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

For discussion only
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.

For discussion only
Background and Objectives

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ICBC’s Material Damage Programs are outdated, do not meet industry standards, and lack the controls necessary to curb escalating claims cost trends that are partly driven by increasingly complex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

For discussion only
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
- GWE is not bad but there are some enhancements that could be made
- ICBC could provide more information to shops
- ICBC requires suppliers to complete a number of processes not required by other insurers
- People are leaving the industry – retention is becoming an issue
- The Glass Industry is rapidly changing, ICBC and shops are not prepared
## Background and Objectives

### How have we approached the Glass Program Redesign

#### The Design Principles

<table>
<thead>
<tr>
<th>Affordability</th>
<th>Customer</th>
<th>Relationship</th>
<th>Fairness</th>
<th>Sustainability</th>
</tr>
</thead>
<tbody>
<tr>
<td>Glass Program contributes to rate affordability through controlling program cost and improving efficiencies for industry and ICBC</td>
<td>Customers and their safety are at the center of the program – the design aims to maintain or improve customer experience and safety standards</td>
<td>Developing a closer relationship with glass industry is mutually beneficial for ICBC and industry players</td>
<td>The program takes into account regional differences and provides opportunities for all</td>
<td>The program is designed to achieve benefits throughout life of the program and accounts for future industry trends</td>
</tr>
</tbody>
</table>

For discussion only
Background and Objectives

Industry Advisory Committee Feedback

6 Total sessions

>1000 Sticky notes and ideas

10 Industry Attendees

Develop problem statement and success factors

Begin high-level design

Refine detailed design through working sessions with industry experts

Consult on concepts with Industry Advisory Committee (IAC)

Finalize program design and implementation activities

Industry Consultation

For discussion only
Tiering and Program Structure

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.

- Top 20-30% of shops per region
- A fixed percentage of shops by region
- Highest level of benefits

- Majority of shops
- Meet minimum qualifications and KPI requirements specific to regions

- New entrants during the assessment period
- Shops placed in performance review

- Candidates must meet minimum qualification requirements to enter program

For discussion only
### Tiering and Program Structure

#### 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.

<table>
<thead>
<tr>
<th>Tier 1</th>
<th>Tier 2</th>
<th>Entry / Performance Tier</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Marketing Channels</strong></td>
<td><strong>Documentation</strong></td>
<td><strong>Claims Processing</strong></td>
</tr>
<tr>
<td><em>Highest exposure</em> via phone messaging and ICBC shop locator placement</td>
<td><em>Reduced requirements</em> Same as Tier 2, and no photos uploaded for repairs</td>
<td><em>Increased autonomy</em> — No approval required for exceptions</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Tier 2</strong></td>
<td><strong>Tier 2</strong></td>
<td><strong>Entry / Performance Tier</strong></td>
</tr>
<tr>
<td><strong>General placement</strong> on ICBC shop locator</td>
<td><strong>Reduced requirements</strong> Requirement for four vehicle corners eliminated</td>
<td><strong>No ICBC marketing support</strong></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Financial Benefits</strong></td>
<td><strong>Claims Processing</strong></td>
<td><strong>Marketing Channels</strong></td>
</tr>
<tr>
<td><em>Current autonomy</em> — All exceptions require approval by PGO</td>
<td><em>Current payment terms</em></td>
<td><em>No autonomy</em> — PGO approval required on all claims submitted</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*For discussion only*
Supplier Intake and Requirements

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.

For discussion only
Supplier Transition

**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.

For discussion only
Supplier Intake and Requirements

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”

For discussion only
Supplier Intake and Requirements

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.

<table>
<thead>
<tr>
<th>Urethane Primer</th>
<th>OEM Approved urethane with maximum 1 hour SDAT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Urethane Specification</td>
<td></td>
</tr>
</tbody>
</table>

**Installation Products**

<table>
<thead>
<tr>
<th>Product</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rain Sensor Installation Kits</td>
<td>✔</td>
</tr>
<tr>
<td>Double Sided Tape</td>
<td>✔</td>
</tr>
<tr>
<td>Repair Procedures</td>
<td>Reference/support to OEM repair procedures</td>
</tr>
</tbody>
</table>

**Tools and Equipment**

<table>
<thead>
<tr>
<th>Tool</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mechanical Assist System</td>
<td>If required (shops offering mobile installation services)</td>
</tr>
<tr>
<td>Wire wheel and/or prep grinder</td>
<td>✔</td>
</tr>
<tr>
<td>Windshield Stand</td>
<td>✔</td>
</tr>
<tr>
<td>Heat Gun</td>
<td>✔</td>
</tr>
<tr>
<td>Door Panel Remover</td>
<td>✔</td>
</tr>
<tr>
<td>Door Handle Tool</td>
<td>✔</td>
</tr>
<tr>
<td>Rear-View Mirror Removal Tool</td>
<td>✔</td>
</tr>
<tr>
<td>Wire Cutting Tool</td>
<td>✔</td>
</tr>
</tbody>
</table>

✔ New program requirement
Supplier Intake and Requirements

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

For discussion only
Supplier Performance Management

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.

