

PROVINCE OF BRITISH COLUMBIA

ORDER OF THE LIEUTENANT GOVERNOR IN COUNCIL

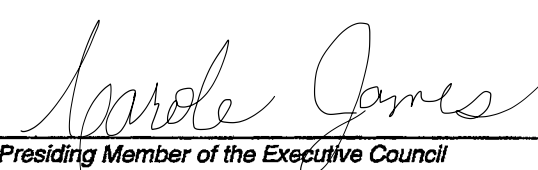
Order in Council No. 084 , Approved and Ordered March 5, 2018


Lieutenant Governor

Executive Council Chambers, Victoria

On the recommendation of the undersigned, the Lieutenant Governor, by and with the advice and consent of the Executive Council, orders that approval is given to the attached government directive issued by the Attorney General to the Insurance Corporation of British Columbia dated February 13, 2018.


Attorney General


Presiding Member of the Executive Council

(This part is for administrative purposes only and is not part of the Order.)

Authority under which Order is made:

Act and section: Insurance Corporation Act, R.S.B.C. 1996, c. 228, s. 47

Other: B.C. Reg. 07/2004, s. 3 (4)



February 13, 2018

Ms. Joy MacPhail
Board of Directors
Executive Office
Insurance Corporation of British Columbia
517 – 151 West Esplanade
North Vancouver BC V7M 3H9

Dear Ms. MacPhail:

Re: Letter of Direction – Funding Rate Affordability Action Plan from Optional Insurance

As you are aware, Government has been working with the Insurance Corporation of British Columbia (ICBC) to implement the steps necessary to return ICBC to a stable financial footing, one that will create a sustainable auto insurance system for British Columbia.

Government will be working with ICBC on a number of initiatives that have been identified to help ICBC to return to a stable financial footing and to increase the affordability of insurance rates for British Columbians.

These initiatives are identified in this letter together as the Rate Affordability Action Plan (RAAP) project. It includes new initiatives directed at the following four areas.

- (a) Product reform, including change to certain coverages and limits, to improve rate affordability and enhance injury recovery options for customers. These include enhancing product design, changing dispute resolution options and improving vendor management for bodily injury suppliers.
- (b) Rate design, involving a re-design of the Basic and Optional insurance rating structure, aimed at improving rate fairness for customers. These include modernizing the claims rated scale, enhancing treatment of convictions in Basic and exploring new discounts.
- (c) Road safety, aimed at reducing crash frequency and improving rate affordability. These include expanding intersection safety camera activation and usage, distracted driving enforcement technology and telematics application, other intersection safety improvement initiatives and possible improvements to the driver licensing and testing system. These initiatives are in addition to any initiatives for which ICBC is reimbursed.

.../2

Ms. Joy MacPhail

Page 2

- (d) Cost effectiveness, aimed at improving rate affordability and customer service including improving vendor management for material damage suppliers and any initiatives coming out of the PwC Canada-led operational review of ICBC.

The majority of initiatives under the RAAP project are expected to be completed by the end of 2019.

Government understands that implementation of the RAAP project, which is of critical importance to ICBC in the long-term, requires some initial investment. This includes updating existing systems, procuring new systems and technology, updating processes, change management, employee and broker training, stakeholder engagement and consultation, public communications, external actuarial review, legislative work, policy support and regulatory filings. Government supports limiting the impact of ICBC's investment in the RAAP project on universal compulsory automobile insurance rates (Basic insurance) by funding RAAP project costs entirely from Optional insurance.

In the absence of this directive, all of the costs associated with the RAAP project would be allocated between Basic insurance and Optional insurance based on the financial allocation methodology approved by the British Columbia Utilities Commission (BCUC). However, ICBC is directed to fund costs associated with the RAAP project that meet the scope criteria outlined in the attached schedule (Optional-Funded RAAP Costs) entirely from Optional insurance. ICBC is further directed not to seek recovery of any portion of these Optional-Funded RAAP Costs in Basic insurance rates.

Any costs that are not Optional-Funded RAAP Costs will continue to be allocated between Basic insurance and Optional insurance based on the financial allocation methodology approved by the BCUC.

As the BCUC regulates Basic insurance, and not Optional insurance, ICBC will report on a quarterly basis to the ministry responsible on the progress and status of the RAAP project and Optional-Funded RAAP Costs including any updates to cost estimates and providing actuals against the estimates.

This letter of direction is a government directive within the meaning of that term as defined in *Special Direction IC2 to the British Columbia Utilities Commission*.

Yours truly,


David Eby, QC
Attorney General

Schedule to Directive

Optional-Funded RAAP Costs

Optional-Funded RAAP Costs include only

- (a) Project expense costs and project capital costs incurred during research, planning, design, build, implementation and completion and stabilization, and
- (b) Depreciation expense for the related RAAP project capital costs.

For clarity, project expense costs and project capital costs in (a) above include all project management, risk management, business advisory, consulting and regulatory costs.

Optional-Funded RAAP Costs do not include any of:

- (c) Post-implementation costs and ongoing operating costs associated with the systems and processes implemented as part of the RAAP project beyond the stabilization period, and
- (d) Costs associated with future upgrades and enhancements to the systems and processes that had been funded as Optional-Funded RAAP Costs.