



building trust. driving confidence.

**Insurance Corporation of British Columbia**

**Basic Vehicle Insurance Rating System  
2012 Consultation and Engagement  
Terms of Reference**

**February 2012**



**TABLE OF CONTENTS**

---

1. INTRODUCTION .....	3
2. BACKGROUND .....	3
3. CONSULTATION AND ENGAGEMENT PROCESS .....	4
4. CONSULTATION AND ENGAGEMENT TOPICS .....	5
5. MEETING BEST PRACTICES IN CONSULTATION AND ENGAGEMENT .....	8
6. CONSULTATION METHODS AND NOTIFICATION .....	9
7. REPORTING .....	10
8. HOW WILL INPUT BE USED .....	10



## ICBC Basic Vehicle Insurance Rating System Consultation and Engagement Terms of Reference

---

**Purpose:** This Terms of Reference describes the scope and nature of ICBC's Basic Vehicle Insurance Rating System Consultation and Engagement with stakeholders and the public in 2012. The Terms of Reference includes planned consultation and engagement methods, reporting and how input will be considered by ICBC when assessing the proposed options for a change in the Basic vehicle insurance rating structure.

### 1. INTRODUCTION

To move towards rates that are more reflective of risk, ICBC is considering changes to its Basic vehicle insurance rating system. Before making changes, ICBC is undertaking a province-wide consultation and engagement process to inform our customers and stakeholders about the changes under consideration and to seek feedback on options for a fairer, more driver-based system.

### 2. BACKGROUND

ICBC has been using the Claim-Rated Scale (CRS) since 1982 to assess driver risk and help set insurance premiums. However, even with modifications to CRS in 2001, CRS does not effectively differentiate pricing for high-risk and low-risk customers. Customers advise ICBC that lower-risk drivers should pay less, and that higher-risk drivers should pay more.

In 2007 the provincial government directed ICBC to address higher-risk drivers by making insurance premiums more reflective of risk.

ICBC has also made commitments to its regulator, the British Columbia Utilities Commission that it will be moving to a system that more fairly recognizes driving records. This will create a fairer system that also provides an incentive for higher-risk drivers to drive more safely.

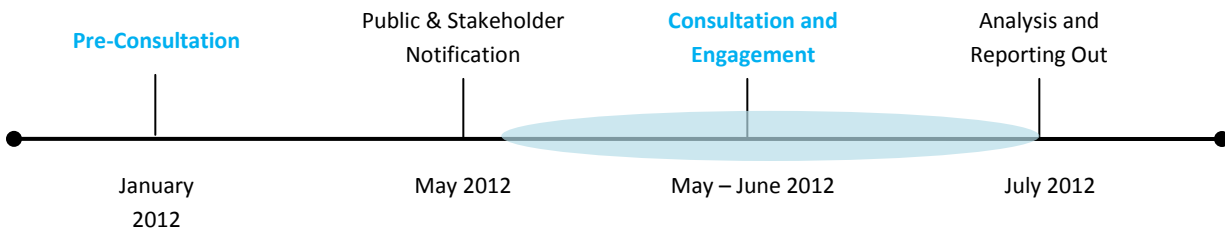
In May 2011, ICBC announced part of an insurance rate structure proposal under consideration that included using driver violations and convictions as one of the indicators of risk. The announcement was perceived negatively by some British Columbians. While most people agree in principle with higher-risk drivers paying more and lower-risk drivers pay less, it was clear that people found some of the ideas being considered unfair.

ICBC committed to undertake a province-wide consultation and engagement process to inform our customers and stakeholders about the changes under consideration and to seek feedback on other options for a fairer, more driver-based system.

### 3. CONSULTATION AND ENGAGEMENT PROCESS

Consultation and engagement will take place over the following two phases:

Phase	Consultation Objective	Timing of Consultation
Pre-Consultation	<ul style="list-style-type: none"> <li>✓ Gather stakeholder input on consultation and engagement design</li> <li>✓ Gather input about potential consultation and engagement topics</li> </ul>	<b>Complete</b> - January 2012
Consultation and Engagement	<ul style="list-style-type: none"> <li>✓ Gather public and stakeholder input on the proposed changes to the Basic vehicle insurance rating system</li> </ul>	May 14 – June 22, 2012



#### 4. CONSULTATION AND ENGAGEMENT TOPICS

ICBC is updating the way it sets premiums for Basic vehicle insurance coverage to create a fairer system where lower-risk drivers pay less and higher-risk drivers pay more. To do this, ICBC needs to change the structure of its premiums so it can clearly identify higher-risk drivers. The changes to Basic insurance are not anticipated to increase the total amount of revenue collected by ICBC. Rather, ICBC would redistribute insurance premiums so lower-risk drivers would pay less, and higher-risk drivers would pay more.

