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s.12 ; s.13 ; s.14

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s.12 ; s.14



# ACE FINANCIAL ESTIMATES

December, 2019

s.13

# Agenda

- Tort Mitigation Strategies
- Enhanced Care Coverage (ECC) Results / Approach
- Distribution of Savings by Customer Segments
- s.13; s.17
- Scenarios
- Risks

# TORT MITIGATION STRATEGIES

## Mitigation Estimates: Process

- **What is required to reflect savings in net income / rate impact:**
  - Strategy must either be in force within financial year (net income) or completion of project is highly probable within policy year (rate)
  - Parameters of the cap must substantially match the assumptions used in estimation
  - Savings must be credible – based on reliable BC data or generalizable results from other jurisdictions / experts as long as information is relevant to BC
  - Methods and assumptions are reasonable and must be reviewed by external actuary and financial auditor
- **Mitigation estimates are based on a sample of claims closed in 2017**
  - Sample used for the previous rules of court estimate can also be used for this estimate. Sampled report costs are used because disbursements are not itemized in recorded claims data
  - Caps are applied to claims within the sample, to estimate savings on each type of claim. Savings are then extrapolated to all outstanding claims (except catastrophic injuries, which were not part of the original sample)
  - It is assumed that transition rules and the timing of implementation will result in no savings to claims paid before April 2020, and only half savings for claims paid from April 2020 to March 2021 (this does not affect the rate impact, which is all for future claims).
- **Savings estimates do not include:**
  - The cost of adaptive behaviours, which could reduce the size of the benefit
  - Benefits associated with catastrophic claims, which can also be expected
  - Any exceptions from the cap, such as for court fees
  - Impacts to claims payments which could increase the amount of savings

# Mitigation Strategy:

s.13; s.17

s.13; s.17

# ENHANCED CARE COVERAGE (ECC)

# ECC Average Premium Estimate:

s.13; s.17

Estimated Average Premium for Personal Customers with Full Coverage:

Policy Year	Current-State Average Basic + Optional Premium Forecast		ECC Average Premium	Total Annual Savings (compared to prior year)	
2020	s.13; s.17				
2021					

Basic Premium (Current)	Optional Premium (Current)
s.13; s.17	

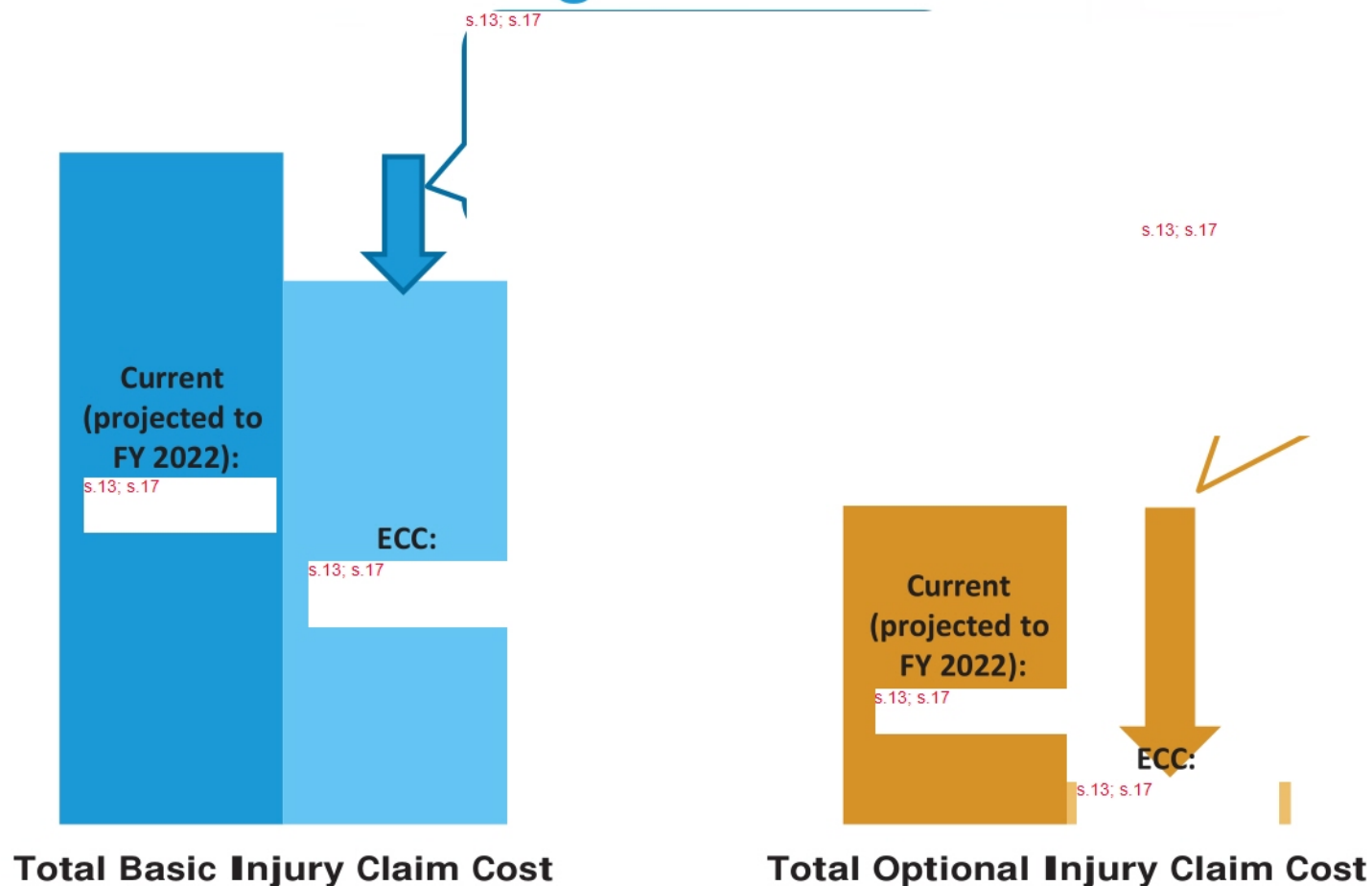
  

Basic Average Premium (ECC)	Optional Average Premium (ECC)
s.13; s.17	

Basic Annual Savings	Optional (TPE) Annual Savings
s.13; s.17	

# ECC Estimated Savings for FLY 2022: s.13; s.17



## ECC High-level Approach for Estimating Savings

Since ICBC does not have reliable data to estimate overall costs of a no fault model, we relied on external information and adjusted to reflect B.C. data.

