA state "winter tires will reduce the frequency and/or severity of accidents", but acknowledge "to state any such results would be pure conjecture as there exist so many other potential variables that effect volumes and costs" (p.7).</p> <p>The proposed initiative also does not mention the estimated effort/costs involved in administering such a program.</p> <p>In 2015, the Ministry of Transportation revised regulations for winter tire requirements allowing all season tires with specified minimum tread depth requirements as suitable "snow tires". Other jurisdictions have made true "winter tires" mandatory whereas BC allows all-season tires to be used in mountain passes and highways that routinely have ice and snow conditions. There may be opportunities for government to evaluate the effectiveness of the revised snow-tire rules to determine if changes are warranted to require "winter tires" on certain roads, which could have</p>

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				the effect of increasing the proportion of people that purchase winter tires.
Remove driver licensing services from ICBC	ICBC provides non-insurance services including the renewal of driver licenses, registration of motor vehicles, and issuing of license plates. Revenue collected for these services are not kept by ICBC as it is transferred to the province. The costs to deliver these services are incurred by ICBC.	Remove the responsibility to provide these services from ICBC.	ICBC operating costs can be reduced by no longer providing these services.	<p>ICBC provides non-insurance services (e.g. vehicle registration, and driver licensing) on behalf of government to help ensure related services are provided cost-efficiently (e.g. economies of scale) to British Columbians across the province.</p> <p>Vehicle registration and vehicle licensing are fully integrated into the insurance transaction, which is both efficient and helps ensure low uninsured motorist rates. Costs, however, to provide these services are borne fully by ICBC with all fees collected for these services directed to the province. Recovery of fees was proposed by ICBC through the RAAP initiatives and government has since determined there will be no changes to the current model.</p> <p>The ARA mentions reduced operating costs, but does not indicate how these services will be provided and the estimated effort/costs involved in providing these services.</p>
Sell ICBC assets to reduce the deficit	ICBC is changing its business model by moving away from using traditional claim centres. Claims centres are therefore currently underutilized, resulting in unnecessary property cost.	<p>The underutilized claim centres can be sold.</p> <p>ICBC should look for ways to further centralize operations to reduce the need to own or lease non-corporate properties.</p>	<p>The sale of the claim centres can be used as a one-time down payment of ICBC's debt.</p> <p>If other ICBC functions are centralized, ICBC can save costs through a decreased need to own or lease properties.</p>	<p>ICBC is focused on continuing to look at all opportunities that help increase efficiencies, while reducing costs, and this includes looking at its various facilities.</p> <p>ICBC continues to look for opportunities related to its facilities. Most recently, ICBC has centralized some operations and ended its lease on some properties in an effort to increase efficiencies, while reducing operating costs. Example: ICBC relocated its claim services to the local ServiceBC offices in several communities, such as Nelson, Smithers and Salmon Arm.</p>
Reinstate Compulsory Trade Certification	In 1996 there were 11 compulsory trades in BC, three of them relating to the automotive industry. In 2002,	Reinstate the regulation requiring compulsory trade certification for the	The regulation will provide a level of consumer protection and safety for the	<p>It is unclear how this proposed initiative will increase efficiencies and reduce costs for ICBC.</p> <p>Regarding the identified issue:</p>

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	<p>these compulsory trades were eliminated and BC became the only Canadian province with no compulsory trades. Therefore certification of workers in all trades is now entirely voluntary creating a “free-for-all and buyer-beware marketplace”.</p> <p>ARA believes that the public are not aware that there is no requirement for vehicle repair staff to possess a degree or other qualification credentialing.</p> <p>ARA believes this non-regulated environment puts consumers at risk of using less reputable auto repairers. This also undermines automotive apprenticeship training programs at colleges.</p>	automotive industry.	<p>general public.</p> <p>Additionally, the support for apprenticeship programs will increase, high standards of professionalism will be promoted, quality of work will improve through safe repairs and services and the underground economy will be stifled.</p>	<ul style="list-style-type: none"> <li>ICBC’s current material damage programs require all top tier suppliers (collision repair and glass) to ensure all technicians have the necessary and required trade certifications as outlined by the Industry Training Authority of BC.</li> <li>ICBC’s top tier collision repair suppliers represent approximately 97% of ICBC’s collision repair spend. These suppliers are required to provide quality and guaranteed repairs.</li> </ul>
Implement compulsory Vehicle Safety Inspections on resale of passenger vehicles and light duty trucks	<p>Currently there is no requirement for second hand vehicles to undergo safety inspections as part of the resale process.</p> <p>ICBC statistics from 2015 reported an average of 270,000 crashes per year. In 2007, 34,385 contributing factors were attributed to 18,286 reported injury or fatal collisions. Of the contributing factors, 79.2% involved human</p>	<p>ARA is recommending a compulsory inspection for vehicles 5 years or older that are being sold.</p> <p>ARA is also recommending that a fee is charged to the consumer.</p>	<p>ARA states this program will reduce claims frequency, severity and related bodily injury losses in a segment of vehicles by removing claims caused by improper care and maintenance of vehicles.</p> <p>This will also provide a revenue stream to government estimated</p>	<p>The ARA indicates the expected benefits of this proposed initiative includes an estimated revenue stream of \$6M to government, however it has not quantified the anticipated costs and effort for ICBC and CVSE for administering the program (e.g. staffing, decals, enforcement and notifications).</p> <p>The Ministry of Transportation and Infrastructure is the ministry responsible for vehicle standards and the vehicle inspection programs. Any proposal for changes to the inspection program requirements, or an evaluation of the need for changes to inspection frequency would fall to MOTI.</p>

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	<p>action or condition, 19.1% environmental conditions and 1.7% vehicle conditions.</p> <p>Statistics from the Ministry of Transportation's Commercial Vehicle Safety Enforcement Branch (CVSE) demonstrates that a high percentage of vehicles involved in crashes with fatal or serious injuries do not meet the <i>Motor Vehicle Act Regulations</i> (MVA) requirements when a post-crash analysis was completed. In 2008, 34% of vehicles investigated post-crash by the CVSE did not meet the MVA requirements</p> <p>ARA therefore believes that the vehicle condition is much higher contributing factor than the estimated 1.7% in accidents involving injury or fatalities.</p>		at \$6M annually.	<p>In BC, there are mechanisms in place for law enforcement to direct vehicles that may have safety defects to pass a provincial inspection before the vehicles are allowed to operate on a highway. ICBC supports this program through ensuring vehicles that are directed to be inspected are not able to be licensed or insured until the directed inspection has been passed.</p> <p>Where there are mandatory or law enforcement directed inspections, these inspections are done by independent businesses approved by MOTI as "designated inspection facilities", many of which are ARA members.</p> <p>The ARA indicates the expected benefits of this proposed initiative includes reduced claims frequency, but these benefits are not quantified.</p> <p>The ARA's proposal also states (page 14): "It is important to note that Mandatory Vehicle Inspection is not a detailed inspection of the engine or transmission, and it is not a guarantee of the overall quality of the vehicle."</p>
Towing Supplier Accreditation	<p>ICBC has different types of supplier classifications for the towing industry based on the size and scale of the operations. This information is captured on a tow rotation list by ICBC and is used to assign towing based on the fleet size of the different operators.</p> <p>ICBC is currently not vetting tow operators or updating the</p>	ARA is recommending the transfer of supplier accreditation and oversight from ICBC to ARA.	<p>This will reduce ICBC administrative cost and will promote the fair and equitable treatment of towing suppliers.</p> <p>Additionally, ARA certification will provide value added benefits such as enhanced training, and</p>	<p>ICBC is in the process of making improvements to its governance of material damage suppliers, and this includes oversight of towers' requirements.</p> <p>The ARA is recommending the transfer of supplier accreditation and oversight from ICBC to ARA. Not all of ICBC's towing suppliers are ARA members. In addition, ICBC has an obligation to oversee its claim costs and continue to do everything it reasonably can to reduce those costs, while improving value and services.</p>



