

GOVERNMENT CONTINUES TO PROMOTE ICBC'S ENHANCED CARE MODEL BUT CONTINUES TO WITHHOLD ICBC'S Q2 FINANCIAL REPORT

On Monday, January 27th, minister responsible Mike Farnworth and ICBC president Nicholas Jimenez held a media event to publicize a new online tool that allows policyholders to calculate their premiums under the new no-fault/enhanced care liability model.¹

The release of the new calculator was intended to promote the anticipated 20% average savings (approximately \$400/year) in the combined Basic and Optional premiums that will occur when the no-fault model reduces injury claim costs. The estimated savings of \$1.0 billion result from the elimination of practically all future payment for general damage (pain and suffering) claims.

Where is the Second Quarter Financial Report?

During the media event the minister was asked when the government would allow ICBC to release its second quarter financial report for the period 1 April to 30 September. This report summarizes revenue and expenditures for the Basic and Optional programs, and provides the balance sheet. Normally it would be released by the end of November, but it has been withheld from the public.

The government released its own second quarter update on 19 December, and BC Hydro released its second quarter report during the last week of December. So, the withholding of the ICBC report raises some basic questions about the government's openness and transparency respecting our public auto insurer.

According to the government's report, ICBC recorded combined Basic and Optional net income of \$383 million for the first six months of 2020/21, with a forecast of \$410 million by year-end.² The key statistic and the capital position was not included in the government's summary report.

¹ <https://www.theglobeandmail.com/canada/article-icbc-promotes-changes-to-auto-insurance-with-improved-online-estimator-3/>

² <https://www2.gov.bc.ca/assets/gov/british-columbians-our-governments/government-finances/quarterly-reports/fall-2020-economic-fiscal-update.pdf> p. 19.

Inconvenient Reports

The government was recently criticized for delaying the release of a report on managing pandemic risks and infections in long-term care homes during to the pandemic.³ The report was critical of several aspects of the government's actions, or lack of actions.

ICBC's second quarter financial report may also be inconvenient for the government because it probably shows a significant improvement in the corporation's financial health when compared to the reports from the last few years. Rather than a cause for celebration, the government may have assumed that a positive report would spur calls for ICBC to rebate some of the windfall claims costs savings that have accrued due to the efforts to combat the COVID-19 virus. The government has said that any pandemic rebate will depend on the corporation's year-end financial position.

Continued Politicization of ICBC's Finances

Since its creation, various provincial governments have found it politically advantageous to attempt to influence ICBC's finances and the premiums charged for the compulsory insurance coverage. The previous government avoided the problem of escalating tort-based injury costs by destroying the policyholders' capital reserves.

This government has addressed the unsustainable finances by moving to the no-fault/enhanced care model, which becomes effective for new claims on 1 May 2021. Part of the anticipated claims cost savings will be retained as profits to rebuild the equity reserves. We do not know the plan for how high these reserves for the Basic and Optional programs should be, or how long it will take to meet the reserve targets.

As noted in earlier papers, rebating the windfall gains from the pandemic-related reduction in claims would be a short-sighted policy while ICBC's financial condition remains poor.⁴ However, the government has become so used to directing the financial affairs of the corporation that all key decisions now become cabinet decisions.

The withholding of ICBC's second quarter actual results is another example of this the political agenda overriding the public's already limited means for holding ICBC accountable.

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³ <https://vancouversun.com/opinion/columnists/vaughn-palmer-stonewall-deny-coverup-on-b-c-care-home-report>

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https://www.bcpolicyperspectives.com/media/attachments/view/doc/commentary_politics_and_auto_insurance_13_october_2020_2/pdf/commentary_politics_and_auto_insurance_13_october_2020_2.pdf

