

April 14, 2010

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

Attention: Ms. Erica M. Hamilton, Commission Secretary

# Re: Information Requests on ICBC's Application for Changes to Universal Compulsory Automobile Insurance for Fleetplan Vehicles

Dear Ms. Hamilton:

Attached are ICBC's responses to the following Information Requests on ICBC's Application for Changes to Universal Compulsory Automobile Insurance for Fleetplan Vehicles:

- British Columbia Utilities Commission (BCUC), Information Request No. 1, March 16, 2010 (Exhibit A-3).
- Automotive Retailers Association (ARA), Information Request No. 1, March 16, 2010 (Exhibit C4-3).
- BC Old Age Pensioners Organization et al. (BCOAPO), Information Request No. 1, March 16, 2010 (Exhibit C2-3).
- Pemberton Insurance Corporation (PI), Information Request No. 1, March 16, 2010 (Exhibit C7-2).
- TransLink (TL), Information Request No. 1, March 16, 2010 (Exhibit C5-2).

Yours truly,

June Elder

Manager, Regulatory Affairs

Cc: Doug Chong, Director, Strategic Services, BC Utilities Commission Tony Roberts, Senior Economist, BC Utilities Commission Registered Intervenors Donnie Wing, CA, Senior Vice President, Corporate Affairs, ICBC

Attachment

British Columbia Utilities Commission
Information Request No. 2010.1 FLT BCUC.1.1 Dated 16 March 2010
Insurance Corporation of British Columbia Response Issued 14 April 2010

28 January 2010 Application by the Insurance Corporation of British
Columbia for Changes to Universal Compulsory Automobile Insurance for Fleetplan Vehicles

2010.1 FLT BCUC.1.1 Reference: Exhibit B-1, Introduction, p. 1 Impact of Rate Standardisation: Non-Insurance Fees

"Standardizing trailer Basic insurance premiums for Fleetplan and Claim-Rated Scale (CRS) policyholders and lowering Basic insurance base rates for trailers....With this change trailers in fleets will no longer be eligible for Basic insurance fleet discounts and surcharges and customers will pay the same Basic insurance premium for fleet and individually-rated trailers."

Will the elimination of discounts and surcharges allow ICBC to implement a standard charge for non-insurance fees applicable to trailers? If not, explain why not.

### Response:

As set out in Appendix 18 C (in particular, Figure 18.C.4) to the March 29, 2007 Rate Design Application, ICBC does not charge operating expense, including Non-insurance costs, for trailer rate classes. This is based on the assumption that most customers in these rate classes pay for operating expense through another Basic insurance policy.

As such, eliminating discounts and surcharges for trailers will not result in implementation of a standard charge for Non-insurance costs.

British Columbia Utilities Commission
Information Request No. 2010.1 FLT BCUC.2.1 Dated 16March2010
Insurance Corporation of British Columbia Response Issued 14 April 2010

28 January 2010 Application by the Insurance Corporation of British Columbia for Changes to Universal Compulsory Automobile Insurance for Fleetplan Vehicles.

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2010.1 FLT BCUC.2.1 Reference: Exhibit B-1, Background, p. 5 Implementing Changes: Future Applications

"...ICBC plans to apply to the Commission for approval of a new fleet loss rating algorithm and associated changes in a future application, which is expected to be filed after the next major rate design application on the driver record rating model."

What is ICBC's expected timing for its next major rate design application and the new fleet loss rating algorithm application?

### Response:

ICBC currently anticipates filing its next major rate design application, for a driving record model (DRM), in 2011. Its application for a new fleet loss rating algorithm will be filed after implementation of and transition to DRM. The precise timing of a proposal for changes to the fleet loss rating algorithm will depend on ICBC's timing of the implementation of DRM and associated systems changes.

ICBC's systems and change management resources must first focus on the successful implementation and transition to DRM, as it affects over 90% of personal and commercial customers. Implementation of DRM will be ICBC's first experience using its new rating and underwriting engine and ICBC will utilize lessons learned from the major rate design change represented by DRM in its future Fleetplan application.

British Columbia Utilities Commission
Information Request No. 2010.1 FLT BCUC.3.1 Dated 16 March 2010
Insurance Corporation of British Columbia Response Issued 14 April 2010

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2010.1 FLT BCUC.3.1 Reference: Exhibit B-1, Eligibility Criteria, Section C.1.2, p. 7 Fleet Status: Insurance (Vehicle) Regulation

for Fleetplan Vehicles

"These changes also include minor wording revisions to the fleet definition in order to align the Tariff wording with the IVR wording, which was amended on November 8, 2007 in connection with leased vehicles. In addition, the number of vehicles referenced in connection to mandatory fleet-rating has been changed from 20 to 19. This corrects an error that occurred when the Tariff was originally drafted."

Please provide a copy of Part 12 of the Insurance (Vehicle) Regulation that is currently in force.

### Response:

For an excerpt of Part 12 of the *Insurance (Vehicle) Regulation* please see Attachment A – <u>Part 12 of the *Insurance (Vehicle) Regulation*</u>. A copy of the entire *Insurance (Vehicle) Regulation* is available on the website of the Queen's Printer for British Columbia at:

http://www.qp.gov.bc.ca/statreg/reg/I/InsurV/InsurV447\_83/447\_83\_00.htm



# 2010.1 FLT BCUC.3.1 – Attachment A – Part 12 of the *Insurance (Vehicle) Regulation*

# Insurance (Vehicle) Act INSURANCE (VEHICLE) REGULATION

[includes amendments up to B.C. Reg. 4/2010, February 1, 2010]

## Part 12 — Fleetplan

### Interpretation

**155** (1) In this Part:

"fleet" means not less than the minimum number of vehicles established by the corporation that

- (a) are registered in the name of or are rented as leased vehicles from a person whose business is the renting of vehicles as leased vehicles to
  - (i) one person,
  - (ii) more than one corporation, if the corporations are parent and subsidiary, or
  - (iii) more than one person, if the persons jointly operate a taxi business and the vehicles are controlled by radio dispatch from one dispatching unit, and
- (b) are rated in a vehicle rate class designated by the corporation;
- "fleet operator" means a person designated under section 157 as the operator of a fleet and includes every owner of a vehicle in the fleet;
- "owner" includes an unregistered beneficial owner, lienholder, person who rents a vehicle as a leased vehicle or a person who rents a vehicle as a leased vehicle to another person.

[en. B.C. Reg. 166/2006, s. 82; am. B.C. Reg. 341/2007, s. 11.]

### Fleetplan application

- **156** (1) In addition to applying under Part 2, a person may apply and, if a fleet comprises more vehicles than the number established by the corporation, must apply in the form established by the corporation to insure the vehicles as a fleet.
  - (2) An application under subsection (1) must include all eligible vehicles.
  - (3) A leased vehicle is not eligible to be insured as part of the fleet of the person renting the vehicle to another person but may, if the vehicle is otherwise eligible, be insured as part of the renter's fleet.
  - (4) The corporation shall not accept an application from a garage service operator unless the garage service operator also applies for or is insured by a garage vehicle certificate.
  - (5) The requirement of subsection (1) applies in the insurance year in which the fleet identity number is issued and in any subsequent insurance year in which there are more vehicles in the fleet than the number established by the corporation.

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[am. B.C. Regs. 449/88, s. 1; 404/94, s. 18; 441/98, s. 16; 166/2006, s. 83, as am. by 46/2007, Sch. 1, s. 10; 341/2007, s. 12.]
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### Designation of fleet operator and fleet identity number

- 157 On approval of an application made under section 156,
  - (a) the applicant is designated as the fleet operator of the fleet for which the application was made,
  - (b) this Part and any other applicable provisions of this regulation apply to the fleet operator, and
  - (c) the corporation shall issue a fleet identity number.

### Disclosure of fleet identity number

**158** A fleet operator must set out the fleet identity number on every application for a new or renewed certificate or endorsement in respect of a vehicle in the fleet.

[en. B.C. Reg. 452/2003, s. 7.]

### Continuation

- **159** (1) Every fleet identity number shall continue to apply in an insurance year subsequent to the insurance year in which it was issued unless it is cancelled under section 160 before the beginning of the next insurance year.
  - (2) Where the number of vehicles in a fleet falls below the minimum number established by the corporation during an insurance year, the remaining vehicles shall be deemed to continue as a fleet under the same fleet identity number for the unexpired portion of the insurance year.

[am. B.C. Reg. 166/2006, s. 84.]

### Cancellation

**160** The corporation may, on the written request of the fleet operator, cancel a fleet identity number.

### Responsibility of fleet operator

- **161** A fleet operator who is not the owner of a vehicle in the fleet for which he is designated fleet operator shall
  - (a) be deemed to be duly authorized by an owner of the vehicle to act as the sole agent of the owner of the vehicle for the purposes of the Act and this regulation, and
  - (b) be as responsible to the corporation in respect of any matter relating to the vehicle as is the owner of the vehicle.

### Designated expiry month

- **162** (1) The designated expiry month for a fleet is
  - (a) March, June, September or December, where any vehicle in the fleet is licensed under section 5.02 of B.C. Reg. 30/78, or
  - (b) the designated expiry month selected by the fleet operator in an application under section 156, in any other case.
  - (1.1) Notwithstanding subsection (1), the corporation may issue an owner's certificate for a vehicle in a fleet, other than a vehicle referred to in subsection (1) (a),
    - (a) for a term of not less than 5 months plus one day and not more than 6 months, having an expiry date for that owner's certificate of the last day of the sixth month prior to the designated expiry month for the fleet, and
    - (b) for any renewal of an owner's certificate referred to in paragraph (a) having an expiry date of the last day of the designated expiry month for the fleet.
  - (2) The corporation may, on written request by the fleet operator made not less than 3 months before the end of the designated expiry month, change the designated expiry month for the fleet unless
    - (a) the designated expiry month was changed under this section during the 3 years preceding the date of the request.
    - (b) Repealed. [B.C. Reg. 404/94, s. 19.]
  - (3) Where the period between the end of the old designated expiry month and the end of the new designated expiry month requested under subsection (2) is less than 3 months, the corporation may issue an owner's certificate for renewal of insurance for each vehicle in the fleet with an expiry date that changes the old designated expiry month to the new designated expiry month by means of 2

transitional renewal terms that together total not more than 14 months duration, one term being not less than 6 months and one term not less than 7 or more than 8, as the corporation may decide.

(4) Where an owner's certificate is renewed under subsection (3), each transitional term shall, for the purpose of determining the loss experience of the fleet, be deemed to be one year.

[am. B.C. Regs. 408/87, s. 38; 448/90, s. 26; 404/94, s. 19.]

### Repealed

**163-164** Repealed. [B.C. Reg. 166/2006, s. 85.]

### Power of attorney

165 The corporation may act as and shall be deemed to be the duly appointed attorney of the fleet operator for all purposes relating to the insuring of each vehicle in the fleet, including cancellation of insurance.

### Cancellation of insurance on bankruptcy or winding up

**166** (1) Where

- (a) a proposal is made or proceedings are brought to
  - (i) appoint a trustee or receiver for the property of a fleet operator,
  - (ii) change the effective control or name of a fleet, or
  - (iii) otherwise adversely change, wind up or terminate a fleet, and
- (b) no arrangement satisfactory to the corporation is made by the trustee, receiver, fleet operator or other responsible person to pay any earned but unpaid premium,

the corporation may immediately treat the premium as balance due.

(2) Where the trustee, receiver, fleet operator or other responsible person fails, on demand of the corporation, to pay any balance due under subsection (1), the corporation may, notwithstanding section 15.7, immediately treat the balance due as being in default and cancel all insurance under this Part for the fleet.

[am. B.C. Reg. 383/89, s. 31.]

### Fleet premium adjustment

- 167 (1) If an application to insure vehicles as a fleet has been approved under section 156, the corporation may, at the beginning of an insurance year, agree with the fleet operator to adjust at the end of that year the amount of premium payable for that year based on the total amount paid or payable by the corporation as a result of accidents that occurred during that year in respect of all vehicles in the fleet.
  - (2) Repealed. [B.C. Reg. 166/2006, s. 85.]

[en. B.C. Reg. 441/98, s. 17; am. B.C. Reg. 166/2006, ss. 85 and 86.]

### Fleet reporting policy

- **168** (1) Repealed. [B.C. Reg. 166/2006, s. 85.]
  - (2) On receipt of the application and payment of the required premium, the corporation may, at its sole option, provide a fleet reporting certificate (APV-90) in the form established by it, with riders and endorsements.
  - (3) A fleet reporting certificate issued under this section provides, during the term of the fleet reporting certificate, coverage under Parts 6, 7 and 10, so long as the vehicles described in the fleet reporting certificate are operated in accordance with the terms and conditions set out in the fleet reporting certificate.
  - (4) Repealed. [B.C. Reg. 166/2006, s. 85.]

(5) A fleet operator who holds a fleet reporting policy shall, on application for number plates for the vehicles that comprise the fleet to which the fleet reporting policy is issued or for any renewal, replacement, change or substitution of those number plates and corresponding insurance, produce for inspection by the corporation the fleet reporting certificate issued to the fleet operator.

[en. B.C. Reg. 448/90, s. 28; am. B.C. Regs. 324/91, s. 39; 438/92, s. 21; 312/96, s. 1; 166/2006, ss. 85 and 87.]

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# 2010.1 FLT BCUC.4.1 Reference: Exhibit B-1, Eligibility Criteria, Section C.1.7, p. 9 Customer Impacts: Retaining Fleet Status

"...ICBC's proposal includes grandfathering the status of any existing fleets such that those customers would not be required to individually-rate their vehicles even though they may not have the required number of motor vehicles (five) to satisfy the new eligibility criteria."

Please explain whether the choice of five motor vehicles as the fleet threshold is based on historical claims experience.

### Response:

ICBC selected five motor vehicles as the proposed threshold because it is consistent with the historic use of five vehicles. The number is not based on historical claims experience. The five vehicle threshold has been in place for many years. Using the proposed threshold was beneficial from the perspective of change management, including impacts on customers, staff, and brokers. ICBC did not identify any need to change the number from five.

Also, as indicated in paragraph 31 of the Fleetplan Application, "Another outcome of the change to the eligibility requirements for determining fleet status is that ICBC will be in better alignment with insurance industry practices elsewhere in Canada." For information regarding the fleet status eligibility requirements in other jurisdictions in Canada, please see the response to information request 2010.1.FLT BCUC.5.1.

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2010.1 FLT BCUC.5.1 Reference: Exhibit B-1, Eligibility Criteria, Section C.1.3.1, p. 9 Other Jurisdictions: Practices

"Another outcome of the change to the eligibility requirements for determining fleet status is that ICBC will be in better alignment with insurance industry practices elsewhere in Canada. Based on ICBC's understanding of industry practice, having a fleet eligibility criteria requiring at least five motor vehicles is the most common practice in Canada. While there is no specific objective to have the fleet-rating criteria to be the same as other jurisdictions, the proposed change is consistent with the industry practice of using motor vehicles (also commonly described as power units) for the purpose of establishing fleet status."

Please elaborate on the other common practices in Canada for fleet eligibility criteria.