s.13; s.17

# Key Assumptions for ECC Costs

Factor	Current Assumptions
--------	---------------------

s.13; s.17

## Key Assumptions for ECC Costs: Frequency

Factor	Current Assumptions
Fiscal Loss Year (FLY) 2022 Frequency	s.13; s.17
Frequency trend	

# Key Assumptions for ECC Costs: Frequency

Factor	Current Assumptions
Crash Frequency	s.13; s.17

s.13; s.17

# Key Assumptions for ECC Costs: Propensity to Claim

Factor	Current Assumptions
Weekly Benefits (WB) to Property Damage (PD) Ratio	s.13; s.17

s.13; s.17

# Key Assumptions for ECC Costs: Propensity to Claim

Factor	Current Assumptions
Medical Rehab (MR) to Property Damage (PD) Ratio	s.13; s.17

s.13; s.17

## Key Assumptions for ECC Costs: Severity

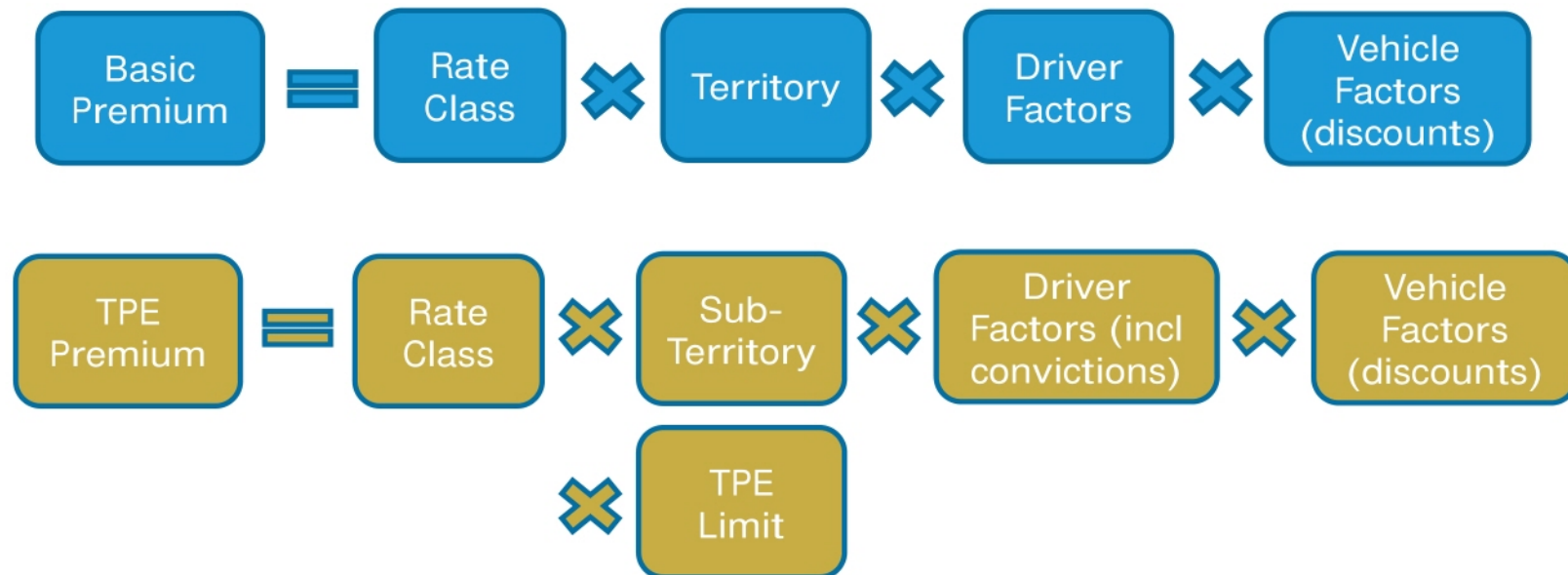
Factor	Current Assumptions
FLY 2022 Severity	s.13; s.17
Severity trend	

Severity Trends	Income	Medical	Injury Care	Permanent Impairment	Death Benefits
s.13; s.17					
ICBC current	s.13; s.17				
ICBC proposed					

# DISTRIBUTION OF SAVINGS BY CUSTOMER

## Factors Impacting Premium Savings

The amount of savings from product change will depend on the customers overall premium. Since the majority of the savings is from TPE, those with higher TPE costs (i.e. inexperienced drivers with high TPE limits living in territory D) will save more than the average \$400 while those with lower TPE costs (i.e. seniors with low TPE limits living up North) will save less. The rating factors that influence a customer's premium are outlined below.



## Scenario Assumptions

### **All scenarios assume the following unless otherwise noted:**

- Pleasure rated driver, with 15-years of experience, crash free & conviction free, no other drivers listed on the vehicle, no low KM or AEB (autonomous emergency braking) discount, <sup>s.13; s.17</sup> TPE limit
- Assumed Basic Rate Increase of 4.3% on April 1, 2020
- Assumed TPE annual rate increase of <sup>s.13; s.17</sup> TPE premium trended to beginning point of the PY 2020 period
- Estimated savings are net of additional commission and expense impact on optional
- Estimated savings does not account for the impact from DCPD

### **Other impacts that will influence savings not highlighted by the following slides include:**

- Customers with a convictions result in <sup>s.13; s.17</sup> surcharge on TPE premium – therefore their savings will increase with product change
- Customers with a recent crash will result in a surcharge on Basic and TPE premium (impact will vary by years of experience and how recent the crash) – therefore their savings will increase with product change
- Customers with low mileage and AEB discounts will receive less savings since they are charged lower Basic and TPE premiums
- Savings in the first year will also vary depending on the renewal date of customer's policy

# Amount of Savings (more or less than average ) by TPE Limit

s.13; s.17

By Limits	Proportion of Personal Customers with each limit	Estimated <u>annual</u> savings between ECC (PY 2021) and current product (PY 2020)	
		Burnaby	Prince George
Basic Only	11%	\$ 100	\$ 65
Basic + TPE @	s.13; s.17		
Basic + TPE @	s.13; s.17		
Basic + TPE @	s.13; s.17		
Basic + TPE @			
Basic + TPE @			
Basic + TPE @			

s.13; s.17

- About 50% of Personal Customers purchase extension UMP today. They will no longer need the coverage under no fault, and save additional <sup>s.13; s.17</sup> on average on top of the savings shown in the table.

