



Glass Program Redesign

May & June 2019

For discussion only

Terms of Reference



- From late May to the end of June, ICBC is hosting road shows throughout the province to engage with ICBC-accredited collision and glass shops on the proposed redesign of these programs.
- This presentation is a condensed version of the road show presentation.
- From November to May, ICBC consulted with the Industry Advisory Committees, for glass and for collision, on key program redesign concepts.
- The mandate for the IAC was program design elements: labour rates were out of scope.
- Although IAC and ICBC's views differ on some aspects, the committee agrees the proposed program redesign is a significant improvement and aims to introduce incentives to drive savings and benefits for both industry and ICBC.
- The IACs represent collision and glass shops throughout the province.
- For more information about the work IAC has been contributing to, please see Announcements on the Collision redesign page of MD Business Partners at icbc.com

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Competition Law

ICBC, its employees, the association, the association staff, and the individual attendees (collectively the “Attendees”) give high priority to full compliance with both the letter and spirit of the federal Competition Act (the “Act”).

During meetings and programs, the Attendees will not condone or permit any discussions, whether official or “unofficial” or “off the record”, of price-fixing or price coordination, collective refusals to deal (i.e., boycotts), blacklisting, market division/allocation, supply restrictions or other anti-competitive activities that may contravene the Act.

If, at any time during the course of a meeting, any Attendee believes that a sensitive topic under the Act is being discussed, or is about to be discussed, they will advise the chair of the meeting and ask that such discussions stop.

Similarly, Attendees at any meeting should not hesitate to voice concerns they may have in this regard. Such discussions must also be avoided before, after and on the “fringes” of meetings.

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The Case for Change

ICBC's Material Damage Programs are outdated, do not meet industry standards, and lack the controls necessary to curb escalating claims cost trends that are partly driven by increasingly complex technologies in vehicles.

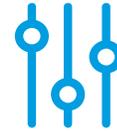
ICBC needs a program that:



Focuses on long-term trends shaping the changes in the glass industry.



Is built on input from Industry and is mutually beneficial and sustainable.



Effectively manages performance and control.



Rewards and promotes high performing suppliers

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Case for Change – Industry Pain Points

Industry pain points provided valuable feedback to start design of the new program. Feedback included:

“ All participants in the program need to be held to the same standard ”

“ People are leaving the industry – retention is becoming an issue ”

“ GWE is not bad but there are some enhancements that could be made ”

“ ICBC could provide more information to shops ”

“ The Glass Industry is rapidly changing, ICBC and shops are not prepared ”

“ ICBC requires suppliers to complete a number of processes not required by other insurers ”

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How have we approached the Glass Program Redesign

The Design Principles

Affordability

Glass Program contributes to rate affordability through controlling program cost and improving efficiencies for industry and ICBC

Customer

Customers and their safety are at the center of the program – the design aims to maintain or improve customer experience and safety standards

Relationship

Developing a closer relationship with glass industry is mutually beneficial for ICBC and industry players

Fairness

The program takes into account regional differences and provides opportunities for all

Sustainability

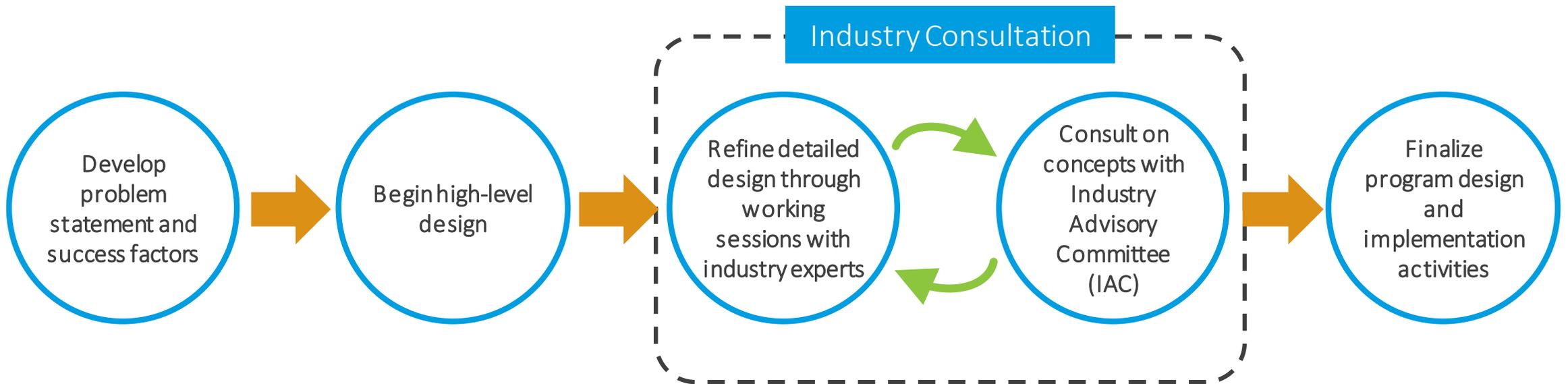
The program is designed to achieve benefits throughout life of the program and accounts for future industry trends