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	rotation list.  The impact is that work is not assigned to tow operators on a fair and equitable basis as outdated information is used.		health and safety.	
Salvage Auctions	ICBC sells an average of 44,000 lots each year. The online sale of salvage generates approximately \$60M annually.  Recently, ICBC considered different models including the sub-contracting of all or part of its auction sales.  ICBC has also in recent years substantially revised the long standing buyer requirements and policies, citing they no longer feel it is their responsibility to manage the industry.	ARA is recommending that alternative models to provide online auctions are researched. A business case would be submitted to government.  Alternative models may include the ARA assuming management of online salvage sales and/or entering into partnership agreements.  ARA is also recommending that the storage of salvage lots at towing yards, and not at large salvage yards, is expanded.	Transferring management of salvage to a third party will reduce ICBC's administrative overhead.  The decentralization of salvage yards will reduce towing costs for operators and reduce the need for ICBC to lease/own large salvage yards.  ARA can ensure that a greater percentage of ICBC's salvage is returned to the industry by way of recycled parts.	ICBC is looking at all opportunities that help increase efficiencies, while reducing costs, and this includes its salvage operations.  The ARA proposal includes a research of alternative models, and the development of a business case to government. This is part of the Operational Review. In addition, any research into ICBC's model should be led by ICBC.  The ARA's proposed solution does not mention whether ICBC would see reduced revenue from its salvage operations and how third-party management of its salvage operations would be managed and financed.  As part of the RAAP initiative, ICBC is also looking at updating its glass pricing policies and procedures to reduce overall costs in line with other jurisdictions.
Recycler Supplier Certification	Recycled parts suppliers wishing to sell recycled parts to ICBC must register with Allied Information Canada and sign that they, among other	ARA is proposing to implement and oversee a comprehensive quality control	The benefit to ICBC is that the use of recycled parts will reduce repair costs and time.	ICBC has an obligation to maintain oversight of its own suppliers.  ICBC's programs have supplier requirements. The ARA noted: "suppliers wishing to sell recycled parts to ICBC

Proposed Initiative	Identified Issue	Proposed Solution	Expected Benefit (ICBC and ARA)	ICBC Response *
	<p>legal requirements, they will adhere to standards of performance.</p> <p>In recent years, ICBC stopped providing oversight over the quality control of recycled parts as well as over the relationship between recycled part suppliers and the repair facilities using the parts.</p> <p>The has led to the reduced utilization of recycled parts in the repair process which has a cost impact as recycled parts are more cost effective than new parts.</p>	<p>certification for recycled parts to ensure parts meet quality control and safety standards.</p>	<p>Allowing the ARA to oversee the standards and performance of recycled part suppliers will reduce ICBC's administrative overhead.</p>	<p>must register with Allied Information Canada and sign that they, among other legal requirements; they will adhere to standards of performance."</p> <p>In addition, ICBC is in the process of improving its governance of all material damage suppliers.</p>
Implement the Certified AutoGlass Program	<p>ARA states that ICBC has not kept up with the latest glass repair techniques and requirements.</p> <p>Currently auto glass services are provided through ICBC's Glass Express program through 500 service providers across the province.</p> <p>Only recently did ICBC commit to add personnel to the ICBC investigations unit to provide more oversight over the service providers,</p>	<p>ARA is proposing to utilize the already available Certified AutoGlass Services accreditation to replace ICBC's existing program. This program will ensure that facilities meet business, equipment and training requirements.</p>	<p>ARA stated that if the industry is to remain viable, it would have to be compensated fairly.</p> <p>Implementing the new program will reduce ICBC's administrative cost and will support a more capable and qualified industry.</p>	<p>ICBC must provide proper oversight of its glass suppliers, including its' spend for glass related services.</p> <p>The ARA proposes ICBC's current supplier program be replaced with the ARA's Certified AutoGlass Program. The ARA does not represent all glass shops in BC and the program is aimed at ARA's members.</p> <p>The ARA indicates that the proposed initiative "will reduce ICBC's administrative costs", but there are no details on how the proposed initiative would be funded and estimated benefits not quantified.</p> <p>ICBC has been, and continues to be, focused on hiring more staff to ensure appropriate staffing for shop governance.</p> <p>Through RAAP initiatives, ICBC is looking at all opportunities that help increase efficiencies, while reducing costs, and this includes improvements to its</p>

Proposed Initiative	Identified Issue	Proposed Solution	Expected Benefit (ICBC and ARA)	ICBC Response *
				glass supplier programs.

\* The ARA has not shared their proposal with ICBC, as a result ICBC's response at this time is based on limited information/review.



# ICBC Cost Cutting Proposals for Government Consideration

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Date: **October 20, 2017**

The Automotive Retailers Association (ARA) wishes to express its gratitude for being allowed to provide recommendations and proposals to help the new government deal with the current financial concerns around ICBC. It's important to state that the ARA in their submission supports the Insurance Corporation of British Columbia (ICBC) in the business of auto insurance. The automotive industry is in the midst of a shift in how vehicles are developed and even driven with current and anticipated technology such as accident avoidance systems and autonomous control leading this shift. To complete repairs and to tow today's modern vehicles requires highly specialized training and expertise. ICBC personnel do not have this expertise. It is our respectful opinion that ICBC needs to focus on its core business of providing insurance coverage and allow the automotive industry to determine how vehicles are to be repaired. The ARA would also like to state that government adoption of our recommendations will result in more effective industry self-management and self-determination. By paying fair rates and reducing the red tape of compliance it will allow the automotive industry to reduce risk for ICBC and reduce cost by repairing vehicles efficiently and more importantly to OEM and the highest aftermarket standards.