### Response:

ICBC believes, based on discussions with industry peers and internet research of publicly available materials, that the following table is representative of the fleet status eligibility criteria in the following jurisdictions:

Jurisdiction	Criteria for Fleet	Trailer Included in Fleet Eligibility
Alberta	<ul> <li>At least five power vehicles.</li> <li>Under common ownership or common management.</li> <li>The vehicles must be used for business, commercial, or public transportation purposes.</li> </ul>	No
Saskatchewan	<ul> <li>At least four commercial plated motorized units.</li> <li>All vehicles must be registered in the same name.</li> </ul>	No
Manitoba	<ul> <li>At least 10 vehicles, including vehicles under dealer and repairer plates.</li> <li>The vehicles must belong to the same owner.</li> </ul>	No
Ontario	<ul> <li>At least five automobiles.</li> <li>Under common ownership or management.</li> <li>At least five must be commercial vehicles, public vehicles, or vehicles used for business purposes.</li> <li>Includes vehicles that are subject to a lease agreement for a period in excess of 30 days and these vehicles are leased to the same insured person.</li> </ul>	No

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### To summarize, of these jurisdictions:

- None allow trailers to be used in the determination of eligibility for fleet status.
- Five power units is a common number of vehicles used as a minimum threshold to qualify for fleet status.
- Although not within the scope of the Fleetplan Application, it was also observed that fleet status eligibility requires common ownership of the vehicles.

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2010.1 FLT BCUC.6.1 Reference: Exhibit B-1, Customer Impacts, Section C.1.5, p. 10 Grandfathering: Number of Policies

"Without a grandfathering provision in place, ICBC estimates that the proposed change would affect approximately 1,400 current Fleetplan customers. These customers would be required to transition onto the CRS as a result of having an insufficient number of motor vehicles to constitute a fleet."

What is the total of annual premiums for the 1,400 current Fleetplan customers that may be grandfathered?

### Response:

The 2008 Basic insurance written premiums for the 1,400 Fleetplan customers that may be grandfathered is \$4.6 million.

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Information Request No. 2010.1 FLT BCUC.7.1-3 Dated 16 March 2010
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2010.1 FLT BCUC.7.1-3 Reference: Exhibit B-1, Standardizing Trailer Basic Insurance

Premiums, Section C.2, p. 11

**Revenue Neutrality: Calculation Basis** 

7.1 Is the revenue neutrality done on a total package basis or per coverage basis (basic third party liability, part 7 and underinsured motorist protection)?

7.2 Please provide worksheets that demonstrate revenue neutrality in EXCEL readable format.

7.3 Does the revenue-neutrality include the impact of rounding the base rates to whole dollars?

### Response:

### 7.1

The Basic insurance base rates of commercial trailers and non-commercial trailers are determined separately in such a way that revenue neutrality is achieved for both.

The base rate for each coverage within each group is also calculated to achieve revenue neutrality. The only exception is the base rate for Underinsured Motorist Protection of non-commercial trailers; the base rate must be rounded down to \$1 so that revenue neutrality is achieved for non-commercial trailers in total.

### 7.2

Please see Attachment A - <u>Revenue Neutrality Calculation for Trailers</u> for the revenue neutral calculations of the commercial and non-commercial trailer base rates.

### 7.3

The impact of rounding the final base rates is to decrease total premium by 1.3%.



# 2010.1 FLT BCUC.7.1-3 – Attachment A – Revenue Neutrality Calculation for Trailers

## **Revenue Neutrality Calculation for Trailers**

### **Commercial Trailers (Rate Class 510 - 514)**

	Coverage	BI	PD	P7	UMP	Total
(1)	Revenue at Current Rate	5,054,912	1,339,856	365,415	121,805	6,881,988
(2)	Exposure	85,599	85,599	85,599	85,599	85,599
(3) = (1)/(2)	Standardized Rate	59.05	15.65	4.27	1.42	80.40
(4)	Rounded Standardized Rate	59.00	16.00	4.00	1.00	80.00
(5) = (4)*(2)	Revenue at Standardized Rate				_	6,847,917
(6) = [(5)-(1)]/(1)	% Change					-0.50%

### Non-Commercial Trailers (Rate Class 550 - 552)

	Coverage	BI	PD	P7	UMP	Total
(7)	Revenue at Current Rate	4,167,683	1,111,382	555,691	555,691	6,390,447
(8)	Exposure	284,309	284,309	284,309	284,309	284,309
(9) = (7)/(8)	Standardized Rate	14.66	3.91	1.95	1.95	22.48
(10)	Rounded Standardized Rate	15.00	4.00	2.00	1.00	22.00
(11) = (10)*(8)	Revenue at Standardized Rate				_	6,254,800
(12) = [(11)-(7)] / (7)	% Change					-2.12%

### All Trailers (Rate Class 510 - 552)

 $(13) = \{[(6)+(11)]-[(1)+(7)]\}/[(1)+(7)]$  Total Revenue Change (169,718) (14) = (13)/[(1)+(7)] % Change -1.3%

Notes: UMP rounded standardized rate for non-commercial trailers (row 10) was rounded down to 1.00 to keep the total base rate revenue neutral at \$22.00.

Revenue at current rate is calculated based on 2008 written exposures, year 2 base rates (\$1,000,000 limit for commercial and \$200,000 limit for personal), and 2008 discount/surcharge factors).

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2010.1 FLT BCUC.8.1 Reference: Exhibit B-1, Standardising Trailer Basic Insurance, Section C.2.1, p. 12 Current Rates

"Currently the Basic insurance base rate in the Tariff for non-commercial trailers is \$23, and base rates for commercial trailers requiring \$1 million TPL coverage and \$2 million TPL coverage are \$113 and \$139 respectively."

Which Rate Class(es) and Territory(ies) are the rates referred to in the citation applicable to? Please explain.

### Response:

As set out in the Basic Insurance Tariff the \$23 base rate applies to Rate Classes 550, 551, and 552 in all territories. The \$113 base rate applies to Third Party Liability (TPL) coverage of \$1 million for Rate Classes 510, 511, 512, and 514 in all territories and to Rate Class 513 in Territory Z (outside of BC). The \$139 base rate applies to TPL coverage of \$2 million in Rate Classes 510, 511, 512, and 514 in all territories and to Rate Class 513 in Territory Z.

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Information Request No. 2010.1 FLT BCUC.9.1 Dated 16 March 2010
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2010.1 FLT BCUC.9.1 Reference: Exhibit B-1, Standardising Trailer Basic Insurance, Section C.1.5, p. 12
Current Rates and Number of Policies

"ICBC provides coverage for approximately 58,000 trailers that are in fleets and 312,000 individually-rated trailers. Trailers in any of the three categories can be either part of a fleet or individually-rated. Of ICBC's 370,000 trailers with Basic insurance coverage, approximately 86,000 are commercially rated and 284,000 are non-commercially rated.

"Currently each trailer in a fleet has the fleet discount or surcharge applied to the Basic insurance base rate to determine its Basic insurance premium. As a result, the actual premium paid to insure each trailer on a fleet is dependent upon the fleet's discount or surcharge."

Without a grandfathering provision in place, ICBC estimates that the proposed change would affect approximately 1,400 current Fleetplan customers. These customers would be required to transition onto the CRS as a result of having an insufficient number of motor vehicles to constitute a fleet."

In a fleet with 30 motor vehicles and 100 trailers, is the premium calculated for the 30 motor vehicles and then another premium for the trailers? Please explain.

### Response:

Premiums are calculated individually for each motor vehicle and trailer, regardless of whether the vehicles are fleet-rated or individually-rated. This is done by applying a discount or surcharge to the base rates in Schedule C of the Basic Insurance Tariff.

British Columbia Utilities Commission

Information Request No. 2010.1 FLT BCUC.9.2 Dated 16 March 2010 Insurance Corporation of British Columbia Response Issued 14 April 2010

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2010.1 FLT BCUC.9.2 Reference: Exhibit B-1, Standardising Trailer Basic Insurance, Section C.1.5, p. 12
Current Rates and Number of Policies

"ICBC provides coverage for approximately 58,000 trailers that are in fleets and 312,000 individually-rated trailers. Trailers in any of the three categories can be either part of a fleet or individually-rated. Of ICBC's 370,000 trailers with Basic insurance coverage, approximately 86,000 are commercially rated and 284,000 are non-commercially rated.

"Currently each trailer in a fleet has the fleet discount or surcharge applied to the Basic insurance base rate to determine its Basic insurance premium. As a result, the actual premium paid to insure each trailer on a fleet is dependent upon the fleet's discount or surcharge."

Without a grandfathering provision in place, ICBC estimates that the proposed change would affect approximately 1,400 current Fleetplan customers. These customers would be required to transition onto the CRS as a result of having an insufficient number of motor vehicles to constitute a fleet."

Please provide tables (similar to those shown in Appendices D and E) with the average premiums for each rate class under each of a) Fleetplan and b) CRS. Please insert a column showing whether each rate class is a motor vehicle or trailer class.

### Response:

ICBC assumes this information request refers to Appendix D in the Fleetplan Application since Appendix E does not contain any tables.

Attachment A - <u>Average Premiums for Each Rate Class under Fleetplan and CRS</u> provides a table similar to Appendix D with the 2009 average written premiums for each rate class under Fleetplan and the Claim-Rated Scale (CRS).

Some entries are blank because there was no policy written in 2009 in those rate classes and territories. There can be large variances in the average premiums within a given rate class as a result of differences in both territorial rates and customers' discount levels. For example, in Rate Class 642, the average written premium of Territory G is almost seven times that of Territory N. This is because the base rate of Territory G is double that of Territory N and because the one policy in Rate Class 642 in Territory G had a surcharge of 27%, while the policies Rate Class 642 in Territory N had an average discount of 63%.



# 2010.1 FLT BCUC.9.2 – Attachment A – Average Premiums for Each Rate Class under Fleetplan and CRS

## Average Premiums for Each Rate Class under Fleetplan and CRS

				TERRITORY														
	Motor Vehicle/		THIRD PARTY	,												,	.,	_
RATE CLASS	Trailer		COVERAGE	D	Е	F	G	Н	L	N	Р	R	S	V	W	Х	Υ	Z
455	Motor Vehicle	CRS	\$1MM															4,461
		Fleet	\$1MM															3,431
456	Motor Vehicle	CRS	\$1MM															4,911
		Fleet	\$1MM															3,685
460	Motor Vehicle	CRS	\$1MM															1,515
		Fleet	\$1MM															1,461
461	Motor Vehicle	CRS	\$1MM															2,427
		Fleet	\$1MM															2,156
462	Motor Vehicle	CRS	\$1MM															5,188
463	Motor Vehicle	CRS	\$1MM															2,313
		Fleet	\$1MM															1,729
464	Motor Vehicle	CRS	\$1MM															3,541
		Fleet	\$1MM															2,746
465	Motor Vehicle	CRS	\$1MM															4,515
		Fleet	\$1MM															3,399
466	Motor Vehicle	CRS	\$1MM															5,827
		Fleet	\$1MM															4,352
510	Trailer	CRS	\$1MM	107	130	118	108	120	107	108	109	102	99	104	101	104	103	130
		Fleet	\$1MM	51	65	51	46	57	49	46	50	45	42	46	47	46	43	
511	Trailer	CRS	\$1MM	118	147	128	113	126	112	113	113	110	103	111	106	109	109	142
		Fleet	\$1MM	61	77	57	56	65	55	51	60	49	43	48	52	50	47	63
512	Trailer	CRS	\$1MM	114	114	114	114	114	110	110	111	110	110	110	108	108	108	116
		Fleet	\$1MM	53	52	51	46	49	52	46	49	49	49	48	51	49	50	54
513	Trailer	CRS	\$1MM															131
		Fleet	\$1MM															57
514	Trailer	CRS	\$1MM	111	149	124	113	122	110	110	112	105	102	107	105	106	105	136
		Fleet	\$1MM	53	66	53	63	57	51	46	47	46	45	48	48	50	44	68
550	Trailer	CRS	\$200K	23	24	25	23	24	23	23	23	23	22	22	23	23	23	26
		Fleet	\$200K	10	12	12	10	10	10	10	10	10	9	9	11	10	10	
551	Trailer	CRS	\$200K	23	24	25	23	24	23	23	23	23	22	22	23	23	23	
		Fleet	\$200K	10	12	11	13	11	11	10	10	10	9	10	10	10	9	
552	Trailer	CRS	\$200K	42	48	51	23	47	48	42	51	41	56	40	47	41	63	
		Fleet	\$200K	19	32	34	30	18	21	13	34	9	30	21	17	16	16	
600	Motor Vehicle	CRS	\$1MM	2,107	1,610	2,355	1,234	1,547	1,141	977	1,372	1,085	1,003	1,150	1,095	1,120	1,140	
		Fleet	\$1MM	1,959	-	1,904	•	1,408	947	763	870	800	850	848	939	860	,	2,203

## Average Premiums for Each Rate Class under Fleetplan and CRS

										TER	RITOF	RY						
RATE CLASS	Motor Vehicle/ Trailer	FI FFT/CRS	THIRD PARTY COVERAGE	D	E	F	G	н	L	N	Р	R	s	V	w	Х	Y	z
601	Motor Vehicle	CRS	\$1MM	2,824		3,848		2.928	1,682		2,046	- 11		2,898			-	
001	Wiotor Vornoio	Fleet	\$1MM	2,349		2,633		2,106	,	1,404	2,010	1,231	1,007	1,131		•	1,000	2,638
602	Motor Vehicle	CRS	\$1MM	4,291		4,709		,	2,796				2,637	.,		3,145		6,775
		Fleet	\$1MM	3,297		3,752			2,507				2,404	1,887			2,339	
603	Motor Vehicle	Fleet	\$1MM	5,973				,	,	,		,	,	,	,	,	,	
610	Motor Vehicle	CRS	\$1MM	2,872		2,575			1,708	1,772	1,634		2,001	1,751	1,685	1,667	1,668	
		Fleet	\$1MM	2,099		1,672			1,223	1,139	1,119	1,330	1,136	1,219	1,132	1,180	1,125	2,365
611	Motor Vehicle	CRS	\$1MM	2,916			5,118	3,070	2,067	1,891	1,892		1,888		1,881	1,881		
		Fleet	\$1MM	2,194				2,917	1,493	1,361				1,293	1,401	1,387	1,287	2,160
612	Motor Vehicle	CRS	\$1MM	4,269						2,424	4,253		2,424	2,424				4,574
		Fleet	\$1MM	3,247					1,790			1,999	2,212		2,098	1,960	1,682	
620	Motor Vehicle	CRS	\$1MM															3,983
		Fleet	\$1MM															2,457
622	Motor Vehicle	Fleet	\$1MM															3,146
630	Motor Vehicle	CRS	\$1MM															3,551
		Fleet	\$1MM															3,987
631	Motor Vehicle	CRS	\$1MM															4,347
		Fleet	\$1MM															3,276
632	Motor Vehicle	CRS	\$1MM															5,874
		Fleet	\$1MM															4,288
640	Motor Vehicle	CRS	\$1MM	3,116					2,022						1,917			
		Fleet	\$1MM	2,404					1,479			1,313	1,312					
641	Motor Vehicle	CRS	\$1MM	3,794						2,136			2,136					
		Fleet	\$1MM	2,523					1,462		1,412		1,761			1,606		
642	Motor Vehicle	CRS	\$1MM						2,720									
		Fleet	\$1MM	4,390			12,274			1,766			2,482	6,055				4,567
650	Motor Vehicle	CRS	\$1MM															4,222
		Fleet	\$1MM															3,459
651	Motor Vehicle	CRS	\$1MM															4,915
		Fleet	\$1MM															3,641
652	Motor Vehicle	CRS	\$1MM															6,086
		Fleet	\$1MM															4,469
660	Motor Vehicle	CRS	\$1MM															4,964
		Fleet	\$1MM															3,309

