



**IN THE MATTER OF THE *UTILITIES COMMISSION ACT*
R.S.B.C. 1996, Chap. 473, as amended
and the
INSURANCE CORPORATION ACT
R.S.B.C. 1996, Chap. 228, as amended**

and

**IN THE MATTER OF
AN APPLICATION BY THE
INSURANCE CORPORATION OF BRITISH COLUMBIA
FOR APPROVAL OF THE FINANCIAL ALLOCATION METHODOLOGY**

and

**A FILING BY THE INSURANCE CORPORATION OF BRITISH COLUMBIA RELATING TO
ROAD SAFETY, COLLECTION OF DATA RELATING TO AGE, SEX AND MARITAL
STATUS, AND ACTUARIAL AND FINANCIAL INFORMATION**

To: British Columbia Utilities Commission
Sixth Floor, 900 Howe Street
Vancouver, BC V6Z 2N3

Application

1. On August 29, 2003 ICBC filed its first revenue requirement application with the British Columbia Utilities Commission (“Commission”). That application underwent a regulatory review and the Commission rendered its decision respecting that application on November 12, 2003 (the “Decision”).
2. In the Decision the Commission directed that in 2004 ICBC address a number of items, including the allocation of costs between ICBC’s Basic insurance and its Optional insurance. The determinations of the Commission Panel respecting financial allocation as between Basic and Optional insurance were set out at pages 43 and 44 of the Decision. The Commission Panel accepted that the pro-rata approach undertaken by ICBC provides a reasonable segregation of costs and revenues between the Basic and Optional insurance and the Commission Panel said that it expects ICBC to fully address alternate financial allocation methodologies in its next application. Chapter 1, in Volume 1 of this filing, addresses the subject of



financial allocation. Section 5 of the Financial Allocation Study provides a recommended allocation methodology and ICBC hereby applies for Commission approval of the use of that recommended methodology.

Additional Information Provided In This Filing

3. On December 11, 2003, a meeting was held with representatives of ICBC, Intervenor and Commission Staff. At that meeting, ICBC proposed that it would file two applications in 2004. There was general support for the ICBC proposal. By letter L-2-04 dated January 9, 2004, the Commission Panel accepted the ICBC proposal with certain variations. In that letter the Commission Panel set out that ICBC should file an application by February 27, 2004 and a second application by July 5, 2004.
4. On February 27, 2004, ICBC filed its application with the Commission respecting Performance Measures and Basic Information Sharing. That application was reviewed through a Negotiated Settlement Process. The Commission approved the Negotiated Settlement by Order G-49-04.
5. In its May 20, 2004 letter of transmittal that accompanied Order G-49-04 the Commission indicated that it expected the July 5, 2004 filing to include statistics on the negotiated Performance Measures. Chapter 4, section IV in Volume 2 of this filing includes this information.
6. The May 20 transmittal letter also identified several issues raised in the proceeding that led to the Negotiated Settlement requiring further attention in this filing. The issues identified were:
 - (a) A new Performance Measure associated with bodily injury claims to be addressed by ICBC and the British Columbia Chiropractic Association (BCCA). As discussed in Chapter 4, specifically the Performance Measures section, ICBC and the BCCA have made good progress to date and are continuing to work together to bring this matter to a successful conclusion.



- (b) The gathering and use of data by ICBC relating to age, sex and marital status. Chapter 3 addresses this issue.
 - (c) The absence in the Negotiated Settlement of a performance measure comparing the operating efficiency of operations supporting Basic insurance with the insurance industry. Chapter 4, specifically in the Performance Measures section, addresses this issue.
- 7. In the May 20 letter, the Commission also said that it wished to alert ICBC to the need to provide full financial information in support of its proposed 2005 rates, whether ICBC seeks to alter the rates or maintain existing rates.
- 8. Chapter 4 in Volume 2 of this filing includes a report of Eckler Partners Ltd. that provides an actuarial analysis of the adequacy of ICBC's current rate level for Basic insurance. Chapter 4 also includes financial information respecting ICBC's controllable costs. Should the court tariff used to determine the party-and-party costs for indemnification of successful litigants increase and be applicable to claims made against Basic insurance policies sold in 2005, a 2.3% rate increase will be required. In light of the Commission's determinations in the Decision with respect to the court tariff, the actuarial indications have been provided to include and exclude the court tariff. The actuarial indications excluding the court tariff indicate that a 0.5% increase would be required for Basic insurance policies sold in 2005. ICBC is providing the Eckler report and other financial information in response to the Commission's letter of May 20, 2004. ICBC is not applying for a revision to its rates for Basic insurance.
- 9. Chapter 4, section III, discusses the capital required by the Basic insurance business of ICBC in order to meet the targets set out in Special Direction IC2 to the British Columbia Utilities Commission, OIC 647 and OIC 678 (the "Special Direction"). The target capital requirements for the Basic insurance business and the transition period set out in the Special Direction were taken into consideration in the actuarial rate level indications referenced in the preceding paragraph.



10. At page 18 of the Decision, the Commission sets out that it would like to see additional information on ICBC's process to determine the effectiveness of ICBC's Road Safety and Loss Management programs. Such additional information is provided in Chapter 2 of Volume 1 of this filing.

All of which is respectfully submitted.

July 5, 2004

INSURANCE CORPORATION OF BRITISH COLUMBIA

Original Signed By

Donnie Wing
Vice President, Investments and Corporate Development