In relation to the ICBC manpower recommendation it must be emphasized that the collision industry is no longer willing to absorb traditional ICBC functions without compensation. Industry has been waiting patiently while the previous government had given assurances that they would resolve our concerns around profitability and viability. To explore and verify these concerns, a report was commissioned through funding with the Ministry of Labour. This resulted in an Automotive Sector Labour Market Information Report, completed by MNP on November 29, 2016. This report identified the barriers our sector has with respect to recruitment and retention, the most significant barrier being our ability to pay a competitive wage. Collision repair, glass repair, and towing & recovery employers interviewed by MNP reported that they were unable to raise wages in response to market conditions as the prices they charge are set by insurance companies and their profit margins are too low to allow them to raise wages and remain profitable. The report noted the average of automotive sector

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employees to be roughly 55 and that our sector will be losing 42 percent of the current workforce within the next several years. Considering it takes several years for technicians in this industry to be properly trained and productive, our immediate future is very concerning. The automotive sector is about people, community and opportunities. Perhaps this is truer of our sector than any other. No one and nothing moves in this province unless our members are doing what they do and communities come to a stand still if there isn't someone to repair and maintain their vehicles. As it stands today, and if things don't change quickly, access to vehicle repair, maintenance and recovery in communities as well as hundreds or thousands of family supporting jobs are very much in danger throughout the province. We have gone years without remedy. We simply cannot continue this way for much longer.

Industry is providing the attached proposals to government in the hopes that it will open a dialogue through which we can collaborate on meaningful change. Through the ARA, industry would request a response to these proposals from government within 60 days and as a sign of good faith, an interim increase in compensation within 90 days. To our industry, this would be taken as a demonstration that government is taking their concerns seriously and recognizes the need for industry to receive a reasonable return on investment and to remain a viable industry.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Ken McCormack', with a long horizontal line extending from the end of the signature.

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Ken McCormack

President & CEO



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# Collision Industry Proposal

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Date: October 6, 2017

## Potential Cost Saving / Income Generating Recommendations

1. \$10.6 Million yearly - ICBC Manpower Reduction
2. \$ tbd - Alternative Transportation Service (ATS)
3. \$ tbd - Winter Tire Program
4. \$ tbd - Driver Services funding
5. \$ tbd - Crown Owned/Leased Facilities
6. \$ tbd - Mandatory Trade Certification
7. \$ 6 Million yearly - Vehicle Safety Inspections

## Recommendation #1: Manpower Reduction

### Background

Current ICBC estimator staffing is approximated at 250 staff at an average salary with benefits of \$85,000. Many of the staff (estimate is 40%) are nearing retirement potential. Other private insurers operate with a much smaller workforce, instead relying on industry expertise. Estimating staff traditionally complete a number of activities related to automobile claims handling. Duties may include all or a combination of;

- repair damage estimating (driveable and non-driveable claims handling),
- express authorizations (shop estimate approvals completed electronically),
- total loss handling (determination of repairability and/or settlement of loss value),
- inspection/audit of vehicles in a collision repair facility (travelling to repair facility), and
- authorization/approval of completed estimates submitted for payment (review)

### Issue

Prior to 2008 vehicles were less complex and manufactured with mild strength steel which allowed for variances in the repair process. In most cases today you can longer use heat to re-shape distorted metal or cut and replace sections of a panel or frame structure through traditional welding processes. Today there are many factors that have inflated the cost of repairs;

- Vehicle composition has changed to provide superior passenger safety through use of more rigid materials such as high and ultra-high strength steels and aluminum
- A change in vehicle technology (Since 2012) that has dramatically increased the number of parts that make up a vehicle

- Parts costs have dramatically increased, head lights (HL) (the #1 part replaced on a vehicle) used to cost hundreds of dollars, we now have LED's at \$1,700 per HL and adaptive (self-steering) HL's at \$4,700 and just released Laser HL's at \$8,000 each. This is not just high end vehicles. i.e. Kia K900 HL = \$4,500 each
- Raw materials used to construct vehicles have increased 30%. The use of aluminum is expected to increase 110% in the next 10 years with each panel costing \$200-\$300 more compared with traditional materials (metal)
- Shift in vehicle designs. For the first time ever pickup trucks out number passenger vehicles. The cost to repair a pickup is greater than a passenger vehicle.

All these changes and shifts have resulted in the repair process and industry being governed by requirements for repairs to be completed to vehicle manufacturer standards. To not follow these recommended repairs means a shop is not able to ensure safe, quality repairs that would assure the vehicle would perform as originally designed in a subsequent accident. The ICBC estimators and the current ICBC c.a.r. Shop Accreditation program, ICBC's preferred repair network has fallen behind these industry trends. The estimates being produced by the ICBC estimators in many cases do not take into consideration the materials and techniques needed to be utilized and are simply being re-written by the collision industry shops. Frankly, the estimator involvement in the claims process causes delays, this involves awaiting original estimates, authorizations, and/or payment for work completed. Many facilities within the ICBC c.a.r. Shop Accreditation program no longer meet the requirements necessary to repair modern vehicles and/or have not conducted any upgrades to equipment and training.

Essentially collision repairers write the majority of estimates on behalf of ICBC now, in fact many rural claim centres no longer even have material damage estimators present.

## Proposal

In order to maintain control on the cost of repairs requires a great deal of scrutiny based on the latest repair techniques and Original Equipment Manufacturer (OEM) requirements. It also means an industry that is measured to validate both their investment in technological upgrades and training but also their compliance with recommended repair techniques as determined by the OEM's. The ARA proposes utilization of its already implemented Certified Collision Repair (CCR) program. The CCR program is part of a national program through the Canadian Collision Industry Accreditation program (CCIAP) that ensures facilities qualify in areas of business standards, facility requirements, tool and equipment requirements and training requirements. A component that would be introduced would be independent audits conducted by a third-party, who is currently a national provider of repair assurances and is capable of providing to stakeholders audits that involve random repair spot-checks to validate repairs for compliance with the OEM.

The full intent of this proposal is to replace the ICBC c.a.r. Shop program with an up to date CCR program. It would introduce a tiered network of collision facilities throughout the province that demonstrates to consumers, insurers, OEM's, and suppliers that the facility has all the necessary infrastructure and training to repair modern vehicles accurately, safely and in a cost effective manner. The CCR program currently differentiates facilities on the program by use of Gold plus (OEM certified), Gold and Silver level identifiers. Most importantly for industry to remain viable it needs to be compensated fairly, this would allow industry to hire, equip, train and repair vehicles to a pre-accident crashworthy condition. By paying fair rates and reducing red tape will allow industry to reduce risk for ICBC and reduce cost by repairing vehicles efficiently and more importantly to OEM standards, Those

shops who do not attain these levels have not invested sufficiently to warrant increases in rates and could be classified as "Bronze" level, This program would be open to all participants and would be implemented and managed by industry for industry while providing the necessary transparency required by the government/ICBC.