## Average Premiums for Each Rate Class under Fleetplan and CRS

										TER	RITOR	Y						
			THIRD															
	Motor Vehicle/		PARTY															
RATE CLASS	Trailer	FLEET/CRS	COVERAGE	D	Е	F	G	Н	L	N	Р	R	S	V	W	X	Υ	Z
661	Motor Vehicle	CRS	\$1MM															4,869
		Fleet	\$1MM															3,753
662	Motor Vehicle	CRS	\$1MM															6,051
		Fleet	\$1MM															4,694
670	Motor Vehicle	CRS	\$1MM	1,206	899	1,435	825	947	620	561	673	722	569	673	573	610	641	1,871
		Fleet	\$1MM	928	656	792	587	691	420	369	425	500	436	361	443	391	374	905
671	Motor Vehicle	CRS	\$1MM	1,707	1,372	1,635	986	1,431	1,170	974	993	1,042	898	998	971	1,157	1,056	2,165
		Fleet	\$1MM	1,418	1,116	1,119	730	1,012	693	617	760	642	561	635	670	680	690	1,558
672	Motor Vehicle	CRS	\$1MM	1,821	1,538	1,959	1,103	1,583	1,094	1,129	1,271	982	1,074	1,089	953	1,166	1,169	2,533
		Fleet	\$1MM	1,326	1,503	1,274	753	1,056	708	659	765	663	754	671	748	795	823	1,646
680	Motor Vehicle	CRS	\$1MM	798		659	485	632	478	679	503	492	497	411	436	617		1,459
		Fleet	\$1MM	684	782			737	418				313	352	254	335		
681	Motor Vehicle	CRS	\$1MM	1,408				1,309	820	1,203		1,271	753	782	711	758		1,371
		Fleet	\$1MM	923				804	476							573		
682	Motor Vehicle	CRS	\$1MM	1,481	1,229		1,484	1,489	986	928	968	877		958		885		1,583
		Fleet	\$1MM	1,030				949	645			571			507	681	·	

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2010.1 FLT BCUC.9.3 Reference: Exhibit B-1, Standardising Trailer Basic Insurance, Section C.1.5, p. 12
Current Rates and Number of Policies

"ICBC provides coverage for approximately 58,000 trailers that are in fleets and 312,000 individually-rated trailers. Trailers in any of the three categories can be either part of a fleet or individually-rated. Of ICBC's 370,000 trailers with Basic insurance coverage, approximately 86,000 are commercially rated and 284,000 are non-commercially rated.

"Currently each trailer in a fleet has the fleet discount or surcharge applied to the Basic insurance base rate to determine its Basic insurance premium. As a result, the actual premium paid to insure each trailer on a fleet is dependent upon the fleet's discount or surcharge."

Without a grandfathering provision in place, ICBC estimates that the proposed change would affect approximately 1,400 current Fleetplan customers. These customers would be required to transition onto the CRS as a result of having an insufficient number of motor vehicles to constitute a fleet."

Please provide tables (similar to those shown in Appendices D and E) showing the existing count of policies associated with each rate class under each of a) Fleetplan and b) CRS. Please insert a column showing whether each rate class is a motor vehicle or trailer class.

### Response:

ICBC assumes this information request refers to Appendix D in the Fleetplan Application since Appendix E does not contain any tables.

Attachment A - <u>Annualized Policy Counts for Each Rate Class under Fleetplan and CRS</u> provides a table similar to Appendix D with the 2009 Basic insurance written annualized policy counts for each rate class under Fleetplan and the Claim-Rated Scale.

Some entries are blank because there was no policy written in 2009 in those rate classes and territories. The table contains annualized policy count, so it is possible to have fractional policy counts for an entry. For example, the entry for Rate Class 642 in Territory G has 0.2 because there was only one policy written for less than 3 months in 2009. In a case where the policy count is less than one, an extra decimal of precision is shown.



# 2010.1 FLT BCUC.9.3 – Attachment A – Annualized Policy Counts for Each Rate Class under Fleetplan and CRS

### Annualized Policy Counts for Each Rate Class under Fleetplan and CRS

				TERRITORY														
			THIRD															
	Motor Vehicle/		PARTY															
RATE CLASS			COVERAGE	D	E	F	G	Н	L	N	P	R	S	٧	W	Χ	Υ	Z
455	Motor Vehicle	CRS	\$1MM															20
		Fleet	\$1MM															39
456	Motor Vehicle	CRS	\$1MM															421
		Fleet	\$1MM															1,571
460	Motor Vehicle	CRS	\$1MM															6
		Fleet	\$1MM															12
461	Motor Vehicle	CRS	\$1MM															2
		Fleet	\$1MM															7
462	Motor Vehicle	CRS	\$1MM															1
463	Motor Vehicle	CRS	\$1MM															62
		Fleet	\$1MM															168
464	Motor Vehicle	CRS	\$1MM															4
	<u> </u>	Fleet	\$1MM															31
465	Motor Vehicle	CRS	\$1MM															23
		Fleet	\$1MM															52
466	Motor Vehicle	CRS	\$1MM															477
		Fleet	\$1MM															4,385
510	Trailer	CRS	\$1MM	5,314	749	186	175	2,949	6,838	2,195	1,149		602	2,602	1,642	2,937	430	495
		Fleet	\$1MM	2,592	281	105	91	612	1,675	634	321	932	283	947	528	705	233	508
511	Trailer	CRS	\$1MM	632	147	16	27	182	709	260	302	574	76	348	146	330	61	118
		Fleet	\$1MM	2,783	578	68	43	425	1,362	444	633	1,347	110	378	371	694	130	588
512	Trailer	CRS	\$1MM	390	9	4	17	31	221	50	50		29	119	39	50	12	364
		Fleet	\$1MM	2,181	4	4	9	27	726	94	98	294	56	266	272	183	57	2,039
513	Trailer	CRS	\$1MM															1,027
		Fleet	\$1MM															10,183
514	Trailer	CRS	\$1MM	905	387	25	75	192	396	111	59		23	272	115	276	48	94
550	<b>-</b> "	Fleet	\$1MM	4,249	2,245	47	341	888	413	125	183		24	310	168	307	53	1,643
550	Trailer	CRS	\$200K	22,486	2,722	670	505	8,632	22,877	7,654	2,956	5,509	2,345	1,836	8,930	14,280	2,205	118
554	T 7	Fleet	\$200K	1,462	36	88	17	202	675	212	72	253	109	83	343	329	79	395
551	Trailer	CRS	\$200K	32,241	4,267	858	823	14,235	39,099	14,151	5,181	12,519	4,232	7,721	13,225	25,975	4,542	638
EEO	Troiler	Fleet	\$200K	737	27 14	28	11	127	465	121 30	51	154	65	174	141	222 55	51	786
552	Trailer	CRS	\$200K	146		4 372	1	24 119	76 200	40	18 13		6 4	22 301	53 47	94	2 43	45 2,242
600	Motor Vohiolo	Fleet CRS	\$200K \$1MM	386 212	10 5	23	3	9	63	26	7	14	4	23	47	94 44	43	2,242
000	Motor Vehicle	Fleet	\$1MM	807	5	48	3	27	85	13	1	9	10	20	99	49	15	4
601	Motor Vehicle	CRS	\$1MM	55	+	48		3	5	4	2		10	20	99	49 7	15	4
001	IVIOLOI VEITICIE	Fleet	\$1MM	291		23		3	13	4		2	- '	16	10	19		2
602	Motor Vehicle	CRS	\$1MM	291		23		1	2	3		0.3	1	10	16	8		2
002	IVIOLOI VEITICIE	Fleet	\$1MM	197		50		47	136	<u>3</u> 18		36	22	24	11	107	10	
603	Motor Vehicle	Fleet	\$1MM	1,252		50		47	130	10		30	22	24	11	107	10	
610	Motor Vehicle	CRS	\$1MM	1,252		2			15	6	5		4	5	20	5	7	
010	WIGHT VEHICLE	Fleet	\$1MM	19		2			26	12	1		4	9	20	3	2	
611	Motor Vehicle	CRS	\$1MM	4			1	1	8	3	2		0.3	9	2	1		4
011	INIOIOI VEHICIE	Fleet	\$1MM	17				0.5	1	1			0.3	1	4	4	4	1
612	Motor Vehicle	CRS	\$1MM	9				0.5	2	3	1		1	1	2	4	3	1
UIZ	MOTOL VEHICLE	Fleet	\$1MM	27	i				5	<u> </u>	- 1	1	6	- '	21	8	3	
	<u> </u>	FIEEL	ψιινιινι	21					၁			I	b		۷۱	0	ગ	

### Annualized Policy Counts for Each Rate Class under Fleetplan and CRS

				TERRITORY														
			THIRD															
	Motor Vehicle/		PARTY															
RATE CLASS			COVERAGE	D	E	F	G	Н	L	N	Р	R	S	٧	W	Χ	Υ	Z
620	Motor Vehicle	CRS	\$1MM															5
		Fleet	\$1MM															13
622	Motor Vehicle	Fleet	\$1MM															1
630	Motor Vehicle	CRS	\$1MM															16
		Fleet	\$1MM															9
631	Motor Vehicle	CRS	\$1MM															18
		Fleet	\$1MM															10
632	Motor Vehicle	CRS	\$1MM															8
		Fleet	\$1MM															46
640	Motor Vehicle	CRS	\$1MM	3					3						1			
		Fleet	\$1MM	3					3			1	0.4					
641	Motor Vehicle	CRS	\$1MM	1						1			1					
		Fleet	\$1MM	2					1		3		3			1		
642	Motor Vehicle	CRS	\$1MM						1									
		Fleet	\$1MM	14			0.2			2			14	0.1				1
650	Motor Vehicle	CRS	\$1MM															3
		Fleet	\$1MM															10
651	Motor Vehicle	CRS	\$1MM															3
		Fleet	\$1MM															6
652	Motor Vehicle	CRS	\$1MM															7
		Fleet	\$1MM															23
660	Motor Vehicle	CRS	\$1MM															2
		Fleet	\$1MM															18
661	Motor Vehicle	CRS	\$1MM															5
		Fleet	\$1MM															40
662	Motor Vehicle	CRS	\$1MM															19
		Fleet	\$1MM															274
670	Motor Vehicle	CRS	\$1MM	576	31	27	4	99	163	49	17	31	31	28	127	113	28	8
		Fleet	\$1MM	870	26	35	2	155		145			28		178	154	58	24
671	Motor Vehicle	CRS	\$1MM	95	4	13	1	14		9			13			23	8	
-		Fleet	\$1MM	149	9		6	14		17						26	8	10
672	Motor Vehicle	CRS	\$1MM	40	3		2	22	25	10	-					24	6	
-		Fleet	\$1MM	255	10	18	25	148		177			68			162	31	11
680	Motor Vehicle	CRS	\$1MM	62		1	1	8		2		3	3		5	8	-	2
		Fleet	\$1MM	28	1			18				-	3			7		
681	Motor Vehicle	CRS	\$1MM	10				1	5			1	3		4	1		1
		Fleet	\$1MM	9				2	2	_						1		
682	Motor Vehicle	CRS	\$1MM	10	1		0.3	3	15	1	4	2		3		3		3
	,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	Fleet	\$1MM	8	•		2.0	4	7	·		1		Ĭ	1	4		

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2010.1 FLT BCUC.10.1 Reference: Exhibit B-1, Standardising Trailer Basic Insurance,

Section C.1.5, p. 12

**Rate Adjustment: Calculation** 

"To determine the new Basic insurance base rates for both commercial and non-commercial trailers, ICBC calculated the total premium revenue that is currently received for each trailer category (non-commercial trailers, commercial \$1 million TPL coverage, and commercial \$2 million TPL coverage) and divided this number by the total number of trailers in each respective category. By determining Basic insurance base rates for trailers in this way, standardizing trailer Basic insurance premiums will be revenue neutral."

Show the detailed calculations described above.

### Response:

The detailed calculations, which also demonstrate revenue neutrality, can be found in the response to information request 2010.1 FLT BCUC.7.1-3.

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2010.1 FLT BCUC.11.1-2 Reference: Exhibit B-1, Standardising Trailer Basic Insurance,

Section C.2.5, p. 13

**Customer Impacts: Other Trailer Coverage Rates** 

11.1 Please explain whether and how Part 7 base rates applicable to Trailer rate classes will be affected by the proposals in the Application.

11.2 Please explain whether and how Uninsured Motorist Protection base rates applicable to Trailer rate classes will be affected by the proposals in the Application.

### Response:

#### 11.1

The Part 7 base rate for each commercial trailer policy is proposed to decrease from \$6 to \$4 and the Part 7 base rate for each non-commercial trailer policy is proposed to remain at \$2.

The current base rates are not subject to a Claim-Rated Scale (CRS) discount or surcharge for individually-rated policies but they are subject to fleet discounts or surcharges for fleet-rated policies. The proposed base rates will not be subject to CRS or fleet discounts or surcharges, which explains why the base rates must be reduced to achieve revenue neutrality.

Please see the responses to information request 2010.1 FLT BCUC.7.1-3 for the calculations of the Part 7 base rates. The Part 7 base rates are determined so that revenue neutrality is achieved for the coverage.

### 11.2

The Uninsured Motorist Protection (UMP) base rates for each of the commercial and non-commercial trailer policies are proposed to decrease from \$2 to \$1. The current base rates are not subject to CRS discounts or surcharges for individually-rated policies but they are subject to fleet discounts or surcharges for fleet-rated policies. The proposed base rates will not be subject to CRS or fleet discounts or surcharges, which explains why the base rates must be reduced to achieve revenue neutrality.

Please see the responses to information request 2010.1 FLT BCUC.7.1-3 for the calculations of the UMP base rates. The base rates for commercial trailers are determined so that revenue

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neutrality is achieved for the coverage. The base rates for non-commercial trailers are rounded down to \$1 so that revenue neutrality is achieved for the group.

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2010.1 FLT BCUC.12.1-3 Reference: Exhibit B-1, Standardising Trailer Basic Insurance,

**Section C.2.5, p. 13** 

**Customer Impacts: Greatest Expected Percentage Increases** 

"Due to the relatively small premium that is charged for trailers, ICBC does not intend to implement any provisions for capping individual premium increases or decreases that result from the proposed changes."

- 12.1 What is the greatest total premium percentage cost increase that a single customer is expected to face due to the proposal? (Assume no change to its existing fleet composition.)
- 12.2 How many commercial customers will face summary premium cost increases exceeding 10 percent under the proposal?
- 12.3 How many non-commercial customers will face summary premium cost increases exceeding 10 percent under the proposal?

### Response:

### 12.1

The percent total Basic insurance premium increase experienced by any individual fleet customer will be determined by a number of factors working together, including fleet composition (number of trailers, rate class of trailers, number of motor vehicles, and rate class of motor vehicles) and fleet discount or surcharge. The largest possible increase would be 144% experienced by customers with a fleet profile that is exclusively trailers in Rate Classes 550 to 552 and with a fleet discount of 59% or higher. The Basic insurance dollar premium increase per trailer for that customer would be \$13 (\$22 increased from \$9 for \$200,000 Basic Third Party Liability) multiplied by the number of trailers to determine the total premium dollar increase.

