

PULLING BACK THE CURTAIN: SEVEN YEARS OF ICBC OPERATIONAL DATA

For an important Crown corporation with over \$6.4 billion in revenue, ICBC does a poor job of informing the public about the operation of its monopoly Basic insurance program and provides practically no information about its near-monopoly Optional program. Neither the corporation's annual report nor its three-year service plan provides the reader with service (quantitative) measures, and the few performance (qualitative) measures provided are abstracted to the corporate level.

ICBC does provide a wealth of financial and operational data respecting the Basic program as part of the B.C. Utilities Commission's (BCUC) annual rate review process. But the data is either scattered throughout the submission or is found piecemeal in responses to information requests from Commission staff or interveners. No service or performance measures are provided for the Optional program because ICBC uses the dubious claim that this information may allow private insurers to gain market share from ICBC.

WorkSafe BC is another important personal injury insurance agency that operates as a monopoly. Unlike the dearth of public data released by ICBC, WorkSafe BC publishes an extensive statistical summary every year.¹ In September 2019 the writer attempted to fill the information gap with a statistical summary.² This new summary updates the 2019 summary with actual data for the 2018/19 and 2019/20 fiscal years.

¹ [file:///C:/Users/user/Downloads/statistics-2019-pdf-en%20\(5\).pdf](file:///C:/Users/user/Downloads/statistics-2019-pdf-en%20(5).pdf)

²

http://www.bcpolicyperspectives.com/media/attachments/view/doc/occasional_paper_no_68_icbc_stats_18_june_2019_2/pdf/occasional_paper_no_68_icbc_stats_18_june_2019_2.pdf BC Hydro provides ten years of actual data in its annual report.

Information on Data Sources – ICBC’s Refusal to Update Previous Data

Some of the key financial measures were provided by ICBC in its annual reports, while service and performance measures were provided in response to specific questions by BCUC staff or interveners during the 2019 Basic rate application review process. These data would have been updated with the most recent actual data for 2018/19 and 2019/20 during the 2020 rate review, however this method of acquiring the information was precluded when the 2020 review was cancelled by the government.

On three separate occasions in May, June, and July the writer asked ICBC to provide the actual data for last two fiscal years. On two occasions ICBC management replied that staff were too busy responding to other priorities to provide the actual data, while no response was provided to the third request. In August, the writer then filed freedom of information requests for a subset of the information. The FOI channel resulted in a positive response, but I was asked to pay \$400 for the privilege.

So, the public accountability data that was provided without charge through the BCUC process was now available only if a significant fee was paid to the public insurer! Fortunately, after I filed arguments as to why the release of the data was in the public interest ICBC agreed to waive the fee.

Some of the missing actual data for 2018/19 and 2019/20 is shown as not available, or “n/a” in the following summaries.

This paper attempts to fill the ICBC information/accountability gap. The data provided are primarily quantitative measures, although some qualitative measures are also available. The information is grouped as:

1. The Auto Insurance Market – driver’s licences and policies sold
2. Financial Summaries – revenue, expenditure, net income, etc.
3. Claims Information – number, type, representation status, etc.
4. Cost of Claims – by program and type of claim

1.0 THE AUTO INSURANCE MARKET

This section reviews the number of annual drivers licenses, and the number of policies purchased, both for the compulsory Basic coverage and for the additional Optional coverage.

Table 1.1 shows that by 31 December 2019 some 3.6 million people held a drivers license, with an annual average increase during the last six years of 1.7%. Individuals with a licence to drive do not necessarily insure a vehicle.

1.1 – ACTIVE DRIVER’S LICENCES (000’s)

	2013	2014	2015	2016	2017	2018	2019
DRIVER’S LICENCES	3,260	3,280	3,360	3,420	3,485	3,535	3,595
% Change		0.6	2.4	1.8	1.9	1.4	1.7

Source: <https://public.tableau.com/profile/icbc#!/vizhome/QuickStatistics-ActiveDrivers/ActiveBCDriversLicencesbyRegion>

Table 1.2 shows the actual number of Basic insurance policies (policies earned) for personal use (excluding off road vehicles) and commercial use (excluding trailers) vehicles for the period 2013 to 2017/18. The number policies for Optional insurance are estimated by the writer as ICBC does not provide this information to the public. The rate of increase in the annual number of policies earned increased faster than the growth in the number of drivers licenses during this period.