<table>
<thead>
<tr>
<th>Key Performance Indicators (KPIs)</th>
<th>Weighting</th>
<th>Metrics</th>
<th>Availability</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cost Control</strong></td>
<td>High</td>
<td>Repair ratio</td>
<td>Available</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Cost per claim</td>
<td>Available</td>
</tr>
<tr>
<td><strong>Customer Experience</strong></td>
<td>High</td>
<td>Net Promoter Score</td>
<td>Not Available</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Tempered vs non-tempered (monitored)</td>
<td>Available</td>
</tr>
<tr>
<td><strong>Quality Assurance</strong></td>
<td>Medium</td>
<td>Failed repairs</td>
<td>Available</td>
</tr>
<tr>
<td></td>
<td></td>
<td>QA Assessment and audit results</td>
<td>Partially Available</td>
</tr>
<tr>
<td><strong>Innovation</strong></td>
<td>Low</td>
<td>Percentage of calibrations completed in-house</td>
<td>Not Available</td>
</tr>
</tbody>
</table>

For discussion only
Supplier Performance Management

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

For discussion only
Quality Assurance and Governance

**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**

<table>
<thead>
<tr>
<th>Desk Review</th>
<th>Inspection for Quality Repair*</th>
<th>Performance Review</th>
<th>Audit</th>
<th>Customer Service, Complaint</th>
</tr>
</thead>
</table>

*For discussion only*
Quality Assurance and Governance

Performance Review Cycle and Outcomes – Timeline

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

1. Performance Review 1 (PR1)
   - Suppliers moved into PR2 twice within 24 months would be referred to the SCC

2. Performance Review 2 (PR2)
   - Financial consequences
   - 100% of claims reviewed by PGO

3. Supplier Conduct Committee (SCC)

For discussion only
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.

**Tier 1**
- **Entry/Performance Tier**
- **Supplier Requirements**
  - Updated requirements to enter program, and minimum performance criteria to remain in the program

**Tier 2**
- **Supplier Assessment**
  - All suppliers would go through Assessment Tier for 12 months before being eligible for promotion to Tier 2

**Tier 1**
- **Promotion/Relegation**
  - Top 20-30% of suppliers would be determined by KPI score and would be promoted to Tier 1

**Tiering Enabling Functions**
- **Customer Experience**
- **Supplier Governance**
- **Supplier Performance Management**
- **Claims Processing**

**Regionalization**
- Suppliers would be tiered regionally to take into account differences and maintain coverage

**For discussion only**
Shared Benefits Program

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

For discussion only
Shared Benefits Program

**Repair Ratio**

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

<table>
<thead>
<tr>
<th>What is the Repair Ratio?</th>
</tr>
</thead>
<tbody>
<tr>
<td>• The Repair Ratio is the proportion of windshield repairs completed by a shop, relative to the total windshield claims they have submitted</td>
</tr>
</tbody>
</table>
| • Repair Ratio = \[
\frac{\text{Windshield Repairs}}{\text{Windshield Repairs} + \text{Windshield Replacements}}
\] |

<table>
<thead>
<tr>
<th>Why is it important?</th>
</tr>
</thead>
<tbody>
<tr>
<td>• The repair ratio can provide insights into how effective suppliers are at identifying opportunities where a windshield can be safely repaired instead of being replaced</td>
</tr>
<tr>
<td>• Avoiding a windshield replacement through repair can significantly reduce average cost per claim and provide a cost-effective solution to policy holders</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>How does ICBC Compare?</th>
</tr>
</thead>
<tbody>
<tr>
<td>• A review of other insurance providers across Canada has found them to achieve Repair Ratios ranging from 40% – 58%</td>
</tr>
<tr>
<td>• ICBC is on average achieving a Repair Ratio close to 25% (FY2020)</td>
</tr>
</tbody>
</table>

For discussion only
Shared Benefits Program

**Approach and Distribution**

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

### Shared Benefits Pool

- **Tied directly to program savings**, it would fluctuate based on program Repair Ratio and is controlled against total claims volumes.
- **Aligns with ICBC and industry goals** and would increase shared buy-in for the program’s success.

### Distribution and Controls

- Benefits would be distributed annually to shops on a regional basis, based on the shop’s performance and size.
- Shops in Tier 1 and high-performing shops in Tier 2 would be eligible for the shared benefits program.
- All eligible shops will be evaluated using the same 12-month measurement period.

*For discussion only*
Shared Benefits Program
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
Shared Benefits Program

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?)
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.

*For discussion only*
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