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Industry Advisory Committee Feedback



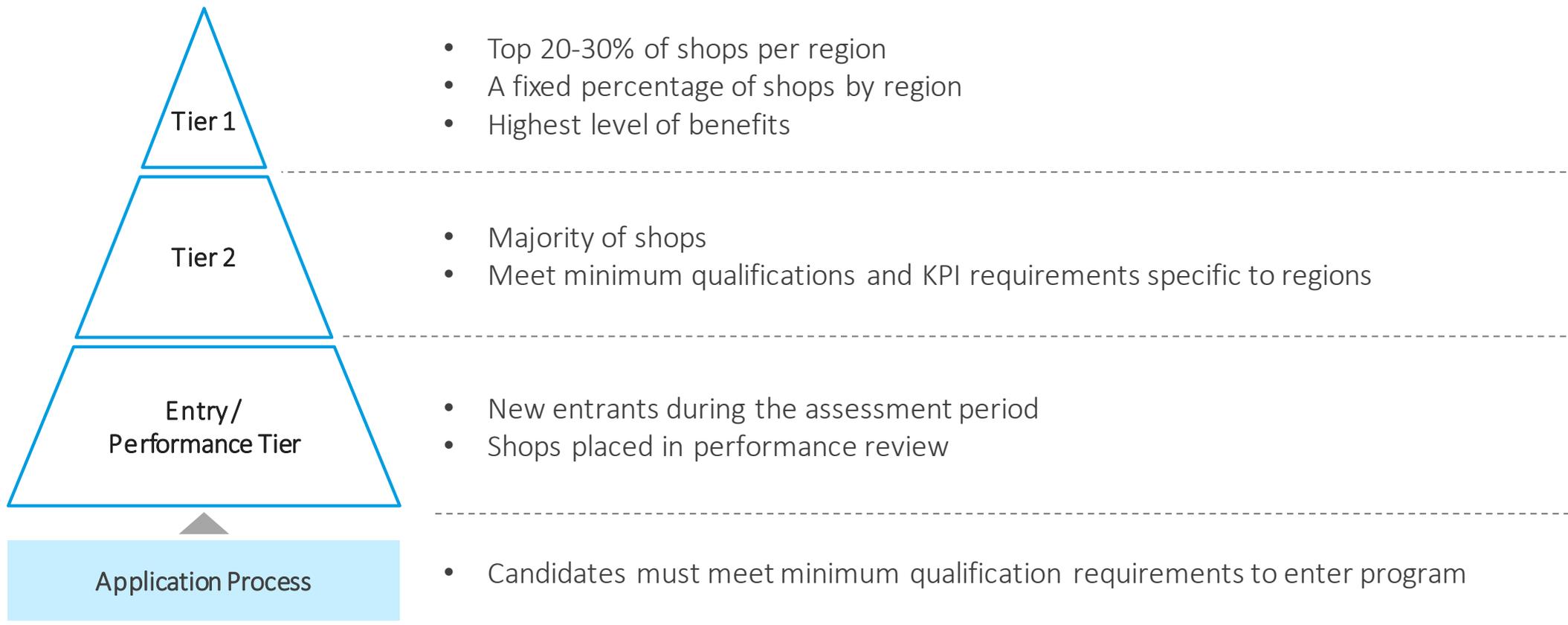
 **6** Total sessions  **>1000** Sticky notes and ideas  **10** Industry Attendees



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Glass Supplier Tiering

The Glass Program would segment the supplier market into three tiers. Ranking and tier placement of supplier would be conducted annually and measured based on their KPI performance.



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Tiering Benefits

The program is designed to differentiate the tiers and incentivize shops to reach Tier 1, while maintaining tangible benefits as a Tier 2 supplier.