1.2 – FTE POLICIES SOLD/EARNED (excluding off road vehicles and trailers)

	2015/16	2016/17	2017/18	2018/19	2019/20	F2020/21
BASIC PERSONAL	2,893.8	2,961.1	3,023.7	3,077.4	3,074.4	3,171.7
% Change	2.4%	2.3%	2.1%	1.8%	(0.1)%	3.2%
BASIC COMMERCIAL	237.8	246.3	254.9	264.0	265.3	279.0
% Change	3.5%	3.6%	3.5%	3.6%	0.5%	5.2%
BASIC TOTAL	3,131.6	3,207.4	3,278.6	3,341.4	3,339.7	3,450.7

% Change	2.5%	2.5%	2.2%	1.9%	(0.1)%	3.3%
OPTIONAL -- % of BASIC PERSONAL (est.)	86.4%	86.8%	85.0%	85.0%	85.0%	85.0%
Estimated Number	2,460.0	2,570.0	2,570.0	2,616.0	2,616.0	2,695.0
% Change	2.5%	4.5%	0%	2.6%	0%	3.0

Source: RRA 2021, Chapter 3, figures B.o.2 and B.o.3 https://www.bcuc.com/Documents/Proceedings/2020/DOC_60191_B-1-ICBC-2021-Revenue-Requirements-Application.pdf (pdf 132); Optional percentage from rate requests; 2017 from RRA2019 p. 83-3, 2016 from RRA2017 p. 6B.4, 2015 from RRA2016 p. 6.3 and 2015 from RRA2015 p. 5.4, based on number of responses from those who did or did not purchase Optional insurance.

Tables 1.3 and 1.5 show the number of written exposures (policies) by major age group of the policyholder. Those aged 65 and older are the fastest growing demographic, rising from 16.6% of earned policies in 2010 to 22.8% in 2019/20.

**1.3 – PERSONAL WRITTEN EXPOSURES by POLICYHOLDER
(Principal Operator) AGE (000's)**

	Under 25	25-39	40-64	65 Plus	Total
2010	158.0	588.7	1,380.8	423.7	2,551.2
2014	158.6	608.8	1,413.8	522.3	2,700.5
2017/18	153.0	665.4	1,466.8	639.6	2,924.8
2019/20	155.5	721.4	1,494.4	699.3	3,070.5
% Change	(1.6)	22.5	8.2	65.0	20.4

Source: For 2010 and 2014 are from RRA2015, IR2, RM 4.2-3 (pdf 418/449) https://www.bcuc.com/Documents/Proceedings/2016/DOC_45605_B-11_ICBC-IR-Response.pdf and for 2017/18 from RRA2019, IR1, RM 3.12 (pdf 794/1357) https://www.bcuc.com/Documents/Proceedings/2019/DOC_53549_B-2-ICBC-Responses-to-BCUC-Intervener-IR1.pdf and https://www.bcuc.com/Documents/Proceedings/2021/DOC_62143_B-6-ICBC-Responses-to-Intervener-IRs-No1.pdf pdf 665/720.

**YES 1.5 – RATIO of BASIC PERSONAL WRITTEN EXPOSURES by POLICYHOLDER
(Principal Operator) AGE**

	Under 25	25-39	40-64	65 Plus	Total
2010	6.2	23.1	54.1	16.6	100.0
2014	5.9	22.4	52.4	19.3	100.0
2017/18	5.2	22.7	50.2	21.9	100.0
2019/20	5.1	23.5	48.7	22.8	100.0

Source: Table 1.4.

1.0 FINANCIAL SUMMARIES

ICBC produces a significant amount of financial information at the corporate level in its annual reports, but not at the program level. Only one summary shows revenue and expenditures separated between the compulsory Basic monopoly and the Optional program. These tables summarize seven years of financial data for certain key indicators.

Table 2.1 shows the earned premium (sales) revenue at the program level. The net premium earned is comprised of changes in the number of policies sold, the average price per policy and general rate increases.³ In the last six years the total earned premium income increased by 60% (\$2.46 billion), with Basic earned premium revenue increasing by 53% (\$1.24 billion) and Optional increasing by 70% (\$1.12 billion). Most of this increase was the result of general price increases.

2.1 – NET PREMIUMS EARNED by PROGRAM (\$=million)

	2013	2014	2015	2016/17	2017/18	2018/19	2019/20
BASIC	2,324.9	2,457.8	2,656.0	2,925.7	3,149.3	3,390.0	3,564.6
% change	6.7	5.7	8.1	10.1	7.6	7.6	5.2
OPTIONAL	1,602.8	1,700.8	1,792.0	1,988.0	2,179.6	2,433.5	2,721.6
% change	(1.8)	6.1	5.4	10.9	9.6	11.6	11.8

³ The average price per vehicle reflects changes to the age of the fleet, the relative numbers in different rating territories and the experience factor of the policyholders/drivers.