Orange indicates below average savings; Blue indicates above average savings

Savings are calculated as the difference between PY 2020 premium customer would pay under current product vs the PY 2021 ECC premium

# Amount of Savings by Years of Experience:

Assumes Pleasure Use with <sup>s.13; s.17</sup> on TPE limit

- Customers with less experience will save more than customers with more years of experience
- About 50% of Personal Customers purchase extension UMP today. They will no longer need the coverage under no fault, and save additional <sup>s.13; s.17</sup> on average on top of the savings shown in the table.

Years of experience	Estimated annual savings between ECC (PY 2021) and current product for PY 2020					
	Burnaby			Prince George		
	Basic Only	TPE @ <sup>s.13; s.17</sup>	Basic + TPE @ <sup>s.13; s.17</sup>	Basic Only	TPE @ <sup>s.13; s.17</sup>	Basic + TPE @ <sup>s.13; s.17</sup>
0	\$ 210	<sup>s.13; s.17</sup>		\$ 130	<sup>s.13; s.17</sup>	
1	\$ 195			\$ 120		
2	\$ 180			\$ 110		
3	\$ 170			\$ 105		
4	\$ 160			\$ 100		
5	\$ 150			\$ 90		
6	\$ 135			\$ 85		
7	\$ 130			\$ 80		
8	\$ 120			\$ 75		
9	\$ 110			\$ 70		
10	\$ 110			\$ 70		
11-15	\$ 100 to \$ 105			\$ 65		
16-20	\$ 100			\$ 60 to \$ 65		
21-30	\$ 95			\$ 60		
30+	\$ 95			\$ 60		

Orange indicates below average savings; Blue indicates above average savings

# Amount of Savings by Territory:

Assumes Pleasure Use, 15 years of Experience and <sup>s.13; s.17</sup> TPE Limit

- Customers in more expensively rated territories such as Lower Mainland will save more than customers in less expensive rated territories, such as Prince George.
- Similarly, customers with more expensively rated rate classes, such as taxi and delivery, will see more savings compared to customer with less expensively rated rate classes
- About 50% of Personal Customers purchase extension UMP today. They will no longer need the coverage under no fault, and will save additional <sup>s.13; s.17</sup> on average on top of the savings shown
- Territory Z (out of province) vehicles will see minimal savings

Territory	Proportion of Personal customers in each territory	City Name (sub-territory)	Estimated <u>annual</u> savings between ECC and current product (PY 2020)			Basic + TPE as % savings
			Basic Only	TPE @ <sup>s.13; s.17</sup>	Basic + TPE @ <sup>s.13; s.17</sup>	
D	45%	Burnaby	\$ 100	<sup>s.13; s.17</sup>		
E	2%	Ridge Meadows	\$ 95			
F	1%	Sea to Sky	\$ 85			
G	<1%	Pemberton	\$ 75			
H	7%	Abby/Mission/Agassiz	\$ 90			
L	13%	North Thompson	\$ 70			
N	4%	East Kootenays	\$ 55			
P	2%	Chilcotin/S Cariboo	\$ 70			
R	1%	Prince George	\$ 65			
S	3%	Smithers/Hazelton	\$ 55			
V	1%	Ft St John/Dawson Ck	\$ 60			
W	2%	Northern Islands	\$ 60			
X	9%	Comox/Sun Coast	\$ 65			
Y	9%	North Island Ports	\$ 75			

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Orange indicates below average savings; Blue indicates above average savings

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## **Very Technical Appendix (back-up only; no need to read)**



# **ECC Estimate 1:** s.13; s.17 **as of December 31, 2018**



# Estimate 1: as of December 31, 2018

s.13; s.17

s.13; s.17

s.13; s.17



# Estimate 1: as of December 31, 2018

s.13; s.17

s.13; s.17

s.13; s.17



# Estimate 1: as of December 31, 2018

s.13; s.17

s.13; s.17

s.13; s.17



# Estimate 1: as of December 31, 2018

s.13; s.17

s.13; s.17

s.13; s.17



# Estimate 1: as of December 31, 2018

s.13; s.17

s.13; s.17

s.13; s.17



# Estimate 1: as of December 31, 2018

s.13; s.17

s.13; s.17

s.13; s.17



# Estimate 1:

s.13; s.17

s.13; s.17  
as of December 31, 2018

s.13; s.17					
FLY	Income Replacement	Injury-Care	Medical Excluding Funding	Permanent Impairment	Death Benefit
2009	s.13; s.17				
2010					
2011					
2012					
2013					
2014					
2015					
2016					
2017					
2018					

Conservative Assumptions

FLY 2022 Freq Base

PD Freq Adj. Factor  
Adj. for propensity to claim

Selected FLY 2022 Frequency

s.13; s.17

Selected Trend

Trend Selected for Costing

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# Estimate 1: as of December 31, 2018

FLY	Income Replacement	Injury-Care	Medical Excluding Funding	Permanent Impairment	Death Benefit
2009					
2010					
2011					
2012					
2013					
2014					
2015					
2016					
2017					
2018					

FLY 2022 Severity Base  
Severity Adjustment  
Adj. FLY 2022 Severity

Selected Trend  
Trend Selected for Costing

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# Estimate 1:

s.13; s.17

## as of December 31, 2018

FLY 2022	Frequency	Severity	Incurred
Wage Loss	s.13; s.17		s.13; s.17
Injury Care			
Medical excluding Funding			
Permanent Impairment			
Death Benefit			
Basic Out of Province Claims			
	Total Basic Injury:		
	Current Basic Injury:		
	Adjusted for May Imple.		
	Basic Savings:		
Optional Out of Province Claims			s.13; s.17
	Total Injury:		
	Current Total Injury:		
	Adjusted for May Imple.		
	Total Savings:		