	Marketing Channels	Documentation	Claims Processing	Financial Benefits
<p>Tier 1</p>	<p><i>Highest exposure</i> via phone messaging and ICBC shop locator placement</p>	<p><i>Reduced requirements</i> Same as Tier 2, and no photos uploaded for repairs</p>	<p><i>Increased autonomy</i> – No approval required for exceptions</p>	<p><i>All shops</i> eligible for shared benefits program</p> <p><i>Current payment terms</i></p>
<p>Tier 2</p>	<p><i>General placement</i> on ICBC shop locator</p>	<p><i>Reduced requirements</i> Requirement for four vehicle corners eliminated</p>	<p><i>Current autonomy</i> – All exceptions require approval by PGO</p>	<p><i>High-performing shops</i> eligible for shared benefits program</p> <p><i>Current payment terms</i></p>
<p>Entry/ Performance Tier</p>	<p><i>No ICBC marketing support</i></p>	<p><i>All existing photo requirements</i></p>	<p><i>No autonomy</i> – PGO approval required on all claims submitted</p>	<p><i>Not eligible</i> for shared benefits program</p> <p><i>Longer payment terms</i></p>

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Supplier Evaluation Cycle

The business-as-usual supplier evaluation cycle would be over 12 months. Supplier performance would be measured by Key Performance Indicators (KPIs) to determine the supplier's placement and ranking in the Glass Program.



Evaluation Cycle

Supplier performance would be monitored and evaluated over a 12 month period.

Evaluation Date

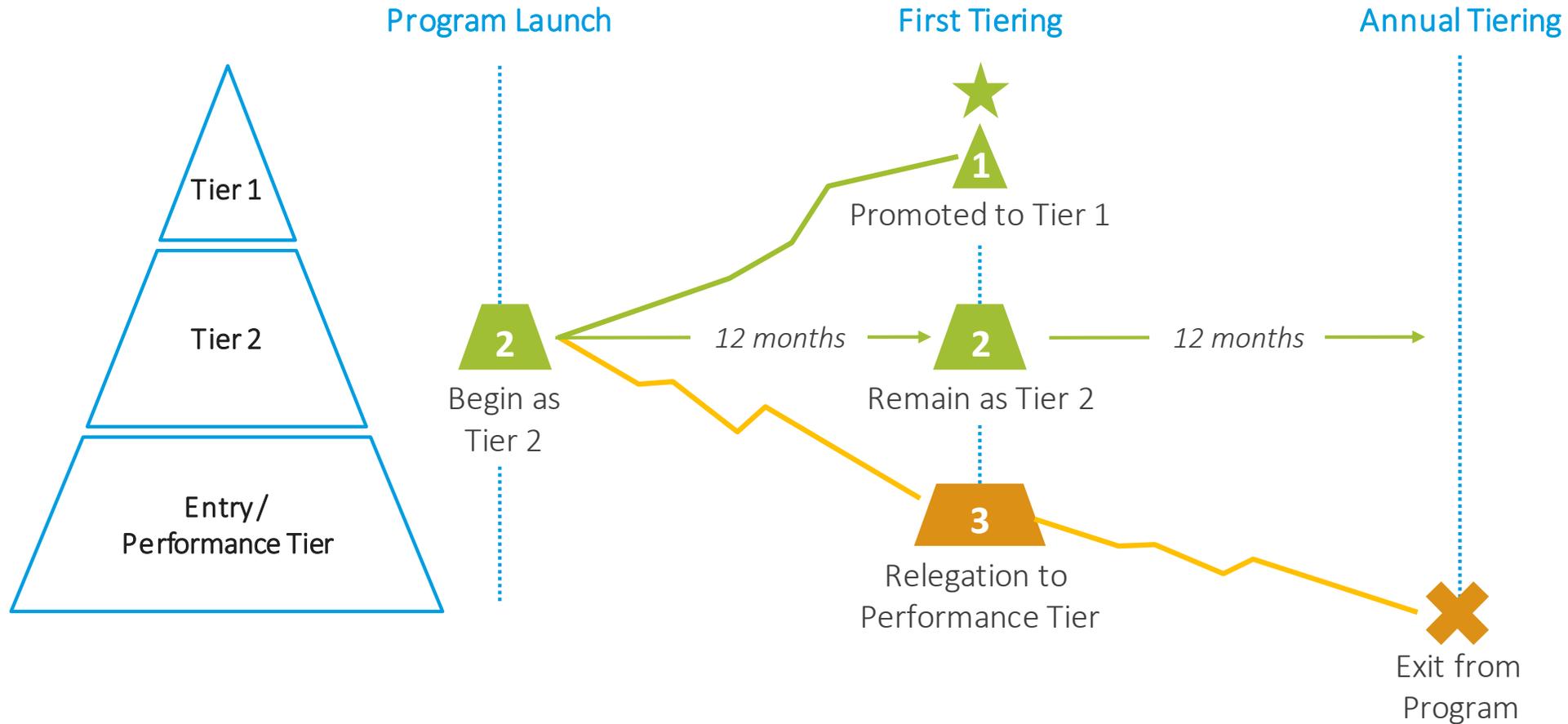
Supplier performance would be evaluated through their KPIs at the end of each evaluation cycle to determine potential movements between tiers.