	COMBINED	3,927.7	4,156.7	4,447.9	4,913.7	5,328.9	5,823.5	6,286.2
	% change	3.1	5.8	7.0	10.5	8.4	9.3	7.9

Source: ICBC annual reports. From 2013 to 2015 the fiscal year was January to December; after 2015 it became April to March.

Investment oncome increased substantially as ICBC restructured its investment portfolio with the shift in management of its investments to BC Investments.

2.2 – INVESTMENT ICOME by PROGRAM (\$=million)

	2015	2016/17	2017/18	2018/19	2019/20
BASIC	606.7	421.6	324.6	413.5	734.1
OPTIONAL	312.2	202.5	137.6	167.7	323.7
COMBINED	919.9	624.0	462.2	581.2	1,057.8
% change	8.0	(32.2)	(26.0)	25.7	82.0

Source: ICBC annual reports. For 2015 the fiscal year was January to December; after 2015 it became April to March.

Table 2.3 shows that during the seven years from 2013 to 2019 Basic rates increased by a cumulative 39%, while the estimated Optional increase was 24%⁴ In theory, the BCUC approves changes to the price of the monopoly Basic program, but in reality, its discretion to approve rate changes has been restricted by cabinet order since 2013. In February 2020, the government ordered the BCUC to agree to a zero Basic rate increase for the 2020/21 policy year.

2.3 – AVERAGE RATE INCREASES (Per Cent)

	2013	2014	2015	2016	2017	2018	2019	2020
BASIC	5.2	5.2	5.5	4.9	6.8	0	6.3	0
OPTIONAL	(4.0)	0	2.2	2.8	9.6	0	e12.0	0?

⁴ ICBC did not make the average Optional rate increase public after 2017.

Source: ICBC annual reports. For 2019 and 2020 the increase is effective on April 1st; previously it was November 1st.

The Basic and Optional claims costs for the last seven years are shown in Table 2.4. The claim costs from 2013 to 2018/19 were incurred under the full tort liability model, while the 2019/20 decline reflects the move to a hybrid-tort model effective 1 April 2019.⁵ From 2013 to 2018/19 current year Basic claims cost rose by 66% (\$1.44 billion), while the Optional current year claims costs rose by 70% (approximately \$0.7 billion). During the last six years ICBC has been significantly increasing the Basic and Optional reserves for prior years injury claims to reflect higher recent actual settlement costs.

2.4 – CLAIMS COSTS (\$=million)

	2013	2014	2015	2016/17*	2017/18	2018/19	2019/20
BASIC							
Current Yr. Incurred	2,175.8	2,297.7	2,620.3	3,149.1	3,451.2	3,621.0	2,899.7
Prior Years Adjust.	(11.3)	97.3	237.7	(78.4)	218.2	718.2	757.2
Total	2,164.5	2,395.0	2,858.0	3,070.7	3,669.4	4,339.2	3,656.9
Change %		10.6	19.3	7.4	19.5	18.3	(16.0)
OPTIONAL							
Current Yr. Incurred	991.7	1,080.9	1,177.9	1,462.5	1,633.0	1,686.9	1,828.6
Prior Years Adjust.	(43.1)	84.2	6.4	281.0	344.8	503.2	422.7
Total	948.6	1,165.1	1,184.3	1,707.5	1,977.8	2,190.1	2,251.3
Change %		22.8	1.6	44.2	15.8	10.7	2.8
TOTAL							
Current Yr. Incurred	3,167.6	3,378.6	3,798.2	4,611.6	5,084.2	5,307.8	4,728.3
Prior Years Adjust.	(54.4)	181.5	244.1	202.6	563.0	1,221.4	1,179.9
Total	3,113.2	3,560.1	4,042.3	4,814.2	5,647.2	6,529.2	5,908.2
Change %		14.4	13.5	19.1	17.3	15.6	(9.5)

Source: ICBC annual reports. From 2013 to 2015 the fiscal year was January to December; after 2015 it became April to March. The 2016/17 year is April to March.

⁵

http://www.bcpolicyperspectives.com/media/attachments/view/doc/commentary_icbc_feb_6_announcement_8_feb_2018/pdf/commentary_icbc_feb_6_announcement_8_feb_2018.pdf

As a result of claims costs increasing at a faster rate than premium and other revenue increases, ICBC recorded significant losses in its annual operating accounts, beginning in 2015 for the Basic program and 2016/17 for the Optional program. In 2016/17 and 2017/18 the government ordered that the Optional program subsidize the Basic program by \$300 million.