# Estimate 1: as of December 31, 2018

s.13; s.17

s.13; s.17

## Future Years

FLY	Current Basic Injury	Basic Injury Forecast	Basic Injury Savings	Current Total Injury	Total Injury Forecast	Total Injury Savings
2022	\$ 2,602,308	\$ s.13; s.17		\$ 3,836,151	\$ s.13; s.17	
2023	\$ 2,807,230	\$		\$ 4,185,382	\$	
2024	\$ 3,000,160	\$		\$ 4,540,090	\$	
2025	\$ 3,206,348	\$		\$ 4,924,860	\$	
2026	\$ 3,426,707	\$		\$ 5,342,238	\$	

Future Trends				
	Wage Loss	Medical (Incl. Injury Care)	Permanent Impairment	Death Benefits
Frequency	s.13; s.17			
Severity				
Exp Trend				
Loss Trend				

# **ECC Estimate 2: MPI 2020 Public Filing**

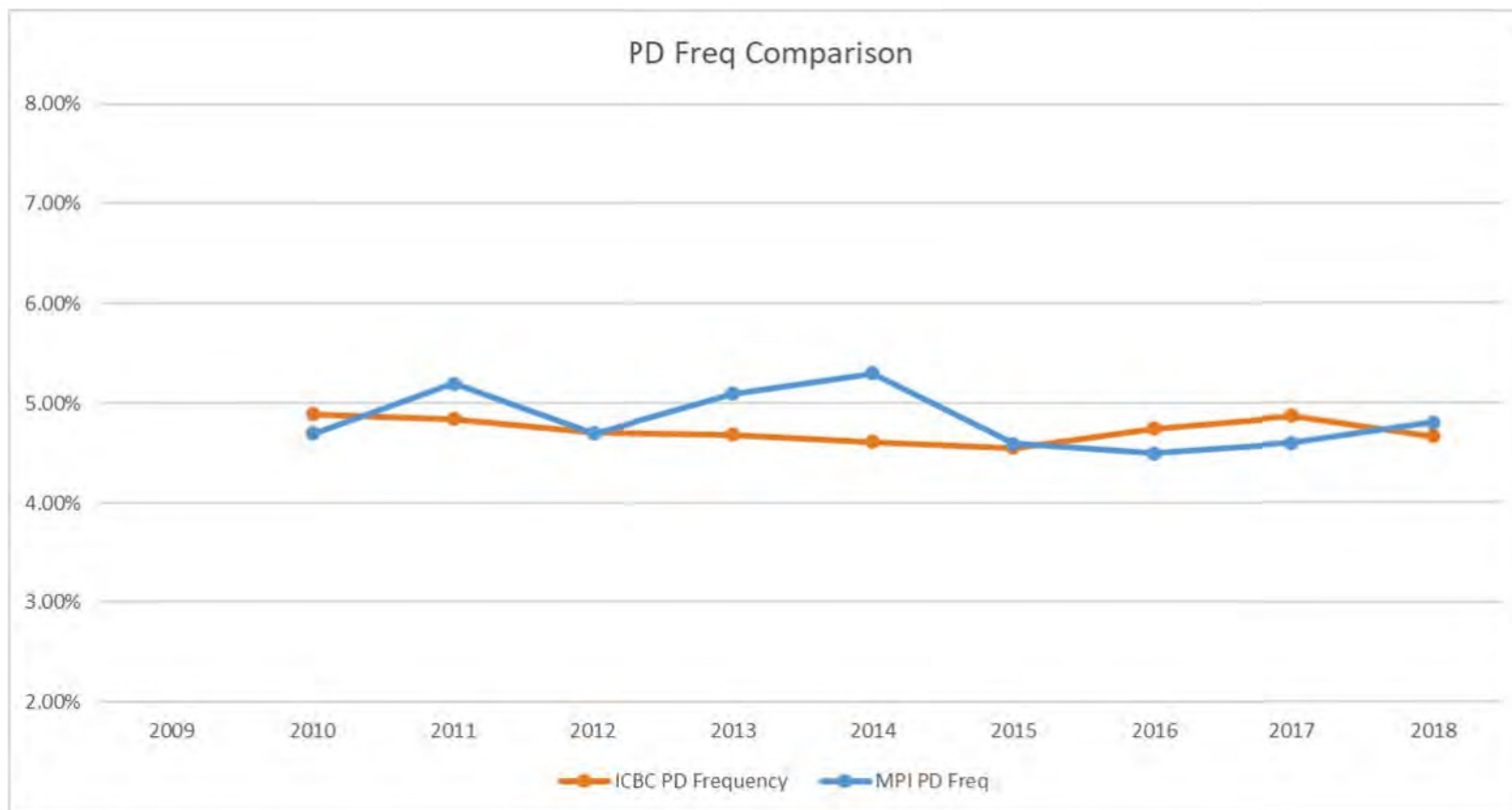
## **MPI Data as of February 28, 2019**



## Estimate 2: MPI 2020 Public Filing

### MPI Data as of February 28, 2019

PD Frequency by FLY Comparison:

