



Insurance Corporation Act
SPECIAL DIRECTION IC2 TO THE
BRITISH COLUMBIA UTILITIES
COMMISSION
B.C. Reg. 307/2004

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Insurance Corporation Act

SPECIAL DIRECTION IC2 TO THE BRITISH COLUMBIA UTILITIES COMMISSION B.C. Reg. 307/2004

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Definitions

- 1** (1) In this Special Direction:

“**Act**” means the *Insurance Corporation Act*;

“**capital available**” means capital available as that term is described in the MCT guideline;

“**capital available for rate setting**” means the amount of universal compulsory vehicle insurance capital available after deducting the following:

- (a) the effect of present value in relation to the corporation’s universal compulsory vehicle insurance claims liabilities;
- (b) adjustments to reflect risks in relation to the corporation’s universal compulsory vehicle insurance claims liabilities;

“**capital management plan**” means the corporation’s capital management plan in relation to the corporation’s universal compulsory vehicle insurance business that

- (a) was most recently approved by the commission, and
 - (b) Repealed. [B.C. Reg. 269/2022, s. 1 (a).]
- (b.1) includes the capital provision;

“**capital management target**” means the MCT target, determined in the capital management plan, that is the total of the following:

- (a) the MCT required under section 3 (1) (b);
- (b) the margin, expressed in percentage points of MCT, that reflects the corporation’s risk profile in relation to the corporation’s universal compulsory vehicle insurance business and its ability to respond to adverse events that arise from those risks;
- (c) any additional margin, expressed in percentage points of MCT, consistent with relatively stable and predictable universal compulsory vehicle insurance rates;

“**capital provision**” means, in relation to a policy year, an amount equal to 7% of the required premium for that policy year;

“**customer renewal credit**” means a one-time, non-refundable, non-transferable credit that is

- (a) available to an existing universal compulsory vehicle insurance policyholder,
- (b) applied to reduce the universal compulsory vehicle insurance premium paid by the policyholder at the time of the policyholder’s next renewal, and
- (c) redeemable only within 12 months of the effective date of the order of the commission that approves the customer renewal credit;

“**excess capital available**” means universal compulsory vehicle insurance capital available in excess of the capital reflected in the capital management target specified in the capital management plan;

“**existing rates**” means the universal compulsory vehicle insurance rates in effect on the date the corporation files an application for a general rate change order;

“**fiscal year**” means the applicable fiscal year under section 22.1 of the Act;

“**general rate change order**” means a commission order that

- (a) fixes rates, expressed as a percentage change from existing rates, for universal compulsory vehicle insurance to cover the overall revenue requirements of the corporation’s universal compulsory vehicle insurance business, and
- (b) does not include an order relating to rate design or customer renewal credit;

“**loss costs**” means the average amount of claims cost per universal compulsory vehicle insurance policy on an annualized basis, determined on the basis of accepted actuarial practice;

“**loss costs forecast variance**” means the difference, expressed in percentage points of a rate change fixed in a general rate change order, between

- (a) the loss costs provision reflected in existing rates, and
- (b) the loss costs that have emerged;

“**MCT**” means MCT as that term is described in the MCT guideline;

“**MCT guideline**” means the Guideline for Minimum Capital Test (MCT) for Federally Regulated Property and Casualty Insurance Companies issued by the Office of the Superintendent of Financial Institutions Canada as that guideline is amended or replaced from time to time;

“**policy year**” means one of the following, as applicable:

- (a) and (b) Repealed. [B.C. Reg. 281/2020, s. 1 (b).]
- (b.1) Repealed. [B.C. Reg. 269/2022, s. 1 (b).]
- (b.2) the period beginning on May 1, 2021 and ending on March 31, 2023;
- (b.3) the period beginning on April 1, 2023 and ending on March 31, 2025;

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- (c) in any other case, the 12-month period beginning on April 1 in one year and ending on March 31 in the next year;

“required premium” means, in relation to a policy year, the total present value of the projected amount of each of the following for that policy year:

- (a) loss and loss adjustment expense;
- (b) general expenses;
- (c) road safety costs and loss management costs;
- (d) broker fees;
- (e) tax payable by the corporation under the *Insurance Premium Tax Act*;
- (f) income from the following:
 - (i) miscellaneous revenue;
 - (ii) investment returns on capital available for rate setting;
- (g) allowance required to build and maintain capital.

- (2) In this regulation, a reference to a policy year that is described by a numerical reference to a calendar year is a reference to the policy year beginning in that calendar year.

[am. B.C. Regs. 229/2009, s. (a); 108/2010, s. 1; 115/2013, s. 1; 215/2016, s. 1; 171/2018, s. 1; 281/2020, s. 1; 269/2022, s. 1.]

MCT

- 1.1** For each policy year for which the commission fixes universal compulsory vehicle insurance rates, the MCT must be determined

- (a) using data available from the most recently completed quarter of the fiscal year at the time the corporation files an application for a general rate change order, and
- (b) based on that data, by projecting the MCT as at the end of that fiscal year.

