

ICBC BOOKED ALL ANTICIPATED SAVINGS FROM LIMITATION ON EXPERT REPORTS IN FY2018/19

On 18 October 2019, I received a response from VP Lindsay Matthews on my query as to how ICBC accounted for the expected savings from the limitation on expert reports.

What Changed?

The Rule 11-8 was brought in under OIC 40/3019 and subsequently amended by OIC 131/2019 on March 22nd so that the limits don't apply to existing vehicle actions which have been set for trial on or before December 31, 2019. The regulation isn't retroactive but applies to any other open claims. February 1, 2020 is when it expands to other personal injury actions.

How Were the Expected Savings Developed?

The approximate breakdown of the savings from Rules of Court changes is expected to be:

- About half (roughly 50%) due to fewer reports (40% from Plaintiff reports plus 10% from Defense reports).*
- About half (roughly 50%) due to lower payments for damages by preventing artificial inflation of damages through the excessive use of medical reports.*

[Note wording of the second bullet]

What Was Booked and What were the Amounts by Item and Program?

	Current Year	Prior Years	Total
Basic	96 M	231 M	327 M
Optional	27 M	95 M	122 M
Total	123 M	326 M	449 M

What is the Estimate for Future Savings?

The savings of about \$30 million per year for future fiscal years was included in the 2019/20-2021/22 Service Plan. It breaks down for each future year, and Basic/Optional, as below.

	<i>Total</i>	<i>Basic</i>	<i>Optional</i>
<i>2019/20</i>	\$ 29 M	\$ 16 M	\$ 13 M
<i>2020/21</i>	\$ 31 M	\$ 17 M	\$ 14 M
<i>2021/22</i>	\$ 34 M	\$ 19 M	\$ 15 M

Summary

Despite knowing that OIC 131/19 (dated 22 March 2019) delayed the implementation of the limit on expert reports, ICBC booked annualized savings of \$449 million for the 1 April 2018 to 31 March 2019 fiscal year. This is concerning.

The anticipated savings were not included in the Basic rate increase forecast used to justify the 6.4% rate increase requested from, and approved by, the BC Utilities Commission for the 2019/20 year. If sustained by the Chief Justice the limitation gives ICBC a base adjustment savings of \$327 million in the Basic program. This is equivalent to a one-time rate increase of approximately 9%.

RMcC October 23, 2019.