

## RECENTLY RELEASED CLAIMS DATA EXPLAINS ICBC'S IMPROVED FINANCES

ICBC has had a long-standing aversion to providing operational data in its service plans or in its quarterly and annual reports. Readers of its plans or reports find forecasted or actual financial results, but no measures on claims filed or paid. This is poor accountability on the part of our monopoly auto insurer as it leaves the reader in the dark about changes in service levels.

Using the freedom of information process, I obtained key claims data from ICBC for the last two fiscal years. When combined with the financial data we can now appreciate a more nuanced picture of why the financial results occurred, and where more detailed questions about the finances can be developed.

### The Change to a Hybrid-Tort Model is Reducing Claims and Costs

Table 1 shows the new Basic injury and property damage claims for the last three years. During the last two years injury claims have declined by approximately 8,500, or 17%. Most of the decline occurred in 2019/20 when the province switched from the tort liability model to the hybrid system, where pain and suffering claims for minor injuries were capped at \$5,500, and disputes of values up to \$50,000 would be heard by the Civil Resolution Tribunal. It would appear that the change to the hybrid model has reduced the number of injury claims.<sup>1</sup>

Property damage claims had begun to decrease in 2018/19 after several years of significant increases. From 2012/13 to 2016/17 property damage claims increased by 21%.

**Table 1 – New Basic Claims**

	2017/18		2018/19		2019/20	
	Number	%	Number	%	Number	%
Injury Claims	50,025	5.6	47,997	(4.1)	41,531	(13.5)
Property Damage	161,180	12.0	149,934	(7.0)	139,230	(7.1)

Source: FOI response CFT307386

<sup>1</sup> ICBC said that the decline in crashes and claims resulting from the COVID-19 containment measures had little impact on the 2019/20 results.

ICBC does not release Optional claims data claiming that to do so would place it at a competitive disadvantage with private insurers, even though this is historic data and ICBC has maintained approximately 90% of the Optional market for some 18 years.

While the number of Basic claims declined in 2018/19, the cost of current claims in that year rose by 4.9%, as shown in Table 2. There was a major reduction in current year claims costs in 2019/20, reflecting the reduced benefits resulting from the change to hybrid tort model.

**Table 2 – Change in Current Year Claims Costs (\$=million)**

	2017/18		2018/19		2019/20	
	\$	%	\$	%	\$	%
Basic Program	3,451	9.6	3,621	4.9	2,900	(20.0)
Optional Program	1,633	11.7	1,687	3.3	1,829	8.4
Total	5,084	10.2	5,308	4.4	4,729	(9.0)

Source: ICBC annual reports.

### Settled Claims

The number of injury exposures<sup>2</sup> closed declined by almost 20% in 2018/19, but remained stable in 2019/20. The decline in the number of settled exposures in 2018/19 requires further explanation, especially because ICBC has hired many new claims adjudicators.

**Table 3 – Injury Exposures Settled (Closed) by Legal Representation Status**

	2017/18		2018/19		2019/20	
	Number	%	Number	%	Number	%
No Representation	30,000	nil	25,000	(16.3)	26,000	4.0
Rep. but Not Litigat.	15,000	7.1	11,000	(26.7)	9,000	(18.2)
Rep. and Litigated	17,000	13.3	14,000	(17.6)	15,000	7.1
TOTAL	62,000	5.1	50,000	(19.4)	50,000	nil
Percent Represented	51.6		50.0		48.0	

Source: FOI response CFT307386

<sup>2</sup> A claim is generally registered against the vehicle, and can result in one or more exposures.

Analyzing the average payments by representation status requires a nuanced approach. Unrepresented claims or exposures comprise the largest block of the number settled, but are for relatively small amounts and generally are less complex and require less time to settle. The litigated claims are usually the most complex and take much longer to settle or close.

In 2019/20 the total amounts paid, including legal costs and disbursements, were approximately \$161.5 million for the not represented exposures, approximately \$216.5 million for the represented but not litigated group, and \$1.88 billion for the represented and litigated group.

Table 4 shows the average payment (severity) for the three categories of exposures. It would seem that the limitation on pain and suffering payments for minor injuries resulted in a significant drop in the average payment for claims of smaller value in 2019/20.

**Table 4 – Paid Severity of Settled Injury Exposures by Legal Representation**

	2017/18		2018/19		2019/20	
	Cost	%	Cost	%	Cost	%
No Representation	8,019	9.2	7,824	(2.4)	6,260	(20.0)
Rep. but Not Litigat.	26,486	15.5	26,462	(0.1)	23,390	(11.6)
Rep. and Litigated	107,427	13.3	124,152	15.5	128,652	3.6

Source: FOI response CFT307386

### Claims Pending and Unpaid Claim Liability

The number of pending claims, and whether the unpaid claims are increasing or decreasing, is a useful indicator of the efficiency of the claims adjudication process. Table 5 shows that the number of Basic injury claims continues to increase, even as the number of new injury claims has declined during the last two years (see Table 1). ICBC does not provide Optional pending claims data.

**Table 5 – Basic Claims Pending at Year-End**

	2017/18		2018/19		2019/20	
	Number	%	Number	%	Number	%
Injury Claims	81,875	5.9	92,524	13.0	96,968	4.8

Property Damage	7,951	(12.2)	6,029	(24.2)	6,379	5.8
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Source: FOI response CFT307386

ICBC reports that the Basic unpaid claim liability as of 31 March 2020 was \$11.3 billion, an increase of \$2.7 billion (up 31%) in two years. This growth in the liability is one of the drivers of higher premiums. The Optional unpaid claim liability as of 31 March 2020 was \$4.7 billion, which was \$1.4 billion (or 42%) higher than the amount from two years ago.

## Summary

One must question why ICBC does not release include operational service information in its publicly-released service plans and its quarterly and annual reports. If this data were a part of ICBC's reports the media and the public would develop a better understanding of its operations and challenges, and it would enhance accountability as required in the government's mandate letter to the Crown corporation. A more open approach would also assist the 3.1 million private vehicle and 315,000 commercial policyholders in developing more trust in how their annual premium dollars are spent.

The newly-released claims data shows that the change to the hybrid tort liability has reduced the number and the cost of injury claims, particularly the lower value or "minor" claims. But ICBC has not publicized the reduction in claims and the resulting cost. Should it really be necessary to use the freedom of information process to discover how many claims were filed? Or how many claims were paid and the trend in the severity of those payments?

Each year WorkSafe BC publishes an extensive statistical summary of its insurance program which covers about 2.5 million workers.<sup>3</sup> ICBC should adopt this practice. Until it does, I will continue to publish my own statistical summary of key operational data.<sup>4</sup>

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The writer is a retired senior BC government public servant whose paper describing the BC government's manipulation of the finances of BC Hydro from 2008 to 2014 was published by *BC Studies* in November 2016. *BC Studies* published his paper on the 40-year financial history of ICBC in 2013. He is an intervener in the BC Utilities Commission's current reviews of ICBC's and B.C. Hydro's rate requests.

<sup>3</sup> [file:///C:/Users/user/Downloads/statistics-2019-pdf-en%20\(5\).pdf](file:///C:/Users/user/Downloads/statistics-2019-pdf-en%20(5).pdf)

<sup>4</sup> The last summary was distributed in June 2019 for actual data to 2017/18; see [file:///C:/Users/user/Downloads/statistics-2019-pdf-en%20\(5\).pdf](file:///C:/Users/user/Downloads/statistics-2019-pdf-en%20(5).pdf)