[en. B.C. Reg. 215/2016, s. 2.]

- 1.2** Repealed. [B.C. Reg. 171/2018, s. 2.]

Application

- 2** This Special Direction is issued to the commission under Division 2 of Part 2 of the Act.

[am. B.C. Regs. 215/2016, s. 3; 16/2020, s. 1.]

Directions relating to the corporation generally

- 3** (1) With respect to the exercise of its powers and functions under the Act in relation to the corporation generally, the commission must do all of the following:

- (a) require the corporation to apply for a general rate change order by December 15 of each year to ensure that rates for the corporation’s universal compulsory vehicle insurance business are effective by April 1 of the next year;

- (a.01) to (a.2) Repealed. [B.C. Reg. 281/2020, s. 2 (a).]
- (a.3) Repealed. [B.C. Reg. 269/2022, s. 2 (a).]
- (a.4) despite paragraph (a), require the corporation to apply by December 15, 2020 for a general rate change order for rates to be effective May 1, 2021;
- (a.5) during the 2021 policy year, refrain from issuing a general rate change order for that policy year unless the corporation applies for the order;
- (a.6) during the 2023 policy year, refrain from issuing a general rate change order for that policy year unless the corporation applies for the order;
- (b) set rates for the corporation's universal compulsory vehicle insurance business in a way that will allow the corporation to maintain, in relation to its universal compulsory vehicle insurance business, at least 100% of MCT;
- (c) subject to paragraphs (g), (j), (u), (v) and (y), for each policy year for which the commission fixes universal compulsory vehicle insurance rates, fix those rates on the basis of accepted actuarial practice so that those rates allow the corporation to collect sufficient revenue
 - (i) to pay the following:
 - (A) the costs that are to be incurred by the corporation in that policy year for road safety programs under section 7 (i) of the Act, including, without limitation, payments by the corporation to any level of government with respect to road safety;
 - (B) the costs that are to be incurred by the corporation in that policy year for vehicle licensing, driver licensing and other services and activities of the corporation under section 7 (g) and (h) of the Act that are to be undertaken in that policy year in accordance with the agreement entitled "Service Agreement between The Ministry of Public Safety and Solicitor General and the Insurance Corporation of British Columbia" and dated as of September 1, 2003, including amendments and extensions to that agreement up to and including the amendment and extension entitled "Service Agreement Addendum Changes in Costs and Services to March 31, 2022" and executed in November 2022;
 - (C) Repealed. [B.C. Reg. 269/2022, s. 2 (e).]
 - (D) the remuneration that the corporation is to pay in that policy year to persons appointed as agents by the corporation under section 9.2 of the Act for collecting government fees, fines and other amounts payable by the corporation to the government and for collecting premiums, fees, debts and other revenue on behalf of the corporation,
 - (ii) to make the payments the corporation agreed to make under the agreement, dated for reference April 1, 2020, between the corporation and the government as represented by the Minister of

- Public Safety and Solicitor General entitled “Traffic and Road Safety Law Enforcement Funding Memorandum of Understanding”, including amendments to that agreement up to and including the amendment entitled “Amendment to Traffic and Road Safety Law Enforcement Funding Memorandum of Understanding”, dated for reference April 1, 2023, and
- (iii) to achieve or maintain, as the case may be, the MCT requirement under paragraph (b);
 - (d) ensure that rates are set in accordance with the capital management plan;
 - (e) Repealed. [B.C. Reg. 269/2022, s. 2 (g).]
 - (e.1) despite paragraph (d), for the 2021 policy year, ensure that rates are set in accordance with the capital management plan in existence on May 27, 2016,
 - (i) excluding the capital build or release provisions of that plan,
 - (ii) substituting a capital build provision that would result in an 11.5 percentage point increase to the general rate change, after accounting for the effect on the capital build amount of investment income and expenses that vary with the amount of premium collected from a policyholder, and
 - (iii) using a calculation in relation to the capital maintenance provision that neither increases nor decreases the percentage number of a rate change fixed by a general rate change order for the 2021 policy year;
 - (e.2) despite paragraph (d), for the 2023 policy year, ensure that rates are set in accordance with the capital management plan in existence on May 27, 2016,
 - (i) excluding the capital maintenance and build or release provisions of that plan, and
 - (ii) substituting the capital provision;
 - (f) Repealed. [B.C. Reg. 171/2018, s. 3 (e).]
 - (g) when regulating and fixing universal compulsory vehicle insurance rates, regulate and fix those rates in a manner that recognizes and accepts actions taken by the corporation in compliance with government directives issued to the corporation;
 - (h) for each policy year for which the commission fixes universal compulsory vehicle insurance rates other than the 2023 policy year, approve a customer renewal credit if
 - (i) there is excess capital available,
 - (ii) the customer renewal credit will not result in the MCT falling below the capital management target specified in the capital management plan, and
 - (iii) the commission determines that rates fixed by general rate change orders will remain relatively stable and predictable despite the approval of the customer renewal credit;