ICBC compared the 2009 total Basic insurance premium for each fleet that had at least one trailer in its profile with the total Basic insurance premium that each customer would have paid if the standardized Basic insurance premiums for trailers had been in effect. This resulted in the comparison being completed for 6,228 fleets. ICBC has not included Garage fleets or Fleet Reporting fleets in the comparison but does not believe that this has any material impact on the analysis.

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Of the 6,228 fleets, 309 (less than 5% of total) would have experienced total Basic insurance premium increases exceeding 10%. The average total Basic insurance dollar increase for this group would have been \$937. A common characteristic of these 309 fleets is that they all had a significant number of trailers relative to motor vehicles. Of these 309 fleets, 196 had less than 3 motor vehicles in the fleet composition and the average total Basic insurance dollar increase for this group would have been \$526.

The greatest total Basic insurance premium percentage increase for any individual fleet customer would have been 144% and this would have affected 25 fleet customers. These 25 fleets had a common fleet profile - the fleet was comprised exclusively of trailers (no motor vehicles) in Rate Classes 550 to 552 and with a fleet discount of 59% or better applied. The largest total Basic insurance dollar increase in this group was \$293 for a fleet composed of 23 trailers. The average total Basic insurance dollar increase for this group would have been \$46.

4,128 (66% of total) affected fleet customers would have experienced a total Basic insurance premium increase with the amount of that increase being less than 3%.

399 (6% of total) affected fleet customers would have experienced either no premium change or a total Basic insurance premium decrease as a result of this proposal.

100% of trailers that are not part of a fleet would have experienced a premium decrease for each trailer as a result of this proposal.

#### 12.2

ICBC does not categorize fleets as either commercial customers or non-commercial customers and generally considers a fleet customer to be a commercial customer regardless of the vehicle rate class composition of the fleet. A fleet can include any number of vehicles in any of the eligible rate classes. The impact of the standardization of Basic insurance premiums for trailers to any individual fleet customer will depend on the factors referenced in the response to 12.1 (above) including fleet composition (number of trailers, rate class of trailers, number of motor vehicles, and rate class of motor vehicles) and fleet discount or surcharge.

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Please see the response to 12.1 (above) for the total premium impact at the fleet level. Please see the responses to information requests 2010.1 FLT BCUC.13.1, 2010.1 FLT BCUC.13.2, and 2010.1 FLT BCUC.13.3 for the premium impact by percent and dollar amounts for individual trailers (whether fleet-rated or individually-rated) in each group of trailer rate classes (commercial and non-commercial).

### 12.3

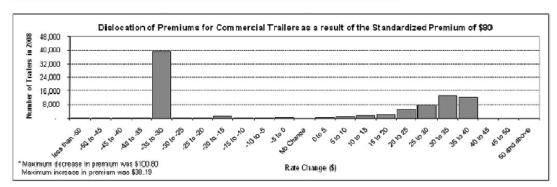
Please see the response to 12.2 (above).

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## 2010.1 FLT BCUC.13.1 Reference: Exhibit B-1, Standardising Trailer Basic Insurance, Section C.2.5, p. 14

**Customer Impacts: Distribution of Rate Changes** 

Figure 2 - Dislocation of Premiums for Commercial Trailers\*



Please provide a table of the data in Figure 2, using the same dollar change gradations as shown in the graphic, and the number of trailers associated with each dollar change.

#### Response:

The information requested is provided in the table below.

Range	Number of Commercial Trailers
less than -50	110
-50 to -45	29
-45 to -40	10
-40 to -35	50
-35 to -30	39,232
-30 to -25	75
-25 to -20	156
-20 to -15	1,037
-15 to -10	178
-10 to -5	273
-5 to 0	580
No Change	-
0 to 5	578
5 to 10	873
10 to 15	1,452
15 to 20	2,304
20 to 25	4,992
25 to 30	7,580
30 to 35	13,521
35 to 40	12,568
40 to 45	-
45 to 50	-
50 and above	
Total	85,599

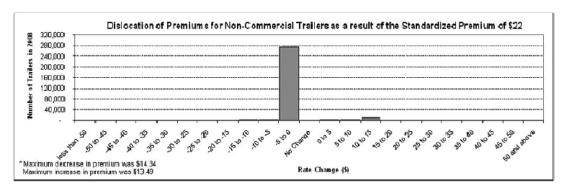
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2010.1 FLT BCUC.13.2 Reference: Exhibit B-1, Standardising Trailer Basic Insurance,

Section C.2.5, p. 14

**Customer Impacts: Distribution of Rate Changes** 

Figure 3 - Dislocation of Premiums for Non-Commercial Trailers\*



Please provide a table of the data in Figure 3, using the same dollar change gradations as shown in the graphic, and the number of trailers associated with each dollar change.

#### Response:

The information requested is provided in the table below.

Range	Number of Non-commercial Trailers
less than -50	-
-50 to -45	-
-45 to -40	-
-40 to -35	-
-35 to -30	-
-30 to -25	-
-25 to -20	-
-20 to -15	-
-15 to -10	8
-10 to -5	10
-5 to 0	273,058
No Change	-
0 to 5	161
5 to 10	640
10 to 15	10,433
15 to 20	-
20 to 25	-
25 to 30	-
30 to 35	-
35 to 40	-
40 to 45	-
45 to 50	-
50 and above	<u> </u>
Total	284,309

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2010.1 FLT BCUC.13.3 Reference: Exhibit B-1, Standardising Trailer Basic Insurance,

**Section C.2.5, p. 14** 

**Customer Impacts: Distribution of Rate Changes** 

Please provide tables similar to those requested in the previous sections of this question, but using the expected percentage rate changes and associated number of trailers.

#### Response:

The table below shows the expected percentage rate changes and the associated number of trailers:

Range	Number of Commercial Trailers	Number of Non- commercial Trailers
less than -60%	-	-
-60% to -50%	51	-
-50% to -40%	55	-
-40% to -30%	93	9
-30% to -20%	39,463	6
-20% to -10%	1,248	9
-10% to 0%	820	273,052
No Change	-	-
0.01% to 10%	1,018	32
10% to 20%	1,369	94
20% to 30%	2,077	34
30% to 40%	3,080	54
40% to 50%	3,758	58
50% to 60%	6,478	98
60% to 70%	8,571	140
70% to 80%	4,950	161
80% to 90%	5,340	319
90% to 100%	7,228	388
100% to 110%	-	936
110% to 120%	-	623
120% to 130%	-	1,069
130% to 140%	-	2,613
above 140%		4,615
Total	85,599	284,309

The percentage rate changes are on a per trailer unit basis. The percentages are high for some of the trailer policies because of the small Basic insurance premium paid. The impact of this change on a customer's overall premium will depend on the composition of the fleet and, except

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for those customers with trailer-only fleets, would be significantly smaller since average trailer Basic insurance premiums are so much smaller than commercial power-unit Basic insurance premiums. The average Basic insurance premiums of commercial trailers and non-commercial trailers are \$80 and \$22, respectively, while the average Basic insurance premium of a commercial power-unit is approximately \$1,100.

for Fleetplan Vehicles

Please see the response to 2010.1 FLT BCUC.12.1-3 on the impact of standardizing trailer rates on fleet customers.

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2010.1 FLT BCUC.13.4 Reference: Exhibit B-1, Standardising Trailer Basic Insurance,

Section C.2.5, p. 14

**Customer Impacts: Distribution of Rate Changes** 

Please provide tables similar to those requested in the previous sections of this question, but updated with 2009 data.

#### Response:

The table below shows the numbers of trailers with the associated dollar changes updated with 2009 data:

Range	Number of Commercial Trailers	Number of Non- commercial Trailers
less than -50	227	-
-50 to -45	8	-
-45 to -40	19	-
-40 to -35	27	-
-35 to -30	39,326	-
-30 to -25	62	-
-25 to -20	56	-
-20 to -15	786	-
-15 to -10	280	11
-10 to -5	241	26
-5 to 0	305	281,372
No Change	-	-
0 to 5	331	249
5 to 10	1,004	617
10 to 15	665	10,223
15 to 20	2,417	-
20 to 25	5,117	-
25 to 30	9,404	-
30 to 35	13,495	-
35 to 40	12,347	-
40 to 45	-	-
45 to 50	-	-
50 and above	<u> </u>	
Total	86,115	292,498

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The table below shows the expected percentage rate changes and the associated number of trailers updated with 2009 data:

Range	Number of Commercial Trailers	Number of Non- commercial Trailers
less than -60%	-	-
-60% to -50%	65	-
-50% to -40%	159	-
-40% to -30%	57	23
-30% to -20%	39,444	12
-20% to -10%	1,075	5
-10% to 0%	537	281,368
No Change	-	-
0% to 10%	714	27
10% to 20%	1,103	175
20% to 30%	1,548	47
30% to 40%	3,746	49
40% to 50%	3,787	85
50% to 60%	8,039	81
60% to 70%	7,797	102
70% to 80%	5,697	218
80% to 90%	4,514	287
90% to 100%	7,832	535
100% to 110%	-	485
110% to 120%	-	878
120% to 130%	-	912
130% to 140%	-	2,396
<u>above 140%</u>		4,813
Total	86,115	292,498

The percentage rate changes are on a per trailer unit basis. The percentages are high for some of the trailer policies because of the small Basic insurance premium paid. The impact of this change on a customer's overall premium will depend on the composition of the fleet and, except for those customers with trailer-only fleets, would be significantly smaller since average trailer Basic insurance premiums are so much smaller than commercial power-unit Basic insurance premiums. The average Basic insurance premiums of commercial trailers and non-commercial trailers are \$80 and \$22, respectively, while the average Basic insurance premium of a commercial power-unit is approximately \$1,100.

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Please see the response to information request 2010.1 FLT BCUC.12.1-3 on the impact of standardizing trailer rates on fleet customers.

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2010.1 FLT BCUC.14.1.1-2 Reference: Exhibit B-1, Fleet Premium Adjustment Agreement, Section C.3.2, p. 17

Fleet Retrospective Rating Program: Revenue Neutrality

"Not all participants in the Fleet Retrospective Rating Program are at risk of being charged an additional premium when their fleet loss experience is poor, thereby limiting the program's effectiveness. ICBC proposes to amend the Fleet Retrospective Rating Program by discontinuing Plan A and only retaining Plan B."

14.1 Is the proposal to amend the Fleet Retrospective Rating Program by discontinuing Plan A and only retaining Plan B a revenue neutral proposal?

14.1.1 If so, please provide worksheets that demonstrate revenue neutrality in EXCEL readable format and the assumptions underlying the calculations.

14.1.2 If not, please explain what the likely outcome might be and the assumptions behind ICBC's projections.

#### Response:

The question of revenue neutrality must be answered from an overall Basic insurance revenue requirement perspective, as it is not possible to know how many customers currently participating in Plan A will opt for Plan B or opt out of the Fleet Retrospective Rating Program altogether. From an overall Basic insurance revenue requirements perspective, revenue neutrality will be maintained. To understand this, consider the current Plan A: the up-front premium paid under Plan A is based on the Basic Insurance Tariff (the Tariff) rates, and those rates are fixed to cover expected future costs. Because Plan A returns premium to the customer when experience is favourable, but does not charge additional premium when experience is unfavourable, Plan A does not cover its expected future costs by the amount of its return premiums. Under the proposal to eliminate Plan A, revenue neutrality would be preserved on an overall basis because in that case no provision to cover Plan A return premiums would be included in the Basic insurance revenue requirements analysis. As such, revenue neutrality was not considered in the decision to eliminate Plan A and therefore no calculation is available.

The rates used for the retrospective rating plans are those rates approved in ICBC's March 29, 2007 Rate Design Application as part of the Tariff. The approved rates are determined in accordance with the actuarial principles of ratemaking in the context of non-retrospectively rated policies. Used in ICBC's retrospective rating plans, the rates should incorporate the expected

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cost of returning premium to customers in providing for all costs associated with the transfer of risk. This objective is consistent with the Statement of Principles Regarding Property and Casualty Insurance Ratemaking of the Casualty Actuarial Society:

http://www.casact.org/standards/princip/sppcrate.pdf

Nevertheless, Plan B provides a powerful loss control incentive that Plan A does not - a premium penalty if experience is unfavourable. The effect is an outcome which better aligns actual performance to premiums paid. This point is expressed in paragraph 74 of the Fleetplan Application:

Since Plan A has no provision for an additional premium there is no consequence for a fleet not improving their loss experience, except for not qualifying to receive a return premium. When there is the potential for a retrospective additional premium, fleet managers have more at stake and will have more incentive to pay attention to their fleet's vehicle safety and claims loss experience.

ICBC views the benefits of the dual reward/consequence feature of Plan B as a compelling reason to retain Plan B.

The proposal to eliminate Plan A and retain Plan B is aimed at furthering ICBC's direction toward risk-based pricing, while continuing to provide loss control incentives for large fleet customers. ICBC believes that Plan B provides stronger incentives and consequences to achieve that end.

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2010.1 FLT BCUC.14.2 Reference: Exhibit B-1, Fleet Premium Adjustment Agreement,

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Fleet Retrospective Rating Program: Revenue Neutrality

"Not all participants in the Fleet Retrospective Rating Program are at risk of being charged an additional premium when their fleet loss experience is poor, thereby limiting the program's effectiveness. ICBC proposes to amend the Fleet Retrospective Rating Program by discontinuing Plan A and only retaining Plan B."

What would be the premium dislocation to Plan A customers if they all opt for Plan B?

#### Response:

ICBC believes that the scenario in which all Plan A customers opt for Plan B is unlikely to occur. For illustrative purposes only, ICBC reviewed the experience of policy years 2003, 2004, and 2005 and simulates in the tables below the total premium dislocations of Plan A customers if they all had opted for Plan B in those policy years. ICBC has included more than one year to provide a broader view. Policy Year 2005 is the most recent policy year with all retrospective premium adjustments completed.

Please note that numbers in brackets represent premiums returned directly to customers.