Essentially collision repairers write the majority of estimates on behalf of ICBC now, in fact many rural claim centres no longer even have material damage estimators present. It would be prudent to pay industry a reasonable rate to take on all administrative responsibilities for handling claims less those that ICBC deem essential for their claims handling/management. This would allow ICBC to considerably reduce their estimating and approval workforce. More savings through estimator reductions could be attained by automating the estimate payment process that already receives approval through the estimating platform and it's levels of validation to one of immediate payment. This is similar in nature to how glass claims are currently handled; a claim is submitted and immediately placed in que for payment.

All these changes would allow industry to increase their efficiency which impacts the repair cycle time which offers additional benefits such as reduce rental vehicle costs.

### **Anticipated Benefits**

In exchange for an anticipated annual savings of \$10,625,000 (50% or 125 reduction in ICBC estimator's @\$85,000/estimator) the government/ICBC would have a lower operating cost as well as a more capable and qualified industry. This would result in a more streamlined estimate/repair processes while offering assurance that repairs are scrutinized through spot-checks by an independent company hired by industry. It would reward those in industry who invest and maintain the highest industry standards resulting in the safest quality repairs. It would return the level of professionalism in BC to one of the highest standards in the Canada, if not North America. Enhancement to claims estimate, authorization and payment process would result in significantly less ICBC staff to manage what are already automated steps.



## **Recommendation #2: Alternative Transportation Service (ATS)**

### **Background**

The Alternative Transportation Service (ATS) was an agreement attained through negotiation with industry to provide compensation to offset industry expenses to maintain a vehicle fleet for use by ICBC customers involved in an accident while their vehicle was being repaired. This charge is less than the cost of providing rental coverage and is not subject to the time limitations of coverage for rental. It also has the added benefit of being applicable to customers without purchased loss of use coverage, a customer service win for all parties concerned. It was also an opportunity for ICBC to offset administrative cost as the program would be administered by industry. Specifically ATS is a mandatory service that is offered by a c.a.r. shop VALET Express Repair facility to a customer. It applies to all claims regardless of the cause of loss, it covers the period from the ATS responsibility date until vehicle repairs are complete, and satisfies the alternative transportation requirements of customers who have an authorized CL14. Alternative Transportation Service includes various forms of public or private transportation. Alternative transportation may include any of the following: providing a taxi to and from work and home, providing a shuttle to and from work and home, paying public transportation costs, providing any other form of transportation satisfactory to the customer, and providing an ATS courtesy vehicle.

### **Issue**

The Alternative Transportation Service (ATS) competes with ICBC's own Loss of Use coverage. The procedures involved for the collision industry in utilizing ATS result in industry not supporting the program to its full potential. There are also issues related to vicarious liability (accidents in courtesy vehicles being charged to the shop rather than the customer driving the vehicle) that only exists in two provinces throughout Canada that further reduces industries desire to participate. In these cases some shops simply use rental coverage and opt not to provide courtesy vehicles. Rental coverage is only applicable to customers with purchased coverage or those not at fault for accidents. Without ATS it leaves customers with a negative service perception, both of the insurer and repair facilities. Industry has other concerns related to the ATS program around the risk and cost to shops including the impact on garage policies and the cost of vehicle maintenance. The policies around the time frames and chargeability of ATS rates are very top heavy and complicated.

### **Proposal**

Industry together with the ARA need to revisit the program as a whole. Issues around rates, procedures and vicarious liability and the resulting impact to garage policies need to be addressed. Dependent on the implementation the changes could result in further cost savings/advantages for industry and ICBC.

### **Anticipated Benefits**

Reduce complexity of the program and negative financial impacts to drive higher adoption of ATS by industry which expands customer satisfaction and potentially reduced loss of use costs.

## **Recommendation #3: Winter Tire Program**

### **Background**

Even if you're driving safely, winter roads can be slippery. The use of winter tires reduces the risk on the road by providing proven improved handling and braking conditions. Manitoba Public Insurance (MPI) introduced a program in 2014 that allows consumers to reduce their risk by offering low-interest financing towards the purchase of approved tires.

### **Issue**

Many consumers fail to utilize winter tires due to the cost and lack of incentives to promote their use during the winter months. Drivers must obey winter tire and chain signs throughout the province from October 1 to March 31. By offering an incentive to purchase winter tires it further promotes the Road Safety campaign by our public insurance company while reduces the potential for accidents and the resultant costs of repairs and/or injury claims with very little cost to implement

### **Proposal**

Utilize a product similar to the Manitoba Public Insurance (MPI) winter tire program that provides low-interest financing to eligible British Columbians at prime plus two per cent (MPI program), on up to \$2,000 per vehicle. This financing can be used for the purchase of qualifying winter tires (snowflake symbol as endorsed by Transport Canada) and associated costs from participating retailers. In addition our public insurer could further promote the utilization of this program by offering insurance discount offerings to recognize the benefit this offers a public insurer in the way of reduced claims potential. To be eligible an individual must purchase winter tires for a passenger vehicle or light truck registered in their name and have no financing restrictions or outstanding arrears on their BC insurance account. The financing should also provide for associated costs such as rims, mounting and balance, storage and/or switchover costs, etc. An additional consideration may be whether to offer additional insurance discounts to those drivers who participate in the program.

### **Anticipated Benefits**

The initial benefit would be from public perception. Motorists would recognize their government and insurer doing something significant to make roads safer and promote reduced claims and their effect and control on premiums. In addition, the utilization of a financing plan would see a dramatic increase in the use of winter tires. This has the potential to translate into significant savings through reduced frequency of vehicle accidents and personal injury claims, this benefit is derived from the increased braking and handling characteristics found by the use of winter tires. In discussion with a representative at MPI limited data is available as the program is still technically in its early stages. Although implemented in 2014, MPI is only now in the process of developing the measures to answer questions around specific measurable outcomes. What is known is that there are approximately 80,000 loans in place currently. MPI are not yet able to determine how many vehicles this applies to as one owner may have multiple loans on multiple vehicles or the loan could potentially be for the replacement of previously installed winter tires within this program. It is not clear what evidence MPI can provide around the decreased frequency or the true impact on injury or vehicle claims costs, to state any such results would be pure conjecture as there exist so many other potential variables that effect volumes and costs. What is evident however is the significant support and value as measured from the participation in the program by the qualifying motorists in Manitoba.

## **Recommendation #4: Driver Services Funding**

### **Background**

The Corporation operates and administers plans of universal compulsory vehicle insurance (Basic) and optional vehicle insurance as set out under the Insurance (Vehicle) Act, and is also responsible for non-insurance services under the Insurance Corporation Act and the Motor Vehicle Act. Noninsurance services include driver licensing, vehicle registration and licensing, violation ticket administration and government fines collection.