Static Tiering Date

The annual tiering date would be a set date when promotions and relegations take effect for all shops. This would be in line with contract renewal dates.

SCENARIO: Daz the Express Shop – Transitioning into the new program

This example demonstrates a Glass Express supplier and their transition into the new program and movement among tiers. All existing Glass Express suppliers would start as a Tier 2 supplier for the Transition period, after which the first tiering would take place.



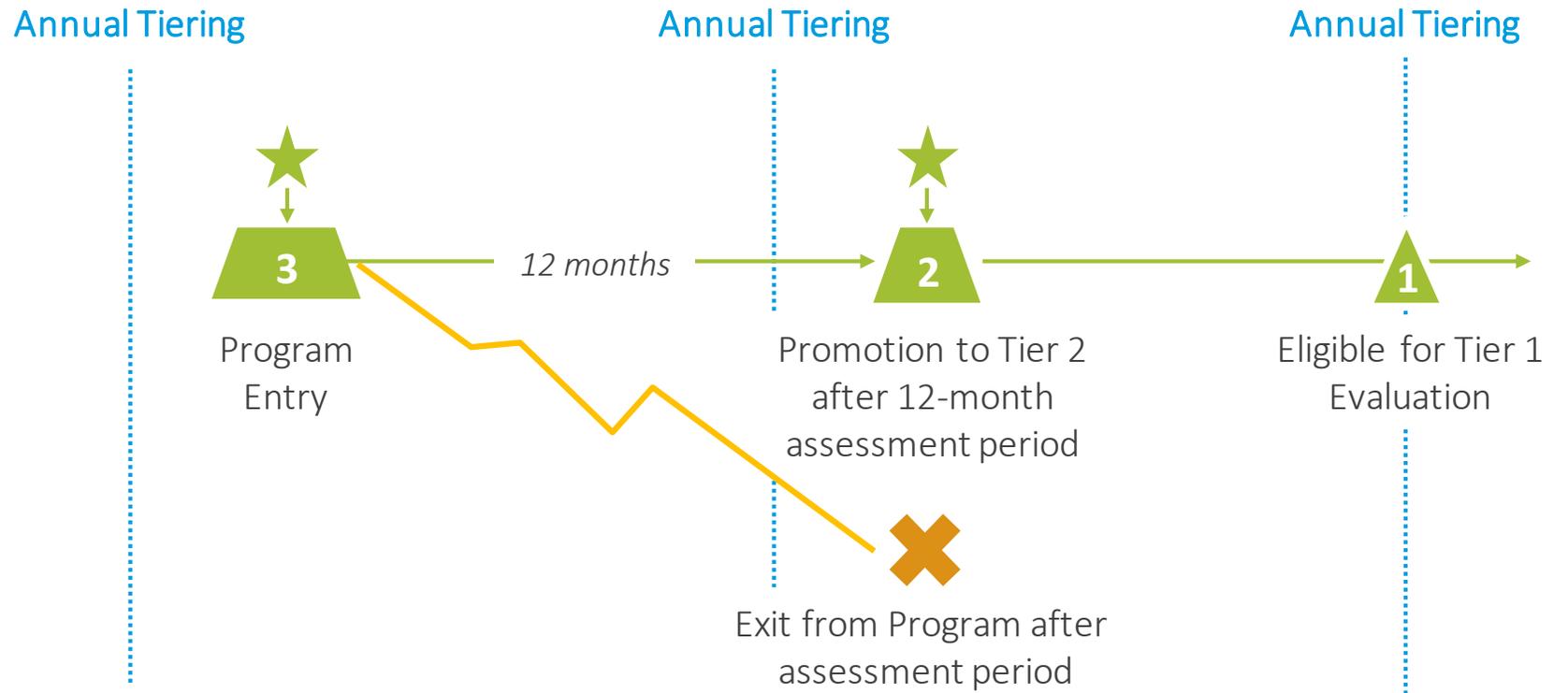
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New Supplier Application and Entry

New entrants who qualify for entry would be assessed for 12 months before either earning Tier 2 status or exiting the program. Suppliers with at least 12 months of KPI data would be eligible for Tier 1 on the first static tiering date after the assessment period.