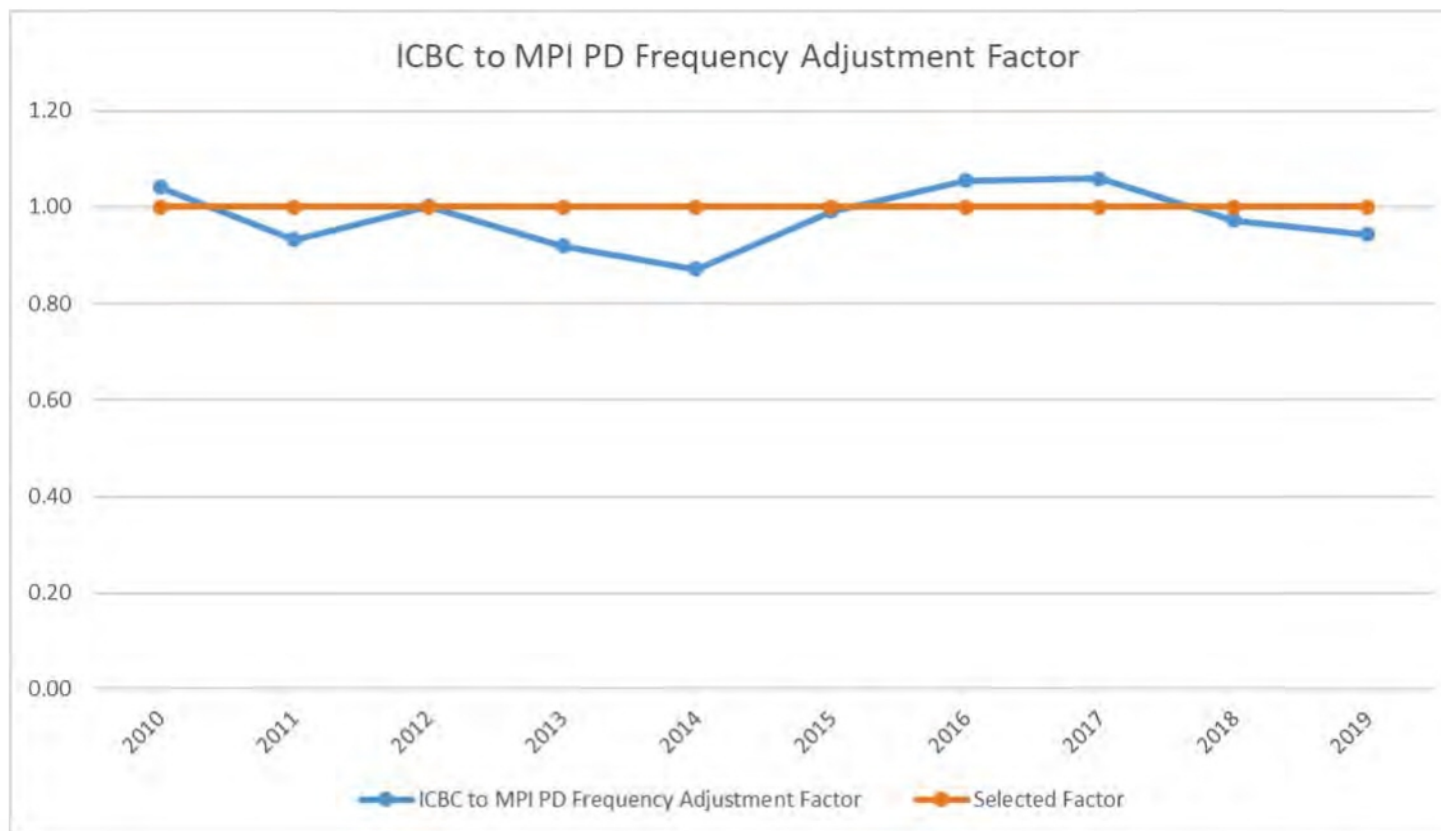




## Estimate 2: MPI 2020 Public Filing

### MPI Data as of February 28, 2019

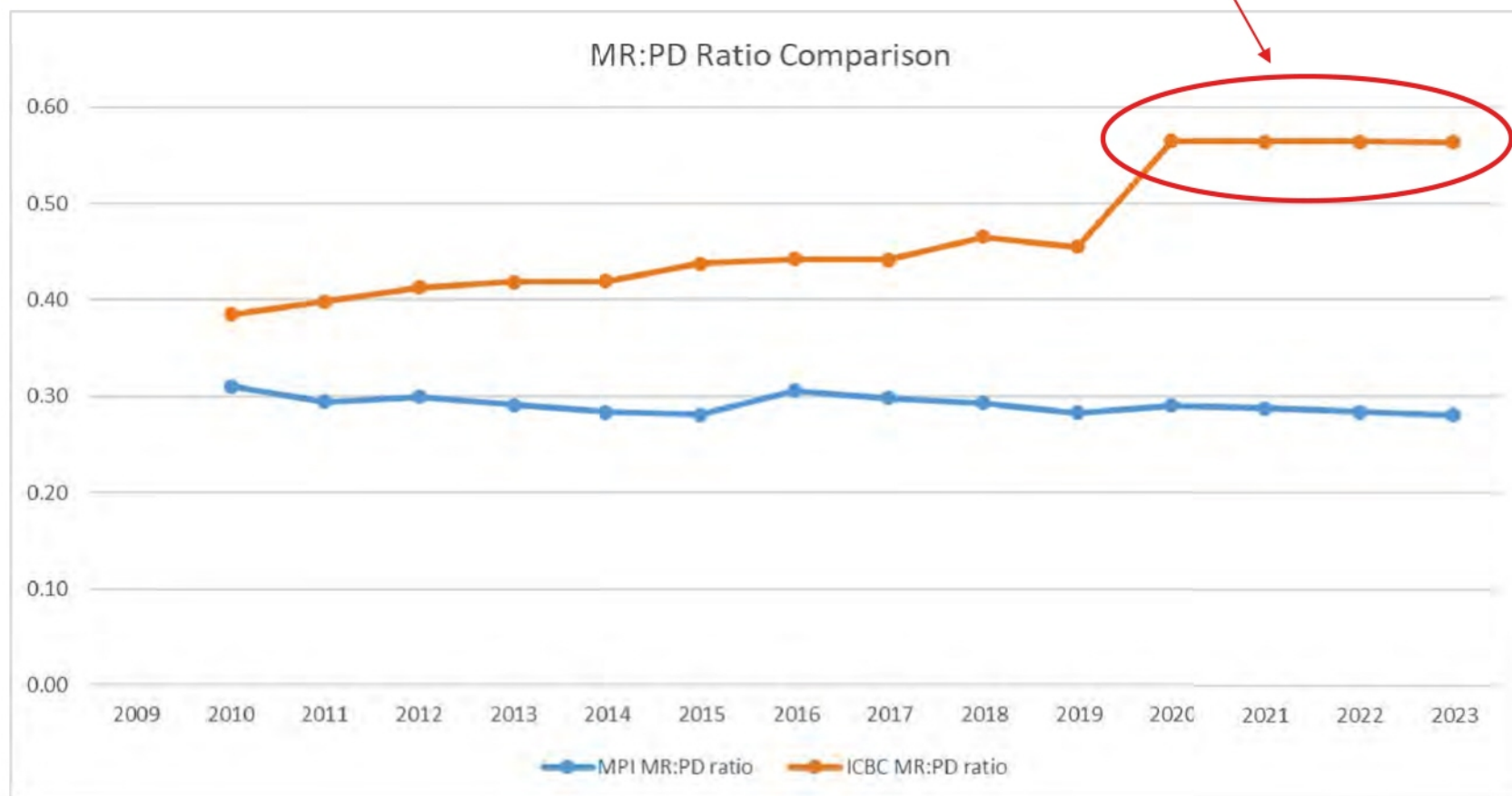
Frequency Adjustment Factor 1: Crash Frequency; Selected Factor = 1