### **Issue**

The Corporation is responsible for collecting and remitting in full to the Province of B.C. all driver license fees as well as vehicle-related fees for acquiring and distributing licence plates and decals including permits and other fees and fines. These collections are not revenue to the Corporation. The costs associated with the licensing and compliance activities conducted on behalf of the Province of B.C. are borne by the Corporation.

### **Proposal**

Remove the responsibility for driver services funding from ICBC.

### **Anticipated Benefits**

Separation of the driver services from the corporation will result in a lower operating cost as the corporation will no longer experience the costs associated with the licensing and compliance activities conducted on behalf of the Province of B.C.

## **Recommendation #5: Crown Owned/Leased Facilities**

### **Background**

ICBC has a considerable portfolio in land and property ownership while it also pays out operating lease payments recognized as an expense at \$18.9 million yearly. ICBC has changed its model for how it services customers through the use of traditional claim centres, now opting to centralize operations and provide consumers with more option for how claims are initialized. This has resulted in a diminished use of traditional claim facilities which has resulted in empty or underutilized claim facilities.

### **Issue**

ICBC is currently operating with a record deficit yet has the means to attain a one-time write down of that deficit through the disposal of assets through the sale of land and buildings.

### **Proposal**

Offer for sale ICBC assets as a method to obtain a one-time pay down of corporate debt. Where possible look to further centralize operations to reduce or eliminate the need to lease non-corporate properties.

### **Anticipated Benefits**

The sale of assets will help to reduce the current debt being experienced by ICBC. The centralization of functions and the use of only corporate owned facilities will better maximize the assets while positively impacting the bottom line by reducing cost dependencies for leased properties.

## Recommendation #6: Compulsory Trade Certification

### Background

Governments that have supported compulsory trade designations have done so largely on the basis of public interest, with public safety being the foremost of considerations.

In 1996 there were 11 compulsory trades in B.C., with three of them being automotive: Auto Collision Repair Technician, Auto Painter/Refinisher and Auto Service Technician. This was short-lived. In early 2002 the government of the day eliminated compulsory certification and B.C. became the only Canadian province with zero compulsory trades, meaning that certification of workers in all trades is entirely voluntary and not required in order to do the work of a qualified tradesperson. It is a free-for-all and a buyer-beware marketplace.

In a 2012 report, the B.C. Federation of Labour stated, “If trade certification is compulsory, there is a certainty that the people doing the work have the skills, abilities, qualifications and education to do the job properly. Compulsory certification of trades not only operates in the public interest in the areas of public safety, but also ensures that the work being done meets a standard of quality so that huge repairs are not required shortly after completion or start-up.”

Advances in automotive technology have proliferated to the point where even the most basic vehicle models are equipped with highly sophisticated electronic systems and structural components designed to protect drivers and occupants as well as pedestrians and occupants of other vehicles. New technologies are being introduced at an unprecedented pace. As well, auto manufacturers are continually improving emission control systems and other onboard equipment.

Therefore, to be qualified to service and repair today’s vehicles requires that technicians are properly trained and that original equipment manufacturer (OEM) procedures are followed. It also requires an investment in the proper tools and equipment.

### Issue

In British Columbia, auto repair shops are not required to employ certified journeyperson technicians or apprentices. In other words, *anyone* is permitted to service and repair vehicles, regardless of qualification. It is not difficult to understand how this compromises public safety.

Compulsory trade designation, also referred to as mandatory certification, means that any and all work must be performed by a certified journeyperson or an indentured apprentice.

The ARA believes that most automotive consumers are unaware, and in fact would be very surprised to learn, that there is no requirement that the people to whom they trust their vehicle repairs possess some degree of qualification credentialing. It is generally assumed that such requirements are in place, especially since they actually were in place not long ago.

The Automotive Retailers Association (ARA) has determined that there is universal support within the industry for compulsory trade designation for automotive repair trades in British Columbia.

Today’s non-regulated environment puts consumers at risk of falling prey to less reputable auto repairers and facilitates an underground economy. Legitimate automotive repair businesses that invest in technician training, certification, tools and equipment, and that also obtain the proper business licensing and remit taxes, have to compete with “back-yard” operators that do none of those things.

Automotive apprenticeship training programs at the colleges are undermined by the fact that there is no mandatory certification regulation in B.C. While the number of registered first-year apprentices attending school would appear to be healthy, it is troubling to see that these numbers drop off significantly in subsequent years. This is due, in part, to a lack of incentive for completing an apprenticeship and achieving journeyman credentials.

### **Proposal**

Bring back regulation that will require compulsory trade certification for the automotive trades.

### **Anticipated Benefits**

The regulation will provide an additional level of consumer protection and safety for the general public; it will ensure that work is being done by competent, well-trained apprentices and journeypersons.

The benefits of compulsory trade designation will increase support for apprenticeship programs, promotion of high standards of professionalism, safe repairs and services, improved quality of work, increased consumer protection and confidence in the automotive repair industry, while stifling the underground economy. The automotive repair industry supports the economic growth of B.C. and its competitive role in the global market.

## Recommendation #7: Vehicle Safety Inspections

### Background

According to Statistics Canada, there are approximately 3.2 million motor vehicles registered in the province of B.C. On average, there are roughly one million vehicle transfers per year. In B.C. (2011), there were 156,515 new vehicle sales and 485,452 sales of used vehicles. Based on 2015 statistics from ICBC, on a 5 year average there are 270,000 reported crashes yearly. Those crashes result in an average 55,000 casualties, included is an average of 258 fatal crashes with a resulting average 285 fatalities yearly.

In 2007, 34,385 “contributing factors” were attributed to 18,286 reported injury and fatal collisions. Of all contributing factors assigned to collisions during 2007, 79.2% involved human action or condition, 19.1% were related to environmental conditions, and 1.7% involved vehicle condition.

With respect to the percentage of contributing factors involving the mechanical condition of the vehicle results are consistent from the period 2002-2007.

There is ample available literature on the topic of mandatory inspections spanning over 40 years, and when included as a value-added road safety measure, the ARA maintains that the evidence strongly supports the implementation of a mandatory vehicle safety inspection program.

Today, six US states operate random vehicle inspections, twelve mandate yearly inspections, four mandate inspections every two years, and four states require that a vehicle be inspected upon re-sale or transfer of ownership. In Canada, mandatory vehicle inspections began in Nova Scotia in 1967 followed by programs in New Brunswick in 1968, and P.E.I. several years later. Manitoba and Newfoundland require that a vehicle be safety inspected upon sale or transfer of ownership. In Manitoba, prior to insuring the vehicle with Manitoba Public Insurance, the new owner must complete a safety inspection. B.C. operated a vehicle safety inspections program from 1977-1983, but it was replaced with a mandatory vehicle emissions program (Air Care in 1992).