#### Policy Year 2003

Plan Loss Ratio*	# Fleet	Total Premium before Retro Adjustment	Plan A Adjustment %	Premium Adjustments under Plan A	Plan B Adjustment %	Premium Adjustments under Plan B	Premium Change
(a)	(b)	(c)	(d)	(e)=(c)x(d)	(f)	(g)=(c)x(f)	(h)=(g)-(e)
0% - 25% 25% - 30% 30% - 35% 35% - 40% 40% - 45% 45% - 50%	81 7 17 17 15	16,166,294 2,000,025 4,518,524 6,658,079 6,710,885 5,201,697	-25% -20% -15% -10% -5% 0%	(4,041,574) (400,005) (677,779) (665,808) (335,544)	-35% -30% -25% -20% -15% -10%	(5,658,203) (600,008) (1,129,631) (1,331,616) (1,006,633) (520,170)	(1,616,629) (200,003) (451,852) (665,808) (671,089) (520,170)
50% - 55% 55% - 60%	12 13	2,581,155 6,104,151	0% 0% 0%	- - -	-10% -5% +0%	(129,058)	(129,058)
60% - 65% 65%+	12 83	5,750,833 43,555,090	0% 0%	-	+5% +10%	287,542 4,355,509	287,542 4,355,509
Total	267	99,246,733		(6,120,709) Average	e Premium cha	(5,732,267) ange per fleet:	388,443 1,455

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#### Policy Year 2004

Plan Loss Ratio*	# Fleet	Total Premium before Retro Adjustment	Plan A Adjustment %	Premium Adjustments under Plan A	Plan B Adjustment %	Premium Adjustments under Plan B	Premium Change
(a)	(b)	(c)	(d)	(e)=(c)x(d)	(f)	(g)=(c)x(f)	(h)=(g)-(e)
0% - 25%	94	17,053,846	-25%	(4,263,462)	-35%	(5,968,846)	(1,705,385)
25% - 30%	19	6,071,474	-20%	(1,214,295)	-30%	(1,821,442)	(607,147)
30% - 35%	13	3,629,420	-15%	(544,413)	-25%	(907,355)	(362,942)
35% - 40%	12	3,152,034	-10%	(315,203)	-20%	(630,407)	(315,203)
40% - 45%	21	7,368,976	-5%	(368,449)	-15%	(1,105,346)	(736,898)
45% - 50%	9	4,317,899	0%	-	-10%	(431,790)	(431,790)
50% - 55%	8	1,560,640	0%	-	-5%	(78,032)	(78,032)
55% - 60%	13	9,564,665	0%	-	+0%	-	-
60% - 65%	11	8,689,855	0%	-	+5%	434,493	434,493
65%+	86	40,776,537	0%	-	+10%	4,077,654	4,077,654
Total	286	102,185,346		(6,705,822)		(6,431,072)	274,750
				Average	e Premium cha	ange per fleet:	961

#### Policy Year 2005

Plan Loss Ratio*	# Fleet	Total Premium before Retro Adjustment	Plan A Adjustment %	Premium Adjustments under Plan A	Plan B Adjustment %	Premium Adjustments under Plan B	Premium Change
(a)	(b)	(c)	(d)	(e)=(c)x(d)	(f)	(g)=(c)x(f)	(h)=(g)-(e)
0% - 25%	98	16,733,037	-25%	(4,183,259)	-35%	(5,856,563)	(1,673,304)
25% - 30%	14	2,940,115	-20%	(588,023)	-30%	(882,035)	(294,012)
30% - 35%	20	8,082,066	-15%	(1,212,310)	-25%	(2,020,517)	(808,207)
35% - 40%	18	4,916,918	-10%	(491,692)	-20%	(983,384)	(491,692)
40% - 45%	19	12,301,915	-5%	(615,096)	-15%	(1,845,287)	(1,230,192)
45% - 50%	10	2,314,672	0%	-	-10%	(231,467)	(231,467)
50% - 55%	14	5,750,176	0%	-	-5%	(287,509)	(287,509)
55% - 60%	13	4,906,987	0%	-	+0%	-	-
60% - 65%	17	7,666,681	0%	-	+5%	383,334	383,334
65%+	87	40,365,009	0%	-	+10%	4,036,501	4,036,501
Total	310	105,977,576		(7,090,380)		(7,686,926)	(596,546)
				Average	e Premium cha	ange per fleet:	(1,924)

<sup>\*</sup> As per the Basic Insurance Tariff, each claim is capped at \$200,000 in calculating retrospective adjustments.

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2010.1 FLT BCUC.14.3 Reference: Exhibit B-1, Fleet Premium Adjustment Agreement,

**Section C.3.2, p. 17** 

Fleet Retrospective Rating Program: Revenue Neutrality

"Not all participants in the Fleet Retrospective Rating Program are at risk of being charged an additional premium when their fleet loss experience is poor, thereby limiting the program's effectiveness. ICBC proposes to amend the Fleet Retrospective Rating Program by discontinuing Plan A and only retaining Plan B."

What would be the premium dislocation to Plan A customers if they all opt out of the Fleet Retrospective Rating Program?

#### Response:

ICBC believes that the scenario in which all Plan A customers opt out of the Fleet Retrospective Rating Program is unlikely to occur. For illustrative purposes only, ICBC reviewed the experience of policy years 2003, 2004, and 2005 and simulates in the tables below the total premium dislocations of Plan A customers if they all opt out of the Fleet Retrospective Rating Program in those policy years. ICBC has provided more than one year to provide a broader view.

Policy Year 2005 is the most recent policy year with all retrospective premium adjustments.

Policy Year 2003				
Plan Loss Ratio*	# fleet	Total Premium before Retro Adjustment	Plan A adjustment %	Premium Increase from opting out of Plan A
(a)	(b)	(c)	(d)	(e)=-(c)x(d)
0% - 25%	81	16,166,294	-25%	4,041,574
25% - 30%	7	2,000,025	-20%	400,005
30% - 35%	17	4,518,524	-15%	677,779
35% - 40%	17	6,658,079	-10%	665,808
40% - 45%	15	6,710,885	-5%	335,544
45% - 50%	10	5,201,697	0%	-
50% - 55%	12	2,581,155	0%	-
55% - 60%	13	6,104,151	0%	-
60% - 65%	12	5,750,833	0%	-
65%+	83	43,555,090	0%	
Total	267	99,246,733		6,120,709

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#### Policy Year 2004

Plan Loss Ratio*	# fleet	Total Premium before Retro Adjustment	Plan A adjustment %	Premium Increase from opting out of Plan A
(a)	(b)	(c)	(d)	(e)=-(c)x(d)
0% - 25%	94	17,053,846	-25%	4,263,462
25% - 30%	19	6,071,474	-20%	1,214,295
30% - 35%	13	3,629,420	-15%	544,413
35% - 40%	12	3,152,034	-10%	315,203
40% - 45%	21	7,368,976	-5%	368,449
45% - 50%	9	4,317,899	0%	-
50% - 55%	8	1,560,640	0%	-
55% - 60%	13	9,564,665	0%	-
60% - 65%	11	8,689,855	0%	-
65%+	86	40,776,537	0%	
Total	286	102,185,346		6,705,822

#### Policy Year 2005

Plan Loss Ratio*	# fleet	Total Premium before Retro Adjustment	Plan A adjustment %	Premium Increase from opting out of Plan A
(a)	(b)	(c)	(d)	(e)=-(c)x(d)
0% - 25%	98	16,733,037	-25%	4,183,259
25% - 30%	14	2,940,115	-20%	588,023
30% - 35%	20	8,082,066	-15%	1,212,310
35% - 40%	18	4,916,918	-10%	491,692
40% - 45%	19	12,301,915	-5%	615,096
45% - 50%	10	2,314,672	0%	-
50% - 55%	14	5,750,176	0%	-
55% - 60%	13	4,906,987	0%	-
60% - 65%	17	7,666,681	0%	-
65%+	87	40,365,009	0%	-
Total	310	105,977,576	_	7,090,380

<sup>\*</sup> As per the Basic Insurance Tariff, each claim is capped at \$200,000 in calculating retrospective adjustments.

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2010.1 FLT BCUC.14.4 Reference: Exhibit B-1, Fleet Premium Adjustment Agreement,

Section C.3.2, p. 17

Fleet Retrospective Rating Program: Revenue Neutrality

"Not all participants in the Fleet Retrospective Rating Program are at risk of being charged an additional premium when their fleet loss experience is poor, thereby limiting the program's effectiveness. ICBC proposes to amend the Fleet Retrospective Rating Program by discontinuing Plan A and only retaining Plan B."

Given that there are 392 fleets participating in Plan A, is it practical to phase out Plan A over 3 years depending on the size of the fleet?

#### Response:

ICBC does not believe that it is desirable or practical to utilize a phased approach with respect to the elimination of Plan A. The elimination of Plan A is an important step towards more risk-based pricing in fleet-rating that ICBC has the capacity to undertake currently and that ICBC believes should proceed at this time. Implementing a phased approach would add administrative complexity and create confusion with customers and brokers about why some (but not all) customers still had a choice of Fleet Retrospective Rating Program plans. ICBC believes that communication and change management plans will ensure the effective transition in one year for the customers affected.

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2010.1 FLT BCUC.15.1 Reference: Exhibit B-1, Fleet Premium Adjustment Agreement,

Section C.3.2, p. 17

Fleet Retrospective Rating Program: Past Results

"Not all participants in the Fleet Retrospective Rating Program are at risk of being charged an additional premium when their fleet loss experience is poor, thereby limiting the program's effectiveness. ICBC proposes to amend the Fleet Retrospective Rating Program by discontinuing Plan A and only retaining Plan B."

Please describe (and provide data on) the loss experience under each of Plan A and Plan B for the most recent policy year for which data are available.

#### Response:

Policy year 2005 is the most recent policy year with all retrospective premium adjustments completed. The table below shows the policy year 2003 to 2005 experience of fleets in Plan A and Plan B:

		Policy Year	
_	2003	2004	2005
<u>Plan A</u>			
Number of Fleets	267	286	310
Average Premium (\$)	348,754	333,791	318,969
Net Premium (\$)	93,117,380	95,464,128	98,880,441
Incurred Losses (\$)	74,666,590	85,539,599	81,794,757
Loss Ratio	80.2%	89.6%	82.7%
<u>Plan B</u>			
Number of Fleets	42	47	48
Average Premium (\$)	251,507	243,111	255,092
Net Premium (\$)	10,563,286	11,426,238	12,244,433
Incurred Losses (\$)	8,202,835	6,430,043	8,930,081
Loss Ratio	77.7%	56.3%	72.9%

The net premiums shown are net of retrospective premium adjustments and the losses are valued as of March 15, 2010.

The loss ratios of Plan B customers are consistently lower than those of Plan A customers. ICBC attributes this difference, in part, to Plan B customers being more attentive to ongoing loss control measures. These customers have an additional financial incentive to maintain a favourable claims experience through such measures.

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The proposal to eliminate Plan A and retain Plan B is aimed at furthering ICBC's direction toward risk-based pricing, while continuing to provide loss control incentives for large fleet customers.

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2010.1 FLT BCUC.16.1 Reference: Exhibit B-1, Fleet Premium Adjustment Agreement, Section C.3.2, p. 17

Fleet Retrospective Rating Program: Supporting Consultation or Research

"ICBC expects that some customers currently participating in Plan A may decide against participation in the Fleet Retrospective Rating Program Plan B in the future because of that possibility."

Please describe any customer consultation, market research, or other research that ICBC is relying on with respect to the proposed discontinuation of Plan A. (Include a summary of the extent of customer support, opposition, and indifference to the proposal.)

#### Response:

Prior to submission of the Fleetplan Application, ICBC consulted with representatives of 15 brokerage firms that specialize in fleet insurance in order to obtain insights with respect to potential impacts of the changes proposed. ICBC selected the participants based on their broad understanding of fleet customer issues. On a combined basis these brokerage firms handle a significant proportion of the fleet premiums in the province.

After discussing options for the future of the Fleet Retrospective Rating Program, the general consensus of this group of brokers was that it is important to retain the Fleet Retrospective Rating Program to influence positive fleet behaviour. In selecting a single plan, the parties consulted expressed agreement with ICBC's view that the plan chosen should provide for both return and additional premiums. This best describes Plan B and not Plan A.

ICBC recognizes that any changes introduced must balance the interests and concerns of individual fleet customers with the interests of all fleet customers and with non-fleet customers in general. Although the proposed changes will impact all fleet customers in the same manner and are aligned with ICBC's plans for Basic insurance rate design, both ICBC and the brokers recognized that individual customers who perceive themselves to be negatively impacted by any of the proposed changes would be unlikely to be in favour of implementing those changes. ICBC and the broker group also recognized that if the proposed changes are approved it will be very important to ensure that customers impacted by the elimination of Plan A have the information and support they require to make informed decisions on future participation in the Fleet Retrospective Rating Program.

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ICBC has ongoing dialogue with a number of industry associations that represent the interests of groups of individual customers. Although the changes proposed in the Application were not specifically discussed prior to the submission to the Commission, ICBC's plans for Basic insurance rate design including the move towards risk-based pricing and making the premiums of individual customers more reflective of risk are generally supported.

Subsequent to the Application being filed with the Commission, ICBC advised the BC Trucking Association, Automotive Retailers Association, Union of BC Municipalities, the BC Taxi Association, and the Canadian Association of Fleet Supervisors of the content of the Application and how to participate in the regulatory process. ICBC contacted 276 fleet customers directly (those participating in Plan A and not represented by one of the previously noted associations) to bring the Application, the Commission's Procedural Order, and the Regulatory Timetable to their attention. ICBC further responded to inquiries from individual fleet customers, either directly or through a broker, regarding the impact of the proposal to eliminate Plan A to their specific circumstances.

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2010.1 FLT BCUC.17.1-2 Reference: Exhibit B-1, Fleet Premium Adjustment Agreement,

**Section C.3.5, p. 18** 

Fleet Retrospective Rating Program: Customer Impact

"The return premium under Plan B (up to a maximum of 35% of the annual premium) is higher than it is under Plan A (up to a maximum of 25% of the annual premium) but does carry the possibility of an additional premium (up to a maximum of 10% of the annual premium)."

17.1 What would be the maximum premium cost increase expected for any customer currently taking Plan A due to the switch to Plan B? 17.2 What would be the average premium cost increase expected for customers currently taking Plan A, due to the switch to Plan B?

#### Response:

#### 17.1

The table below compares the premium adjustments between Plan A and Plan B for different loss ratios. The maximum premium cost increase for any customer currently taking Plan A would be 10% if they switch to Plan B. These are the customers with a 65% or higher plan loss ratio.

Plan Loss Ratio*	Plan A adjustment %	Plan B adjustment %	Premium % Change
(a)	(b)	(c)	(d)=(c)-(b)
0% - 25%	-25%	-35%	-10%
25% - 30%	-20%	-30%	-10%
30% - 35%	-15%	-25%	-10%
35% - 40%	-10%	-20%	-10%
40% - 45%	-5%	-15%	-10%
45% - 50%	0%	-10%	-10%
50% - 55%	0%	-5%	-5%
55% - 60%	0%	+0%	0%
60% - 65%	0%	+5%	+5%
65%+	0%	+10%	+10%

<sup>\*</sup> As per the Basic Insurance Tariff, each claim is capped at \$200,000 in calculating retrospective adjustments.

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#### 17.2

Please see the response to information request 2010.1 FLT BCUC.14.2.

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2010.1 FLT BCUC.18.1-2 Reference: Exhibit B-1, Fleet Premium Adjustment Agreement,

Section C.3.5, p. 18

Fleet Retrospective Rating Program: Revenue Impact

"The return premium under Plan B (up to a maximum of 35% of the annual premium) is higher than it is under Plan A (up to a maximum of 25% of the annual premium) but does carry the possibility of an additional premium (up to a maximum of 10% of the annual premium)."

18.1 What is the expected ICBC premium revenue impact due to the discontinuation of Plan A?

18.2 If no revenue impact is anticipated, describe how revenue-neutrality will be achieved given the program change.

#### Response:

Please see the response to information request 2010.1 FLT BCUC.14.1.1-2.

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Insurance Corporation of British Columbia Response Issued 14 April 2010
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Columbia for Changes to Universal Compulsory Automobile Insurance for Fleetplan Vehicles

2010.1 FLT BCUC.19.1 Reference: Exhibit B-1, Fleet Premium Adjustment Agreement, Section C.3.7, p. 18, and Exhibit B-1, Fleet Premium Adjustment Agreement, Appendix E Fleet Retrospective Rating Program: Tariff Changes - Schedule J

"If the proposal to amend the Fleet Retrospective Rating Program is approved, Schedule J in the Tariff will be removed."

