

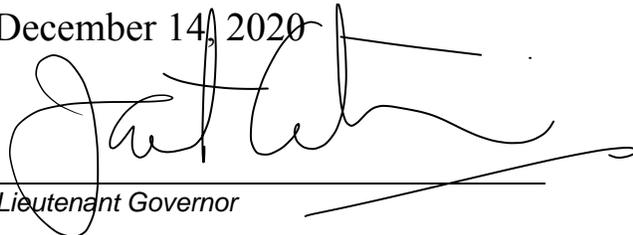
PROVINCE OF BRITISH COLUMBIA

ORDER OF THE LIEUTENANT GOVERNOR IN COUNCIL

Order in Council No. 632

, Approved and Ordered

December 14, 2020



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 Minister of Public Safety and Solicitor General to the Insurance Corporation of British Columbia and dated November 30, 2020.



Minister of Public Safety and Solicitor 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. 307/2004, s. 3 (4)



BRITISH COLUMBIA

November 30, 2020

Joy MacPhail
Chair
Board of Directors, Executive Office
Insurance Corporation of British Columbia
517-151 West Esplanade
North Vancouver, BC V7M 3H9

RE: ICBC's Application for a General Rate Change Order for the 2021 Policy Year

Dear Joy MacPhail,

The Government of British Columbia has announced its intent to implement a [new care-based approach for automobile insurance and confirmed](#) this direction through the passing of the *Attorney General Statutes (Vehicle Insurance) Amendment Act, 2020* which received [Royal Assent](#) on August 14, 2020. This new Enhanced Care model will reduce automobile insurance premiums for policyholders while giving British Columbians access to significantly enhanced accident benefits if they are injured in a crash.

I am writing to provide direction to the Insurance Corporation of British Columbia (ICBC) regarding:

- 1) The inclusion of a provision in rates for building capital during the 23-month transitional policy period beginning May 1, 2021 through to March 31, 2023 (2021 Policy Year); and
- 2) Other items necessary to establish and manage the 2021 Policy Year.

Capital Build Provision

ICBC's Basic insurance rates typically include a capital maintenance provision for maintaining its capital levels in the face of business growth. They also include a capital build (release) provision when capital levels are below (above) levels specified in Special Direction IC2 to the British Columbia Utilities Commission.

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As a transitional measure in recognition of the adoption of Enhanced Care model, the standard capital provisions need to be modified. ICBC is hereby directed to reflect in rates for the 2021 Policy Year:

- A capital build provision for the 2021 Policy Year 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
- A capital maintenance provision that neither increases nor decreases the percentage number of the actuarially indicated rate change.

These modifications allow the benefits of the Enhanced Care model to flow to Basic policy holders immediately, while still making a significant contribution to capital reserves that can help provide for stabilization of Basic insurance rates in the future.

Other Items

ICBC is hereby directed to file a 23-month Basic insurance Revenue Requirements Application with the British Columbia Utilities Commission (BCUC) for the 2021 Policy Year, in which the proposed general rate change reflects the following:

- a) That the Enhanced Care Rebate has been issued as contemplated in the Letter of Direction – Tariff Amendment Application in Support of Enhanced Care and Enhanced Care Rebate dated November 30, 2020;
- b) That the Enhanced Care model is based on Manitoba Public Insurance’s accident benefit insurance model with the specified exceptions outlined in this government directive (Enclosure);
- c) The amended Tariff pages in Support of Enhanced Care forming part of the Letter of Direction – Tariff Amendment Application in Support of Enhanced Care and Enhanced Care Rebate dated November 30, 2020 that are pending BCUC approval;
- d) The capital provisions specified in this government directive; and,
- e) That the rate change, once approved by the BCUC on a final basis, shall remain in place for the rest of the 23-month 2021 Policy Year.

ICBC should not amend its proposed general rate change to account for any differences between what is specified in this directive and what is ultimately included in the regulations that implement the Enhanced Care model. Any associated variance related to Policy Year 2021 can instead be absorbed in Basic capital, such that it could be reflected in ICBC’s general rate change applications for a subsequent policy year(s) as appropriate.

Joy MacPhail
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These directions will help ensure a smooth transition to the Enhanced Care model, providing stability and predictability in Basic insurance rates over the Enhanced Care implementation period.

This letter of direction is a government directive within the meaning of that term as it may be defined in Special Direction IC2 to the British Columbia Utilities Commission (B.C. Reg. 307/2004).

Sincerely,



Mike Farnworth
Minister of Public Safety
and Solicitor General

Enclosure

579358

Manitoba Public Insurance (MPI) Data Adjustments in ICBC's Costing Model

1. *Product differences that require direct adjustment in costing models (material impact to rates):*
 - a. Collateral Benefits
 - i. Actuarial costing models should reflect that ICBC will be the second payer for wage loss replacement benefits, except when coverage for automobile accidents are excluded or are deducted from another insurance policy's coverage, compared to MPI being the first payer in all cases.
 - ii. Impacted coverage: Income Replacement and Indemnity.
 - b. Student Income Replacement Benefit (IRB) Loading
 - i. Actuarial costing models should reflect that British Columbia's IRB for students in a Baccalaureate degree or Red Seal Trade program will include a 15 per cent loading on BC's Industrial Average Wage (IAW) after two years of receiving an IRB, and that post-secondary students in a Master's, Doctoral, or professional degree program will include a 50 per cent loading on BC's IAW compared to MPI's benefits.
 - ii. Impacted coverage: Income Replacement and Indemnity.
 - c. Basic Vehicle Damage Coverage (BVDC) maximum of \$200,000
 - i. Actuarial costing models should reflect that ICBC's maximum Basic Vehicle Damage Coverage limit will be \$200,000.
 - d. Income Replacement Benefits (IRB)
 - i. Actuarial costing models should reflect that the maximum gross income for income replacement benefit calculation will be \$100,000.
2. *Environmental Adjustments (adjustments to reflect difference in provincial income levels and MPI/ICBC data structures):*
 - a. Actuarial costing models should reflect British Columbia's
 - i. Average gross employment incomes,
 - ii. Tax rates, and
 - iii. Industrial average wage.
 - b. Actuarial costing models should reflect British Columbia's mix of claims
 - i. Population mix by type of IRB claimants (e.g. full time, part time, students, etc.).
 - c. Actuarial costing models should consider ICBC specific differences in the claim data and trends where applicable.