The most recent and comprehensive study on the effectiveness of mandatory vehicle inspections was conducted by Cambridge Systematics, Inc. for the Pennsylvania Department of Transportation (2009). This widely cited study concludes that vehicle safety inspections are effective and do save lives when incorporated as part of an over-all road safety strategy.

Statistics from the Ministry of Transportation’s Commercial Vehicle Safety Enforcement Branch (CVSE) demonstrate a high percentage of vehicles involved in crashes where there has been a fatality or serious injury that did not meet Motor Vehicle Act Regulations (MVAR) requirements after a post-crash analysis was conducted.

A post-crash analysis is a post-crash report in which CVSE Area Vehicle Inspectors are requested by police to conduct an inspection to ascertain the mechanical fitness of a vehicle. Sometimes they find defects not associated with the crash, in which case the vehicles meet MVAR standards. Sometimes they find pre-existing defects, in which case the vehicles did not meet MVAR standards.

The Area Vehicle Inspector states that the vehicle either met or did not meet the standards. However, there is no statement as to whether the mechanical condition of the vehicle was such that the defects caused the crash—this is left up to an accident analyst, should the police require one.

While it is not possible to conduct detailed investigations on every vehicle involved in a collision, one can conclude that vehicle condition, as a contributing factor in traffic accidents, is under-represented in the traffic accident database. Based on the available data, one can assume vehicle condition to be much higher than 1.7 percent for accidents involving injury or fatalities.

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## Issue

Of the provinces that have inspections, surprisingly British Columbia's is the least onerous and restrictive. In other provinces all vehicles must be inspected regardless of age.

Although statistics are generally incomplete on the relationship between collisions and mechanical defects in vehicles, there is greater scrutiny applied to investigations by law enforcement agencies and insurance companies when collisions involve serious injuries or fatalities. And although there are few conclusions drawn with respect to mechanical defects being the direct cause of accidents, in 2008 as many as 34% of vehicles investigated post-crash at the request of police by the Commercial Vehicle Safety Enforcement (CVSE) area inspectors did not meet MVA requirements and were found to have defects that could at least have been a contributing factor. This increased to 50% in 2012, albeit with fewer investigated cases.

While traditional safety-related components of vehicles such as tires, brakes, and headlights are easily inspected and routinely checked during regular maintenance services, new and highly sophisticated safety equipment is consistently being introduced to vehicles. And even the simplest of repairs, like tire repair or replacement, now involve complex components like the tire pressure monitoring systems found on most vehicles. The technician has to reset the system so that it can be relied upon to warn the driver when required again. This often involves reprogramming an onboard computer.

Many of these new components cannot be inspected visually and other traditional diagnostic methods do not apply. Defects are difficult to detect without the proper equipment and a thorough understanding of how these systems work.

New technologies, some presently still in the design stage but many being deployed in today's vehicles, will become even more critical for road safety. As motorists become more dependent on accident avoidance systems that include Vehicle-to-Vehicle communication (where wireless signals send information back and forth between cars about their location, speed, and direction), augmented reality dashboards (which show you if you're approaching a car too quickly), and automated braking systems that help stop cars, it will be critical that these systems are working properly. These safety components must be serviced and diagnosed by a qualified technician.

The ARA believes that a key challenge is to raise public awareness that driving unsafe vehicles has an impact on road safety.

## Proposal

The ARA believes that implementing a mandatory vehicle safety inspection as part of a value added road safety strategy will elevate B.C. as a leader in road safety and will result in safer roads with fewer traffic fatalities and serious injuries. The ARA contends that any undertaking that can reduce accidents and their severity is worthwhile. The proposal looks to introduce a vehicle safety inspection – with exceptions – upon the sale or transfer of a used passenger vehicle or light duty truck.

Inspections will be required for all vehicles five years or older and will be conducted at a designated inspection facility. Inspections will be valid for a period of one year. The program would be an extension of the existing Vehicle Inspection Program and uses the Commercial Vehicle Safety Enforcement (CVSE) to administer the program.

The administration of this program would be based on a fee charged to the consumer for a vehicle inspection. Inspections would be carried out at designated inspection facilities, whose annual fees would also contribute to the program as well as an increase in fees charged for the approval decals. The



program has the potential to generate income in the range of \$6 million annually. ICBC's Vehicle Services would also have a necessary role around the vehicle registration and implementation of this type of a system.

The four key components of the proposed plan can be summarized as follows:

1. **Critical to Road Safety:** Improved vehicle design and enhanced safety features will greatly improve road safety; however, a lack of maintenance raises concerns about the effectiveness of safety features as the vehicles age. It is a fact that as a vehicle ages its regular maintenance becomes less frequent. By mandating that vehicles be inspected at the point of sale, there will be sufficient safety checks throughout its life as it moves through various sales outlets (from new car dealer, to used car dealer, to private sale) to ensure they remain safe.
2. **Important to the Environment:** With the phasing-out of the provincial Air Care Program for private light duty vehicles by 2014, the ARA believes that there is an opportunity to re-invigorate the program by including an emissions related component to the vehicle inspection program.
3. **Helping Ensure Safe Roads:** The only reliable way to ensure that crucial safety features in vehicles are working properly is to implement mandatory vehicle safety inspections. Incorporating a mandatory vehicle inspection program as part of B.C.'s road safety strategy will elevate the province's status as a world leader in road safety. The proposed mandatory vehicle inspection program would be similar in scope to that of Manitoba's and Newfoundland's (inspected prior to sale or transfer of ownership).
4. **Ensuring Fair Competition in the Vehicle Aftermarket Services Industry:** The ARA believes that public awareness is a contributing factor towards attitudes concerning vehicle safety and mandatory inspection programs. Our plan will help consumers purchase "healthy cars" that have been inspected and serviced by a qualified trade technician.

It is important to note that Mandatory Vehicle Inspection is not a detailed inspection of the engine or transmission, and it is not a guarantee of the overall quality of the vehicle. It is recommended to consumers that they have the vehicle inspected by a qualified mechanic before purchase.

### **Anticipated Benefits**

Consumer confidence that any vehicle purchased will have undergone a safety inspection confirming the safety and functionality of all new technologies employed on the vehicle. This also provides a methodology of reducing claims frequency, severity and related bodily injury losses in a segment of vehicles (those transferred or sold greater than 5 years of age) by removing the potential for claims resulting from the improper care and/or maintenance of those vehicles on the road today.

It will provide a revenue stream to government through the CVSE and the automotive service industry while further supporting the need for compulsory certification within the automotive industry.