Please provide a copy of the existing Schedule J.

#### Response:

Please see Attachment A - <u>Schedule J of the Basic Insurance Tariff</u> for the current version of this schedule.



## 2010.1 FLT BCUC.19.1 – Attachment A – Schedule J of the Basic Insurance Tariff

Insurance Corporation of British Columbia
Basic Insurance Tariff
Schedule J: Fleet Premium Adjustment Agreement – Plan A Page 1
Effective: June 1, 2007

#### **SCHEDULE J**

#### FLEET PREMIUM ADJUSTMENT AGREEMENT - PLAN A

In consideration of the <u>INSURANCE CORPORATION OF BRITISH COLUMBIA</u> (the Corporation) entering into this agreement, ——(the Fleet Operator) agrees with the Corporation as follows:

#### 1. **DEFINITIONS**

In this agreement:

**FLEET** means, collectively, Fleet Number(s)

**LOSS RATIO** means the Loss Experience for the Fleet during the term of this agreement expressed as a percentage of the premium paid to the Corporation for insurance on the Fleet for the current insurance year.

**LOSS EXPERIENCE** means the total amount paid or payable by the Corporation in respect of all vehicles in the Fleet to which the Loss Experience pertains as a result of accidents occurring during the current insurance year but in respect of amounts paid or reserved for the payment of third party liability claims any amount over \$200,000 per accident will not form part of the Fleet's Loss Experience for the purposes of this agreement.

**PREMIUM PAID** means the total amount of all premium paid to the Corporation for all vehicles in the Fleet after allowance for any discount or surcharge.

**RETURN PREMIUM** means the percentage of the Premium Paid that is to be refunded by the Corporation, if any, after an adjustment of premium has been made under section 2 below.

#### 2. CHOICE OF ADJUSTMENT PLAN

Subject to the terms and conditions of this agreement and subject to the provisions of the <u>Insurance (Vehicle) Act</u> and the Insurance (Vehicle) Regulation (the Regulation) the Fleet Operator agrees that the Premium Paid for the coverage provided to the Fleet Operator for the term set out in section 6 below or any subsequent term, as the case may be, shall be adjusted in accordance with PLAN " A as set out in Schedule "A".

#### 3. ADJUSTMENT OF PREMIUM

The Corporation shall at the times for adjustment examine the Loss Ratio of the Fleet and based on that Loss Ratio, using the Table in Schedule "A", calculate the amount of Return Premium, if

Accepted: October 25,2007 Effective: June 1,2007 Order No. G-57-07

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Basic Insurance Tariff
Schedule J: Fleet Premium Adjustment Agreement – Plan A Page 2
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The Corporation will refund the Return Premium shown in Column II of Schedule "A that corresponds to the Loss Ratio for the Fleet shown in Column I of Schedule "A".

Where as a result of adjustments made pursuant to sections 4B and 4C respectively of this agreement, premium becomes payable by the Fleet Operator, the Corporation will bill the Fleet Operator for the portion of any amount of premium as determined and that corresponds to the Loss Ratio and which had previously been refunded to the Fleet Operator as Return Premium.

#### 4. TIME FOR ADJUSTMENT

Premium adjustments shall be made on three occasions during the term of this agreement as follows:

- A. first, six months from the designated expiry month of the fleet,
- B. secondly, 12 months from the date of the first adjustment, and
- C. finally, 12 months from the date of the second adjustment.

#### **5.** PREMIUM

Where it is determined that Premium is payable under this agreement, it shall be paid to the Corporation forthwith by the Fleet Operator and section 15.7(3) of the Regulation applies in respect of any Premium due under this agreement.

#### 6. TERM OF AGREEMENT

The term of this agreement is from the day of ,20 to the day of ,20

#### **7.** RENEWAL

At the expiration of the term of this agreement, or any extension thereof, the term shall be deemed to be extended for a further period of one year, or for such other length of time as shall be agreed, upon the same terms and conditions as are contained in this agreement provided that if the fleet during the term of this agreement or during the term of any extension thereof is or becomes prior to or is at the time of such extension unable to meet the requirements of the Corporation's Basic Insurance Tariff filed with the British Columbia Utilities Commission for eligibility for such an extension, this agreement or then current extension as the case may be shall be deemed to be terminated and to be null and void as of the date ending the term of this agreement or such current extension or unless either party, at least one month prior to the expiration of such term or any extension thereof, shall have given to the other notice in writing of the intention of that party to terminate this agreement at the expiration of the current term.

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#### 8. PROHIBITION OF ASSIGNMENT

The Fleet Operator may not assign this agreement without the prior written consent of the Corporation. Such consent shall not be unreasonably withheld.

9.	GENERAL
This a	greement shall be governed by the laws of the province of British Columbia.
	agreement shall enure to the benefit of and be binding upon the parties hereto and their ctive heirs, executors, administrators, successors and permitted assigns.
THE	PARTIES HAVE EXECUTED THIS AGREEMENT AS OF THE DAY OF,20
EXEC	UTED BY THE FLEET OPERATOR )
AUTH	IORIZED SIGNATORY (Signature) )
( <u>Print</u>	Name)
(Print	Title)
	IORIZED SIGNATORY (signature)
( <u>Print</u>	Name)
( <u>Print</u>	Name) ) Title)
EXEC	CUTED BY THE INSURANCE )  TION OF BRITISH COLUMBIA )

Accepted: October 25,2007 Effective: June 1, 2007 Order No. G-57-07

Name

Title: \_\_\_\_\_

#### Insurance Corporation of British Columbia Basic insurance Tariff Schedule J: Fleet Premium Adjustment Agreement – Plan A Page 4 Effective: June 1,2007

## SCHEDULE " A PLAN A

COLUMN I	<u>COLUMN II</u>
LOSS RATIO	RETURN PREMIUM
25% OR LESS OVER 25% TO 30% OVER 30% TO 35% OVER 35% TO 40% OVER 40% TO 45% OVER 45%	25% 20% 15% 10% 5% 0%

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2010.1 FLT BCUC.20.1 Reference: Exhibit B-1, Fleet Status Eligibility Requirements, Appendix A Fleet Composition

"For the purposes of section 156(1) of the IVR, the number of vehicles established by ICBC is 19 vehicles that are not rated in rate classes 510, 511, 512, 513, 514, 550, 551, or 552."

Please provide a table showing the motor vehicle rate classes having vehicles insured under Fleetplan, and show the number of Fleetplan-insured motor vehicles associated with each rate class.

#### Response:

Please refer to Attachment A - <u>Motor Vehicle Rate Classes Eligible under Fleetplan</u> that shows the motor vehicle rate classes eligible for Fleetplan and the number of fleet-rated in-force policies associated with each of these rate classes as of February 28, 2010.



# 2010.1 FLT BCUC.20.1 – Attachment A – Motor Vehicle Rate Classes Eligible under Fleetplan

### Motor Vehicle Rate Classes Eligible under Fleetplan

FLEETPLAN MOTOR VEHICLE	POLICIES IN FORCE
RATE CLASSES	AS OF FEBRUARY 28, 2010
002	435
003	923
004	10
007	48,375
800	1,379
009	60
011	714
012	20,177
013	4,122
014	5
015	4,986
017	2,195
018	1,110
030	538
035	1,437
036	60
040	1,401
041	237
058	148
100	160
101	516
102	337
110	776
111	393
112	937
113	58
114	1,482
120	2,573
121	2,060
122	135
123	1,691
140	713
141	1,116
150	6,267
151	4,978 254
160	
161	219
170 310	8,613 105
310	98
312	49
312	29
314	145
400	57
401	275
402	15
403	4,179
404	245
405	375
406	4,055
410	22
110	22

FLEETPLAN MOTOR VEHICLE	POLICIES IN FORCE
RATE CLASSES	AS OF FEBRUARY 28, 2010
411	132
412	1
413	1,385
414	18
415	108
416	956
420	1
421	2
422	0
423	43
424	1
425	5
426	106
430	0
431	0
432	0
433	93
434	0
435	13
436	310
440	37
441	22
442	0
443	263
444	
445	14 13
446	366
450	4
451	30
452	1
453	209
454	36
455	41
456	1,283
460	14
461	5
462	0
463	149
464	29
465	54
466	3,382
600	902
601	379
602	702
603	0
610	82
611	34
612	84
620	18
621	0
622	1
630	86
631	11
632	28

FLEETPLAN MOTOR VEHICLE RATE CLASSES	POLICIES IN FORCE AS OF FEBRUARY 28, 2010
640	5
641	10
642	29
650	3
651	4
652	19
660	16
661	23
662	218
670	2,106
671	376
672	1,792
680	68
681	14
682	21
690	1,770
691	323
692	130
693	267
695	229
800	10,040
900	0
901	17,363
902	0
903	2,201
904	1,172
905	5,530
906	54

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## 2010.1 FLT BCUC.21.1 Reference: Exhibit B-1, Grandfathering Provision, Appendix B Amalgamations

"...if two or more companies amalgamate and at least one of the amalgamating companies is insured under Fleetplan, ICBC will calculate the Fleet Discount or Fleet Surcharge for the amalgamated company based on the combined loss experience of all of the amalgamating companies for subsequent fleet renewals."

Does ICBC believe that company safety culture is reflected in fleet loss experience? Please comment.

#### Response:

Yes. ICBC predominantly rates on a prospective basis, charging premiums based upon expected fleet loss experience. Companies with an actual loss experience that is better than expected will earn a better discount relative to companies that have an actual loss experience that is worse than expected, all other factors being even. One of the reasons for this differential may be attributed to company safety culture.

It is likely that a company with a safety culture that, for example, ensures vehicles are maintained to high standards, has driver training and risk management programs, employs only skilled drivers, and provides drivers with realistic timelines for their operations (including taking appropriate breaks) will have fewer claims than one that does not.

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Information Request No. 2010.1 FLT BCUC.21.2 Dated 16 March 2010 Insurance Corporation of British Columbia Response Issued 14 April 2010

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## 2010.1 FLT BCUC.21.2 Reference: Exhibit B-1, Grandfathering Provision, Appendix B Amalgamations

"...if two or more companies amalgamate and at least one of the amalgamating companies is insured under Fleetplan, ICBC will calculate the Fleet Discount or Fleet Surcharge for the amalgamated company based on the combined loss experience of all of the amalgamating companies for subsequent fleet renewals."

Does ICBC agree that the above-cited aspect of the Fleetplan proposal penalises an operator with a good loss experience record, who absorbs a company with a poorer record? Please comment.

#### Response:

Please note that the current Basic Insurance Tariff (the Tariff) has an amalgamation provision. The Fleetplan Application does not propose any changes to the current amalgamation provision. The rules for amalgamations are set out in Section 2.D.9.4 of the Tariff and ICBC is not changing these rules.

The amalgamation provision is shown in Appendix B of the Application only because it will print on the same page of the Tariff as the proposed grandfathering section being added as Section 2.D.10 of the Tariff.

ICBC believes that the Tariff provision regarding amalgamation is appropriate. As discussed in the response to information request 2010.1 FLT BCUC.21.1, cultures and risk management practices are an important aspect in the type of loss experience that can be expected. When companies amalgamate they are mixing cultures. At the time of amalgamation, it is not known which of the pre-existing cultures and risk management practices will dominate the new company. It is thus appropriate in rating the amalgamated entity to start from the position that the overall experience will be based on a mix of the pre-existing cultures and risk management practices.

Further, where a company is making the decision about whether or not to amalgamate, it can reasonably be expected to account for factors such as the loss experience and premiums payable by the other entity if those factors are potentially material. The inclusion of the amalgamation provision in the Tariff ensures transparency in this regard.

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2010.1 FLT BCUC.22.1 Reference: 2007 ICBC Rate Design Application, Exhibit B-1-1, p. 14-17

Rate Classes and Risk Characteristics: Trailers

"The premiums charged for trailers are minimal because most of the risk is charged under the policy of the pulling vehicle. Where operated as a combination of vehicles, claims are paid under the policy of the pulling vehicle. Premiums for trailers are based on four risk characteristics: 1) personal / recreational use; 2) business / commercial use; 3) use of the pulling vehicle; and 4) weight of vehicle. Trailers with a Gross Vehicle Weight of 700 kilograms or less are all charged the same base premium, regardless of use, because the risk exposure for these small trailers can be expected to be minimal. Trailers weighing over 700 kilograms but used for pleasure purposes only (including all travel trailers) are allocated their own category because the risk exposure for pleasure use trailers can be expected to be lower than it is for business or commercial use trailers. Trailers weighing over 700 kilograms but used for business or commercial use are rated according to the use of the pulling vehicle because the risk presented by a trailer is associated largely with the risk presented by the towing vehicle."

Please describe and provide any research that ICBC has done that supports the removal of the personal-use versus recreational-use distinction.

#### Response:

ICBC is not proposing any changes to the existing rate classes in the Fleetplan Application. Accordingly, ICBC has not done any research into removing the distinction between personal use and recreational use.

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2010.1 FLT BCUC.22.2 Reference: 2007 ICBC Rate Design Application, Exhibit B-1-1, p. 14-17

Rate Classes and Risk Characteristics: Trailers

"The premiums charged for trailers are minimal because most of the risk is charged under the policy of the pulling vehicle. Where operated as a combination of vehicles, claims are paid under the policy of the pulling vehicle. Premiums for trailers are based on four risk characteristics: 1) personal / recreational use; 2) business / commercial use; 3) use of the pulling vehicle; and 4) weight of vehicle. Trailers with a Gross Vehicle Weight of 700 kilograms or less are all charged the same base premium, regardless of use, because the risk exposure for these small trailers can be expected to be minimal. Trailers weighing over 700 kilograms but used for pleasure purposes only (including all travel trailers) are allocated their own category because the risk exposure for pleasure use trailers can be expected to be lower than it is for business or commercial use trailers. Trailers weighing over 700 kilograms but used for business or commercial use are rated according to the use of the pulling vehicle because the risk presented by a trailer is associated largely with the risk presented by the towing vehicle."

Please describe and provide any research that ICBC has done, or is relying on, examining the accident/claim probabilities for motor vehicles operated for towing trailers versus those not operated for towing trailers. Please include an explanation as to any observed interaction effects between trailer-towing and accident frequency.

#### Response:

ICBC is not proposing any changes to the rating or premiums for motor vehicles, whether towing trailers or not, in the Fleetplan Application except for the proposed elimination of the Fleet Retrospective Rating Program Plan A.

ICBC does not have any research into the accident/claim probabilities for motor vehicles operated for towing trailers versus those not towing trailers or into the observed interaction effects between trailer-towing and accident frequency.

ICBC does not ask customers to declare whether the vehicle is used for towing a trailer. As a result, there is no baseline for creating a frequency comparison.

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#### 2010.1 FLT ARA.1 Reference:

What has been the nature, and the extent, of consultation with the automotive aftermarket industry in BC that ICBC has carried out with respect to the matters that are the subject of its present Fleetplan vehicles tariff changes application?

# Response:

ICBC has not engaged in any consultations specifically with the automotive aftermarket industry in BC regarding the matters that are the subject of the Fleetplan Application.

ICBC has consulted with other parties regarding the proposed changes in the Application. Please see the response to information request 2010.1 FLT BCUC.16.1.

