

RESTORING PUBLIC TRUST IN ICBC REQUIRES MORE THAN THE TEPID MOVES ANNOUNCED BY MINISTER EBY

Yesterday minister responsible David Eby announced a number of new measures which he said would enhance public trust in the public auto insurer.¹ The new measures appear minor compared to measures to promote greater transparency and accountability that the government should expect from ICBC.

Since July 2017, the NDP government has been struggling with the financial meltdown at ICBC. Rapid increases in claims costs, especially injury claims costs resulted in a two-year operating loss of almost \$2.5 billion. This loss reduced ICBC's combined Basic and Optional capital (equity) reserve from \$2.4 billion in March 2017 to almost zero in March 2019.²

The government replaced the full tort liability model with a hybrid system that capped payments for pain and suffering claims arising from minor injuries, and required that disputes for claims up to \$50,000 be resolved by the Civil Resolution Tribunal, rather than the court system. This change was expected to reduce annual claims costs by approximately \$1.0 billion.

The government also agreed to new rate design model that shifted some of the cost from older, low-risk drivers to those with less experience (younger) drivers or those with at-fault claims on their record. While the new scheme was supposed to be revenue neutral, the government faced severe criticism as a result of the massive increase in rates now being charged to young policyholders.

Lack of Confidence

In a year-end interview Premier John Horgan stated that the people (and therefore the government) do not have confidence in ICBC; "We have got to get a handle on ICBC rates for people, we've got to bring rates down." The Premier put ICBC at the top of the government's to-do list for 2020, designating it as priority 1-A.³

Attorney General Eby echoed the premier's comments when he stated "I don't think it's a secret that many British Columbians simply don't trust ICBC.... And that's a problem."⁴

¹ <https://news.gov.bc.ca/releases/2020AG0006-000165>

² The minimum capital reserve should be in the range of \$3.5 to \$4.5 billion to provide an adequate financial buffer to minimize rate volatility during an adverse financial event.

³ <https://vancouversun.com/opinion/columnists/vaughn-palmer-horgan-aims-to-get-handle-on-icbc-downplays-rumours-of-snap-election>

⁴ <https://vancouversun.com/news/politics/icbcs-fairness-commissioner-to-be-supercharged>

Missed Opportunity

Rather than improve public confidence by requiring ICBC to be more open and accountable in its public reporting, the government opted to announce some minor changes dressed up as significant enhancements to fairness and transparency. The new fairness commissioner replaces the existing fairness commissioner,⁵ and one must question whether changing the governance structure of this limited complaint channel really enhances public trust.

Issuing the annual report in plain language does not enhance accountability if key measures on service and performance continue to be excluded from the report (and the quarterly reports). The government should require ICBC to improve its public reporting by

- Reporting at the program level (Basic, Optional and Non-Insurance),
- Report on key service measures such as the number of policies earned, and the number of claims filed and paid,⁶
- Report on key performance measures such as frequency and severity of injury and property damage claims,
- Report on actuals compared to budget,
- Provide five-year summary tables for ease of comparison, and
- Provide an analysis of why revenues and expenditures changed from the previous period, or from the budget.

The government should require ICBC to make these improvements immediately, especially as ICBC's third quarter financial report will be released in the next few days.

The public's trust in ICBC will improve when policyholders see that the increase in premiums more closely aligns with the increase in the cost of living, and when claimants believe they are receiving a fair settlement.

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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 has been an intervener in the BC Utilities Commission's recent reviews of both ICBC's and BC Hydro's rate requests.

⁵ <https://www.icbc.com/about-icbc/contact-us/Documents/2018-FC-annual-report.pdf>

⁶ For example, the minister said that accident rates were declining, but this important information is not reported in ICBC's annual or quarterly reports; see <https://www.theglobeandmail.com/canada/british-columbia/article-bcs-auto-insurance-monopoly-gets-a-makeover/>