## Scope/Next Steps

1. **Manpower Reduction:** Conduct meetings (ARA/ICBC/Gov) to determine the full scope and value of the recommendation. This includes analysing the work taken on by industry that is currently handled by ICBC and adopting the ARA's CCR program and industry rates based on the tier attained by a facility. Also determine the frequency of audits required by an independent agency to allow for development of a contract of services. The ARA would need to further expand its implementation of the CCR program which currently has 100 applicants (13 Certified) to ramp up for adoption of CCR shops as the preferred ICBC supplier. Develop a phased approach to allow for industry to ramp up necessary support staff while allowing ICBC to reduce headcount through attrition or other manner. ICBC to scope out more automation in its estimate approval and payment system to further streamline claims handling.
2. **Alternative Transportation Service (ATS):** Conduct meetings (ARA/ICBC/Gov) to determine updated handling procedures and resolve the vicarious liability through legislative process which will have positive effects on garage policy costs.
3. **Winter Tire Program:** Reach out to Manitoba Public Insurance (MPI) and conduct joint meetings with industry (ARA Mechanical Division) and ICBC to determine the best methodology to promote and implement a program similar but designed for British Columbia.
4. **Driver Services Funding:** Research the separation of driver services and its related cost from the corporation.
5. **Crown Owned/Leased Facilities:** Complete an inventory of underutilized ICBC assets or those where departments occupy leased facilities and centralize operations to maximize corporate owned assets. Determine which properties could be offered for sale to pay down losses.
6. **Compulsory Trade Certification:** Designate the auto repair trades as compulsory trades. Only qualified, certified journeypersons and apprentices are permitted to perform the work.
7. **Vehicle Safety Inspections:** The strategy calls for increased dialogue with British Columbians and underscores the need for collaboration and cooperation with stakeholder partners to reduce fatalities and serious injuries on Canada's roadways by implementing mandatory safety inspections.



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# ARA Towing Supplier Accreditation

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Date: September 27<sup>th</sup>, 2017

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## Potential Cost Savings

This proposal will eliminate the need for supplier oversight and potentially save millions of dollars in reduced administrative overhead while providing for greater efficiencies in towing related costs.

## Background

ICBC has created several different types of supplier classifications for the towing industry. Towers qualify for either classification based on the size and scale of their operation. Registration, validation, and oversight for suppliers are managed by ICBC's supplier and accreditation department. This department also administers the non-captive tow rotation list which was developed in consultation with industry and assigns towing based upon an operations fleet size. The list is supposed to be updated on an annual basis in order to ensure that tows are being fairly assigned. ICBC commercial claims divisions also manages a heavy-duty supplier class which assigns recovery operations to towers that have implemented health and safety protocols and are qualified to perform the recovery.

## The Issue

Due to the lack of concern and available resources towing operations are not being properly vetted and the tow rotation list is not being updated. Consequently, towing operations are being assigned work based upon outdated information.

## Proposal

The ARA towing and recovery certification program will assume management and oversight for towing and recovery suppliers ensuring that suppliers fully meet all requirements.

## Anticipated Benefits

1. Reduced administrative costs for ICBC as industry will assume all cost for supplier accreditation and oversight.
2. A properly managed accreditation program will have the support of industry and ensure fair and equitable treatment for all suppliers.

3. The ARA certification will provide value added benefits such as enhanced training and health and safety.

### **Scope / Next Steps**

1. Develop a stakeholder engagement strategy through consultation with the ARA and ICBC.
2. Through consultation with industry, the ARA and ICBC develop a phased approach for transferring the responsibility for supplier accreditation and oversight to the ARA's towing and recovery certification.



# ARA Salvage Auctions

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Date: September 25<sup>th</sup>, 2017

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## Potential Cost Savings

This proposal could save ICBC millions of dollars through the sale of Crown land as well as reduce administrative overhead for the corporation.

## Background

ICBC has been managing their salvage auctions since 1974. They operate six salvage yards across the province and store additional salvaged vehicles (lots) at various tow yards throughout the province. On average ICBC sells approximately 44,000 lots each year. Almost half of these are sold through their Queensborough location in New Westminster. Online sales of salvage generate roughly \$60,000,000 annually.

In recent years ICBC has considered alternative business models including sub-contracting all or part of its auction sales. ICBC has not stated whether they intend to completely divest themselves of all operations. However, they have in recent years, substantially revised their long standing buyer requirements and policies citing that they no longer feel it is their responsibility to manage the industry.

## The Issue

ICBC is in current financial difficulties and the government must look for ways to reduce insurance premiums and claims costs. Two ways of helping to achieve this goal can be to sell off Crown assets and reduce administrative costs.

## Proposal

To research alternative models for providing online auction services for ICBC and submitting a business case to government. Alternative models may include, but are not limited to the ARA assuming management of online salvage sales and/or entering into other partnership agreements.

## Anticipated Benefits

1. The current system of storing salvage lots at towing yards can be expanded to the whole province thereby reducing the need for large salvage yards and freeing up Crown Land for

sale or other purposes. A network of salvage yards across the province would also greatly reduce towing costs for ICBC and industry.

2. Transferring management of its salvage to a third party would reduce ICBC's administrative overhead. Further, the ARA with its close connection with industry could provide much better oversight and regulatory oversight of salvage sales.
3. As industry leaders and through its certification programs salvage auctions managed through the ARA can ensure that a greater percentage of ICBC's salvage is returned to the corporation by way of recycled parts utilization thereby further increasing cost savings for the insured.

## **Scope / Next Steps**

1. Conduct an initial feasibility assessment for the project with key stakeholders.
2. Conduct a preliminary market analysis that will include researching comparative models from other jurisdictions, contacting vendors and/or other potential partners, conducting property assessments, gathering requirements, and conducting preliminary stakeholder feedback sessions.
3. Procure funding for selecting a vendor to assist in the development of a business plan.



# ARA Recycler Supplier Certification

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Date: September 27<sup>th</sup>, 2017

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## Potential Cost Savings

This proposal will reduce administrative overhead for ICBC as well as offer millions of dollars in savings through a more efficient utilization of recycled parts in the repair process.

## Background

The ICBC standards of performance for recycled parts suppliers were developed in consultation with the ARA and the automotive dismantling industry. The standards were designed to create efficiencies in the utilization of recycled parts, to establish quality control standards, and to help improve the communication between parts suppliers and repair facilities. Recycled parts suppliers wishing to sell parts to ICBC must register with a third party recycled parts locating system (Allied Information Canada) and sign that they will adhere to the standards of performance among other legal requirements. While ICBC does not directly purchase recycled parts (the repair facilities purchases parts) they still maintain control of the salvage and who can supply recycled parts.

## The Issue

In recent years ICBC has eliminated managerial positions that were assigned responsibilities for the oversight of supplier relations and no longer wish to assume any oversight for the quality control of its recycled parts suppliers. This has had a negative effect on recycled parts supplier relations. It has also resulted in an erosion of recycled parts utilization in the repair process which has come at a cost to the corporation as the utilization of recycled parts offers considerable cost savings for the policy holder.