***Important Note:***

ICBC is not seeking feedback about moving to a more driver-based system. Rather, ICBC is seeking feedback on a number of different options for a fairer, driver-based system. In addition, ICBC is not proposing any changes that would affect:

- the mandate to provide affordable rates to new drivers;
- the 25% discount for seniors and disabled persons; or
- current rate classes and territories.

ICBC is seeking public feedback on the following topics:

##### **A. Driving Experience**

Driving experience is represented by the number of years someone has held a driver's licence. Driving experience is a good predictor of risk. It stands to reason that driving will improve with practice and that a more experienced driver would be a lower-risk and therefore deserve a lower premium. An inexperienced driver's risk of being responsible for a crash drops dramatically each year for most of the first 10 years, at which point it starts to slow down.

What is ICBC consulting on? ICBC wants input about how years of experience should be used to help determine Basic insurance rates. For instance, should ICBC:

- increase the premium discount every year for the first 25 years, or
- increase the premium discount every year for the first 10 years and then at five-year intervals until 25 or more years, or
- increase the premium discount only at five-year intervals?

## B. Crashes

An at-fault crash is a crash in which the driver was more than 25% at-fault. Similar to driving experience, at-fault crashes are a reliable predictor of risk. Evidence shows that every at-fault crash you have – and virtually every crash you have ever had – increases the risk that you will be responsible for another crash in the future.

What is ICBC consulting on? ICBC is interested in getting input about how and what at-fault crashes should impact the assessment of driver risk in determining Basic insurance rates. ICBC is interested in:

- How long a crash should count against your driving record?
  - 5 years
  - 10 years
  - 15 years
  
- How older crashes should count, relative to newer crashes?
  - Older crashes count the same as newer crashes
  - Older crashes count less than newer crashes
  
- Should ICBC continue to offer one “free crash”?
  - No free crash
  - One free crash earned after 10 years of safe driving
  - One free crash earned after 10 crash-free years but drivers can waive this feature to save money
  
- During the transition from the current system to the potential new system, how ICBC should treat crashes that happened before the new system comes into effect in 2014/2015?
  - Crashes that occurred prior to implementation count using the new rules
  - Crashes that occurred prior to implementation count, but the impact is capped
  
- How ICBC should account for crashes by “other drivers” who don’t have their own policy?
  - “Other driver” crash has no impact on the owner’s premium; however, an additional premium for all ICBC policies will apply



- Owner pays more for insurance if an “other driver” crash occurs and the driver doesn’t have their own vehicle insurance with ICBC (on which they would pay a higher premium)
- Driver gets a separate bill of \$500 if they crash someone else’s vehicle and don’t have ICBC Basic insurance of their own

### **C. Driving Violations**

Driving violations (both *Criminal Code* offences and *Motor Vehicle Act* violations) are a strong statistical indication of the risk that someone will have a crash in the future.

ICBC collects insurance premiums for driving violations. Less than 1% of people already pay increased premiums for serious driving violations.

What is ICBC consulting on? ICBC is seeking public input about whether higher-risk drivers who have serious convictions such as excessive speed, impaired driving and street racing should pay higher insurance premiums.

## 5. MEETING BEST PRACTICES IN CONSULTATION AND ENGAGEMENT

Consultation best practices have been developed using the International Association for Public Participation, *IAP2 Core Values of Public Participation* and *IAP2 Code of Ethics for Public Participation Practitioner*, the Office of the Auditor General of British Columbia: *Public Participation: Principles and Best Practices for British Columbia, 2008/2009 Report 11*, and an independent survey of 6 other consultation best practices documents.

