

FACT CHECK – LIBERAL PARTY ESTIMATES ICBC RATE INCREASE

GOVERNMENT ADMITS MASSIVE RATE INCREASE COMING

Background:

On April 19, 2017, finance minister de Jong stated that a four-year freeze on Basic ICBC rates would cost \$2.0 billion.¹

During the last four years, the government has deliberately suppressed the growth in Basic insurance rates. The increase in Basic revenue was out-paced by the rise in costs, which have been driven by significant annual increases in claims costs.²

The government's actions created a structural deficit in the Basic program, and have drained the corporations once-healthy accumulated capital reserves.

When the BC Utilities Commission asked ICBC to file a multi-year Basic program forecast as part of the review of the 2016 rate review, the corporation balked at the prospect. It stated that the Commission should confine its inquiry to only the year under review, and that public knowledge of the future revenue requirements would be “prejudicial” to its policyholders and to ICBC itself.³

The Utilities Commission ordered a public filing. ICBC's November 23, 2016 forecast indicated that Basic revenue would need to increase by the cumulative equivalent of 117% from 2017 to 2020 to keep the Basic capital at the government's regulatory minimum level.⁴

On December 16, 2016 cabinet ordered the Commission to approve a 4.9% rate increase,⁵ and announced a ICBC-directed review of the corporation to attempt to keep future rate increases affordable. This decision effectively ended the Utilities Commissions review of the finances of the Basic program.

Why Is a Massive Increase Needed?

ICBC's February 2017 corporate service plan indicates that if the rate suppression policy continues the Basic capital reserve will drop to well below the government's minimum regulatory level. The government cannot continue to appropriate the Optional policyholders'

¹ <http://vancouversun.com/news/local-news/b-c-election-2017-liberals-analyze-ndp-spending-plans>

² See http://www.bcpolicyperspectives.com/media/attachments/view/doc/bcuc_icbc_2016_final_20_dec_2016/pdf

³ Ibid., page 11.

⁴ <http://www.theglobeandmail.com/news/british-columbia/provinces-file-bungling-has-driven-insurance-corp-of-bc-into-trouble/article34136030/>

⁵ OIC 960/16.

capital to subsidize the Basic rates because the Optional capital reserve has been reduced to near its regulatory minimum level.⁶

The significant rise in the costs of claims, combined with the government's rate suppression policy, have heightened the risk that in the event of an adverse event current and future claimants will not be paid.

What Does the Liberal Platform Say About ICBC Rates?

The Liberal platform says nothing about the serious financial situation at ICBC⁷ – a situation that has been exacerbated by the government's actions.

It seems odd, therefore, that minister de Jong would seek to discredit the NDP's approach. Odder still that some commentators would press the NDP on how its approach will address ICBC's financial crisis, while not asking the government why it allowed the corporations finances to get to such a serious state.⁸

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⁶ http://www.bcpolicyperspectives.com/media/attachments/view/doc/occasional_paper_no_28_30_march_2017/pdf

⁷ See http://www.bcpolicyperspectives.com/media/attachments/view/doc/occasional_paer_no_30_14_april_2107/pdf

⁸ <http://vancouversun.com/opinion/columnists/vaughn-palmer-liberals-pounce-on-ndps-perceived-shortage-of-specifics>