Application Process

- Shops could apply for program any time during the year
- Candidates would have to meet program entry requirements:
 - Training and certifications
 - Technology and equipment
 - Financial “good standing”



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Program Requirements



Below outlines enhancements to program requirements as part of the Redesigned Glass Program. Equipment and tooling requirements would be reviewed periodically, and updates would take effect following a notice period.

	ICBC Redesigned Glass Program
Urethane Primer	
Urethane Specification	OEM Approved urethane with maximum 1 hour SDAT
Installation Products	
Rain Sensor Installation Kits	✓
Double Sided Tape	✓
Repair Procedures	Reference/support to OEM repair procedures
Tools and Equipment	
Mechanical Assist System	If required (shops offering mobile installation services)
Wire wheel and/or prep grinder	✓
Windshield Stand	✓
Heat Gun	✓
Door Panel Remover	✓
Door Handle Tool	✓
Rear-View Mirror Removal Tool	✓
Wire Cutting Tool	✓

✓ New program requirement

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ADAS Calibration – Under Consideration

The following elements on ADAS Calibrations had been considered as part of the redesigned glass program.

Design considerations include:

- 1 Evaluating opportunities to better educate customers, as well as industry on ADAS Calibrations
- 2 Technicians to gain improved access to information when initiating claim to identify when ADAS calibrations may be required
- 3 Calibration types completed on claim would be captured and measured (static vs. dynamic vs. universal)
- 4 ICBC shop locator may identify shops that have in-house ADAS capabilities

Next Steps:

- 1 Prior to launch, ICBC would conduct a supplier survey/scan
- 2 Calibration policy and procedures would be rolled out at — or prior to — program launch

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Key Performance Indicators (KPIs)

Performance would be monitored and measured based on the ability to improve repair ratios, reduce cost per claim, and deliver great customer experience.

	Key Performance Indicators (KPIs)	Weighting	Metrics	Availability
Cost Control	Cost effective metrics related to driving repairs, controlling costs and reducing severities	High	Repair ratio	Available
			Cost per claim	Available
Customer Experience	Customer satisfaction measurement	High	Net Promoter Score	Not Available
			Tempered vs non-tempered (monitored)	Available
Quality Assurance	Metrics associated with compliance with policies, procedures, quality standards	Medium	Failed repairs	Available
			QA Assessment and audit results	Partially Available
Innovation	Indicators related to industry improvement and sustainability	Low	Percentage of calibrations completed in-house	Not Available

Regionalization

The Glass Program would manage suppliers using a regional model – suppliers would be ranked on performance against their regional peers. A regional model would support fair opportunities for shops and provide adequate coverage for customers across the province.



Regionalization

- Shops ranked and tiered on a regional basis to maintain representation and coverage, account for market differences, and to support fairness
- All regions would use the same performance measures
- Program standards might differ between regions



Defining Regions that consider

- Customer Access – Volume
- Customer Access – Convenience
- Shop Fairness
- Shop Density
- Regional Comparability

Quality Assurance Reviews

Quality Assurance (QA) Assessments would be a new governance tool used by the Glass Program that would drive the QA component of the KPI model. QA Assessments would be a standard method to assess QA touch points and would be used to generate an overall QA score.

Current Program: CL395 Compliance Review Form

× Only capture poor performance

× Do not generate a score

× Limited objectivity

Future Program: QA Assessment Forms

Purpose

The QA Assessment tool would be a new mechanism that would replace the CL395 compliance review form

Includes

QA review would review both negative and positive aspects of claim quality, and would remove some subjectivity

Scoring

Each QA Assessment completed would generate a score – This would contribute to the shop’s QA score