## Estimate 2: MPI 2020 Public Filing

### MPI Data as of February 28, 2019

MR:PD Ratio by FLY Comparison: Increase post FLY2020 coming from April 1 reform costing assumption of increased AB utilization



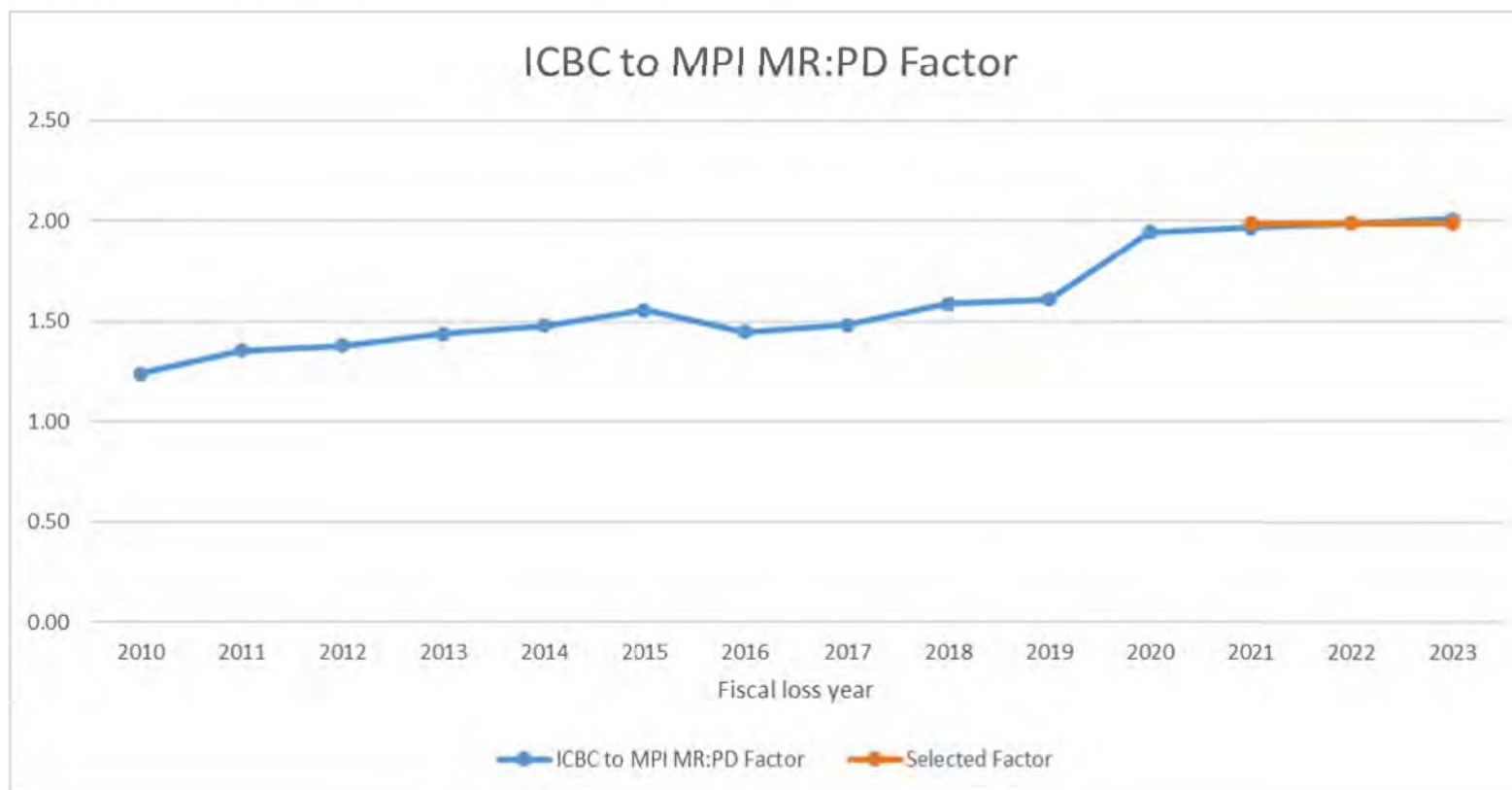


## Estimate 2: MPI 2020 Public Filing

### MPI Data as of February 28, 2019

Frequency Adjustment Factor 2: Propensity to claim medical rehabilitation

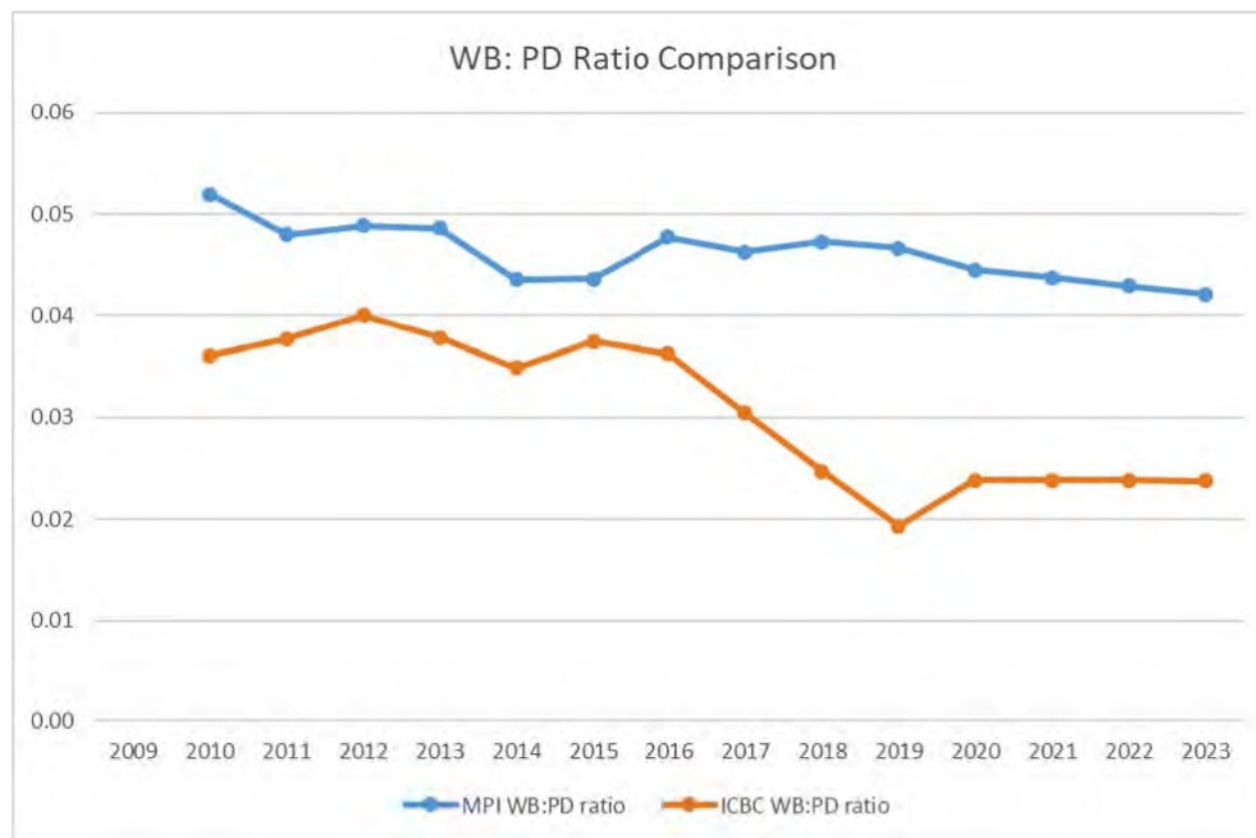
Selected factor (avg FLY2021-2023) = 1.99