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- (i) subject to subsection (2) of this section, ensure that universal compulsory vehicle insurance rates are not based on age, gender or marital status;
 - (j) ensure that increases or decreases in universal compulsory vehicle insurance rates are phased in in such a way that those rates remain relatively stable and predictable;
 - (k) to (t) Repealed. [B.C. Reg. 269/2022, s. 2 (g).]
 - (u) despite paragraph (j), within 30 days of the corporation applying in accordance with the government directive dated November 30, 2020 for changes to rates, including a rebate, in connection with the *Attorney General Statutes (Vehicle Insurance) Amendment Act, 2020*, approve and set the changes to rates;
 - (v) despite paragraph (j), when regulating and fixing universal compulsory vehicle insurance rates for the 2021 policy year, regulate and fix those rates in accordance with
 - (i) the government directive to the corporation dated November 30, 2020 for changes to rates, including a rebate, in connection with the *Attorney General Statutes (Vehicle Insurance) Amendment Act, 2020*, and
 - (ii) the government directive to the corporation dated November 30, 2020 in relation to its application for a general rate change order for the 2021 policy year;
 - (w) and (x) Repealed. [B.C. Reg. 269/2022, s. 2 (g).]
 - (y) despite paragraph (j), within 10 days of the corporation applying in accordance with the government directive dated March 24, 2022 for changes to rates in support of a relief rebate, approve and set the changes to rates.
- (1.1) Repealed. [B.C. Reg. 269/2022, s. 2 (j).]
- (1.11) Despite subsection (1) (c) and (e.2) of this section, for each policy year for which the commission fixes universal compulsory vehicle insurance rates, other than the 2021 policy year, the commission must not decrease existing rates.
- (1.2) Subsection (1) (b) and (c) (iii) does not apply with respect to the fixing of rates for the 2019, 2020, 2021 and 2023 policy years.
- (1.3) Despite the definition of “capital management target” in section 1, for the 2019, 2020, 2021 and 2023 policy years, the capital management target is 145% of MCT.
- (2) The commission may approve universal compulsory vehicle insurance rates that provide discounts to or are otherwise preferential for
- (a) persons who are at least 65 years of age, or
 - (b) persons with disabilities.

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- (3) In regulating and fixing rates for the corporation, the commission must treat any premiums levied under section 34 (3) of the *Insurance (Vehicle) Act* as revenue for the corporation's universal compulsory vehicle insurance business.
- (4) In this section, “**government directive**” means a directive in writing to the corporation
- (a) given by the minister responsible for Part 1 of the Act, and
 - (b) approved by the Lieutenant Governor in Council.

[am. B.C. Regs. 313/2004, s. 1; 300/2005; 155/2007, s. 1; 229/2009, ss. (b) and (c); 108/2010, s. 2; 116/2012, ss. (a) and (b); 115/2013, s. 3; 20/2014; 192/2015, s. 3; 215/2016, s. 4; 288/2016; 319/2016; 81/2017; 119/2017; 165/2017, ss. 1 and 2; 240/2017; 7/2018; 22/2018; 25/2018; 70/2018; 171/2018, ss. 3 to 5; 172/2018; 270/2018; 99/2019; 159/2019; 190/2019; 259/2019; 263/2019; 49/2020; 281/2020, ss. 2 to 4; 28/2021; 151/2021; 70/2022; 269/2022, s. 2.]

3.1 Repealed. [B.C. Reg. 281/2020, s. 5.]

3.2 Repealed. [B.C. Reg. 269/2022, s. 3.]

Directions relating to 2022

- 3.3** Despite section 3, the commission must, by January 15, 2021, exempt the corporation from the requirements to
- (a) apply for a general rate change order by December 15, 2021, and
 - (b) file with the commission any reports and information that, but for the exemption, the corporation would have been required to file with the application in support of a general rate change order described in paragraph (a).

[en. B.C. Reg. 281/2020, s. 7.]

Directions relating to the 2023 policy year

- 3.4** Despite section 3, the commission must, by June 30, 2023, exempt the corporation from the requirement to apply for a general rate change order by December 15, 2023.

[en. B.C. Reg. 269/2022, s. 4.]

Directions relating to the corporation's optional vehicle insurance business

- 4**
- (1) With respect to the exercise of its powers and functions under the Act in relation to the corporation's optional vehicle insurance business, the commission must not fix rates applicable to optional insurance.
 - (2) In determining, under section 12 of the *Utilities Commission Act*, whether disclosure of information with respect to the corporation's optional vehicle insurance business is necessary for the administration of the *Utilities Commission Act* as it applies to the corporation, the commission must consider the effect of disclosure of the information on the corporation's ability to compete in the optional vehicle insurance market on a basis similar to its competitors and the

harm to the corporation's competitive position that may result from the disclosure of the information.

[am. B.C. Regs. 313/2004, s. 2; 155/2007, s. 2; 108/2010, s. 3.]

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