To remedy this, the ARA has developed a comprehensive quality control certification for recycled parts suppliers wishing to sell their product to ICBC for utilization in the repair process. The certification offers training and oversight that ensures recyclers who supply recycled parts to ICBC must meet all quality control and safety standards of performance.

## Proposal

The ARA proposes that ICBC make certification a requirement for all recyclers who want to supply parts to the collision repair industry. The ARA recycler certification program would be entrusted with the oversight of quality control and supplier relations.

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## **Anticipated Benefits**

1. Establishing a better system of quality control oversight will improve relations between repair facilities and recycled parts suppliers and increase the uptake of recycled parts in the repair process.
2. Increasing the utilization of recycled parts will help reduce repair costs and repair time for the insured.
3. Allowing an industry led and funded program to oversee the standards of performance will reduce administrative overhead for the corporation.

## **Scope / Next Steps**

1. Develop a stakeholder engagement strategy through consultation with ICBC and the ARA.
2. Through consultation with industry, the ARA and ICBC will develop a phased approach that will allow qualified recyclers sufficient time for certification.





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# Proposal for Government Consideration

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Date: October 6, 2017

## Potential Cost Saving / Income Generating Recommendations

1. \$ tbd - ICBC Manpower Reduction

### Recommendation:

## Manpower Reduction and using current technologies to manage vehicle repairs

### Background

ICBC manages glass claims through the Provincial Glass Operation (PGO) unit and manages Glass express facility compliance through the Special Investigations Unit (SIU). Other private insurers operate with a much smaller workforce, instead relying on industry expertise. ICBC staff traditionally complete a number of activities related to automobile claims handling. Duties may include all or a combination of;

- Managing claims on a "case by case " basis for accuracy, parts and prices
- Managing exceptions (items that are related but require approval)
- Managing pricing for parts not found in ICBC database
- Inspection/audit of repair facilities (travelling to repair facility)
- Authorization/approval of completed claims submitted for payment (review)

### Issue

Managing claims unnecessarily: ICBC relies on an in-house database (consisting of hundreds of vehicles and thousands of parts) to manage claims (parts and prices, labour times, additional related parts). This in house system requires manually updating the database 3 times per year. This manual process has consistently resulted in errors and omissions in the database, such as issues pulling up correct vehicle information to identify the correct parts. This requires ICBC to manage these issues/claims on a "one off basis", requiring extra personnel and resources to answer calls from shops that are simply trying to understand why the claim is going into review when they should not be. The result is increased costs to ICBC to personally review each submitted paper claims file. This also puts a burden on small business as this delays payment for services rendered (in many cases upwards of 45-60 days).

Oversight and governance: ICBC created the Glass Express program as a means to set standards of performance for auto glass service providers that are allowed to generate claims on their behalf and to transfer administrative responsibilities to industry. Initially, industry took on the increased administration

and standards because of the advantages of being able to generate claims directly versus sending a customer to an ICBC claim centre to file a claim. However, 17 years later that advantage has disappeared as the Glass Express service provider pool has grown to over 500 providers and the program itself no longer represents the rigour required of an auto glass professional. In addition, the integrity of the Glass Express service provider pool has been eroding, as some Glass Express providers are finding ways to circumvent the rules governing the program. Industry has identified the issues and has concerns about ICBC's inability to provide the oversight required to keep the Glass Express program legitimate and worthwhile to those who respect and adhere to the Glass Express standards. ICBC has only recently committed to adding personnel to their investigation unit, which means adding costs to ICBC. On top of this, ICBC no longer has the in house expertise to keep the standard current or properly assess ability.

## **Proposal**

Maintaining control on the cost of repairs requires a great deal of scrutiny based on the latest repair techniques and Original Equipment Manufacturer (OEM) requirements. It also requires that industry is monitored and audited to validate and ensure both their investment in technological upgrades and training and their compliance with required repair techniques as determined by the OEM's. The ARA proposes utilization of its already implemented Certified AutoGlass Service (CAGS) program. The CAGS program is an auto glass industry accreditation program that ensures facilities qualify in areas of business standards, facility requirements, tool and equipment requirements and training requirements and a practical assessment to substantiate ability. Independent audits are conducted by a third-party, to ensure fair and unbiased assessments with the intention of adding random repair and program spot-checks to validate repairs for compliance with the OEM standards and compliance with CAGS.

The full intent of this proposal is to replace the ICBC program with an industry program that remains current regardless of manufacturer requirements, and that demonstrates to consumers, insurers, OEM's, and suppliers that the facility has all the necessary infrastructure, training and personnel to repair modern vehicles accurately, safely and in a cost effective manner. Most importantly, for industry to remain viable it needs to be compensated fairly. Accepting the CAGS will assist in reducing ICBC costs while at the same time, enabling industry to hire, equip, train and repair vehicles to pre-accident condition. Those shops who do not meet the Certified AutoGlass service program requirements and have not invested sufficiently to warrant increases in rates should not expect to be receive the same rates. This program would be open to all participants and would be implemented and managed by industry for industry while providing the necessary transparency required by the government and ICBC.

CAGS businesses already have the resources to generate proper and accurate claims on behalf of ICBC. It would be prudent to pay industry a reasonable rate to take on all administrative responsibilities for handling claims less those that ICBC deem essential for their claims handling/management. This would allow ICBC to considerably reduce their PGO and approval workforce with additional savings coming through a reduction of SIU staff. As industry already uses the NAGS data directly rather than a manual version like ICBC uses, this would greatly reduce the number of claims going into review because of invalid data (as is the case with the current ICBC system).

## **Anticipated Benefits**

ICBC would have a lower operating cost as well as a more capable and qualified industry. This would result in a more streamlined repair process while offering assurance that auto glass repairs and repair facilities are scrutinized through spot-checks by an independent company third party. It would reward those in industry who invest and maintain the highest industry standards resulting in the safest quality

repairs. It would return the level of professionalism in BC to one of the highest standards in Canada, if not North America. Enhancements to claims management, authorization and payment processes would result in significantly less ICBC staff to manage what are already automated steps and only adds cost to the system.

## Scope/Next Steps

1. **Manpower Reduction:** Conduct meetings (ARA/ICBC/Government) to determine the full scope and value of the recommendation. This includes analysing the work that could be taken on by industry but is currently handled by ICBC, and adopting the ARA's Certified AutoGlass Service (CAGS) program and industry rates based on the tier attained by a facility. Also determine the frequency of audits required by an independent agency to allow for development of a contract for services. The ARA would need to further expand its implementation of the CAGS program, which currently has 78 applicants (of which 71 are certified) to ramp up for adoption of CAGS shops as preferred ICBC suppliers. Develop a phased approach to allow for industry to ramp up necessary support staff while allowing ICBC to reduce headcount through attrition or other manner.