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#### 2010.1 FLT ARA.2 Reference:

In particular, what has been the nature, and the extent, of ICBC's consultation with the auto rental, collision repair and licensed motor dealer businesses in BC with respect to respect to the matters that are the subject of its present Fleetplan vehicles tariff changes application?

### Response:

ICBC has not engaged in any consultations specifically with the auto rental, collision repair, and licensed motor dealer businesses in BC regarding the matters that are the subject of the Fleetplan Application.

ICBC has consulted with other parties regarding the proposed changes in the Application. Please see the response to information request 2010.1 FLT BCUC.16.1.

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#### 2010.1 FLT ARA.3 Reference:

What are the statutory or regulatory obligations on ICBC obliging it to consult with the automotive aftermarket industry in BC with respect to: (i) proposed changes to Fleetplan insurance; and; (ii) other forms of motor vehicle insurance offered and administered by ICBC generally?

#### Response:

ICBC is not aware of any obligations imposed upon it, either by statute or regulation that require consultation with the automotive aftermarket industry (or any other identifiable group of customers) concerning matters of rate design changes to Fleetplan or other forms of motor vehicle insurance offered and administered by ICBC.

ICBC's consultation in advance of filing the Fleetplan Application is described in the response to information request 2010.1 FLT BCUC.16.1. Parties who may be affected by these proposals also have the opportunity as part of the Commission's regulatory process to provide input that will be considered by the Commission. In regard to future Fleetplan applications, or other applications that may be brought forward concerning Basic insurance rates and service, the Commission will also determine the nature of any regulatory process that is appropriate for the circumstance.

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# 2010.1 FLT ARA.4 Reference:

To what extent, and in what manner, have the interests of the automotive aftermarket industry in BC have been taken into account by ICBC in both making its present application as well in its planning for Fleetplan insurance changes generally

# Response:

Please see the response to information request 2010.1 FLT BCUC.16.1.

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#### 2010.1 FLT ARA.5 Reference:

In particular, to what extent, and in what manner, have the interests of the auto rental, collision repair and licensed motor dealer businesses in BC been taken into account by ICBC in both making its present application as well in its planning for Fleetplan insurance changes generally?

# Response:

Please see the response to information request 2010.1 FLT BCUC.16.1.

Automotive Retailers Association Information Request No. 2010.1 FLT ARA.6 Dated 16 March 2010 Insurance Corporation of British Columbia Response Issued 14 April

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#### 2010.1 FLT ARA.6 Reference:

What factual and financial analyses has led ICBC to its conclusion that eliminating one of the current two retrospective rating programs for Fleetplan customers is called for, given that a majority of present Fleetplan customers have elected to participate in the rating program that ICBC wishes to end rather than the program ICBC wishes to retain?

#### Response:

For clarification, the majority of ICBC's Fleetplan customers are not eligible to participate in the Fleet Retrospective Rating Program (the Program). As discussed in paragraph 69 of the Fleetplan Application, eligibility for the Program is restricted to large fleets (defined as either fleets with more than 200 vehicles or fleets with an annual paid premium of \$100,000 or more). Out of the 452 customers currently participating in the Program (as of March 1, 2010), 402 customers participate in Plan A and 50 participate in Plan B. If ICBC's proposal to discontinue Plan A is approved, customers currently on Plan A will have the option to either participate in Plan B or to not participate in the Program.

For information regarding the reasons for ICBC's proposal to discontinue Plan A, please see the response to information request 2010.1 FLT BCUC.14.1.1-2.

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#### 2010.1 FLT ARA.7 Reference:

As at December 31, 2009, what was the number of ICBC Fleetplan customers which has insured their fleets of vehicles under the retrospective rating program that ICBC wishes to eliminate and what was the number which had insured their fleets under the retrospective rating program that ICBC does not wish to eliminate? (If it is easier for ICBC to answer this question by citing the number of fleets rather than the number of customers, that is acceptable as alternative response.)

# Response:

Please see the response to information request 2010.1 FLT ARA.6.

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### 2010.1 FLT ARA.8 Reference:

What other changes to Fleetplan insurance is ICBC planning to make the subject of (a) future application(s) to the British Columbia Utilities Commission?

### Response:

ICBC has not completed its analysis with respect to Fleetplan beyond the proposals included in the Fleetplan Application, and thus is not in a position to identify any particular proposals that might be the subject of a future application to the Commission.

Please see the response to information request 2010.1 FLT BCUC.2.1 regarding the timing of ICBC's application for a new fleet loss rating algorithm.

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# 2010.1 FLT BCOAPO.1.1 Reference: Exhibit B-1, Section C.1.2, page 8, Figure 1

For existing customers eligible to rate under the CRS or Fleetplan, has the ICBC noticed any difference in frequency or severity of losses/claims between those rated under Fleetplan and those rated under CRS?

#### Response:

ICBC believes it is not appropriate to compare either frequency or severity of claims for vehicles rated under Fleetplan and those rated under the Claim-Rated Scale (CRS).

Loss costs are a major consideration when base rates are established by rate class and territory, and those base rates implicitly reflect the relative frequency and severity between territories and between rate classes within a territory.

Because frequency and severity are not expected to be consistent across rate classes and territories, comparing frequency and severity of claims for vehicles rated under Fleetplan and CRS would not be an "apples to apples" comparison. Frequency and severity of claims for vehicles rated under Fleetplan versus those rated under the CRS would be expected to be different because the rate class and territory composition of vehicles in the two rating structures is very different.

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#### 2010.1 FLT BCOAPO.2.1 Reference: Exhibit B-1, Section C.1.5, page 9, para. 34

Under what circumstances would a customer with grandfathered fleet status rationally choose to change from fleet rating to individual rating? Will ICBC's proposal maintain revenue neutrality under any possible combination of rational choices made by all such customers?

# Response:

ICBC believes that the decisions individual customers make will be those that they deem to be advantageous to them. Grandfathering maintains the rating status quo for existing fleets.

Customers who will have grandfathered fleet status with the proposed change currently have the option of moving between the Claim-Rated Scale (CRS) and Fleetplan. As indicated in paragraph 34 of the Fleetplan Application:

Consistent with current practice, if a grandfathered fleet falls below the current fleet eligibility criteria (i.e., minimum eligibility criteria including trailers), its fleet status will be removed. Once a grandfathered fleet has lost its fleet status, the customer will have to satisfy the new eligibility criteria to be eligible for fleet status. If a customer with grandfathered fleet status chooses to change his or her vehicles from fleet-rated to being individually-rated the customer will have to satisfy the new eligibility criteria to be eligible for fleet status.

ICBC would also like to note that as indicated in paragraph 29 of the Application, "...customers with 5 to 19 motor vehicles may still opt to insure their vehicles individually under the CRS or collectively under Fleetplan." As with grandfathered fleets, the status quo is not expected to change as a result of this proposal because these customers will have the same options in the future as they presently do.

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# 2010.1 FLT BCOAPO.3.1 Reference: Exhibit B-1, Sections C.3.2 – C.3.5, pages 17-18, paras 73-77

Because participation in the Fleetplan Retrospective Rating Program is voluntary and there may be incentive or adverse selection issues (as noted in para. 76), is the proposal to go forward with Plan B alone (dropping Plan A) revenue neutral or materially revenue neutral regardless of the choices of large fleet owners as to whether to participate or not in Plan B? Please discuss.

# Response:

Please see the response to information request 2010.1 FLT BCUC.14.1.1-2.

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# 2010.1 FLT Pl.1.1 Reference: Part A - Introduction

In paragraph 1 and in context with the "historical claims experience" of a fleet, what length of time does ICBC use to determine the performance of any particular fleet? Has ICBC conducted any studies or researched the impact on statistical reliability for shorter or longer claims experience periods? If so, please provide documentation relating to studies or research, along with statistical credibility reports.

#### Response:

ICBC uses three consecutive insurance years in the determination of a fleet's discount or surcharge level. ICBC uses the experience of one insurance year for the Retrospective Rating Program. ICBC recognizes that selection of the time period used for fleet rating is a balance of design objectives and policy.

ICBC has completed some preliminary work relating to historical claims experience. However, this work is not fully developed and ICBC does not want to prematurely release any such materials.

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# 2010.1 FLT Pl.1.2 Reference: Part A - Introduction

Paragraph 2 refers to "groundwork for future initiatives".

Please provide information and details of what ICBC is contemplating, exploring, or researching for all possible future Fleetplan initiatives.

# Response:

Please see the response to information request 2010.1 FLT Pl.4.1.

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# 2010.1 FLT Pl.1.3.1 Reference: Part A - Introduction

Bullet 1 of Paragraph 2 states that new fleets with attain "sufficient Basic insurance exposure and loss experience in order to determine an appropriate Basic insurance discount/surcharge".

How material will the removal of what appears to be very small premiums arising from trailers impact the loss ratio calculations, and has ICBC undertaking any sensitivity analysis for this change?

#### Response:

ICBC is not proposing to change the fleet loss rating algorithm in the Fleetplan Application. Trailer experience remains in the calculation of the fleet discount or surcharge for eligible fleets. What is changing is the eligibility criterion for fleet status. ICBC proposes that only motor vehicles be counted toward eligibility for fleet status. The rationale for this change can best be expressed by the Law of Large Numbers – the more exposure to loss a customer has, the more accurately ICBC can estimate the customer's rate. Because the loss exposure of trailers is insignificant, it is not appropriate to continue counting their exposures as equivalent to motor vehicles in determining eligibility for fleet status. Please see the response to information request 2010.1 FLT PI.5.2.

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#### 2010.1 FLT Pl.1.4.1-3 Reference: Part A - Introduction

Again for the same bullet, our understanding is that ICBC's unregulated Optional coverages are not issued as a separate policy certificate, but are provided conjunctively and concurrently along with the Basic Fleetplan Insurance.

- 1.4.1- Are premiums arising from coverages such as collision and comprehensive included in the Fleetplan calculation?
- 1.4.2 If these premiums are intended to become excluded from the discount/surcharge base with this Application, is it possible that fleets will be negatively shifted on the discount/surcharge table, resulting in a de facto premium rate increase?
- 1.4.3 Has ICBC performed any sensitivity tests on this impact, and if so, please provide supporting reports.

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#### 1.4.1

Yes.

#### 1.4.2

The Fleetplan Application does not propose any changes to the process for calculating a fleet discount or surcharge.

#### 1.4.3

As indicated in 1.4.2 (above), no changes are proposed to the process for calculating a fleet discount or surcharge and, accordingly, ICBC has not completed any sensitivity tests or dislocation analysis.

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# 2010.1 FLT Pl.1.5 Reference: Part A - Introduction

Bullet 2 of Paragraph 2 suggests that the Claims Rated Scale would become applicable to Fleet trailers.

Please clarify the use of the CRS, as we understand that the CRS does <u>not</u> apply to individually rated trailers.

#### Response:

In the Basic Insurance Tariff (the Tariff) under Schedule D, Claim-Rated Scale, Section 2(b), it is identified that CRS discounts and surcharges do not apply to trailers. It is probably most accurate to say that the CRS section of the Tariff defines that all non-Fleetplan trailers pay the base rate, i.e., no discount or surcharge.

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# 2010.1 FLT Pl.2.1 Reference: Part B.1 - Benefits of Fleet Rating

Of the \$200 Million premium revenue described in paragraph 5, please provide the overall aggregate profitability result and experience of the 9,000 fleet groups for each of the last 3 years.

### Response:

The information requested goes beyond the scope of the Fleetplan Application and, furthermore, is not available because not all components of the Basic insurance net income are allocated to this level. The unavailable components include, but are not limited to, incurred but not reported claims amounts, operating expenses, and investment income.

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# 2010.1 FLT Pl.2.2 Reference: Part B.1 - Benefits of Fleet Rating

For paragraph 6, detail how ICBC takes factors the individual driving records for vehicles included in a fleet. Please compare this to other jurisdictions, and also CRS.

#### Response:

ICBC does not use driving records of individual drivers that operate fleet vehicles or individual driving records for vehicles as a rating variable in determining insurance premiums under Fleetplan. Subject to the rules and procedures as defined in the Basic Insurance Tariff for determining the discount or surcharge that will be used for the vehicles in a fleet, ICBC uses the previous three years loss experience of all the individual vehicles forming a fleet in order to determine the future discount or surcharge that will be applied to the base rate for each vehicle in that fleet.

ICBC has not done any research to determine how individual driving records are used in other jurisdictions in determining the insurance premiums for a fleet customer.

The Claim-Rated Scale considers the years licensed of the principal operator (PO) as well as the crash history of the vehicle owner(s) and PO in determining the insurance premiums paid for an individually-rated vehicle.

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#### 2010.1 FLT Pl.2.3 Reference: Part B.1 - Benefits of Fleet Rating

Paragraph 7 makes mention of 'experience rating plans'. Our understanding of the CRS as an experience rating plan is that movement on the scale due to at-fault claims is based solely on claims frequency, but not at all on the claims amount or severity. In contrast, we understand that Fleetplan as an experience rating plan is based solely on claim amounts or severity, but not at all on claim frequency.

Please explain why these experience factors are applied so differently for CRS versus Fleetplan, and support your answer with actuarial credibility.

#### Response:

ICBC would like to clarify that Fleetplan uses both claims frequency and severity in determining the fleet's premium discount or surcharge for the next policy term.

The difference between how the Claim-Rated Scale (CRS) and Fleetplan use historical claims information reflects the difference in the relative predictive power of the loss experience between an individual vehicle and a fleet of vehicles.

For an individual vehicle, at-fault crash frequency is predictive of future claim occurrences, and accordingly is used as the primary rating variable for movement on the CRS. The claim severity for an individual customer is generally random and fluctuates significantly. Because crash occurrences are generally few and far between for a given individual customer, the claim occurrences are too few to draw meaningful conclusions from the observed claims amounts. Also, with a desire to keep the plan simple for the more than 90% of ICBC customers that use the CRS, ICBC believes it would not make sense to add a layer of complexity that adds limited additional predictive power to the pricing of an individual customer.

On the other hand, customers are eligible for fleet status if they have a large enough number of motor vehicles for both claims frequency and severity to be used in the determination of their premium. Please see the response to information request 2010.1 FLT PI.1.3.1 for discussion of loss exposure in fleets. Recognizing that the fleet loss rating algorithm is applied to all fleet customers, including the small fleets, each claim is capped to moderate the effect of large claims on the premium.

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Please refer to Section 2.D. of the Basic Insurance Tariff for a description of the steps to arrive at a Fleetplan discount or surcharge.

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#### 2010.1 FLT Pl.2.4 Reference: Part B.1 - Benefits of Fleet Rating

Under §7 - How was the Fleetplan scale developed? Please provide statistical details to prove the appropriateness of the discounts given, or surcharges charged.

#### Response:

ICBC is not applying in the Fleetplan Application for changes to the Fleetplan discount and surcharge tables found in Schedule I of the Basic Insurance Tariff except for removing discounts and surcharges for trailers.

As stated in Chapter 14, page 14-3, paragraph 8, of ICBC's March 29, 2007 Rate Design Application:

The historical development of ICBC's rating structure has been closely intertwined with the public policy rationale behind it, and with the influence of insurance industry principles from the 1960s through to the present. ICBC's rate structure has evolved over a period of more than 30 years, with rate design changes being implemented infrequently which minimizes the pricing instability such changes can bring. Prior to 2003 when the Commission commenced regulating Basic insurance rates, ICBC's Basic insurance rate structure was established through provincial government legislation, regulations and policy, and through the approval of ICBC's insurance rates by the Provincial Cabinet. As a result, the government's policy directions with respect to ICBC's rate design are imbedded in ICBC's rate structure.