QA Assessments will be completed for touchpoints that span the life of claims

Desk Review

Inspection for Quality Repair*

Performance Review

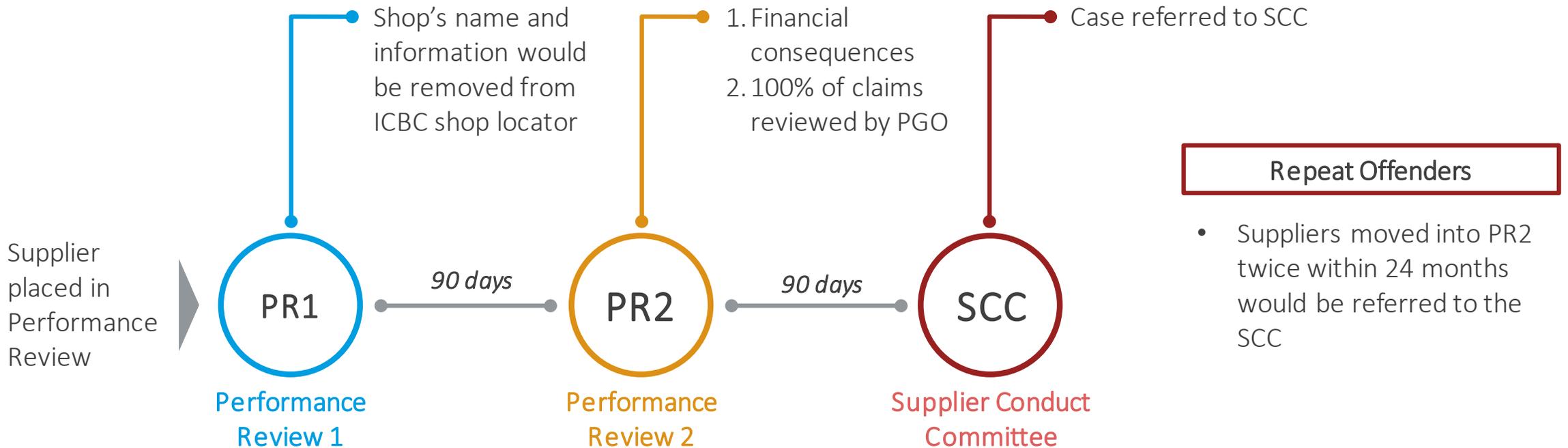
Audit

Customer Service, Complaint

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Performance Review Cycle and Outcomes – Timeline

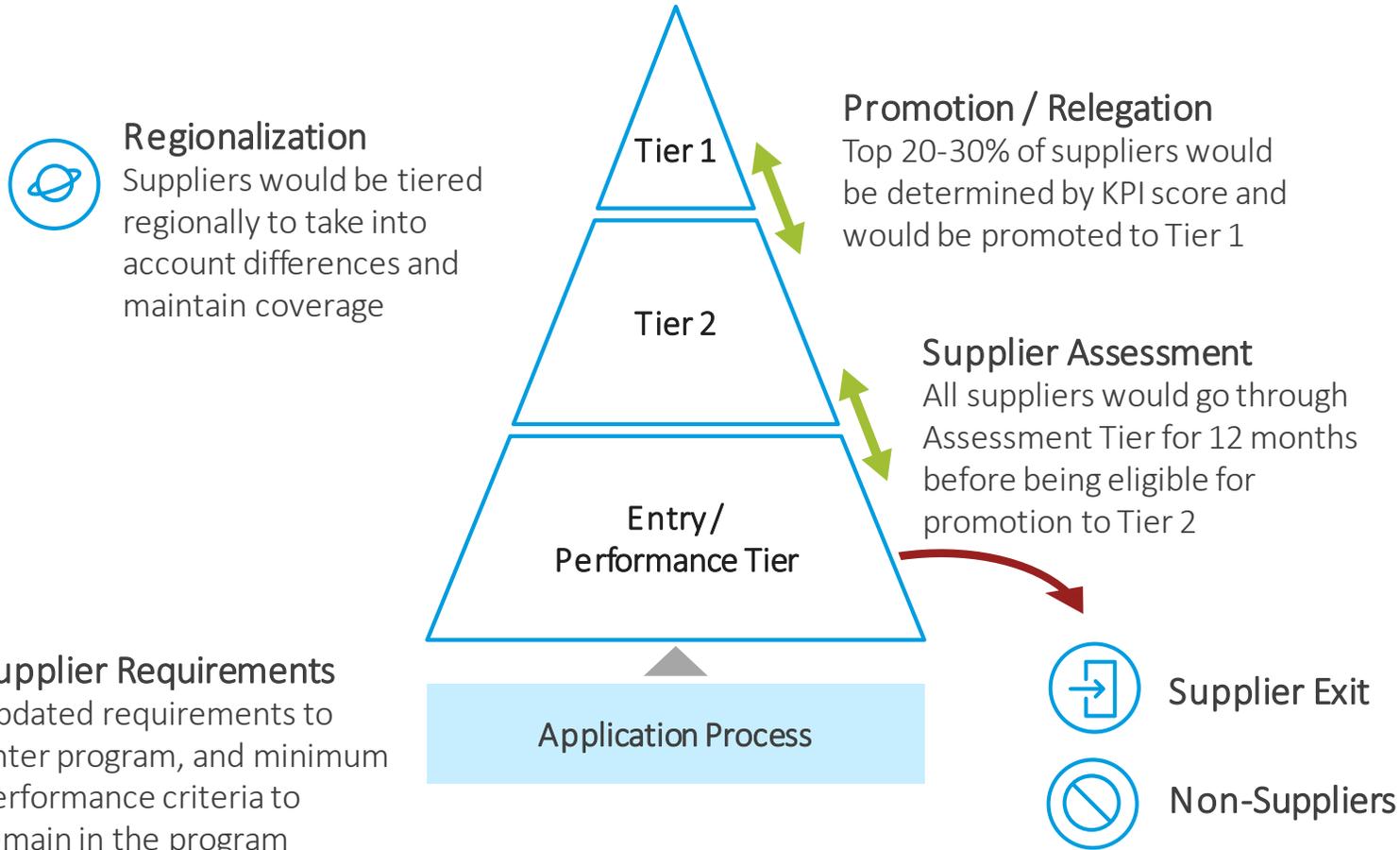
Suppliers could be placed in Performance Review (PR) due to poor compliance reviews, audits, or performance issues