## Estimate 2: MPI 2020 Public Filing

### MPI Data as of February 28, 2019

WB:PD Ratio by FLY Comparison: Increase post FLY2020 coming from April 1 reform costing assumption of increased AB utilization



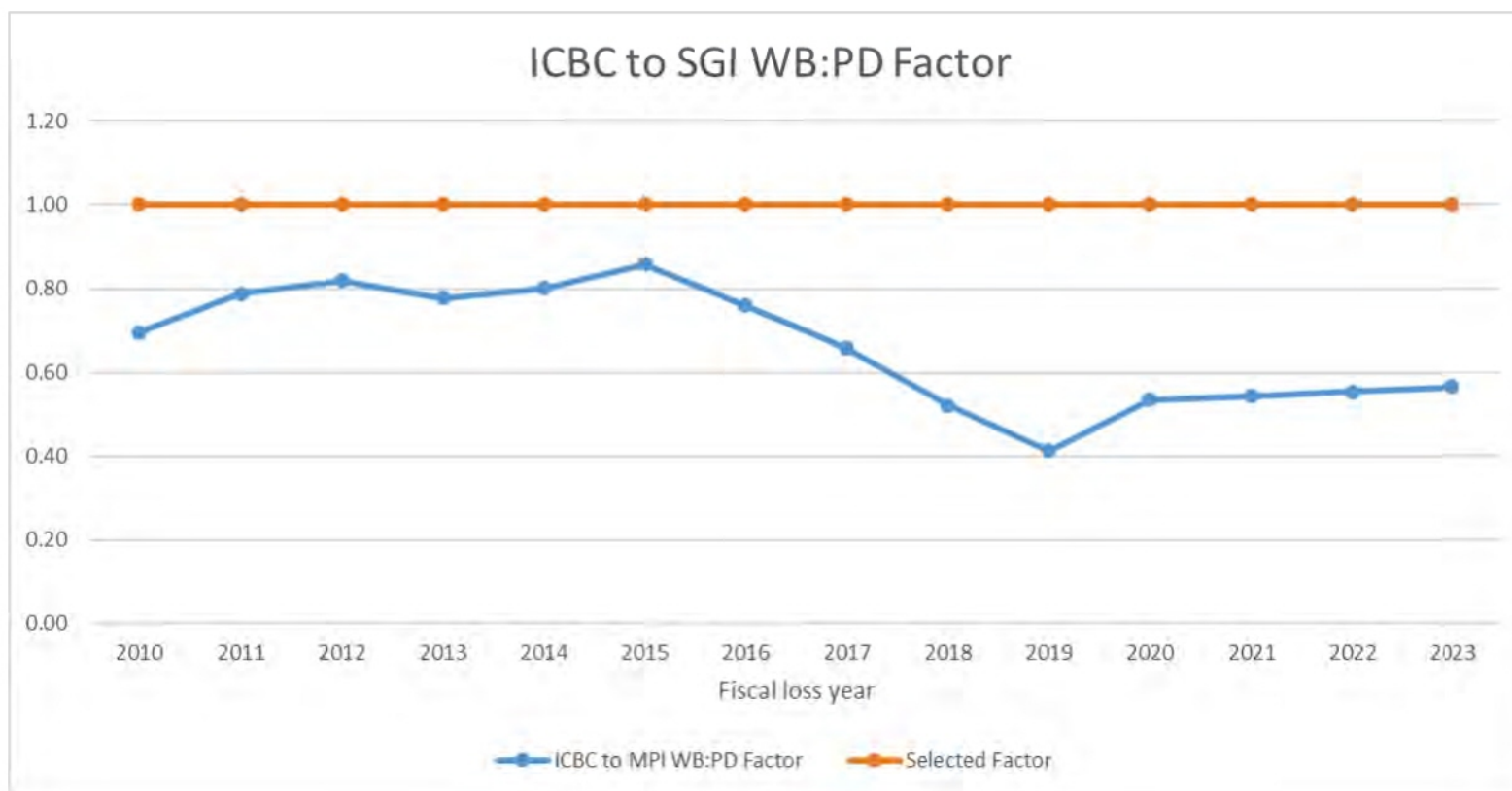


## Estimate 2: MPI 2020 Public Filing

### MPI Data as of February 28, 2019

Frequency Adjustment Factor 3: Propensity to claim disability benefits

Selected factor = 1; Expecting higher WB:PD ratio due to significantly higher benefits