ICBC believes that review and modification of the discount and surcharge tables cannot properly be completed in isolation but rather must be included as part of the broader review for Fleetplan that is currently in progress, and that discussion of the existing Fleetplan scale is not within the scope of the proposals contained within the Application. As discussed in the response to information request 2010.1 FLT BCUC.2.1, ICBC will be applying for a new fleet loss rating algorithm after it files its next major rate design application in 2011 and expects that discussion of the discount and surcharge scale will be a necessary part of the regulatory process that follows that application.

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# 2010.1 FLT Pl.2.5 Reference: Part B.1 - Benefits of Fleet Rating

Paragraph 9 suggests that the administrative gain for not tracking operators of fleet vehicles is paramount to the factor of an operators driving experience forming part of Fleetplan premium rating.

Does ICBC underwrite, review, or modify fleet premiums based on the driving experience of operators for Fleetplan operated vehicles? How does this compare with other jurisdictions?

# Response:

Paragraph nine of the Fleetplan Application cannot be read in isolation; it is part of the entire section which is comprised of paragraphs five to nine. As indicated in paragraph six, "... fleet-rating focuses on the fleet's loss experience for determining the discount or surcharge that will be applied to the base rate for each vehicle in the fleet." As indicated in paragraph seven, "Rating plans such as Fleetplan are also described as experience rating plans." Finally, as indicated in paragraph eight, "... an experience rating plan allows an insurer to consider the experience of the fleet as a whole, regardless of who is driving an individual vehicle, to determine the discount or surcharge for the vehicles in the fleet." Paragraph nine, with this full context, clarifies that the administrative gain for not tracking operators of fleet vehicles is not paramount to an operator's driving experience as part of Fleetplan rating, rather it is the experience of the fleet as a whole which determines the discount or surcharge level of the fleet.

ICBC does not underwrite, review, or modify fleet insurance premiums based on the driving experience of the individual drivers that operate vehicles insured in a fleet. As indicated in the paragraph above, the determination of a fleet's discount or surcharge level is a function of the experience of the fleet as a whole. This is because, as indicated in paragraph seven, "A key component of an experience rating plan is that a fleet must have sufficient loss exposure so that its overall loss experience can be used to predict future losses."

ICBC has not done any comparison of how other jurisdictions use the individual driving experience of operators of fleet vehicles as a rating variable in determining insurance premiums for their fleet customers.

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# 2010.1 FLT Pl.3.1 Reference: Part B.2 - Fleet Definition in the IVR and Tariff

Will the corresponding provisions of the *Insurance (Vehicle) Regulation* need to be amended? If so, what assurances or undertakings has ICBC received from the Government of British Columbia to make this possible?

# Response:

ICBC does not believe that any amendments to the *Insurance (Vehicle) Regulation* are required to implement the proposals in the Fleetplan Application.

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# 2010.1 FLT PI.4.1 Reference: <u>Part B.3 - Implementing Changes to Fleetplan and Future</u> Direction

As described in Paragraph 15, please provide full documentation of the "... comprehensive review of its fleet-rating structure and ... initiatives to improve Fleetplan"

#### Response:

While ICBC undertook a comprehensive review of its fleet rating structure in 2008, it was recognized that the initiatives that were being considered required further analysis and refinement before they could be brought forward in an application before the Commission. As the information and analysis will have to be revisited and refined, and the documents sought go beyond the proposals included in the Fleetplan Application, ICBC believes it would be inappropriate to file internal documents recording ICBC's analysis at this time. As discussed in response to information request 2010.1 FLT BCUC.2.1, ICBC will be applying for a new fleet loss rating algorithm after the implementation and transition to a driving record model.

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Information Request No. 2010.1 FLT PI.4.2 Dated 16 March 2010 Insurance Corporation of British Columbia Response Issued 14 April 2010.

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# 2010.1 FLT Pl.4.2 Reference: Part B.3 - Implementing Changes to Fleetplan and Future

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Paragraph 18 describes a commitment made nearly 3 years ago to "... introduce a new method for determining the fleet discount/surcharge..." in the 2007 Rate Design Application. During the related public hearings, ICBC ratified its commitment to address fleet plans in greater detail. The record states: "And we plan to do that in 2008 by separate application to the Commission" [Tr. Vol. 4, Page 605, Lines 7 -8,].

Given the unreasonably lengthy delay, please advise when ICBC will make Application for the new fleet loss rating algorithm and associated changes to honour the standing commitment made to the BC Utilities Commission.

#### Response:

Direction

Delaying introduction of a new fleet loss rating algorithm is appropriate and necessary. While ICBC originally anticipated filing an application in 2008 to introduce a new fleet loss rating algorithm, this initiative required further analysis and refinement before it could be brought forward. In addition, as discussed below, due to the significant Basic insurance rate design changes that are being planned and the systems renewal that is taking place, it was not practical to bring forward a new fleet loss rating algorithm in the Fleetplan Application.

In 2009, ICBC still contemplated bringing forward a Fleetplan application that included a new fleet loss rating algorithm. During the course of that year, further planning and analysis was undertaken to ascertain the systems and change management impacts relating to both Fleetplan and other rate design initiatives. The first priority in planning and sequencing the work with respect to rate design initiatives was to continue developing a new driving record model (DRM) which will impact over 90% of ICBC's approximately 3 million customers. Another key consideration was the business systems renewal that is currently underway. It is expected that rate design changes that are being planned will require substantial modifications or outright replacement of current systems, which are aging and require upgrades and renewal in order to adapt to changing business and customer needs. One of these systems changes is the purchase of a new rating and underwriting engine, a key enabler to being able to undertake future rate design changes in an efficient and effective manner. With these projects underway, ICBC's systems and change management resources had limited time to work on the new fleet loss rating algorithm.

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Given these operating constraints, it became apparent that implementation of a new fleet loss rating algorithm would have to be further delayed. As a result, the objectives for the Application were re-evaluated and ICBC decided to limit its proposals to those initiatives that it has the capacity to implement at this time. These initiatives are first steps that ICBC believes improve Fleetplan and lay the groundwork for future initiatives.

Timing for introduction of the new fleet loss rating algorithm will take into consideration a number of factors including the timing and implementation of the DRM, the availability of information and technology and change management resources, and the effective and efficient coordination of rate design changes with the systems renewal. For more information please see the response to information request 2010.1 FLT BCUC.2.1.

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# 2010.1 FLT Pl.5.1 Reference: <u>Part C - Proposals for Changes to B.3 - Implementing</u> Changes to Fleetplan and Future Direction

We understand that the substantial portion of a premium associated with insurance on a trailer unit arises from non-Basic collision and comprehensive coverages (i.e. Optional).

Given our understanding that ICBC's policy issuance system is embedded and intertwines with the Optional Coverages onto the Basic platform, please confirm that this incidental trailer experience rating change on the Basic from the Fleetplan scale to the CSR is <u>not</u> being necessitated for the convenience of substantive changes for Optional coverage rating amendments.

# Response:

The proposed change to the pricing of Basic insurance for trailers is solely for the improvement of Basic insurance rating.

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# 2010.1 FLT Pl.5.2 Reference: Part C - Proposals for Changes to B.3 - Implementing

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Paragraph 22 states that claims on trailer policies "... through their Basic insurance ... coverage is very rarely required to respond to a loss."

Please provide the annual aggregate frequency of these claims again Fleetplan trailer (no. of claims), the revenue required to fund these claims, and justification for the need to charge any premium whatsoever.

# Response:

Changes to Fleetplan and Future Direction

The Basic insurance claims frequency for trailers that were insured as part of a fleet was 0.15% in 2006, 0.14% in 2007, and 0.10% in 2008.

This very low frequency rate is evidence that, as stated in paragraph 22 of the Fleetplan Application, "...their Basic insurance third party liability coverage is very rarely required to respond to a loss."

Section 3 of the *Motor Vehicle Act* requires that trailers in BC carry Basic insurance. Although average claims costs per trailer are relatively low, administrative expenses of providing those policies must also be considered in establishing the rates.

The proposed change to standardize the Basic insurance premiums for trailers is a necessary first step for any further review and possible adjustment of rating and pricing for trailers. The change proposed in the Application results in premium dislocation, and in consideration of the impact to customers, ICBC desires to ensure that the change is fully implemented for all customers prior to considering any further changes.

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2010.1 FLT Pl.6.1 Reference: Part C.1.3 - Case for Change

for Fleetplan Vehicles

Let us present two scenarios for two different commercial businesses with similar number of vehicle units. The first is a long-haul trucking firm with 10 tractor units, and 10 trailer units. The second is a local service organization with 20 passenger vehicles. Under current Fleetplan rules, both are required to enroll as a fleet. Under proposed Fleetplan rules, the long-haul trucking firm may opt out of Fleetplan.

Given this simple scenario, please explain under this case why an opt-out of this higher risk business should be the permitted.

#### Response:

The risk of causing crashes is reflected in a customer's Basic insurance base rate. Either Fleetplan, or the Claim-Rated Scale (CRS), is then used to calculate a discount or surcharge that reflects the customer's specific risk character (including loss experience).

If the Basic Insurance Tariff had a single threshold number for mandatory transition in or out of Fleetplan and customers had no choice either above or below that number, it would result in some customers being forced to enter or exit Fleetplan at each renewal. Regardless of the industry in question there are a variety of reasons why fleets may change size. The business could be growing or waning, or there could be a natural seasonality to their fleet size. ICBC believes that it is appropriate to maintain an option for fleets with between 5 to 19 motor vehicles to choose between fleet-rating or individual-rating.

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#### 2010.1 FLT Pl.7 Reference: Part C.1.3.1 - Other Jurisdictions

for Fleetplan Vehicles

In terms of eligibility requirements elsewhere, has ICBC considered matters such as an organization's fleet management structure, non-homogonous fleets (i.e. where the 'fleet' has simply a common name or is an equipment provider), or the existence of synthetic fleets, in its plans for determining the eligibility for Fleetplan?

#### Response:

At the level completed, ICBC's research did not indicate any use of the referenced variables in the eligibility criteria for fleet status in other jurisdictions.

ICBC's research of fleet eligibility criteria was done to determine how ICBC's use of the number (e.g., five or more) and type (e.g., power units and trailers) of vehicles compares to other jurisdictions in Canada. Although not within the scope of the Fleetplan Application, it was observed that fleet status eligibility in all jurisdictions require common ownership of the vehicles to be considered a fleet.

Please see the response to information request 2010.1 FLT BCUC.5.1 for a summary of the findings.

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# 2010.1 FLT Pl.8.1 Reference: Part C.3 - Fleet Retrospective Rating Program

Does ICBC have experience or actuarial reports to justify the credibility of each of Plan A and Plan B of the Fleet Retrospective Rating Program? If so, please provide detailed documentation.

### Response:

ICBC does not have such reports.

ICBC does have the loss experience for each of Plan A and Plan B. Please see the response to information request 2010.1 FLT BCUC.15.1.

ICBC's reason for proposing to eliminate Plan A is discussed in the response to information request 2010.1 FLT BCUC.14.1.1-2.

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### 2010.1 FLT Pl.8.2 Reference: Part C.3 - Fleet Retrospective Rating Program

Looking at Plan A, which has the predominant enrollment, the plan provides only for the incentive of a fleet operator to reduce claims, whereas Plan B provides not only a greater incentive, but also contains a penalty for poor performance.

Has ICBC commissioned, researched, or studied the physiological impact for a positive Road Safety outcome in respect of each plan. If so, please provide documentation.

# Response:

No. ICBC has not commissioned, researched, or studied such impacts.

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# 2010.1 FLT Pl.8.3 Reference: Part C.3 - Fleet Retrospective Rating Program

Paragraph 73 simply proposes to eliminate Plan A. As the Fleet Retrospective Rating Program is an extra experience rating plan, which is layered on top of the Fleetplan discount/surcharge scale.

Please provide detailed comment why there is a need for two experience plans, rather than just one, single, comprehensive experience rating plan.

# Response:

ICBC interprets the reference to "two experience plans" as considering the Fleetplan rating algorithm as the first experience rating plan and the Fleet Retrospective Rating Program as the second experience rating plan for customers eligible to participate in it.

Fleetplan and the Fleet Retrospective Rating Program provide complimentary incentives to a customer to improve their performance.

Fleetplan is a prospective rating plan that uses the actual experience from the applicable scan period to estimate the fleet's expected loss experience and determines a premium for the next policy term.

In contrast, the Fleet Retrospective Rating Program is a retrospective adjustment to the premium paid (either return or additional) for a particular policy term to recognize the difference between the estimated loss experience and the actual loss costs for the fleet, and determines the final premium for that period.

A retrospective rating program is particularly relevant for two groups of customers. The first is new ICBC Fleetplan customers. These customers do not have sufficient scan period experience to allow Fleetplan to determine a discount for the next policy term so they start with an entry point Fleetplan discount that will need to be retrospectively adjusted based on actual experience. The second is fleet customers whose exposure to loss has or is changing (e.g., implementation of loss control programs, a change in the composition of fleet) in such a way that the fleet formula does not accurately reflect the new risk level of the customer. This concept is discussed by Margaret Tiller Sherwood in her text *Overview of Individual Risk Rating*,

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Chapter 4, "Individual Risk Rating", page 152 where she says, "Retrospective systems are more responsive to experience changes than prospective systems. This is an advantage when a primary goal is to motivate participation in risk control programs."

As a consequence of having both a prospective experience rating plan and a retrospective premium adjustment program, the customer has two incentives to strive for actual loss costs that are better than the Fleetplan estimated loss experience for the current policy term. The first is to obtain the return of a portion of the current policy term premium via the Fleet Retrospective Rating Program. The second is to have a positive loss experience during the current policy term that in due course will be used to determine future years' Fleetplan discount or surcharge levels.

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2010.1 FLT TL.1 Reference: From a premium perspective, Translink is the single largest fleet in BC. Due to the fact that we are funded largely by taxpayer dollars, our preferred option for premium calculation has been Plan A, which ICBC are proposing to eliminate.

The elimination of this option under Fleetplan would present an unacceptable budgetary risk to Translink, opening up the possibility of additional premiums which has not been factored into any of our 3 or 10 year plans. Exposure to paying any additional premiums out of taxpayer funding is not an acceptable risk to Translink and we would argue the need to eliminate this option. Please ensure we are registered as an Intervenor.

We hereby request from ICBC their factual justification for eliminating Plan A as a retrospective rating option.

#### Response:

Please see the response to information request 2010.1 FLT BCUC 14.1.1-2 for ICBC's rationale for proposing the elimination of Plan A.

ICBC understands that as between Plan A and Plan B some customers prefer Plan A, even though the potential upside benefit is greater in Plan B, because there is no additional downside risk associated with Plan A. However, participation in the Fleet Retrospective Rating Program is at the option of the customer (subject to eligibility) and the premium calculated at the start of a policy term is the same whether the customer chooses to participate in the Fleet Retrospective Rating Program or not.

A customer can avoid any budgetary risk that might arise under Plan B by choosing to not participate in the Fleet Retrospective Rating Program. The Fleetplan discount or surcharge calculated at the start of the policy term would not change during the policy term and the customer would have premium certainty for that policy term.