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Recap of Program Redesign

The Glass Program Redesign would segment the supplier market into three tiers, with high performing suppliers being encouraged and rewarded for behaviours that align with ICBC's desired outcomes.



Tiering Enabling Functions

- Customer Experience
- Supplier Governance
- Supplier Performance Management
- Claims Processing

Supplier Requirements
Updated requirements to enter program, and minimum performance criteria to remain in the program

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Overview



A shared benefits program rewards high-performing shops by sharing a proportion of the overall savings

- Rate increases are not feasible at this point based on ICBC's current financial position
- ICBC recognizes that the redesigned Glass Program can achieve savings as shop performance improves
- If the Glass Program hits repair ratio targets and controls program spend, ICBC will be able to achieve savings
- ICBC is willing to share a proportion of these savings with industry through a shared benefits program that will reward high performing shops
- A shared benefits program will compensate industry until a post-implementation business review has been completed

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Repair Ratio

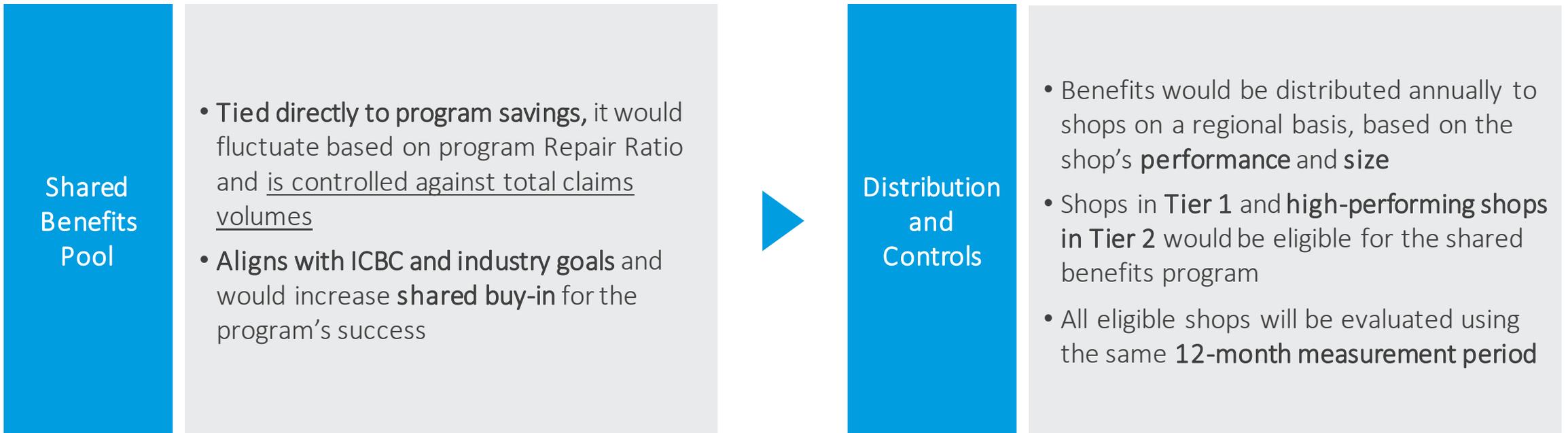
The Repair Ratio will be an important metric used to manage program performance, and will be a key indicator of program savings.