ICBC's consultation and engagement program incorporates the following best practice criteria:

- **Why Consult?** *There is support for, and a clear understanding of, the importance of including public input in planning, policy and infrastructure decisions that affect the public interest.*
- **Accountability.** *There are well-defined policy or consultation guidelines including: mandate for consultation activities, areas where consultation is required and/or an optional activity, general steps in the process, roles and responsibilities, and feedback and evaluation.*
- **Policy Framework.** *Policy frameworks identify the role of consultation processes (advisory or joint decision-making), and outline public and corporate rights and responsibilities related to consultation processes.*
- **Fair, Transparent, and Legitimate.** *Where possible, stakeholders have the opportunity to influence the design of a consultation program. The public is made aware of opportunities to participate and materials are made available in a manner that encourages public understanding.*
- **Identifying Topics and Decisions for Consultation.** *Consultation is only conducted when there are decisions that can benefit from public input, and input is used effectively to improve decisions.*
- **Clarity of the Terms of Reference for Consultation.** *There is a clear Terms of Reference for the consultation including a description of the design or steps in the public consultation process. Consultation plans usually elaborate with nature and purpose of specific consultations.*
- **Consultation Methods.** *A range of consultation methods are used to maximize opportunities for participation. Staff and consultants have the necessary skills to implement consultation programs. Appropriate resources are allocated to support the consultation.*
- **Reporting.** *Consultation Summary Reports provide participants, the public and decision makers with an analysis of input.*
- **Consideration of Input.** *The public is kept informed as consultation progresses (reporting at each consultation phase), including how input is considered and used.*



## 6. CONSULTATION METHODS AND NOTIFICATION

The ICBC consultation and engagement program will provide a variety of opportunities for the public and stakeholders to provide input about the proposed changes to the Basic vehicle insurance rating system to account for various levels of interest and ability to participate. For example, some participants may feel comfortable providing their input at a public open house or stakeholder meeting, while others may wish to complete a feedback form, submit a written submission or participate in an online forum. Online consultation and engagement tools will be provided to allow participants to provide feedback at their convenience.

Methods will include, but are not limited to:

<b>Consultation and Engagement Methods</b>
Stakeholder Meetings
Open Houses
One-on-One Interviews (pre-consultation)
Online Feedback Form
Online Forum
Webinars
<b>Consultation &amp; Engagement Materials</b>
Discussion Guide and Feedback Form
Display Boards
Fact Sheets
Project Information Page on ICBC Website
Power Point Presentation
Consultation Terms of Reference
<b>Public and Stakeholder Notification</b>
Email, letter and phone notification of stakeholders
Newspaper Ads
Mail Inserts (Renewal Notice)
Website Information Page
Social Media (Facebook, Twitter)
Media Relations/Media Advisories

## 7. REPORTING

At the conclusion of the consultation and engagement, a *Consultation Summary Report* will be produced, summarizing input received during the consultation period. *Consultation Summary Reports* provide participants, the public and decision makers with an analysis of input. Generally, the report will:

- Provide an overview of the consultation and engagement period, methods and tools
- Report on levels of participation
- Summarize input received through:
  - Feedback Forms (hardcopy and electronic)
  - Written Submissions
  - Key themes from stakeholder meetings
  - Key themes from public open houses
  - Key themes from online discussion forum
  - Key themes from webinars
- Include appendices:
  - Consultation and engagement materials
  - Meeting notes from stakeholder meetings
  - Meeting notes from public open house question & answer sessions
  - Meeting notes from webinars
  - Notification materials (including copies of newspaper ads, email invitations sent to stakeholders, etc.)
  - Transcript of the online forum
  - Completed feedback forms
  - Others

The *Consultation Summary Report* will be posted to the project website and consultation and engagement participants will be advised when the report is available.

## 8. HOW WILL INPUT BE USED

It is important that consultation and engagement participants are clear from the outset of how public and stakeholder input will be used. Input received through consultation and engagement will be considered along with technical, financial and policy considerations, as ICBC refines its Basic vehicle insurance rating system. Input from the consultation and engagement will be summarized and presented to the public and stakeholders in the following forms:

- **Consultation Summary Report:** A *Consultation Summary Report* will be prepared at the conclusion of the project-led consultation and engagement. The report will summarize and highlight key themes from stakeholder meetings, online forum, webinars and feedback forms for consideration by ICBC. This report will be prepared by an independent consultant.
- **Consideration Memo:** In addition to the *Consultation Summary Report*, a *Consideration Memo* will be prepared by the Project Team, indicating how input has been considered for utilization in policy requirements and objectives. The *Consideration Memo* will be posted on the project website and available to the public.