## Estimate 2: MPI 2020 Public Filing

### MPI Data as of February 28, 2019

MPI Ultimate Frequency from 2020 filing				
FLY	Weekly Indemnity	MR - Accident Benefits (Indexed)	Accident Benefits (Non-indexed)	Public Liability - BI
2009				
2010	0.24%	1.46%	0.19%	0.01%
2011	0.25%	1.53%	0.17%	0.01%
2012	0.23%	1.41%	0.20%	0.01%
2013	0.25%	1.48%	0.18%	0.01%
2014	0.23%	1.50%	0.16%	0.01%
2015	0.20%	1.29%	0.14%	0.01%
2016	0.21%	1.38%	0.19%	0.01%
2017	0.21%	1.37%	0.22%	0.01%
<b>2018</b>	<b>0.23%</b>	<b>1.41%</b>	<b>0.21%</b>	<b>0.01%</b>
2019	0.22%	1.36%	0.20%	0.01%
2020	0.21%	1.39%	0.18%	0.01%
2021	0.21%	1.38%	0.18%	0.01%
2022	0.21%	1.36%	0.18%	0.01%
2023	0.20%	1.35%	0.17%	0.01%
FLY 2022 Freq Base	0.23%	1.41%	0.21%	0.01%
Adj. for propensity to claim	1.00	1.99	1.00	1.00
Selected FLY2022 Frequency	0.23%	2.80%	0.21%	0.01%
Freq Trend in MPI filing	-1.91%	-1.21%	-1.41%	-1.41%
Selected Freq Trend for Costing	0.00%	0.00%	0.00%	0.00%

Conservative Assumptions

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## Estimate 2: MPI 2020 Public Filing

### MPI Data as of February 28, 2019

MPI Ultimate Severity from 2020 Filing				
FLY	Weekly Indemnity	Accident Benefits (Indexed)	Accident Benefits (Non-indexed)	Public Liability - BI
2010	37,564	5,292	20,862	44,010
2011	46,689	4,592	21,217	43,426
2012	47,311	5,549	20,096	37,232
2013	45,020	5,255	20,800	49,150
2014	41,303	4,397	21,671	34,776
2015	42,859	4,890	24,597	49,565
2016	47,390	5,679	20,186	53,237
2017	46,844	6,671	19,667	64,056
2018	45,102	6,142	18,709	55,064
2019	48,572	6,623	21,745	53,278
2020	45,584	6,295	21,584	52,662
2021	46,263	6,373	21,899	53,336
2022	46,952	6,451	22,219	54,019
FLY 2022 Severity Base	46,952	6,451	22,219	54,019
Severity Adjustment	1.05	1.00	1.00	1.00
Adjusted FLY 2022	49,197	6,451	22,219	54,019
Selected FLY 2022	49,197	13,115	22,219	54,019
MPI Severity Trend	1.5%	1.2%	1.5%	1.3%
Selected Severity Trend	2.5%	2.5%	2.5%	2.5%

- Severity Adjustment for Weekly Indemnity for Wage level difference and demographic difference
- Overwrite medical severity based on ICBC FC+SD+MR severity post April 1, 2019 per non at fault claim exposure
- Selected inflationary trend for future years

## Estimate 2: MPI 2020 Public Filing

### MPI Data as of February 28, 2019

FLY 2022	Frequency	Severity	Incurred
Wage Loss	s.13; s.17		s.13; s.17
Medical Estimates (AB - indexed)			
Cat Injury Benefit + Death Benefit (AB - non indexed)			
PIPP Enhancement			
Public Liability			
Basic Out of Province Claims			
	Total Basic Injury:		
	Current Basic Injury:		
	Adjusted for May Imple.		
	Basic Savings:		
Optional Out of Province Claims			s.13; s.17
	Total Injury:		
	Current Total Injury:		
	Adjusted for May Imple.		
	Total Savings:		



## Estimate 2: MPI 2020 Public Filing

### MPI Data as of February 28, 2019

#### Future Years

FLY	Current Basic Injury	Basic Injury Forecast	Basic Injury Savings	Current Total Injury	Total Injury Forecast	Total Injury Savings
2022	\$ 2,624,014	\$ s.13; s.17		\$ 3,833,158	\$ s.13; s.17	
2023	\$ 2,842,435	\$		\$ 4,195,236	\$	
2024	\$ 3,049,202	\$		\$ 4,562,811	\$	
2025	\$ 3,271,010	\$		\$ 4,962,592	\$	
2026	\$ 3,508,953	\$		\$ 5,397,400	\$	

Future Trends					
			Cat Injury Benefit + Death Benefit (AB - non indexed)		
	<u>Wage Loss</u>	<u>Medical Estimates (AB - indexed)</u>	<u>PIPP Enhancement</u>	<u>Public Liability</u>	
Frequency	s.13; s.17				
Severity					
Exp Trend					
Loss Trend					

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## BRIEFING NOTE

CLIFF #566364

**Prepared for:** Hon. David Eby Q.C., Attorney General and minister responsible for ICBC for **DISCUSSION**

**Subject:** 2020 Basic Rate

**Issue:** The 2020 basic rate is anticipated to be directed by OIC. s.13; s.17  
s.13; s.17

### Background:

- The basic rate for policy year (PY) 2020 is expected to be directed by Government via OIC on the basis of the rate ICBC requires to cover costs.

s.13; s.17

### Discussion:

- Government has provided two directions to ICBC since September 2019

s.13; s.17

## ICBC BRIEFING NOTE

s.13; s.17

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