Repair Ratio	
What is the Repair Ratio?	<ul style="list-style-type: none">The Repair Ratio is the proportion of windshield repairs completed by a shop, relative to the total windshield claims they have submittedRepair Ratio = $\frac{\text{Windshield Repairs}}{\text{Windshield Repairs} + \text{Windshield Replacements}}$
Why is it important?	<ul style="list-style-type: none">The repair ratio can provide insights into how effective suppliers are at identifying opportunities where a windshield can be safely repaired instead of being replacedAvoiding a windshield replacement through repair can significantly reduce average cost per claim and provide a cost-effective solution to policy holders
How does ICBC Compare?	<ul style="list-style-type: none">A review of other insurance providers across Canada has found them to achieve Repair Ratios ranging from 40% – 58%ICBC is on average achieving a Repair Ratio close to 25% (FY2020)

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Approach and Distribution

A shared benefits program would be established to share program savings with ICBC's highest performing Glass suppliers.



Duration and Conditions



In line with supporting program savings, benefits may be withheld for the year if one or more of the following occur

Significant Negative Impacts to Program Performance

- Increases in claims above expected volumes – spikes in claims volumes may occur due to natural causes or other factors
- Reduction in overall Repair ratio
- Substantial negative customer impact as a result of customers being turned away

Supplier Conduct Issues

- Suppliers that are not in compliance with ICBC policies and procedures or placed into Performance Review would not be eligible for benefits sharing

Other Unforeseen Circumstances

- Changes to technology, regulations, or other external factors outside the control of industry or ICBC could have direct and material impacts that would require a comprehensive review of the Glass Program

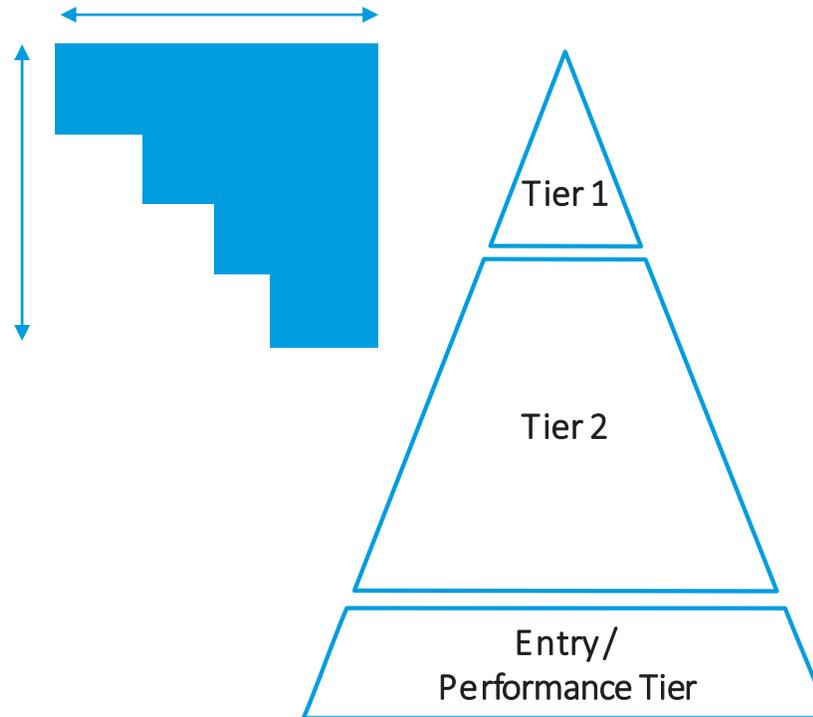
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Distribution Concept

The two main distribution levers that can be altered are the proportion of suppliers that benefits will be shared with, as well as how much it's skewed towards top performers.

The proportion of benefits shared with suppliers will be based on their performance
(Higher performing shops will be eligible to receive a larger proportion of benefits)

How large of a proportion of shops will the benefits be shared with (How far down do we go from the top when sharing benefits?)



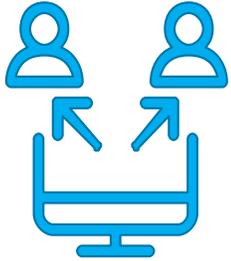
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Next Steps

- Conduct road shows to gather business partner feedback and input
- Review business partner feedback and potential refinements with IACs
- Report findings to Industry
- Finalize program
- Program **start date** will depend on:
 - finalizing the program,
 - implementing the people, process and technology changes required to support the program design.

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Information Resources



MD Business Partners Page

<https://www.icbc.com/partners/material-damage/changes-supplier-programs>

[program redesign enquiry form](#) on MD Business Partners Page

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