The Basic program, established as a compulsory monopoly, was intended to break even, while historically the Optional program has earned a healthy profit. In a classic case of poor policy choices, the government imposed a “rate smoothing” (price control) scheme on the Basic program in 2013. Since 2015 the annual growth in injury claims costs began to increase substantially. The government imposed limit on rate increases resulted in large operating losses, as shown in Table 2.5. The losses were much smaller in 2019/20 as claims costs were much lower with the implementation of the hybrid tort liability model.

2.5 – NET INCOME (LOSS) (\$=million)

	2013	2014	2015	2016/17	2017/18	2018/19	2019/20
BASIC	3	87	(257)	(329)	(1,096)	(868)	(263)
From Optional				201	99	0	0
Reported	3	87	(257)	(128)	(997)	(868)	(263)
OPTIONAL	365	285	387	(283)	(230)	(285)	(112)
To Basic				(201)	(99)	0	0
Reported	365	285	387	(484)	(329)	(285)	(112)
TOTAL	368	372	130	(612)	(1,325)	(1,153)	(376)
% change							

Source: ICBC annual reports. From 2013 to 2015 the fiscal year was January to December; after 2015 it became April to March.

Reviewing the change in the number and the average age of pending claims is a method of assessing the efficiency of the claims adjudication process. ICBC does not publish data on the number of pending claims or the average age. Data on the total value of the unpaid claims is provided in the annual report as shown in Table 2.6.

The total unpaid claim liability (UCL) during the last seven years increased by 103% (approximately \$8.5 billion), while the total estimate for current claims and the adjustment for prior years for the same seven year period increased by 90%

(approximately \$2.8 billion) as shown in Table 2.4. The discount rate is an important factor in determining the annual UPL, as a lower discount rate increases the value of the liability while a higher rate decreases the value of the liability. The decline in the discount rate in recent years has increased the value of the unpaid claim liability. ICBC does not separate the impact of the change in the discount rate from other factors, such as the change in the absolute number of claims or the average severity of the claims, in its reports.

2.5 – UNPAID CLAIM LIABILITY (\$=million)

	2013	2014	2015	2016/17	2017/18	2018/19	2019/20
BASIC	5,722	6,245	6,947	7,851	8,608	10,338	11,318
% change	8.1	9.1	11.2	13.0	9.6	20.1	9.5
OPTIONAL	1,791	1,960	2,146	2,667	3,288	3,950	4,686
% change	4.7	9.4	9.5	24.3	23.3	20.1	18.6
COMBINED	7,513	8,205	9,093	10,518	11,896	14,288	16,004
% change	7.3	9.2	10.8	15.7	13.1	20.1	12.0
DISCOUNT RATE	3.5%	3.1%	3.0%	2.8%	3.1%	3.7%	2.9%

Source: ICBC annual reports. The discount rate applies to unpaid claims; a lower rate increases the UCL.

Table 2.6 shows the dramatic decline in ICBC's once healthy equity between 31 December 2014 and 31 March 2020. Annual changes are primarily the result of operating gains or losses and the change in the value of investment assets and the pension assets. From 2015 most of the loss of equity was the result of major operating losses in the last four years (see Table 2.4).

2.6 – YEAR-END EQUITY as of 31 MARCH (\$=million)

	2013	2014	2015	2016/17	2017/18	2018/19	2019/20
BASIC	1,716	1,633	1,071	1,456	826	166	(301)
% change	20.2	(4.8)	(34.4)	35.9	(44.3)	(80.0)	n/a
OPTIONAL	1,927	1,983	2,075	990	161	(48)	(246)
% change	5.9	2.9	4.6	(52.3)	(83.7)	n/a	n/a
COMBINED	3,643	3,616	3,146	2,446	987	119	(547)

	% change	12.2	(0.7)	(13.0)	(22.3)	(59.6)	(88.0)	n/a
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Source: ICBC annual reports.

The Minimum Capital Test (MCT) is a best practice property and casualty industry measurement framework established by the Office of the Superintendent of Financial Institutions (OSFI). It is a customizable framework for measuring the capital adequacy of an insurer to protect policyholders from financial risk and to provide long-term financial stability. It is the ratio of ICBC's capital available to capital required as calculated for specific risks.⁶ The BC government had required that ICBC operate with a minimum of 100% for the Basic and 200% for the Optional programs, but this regulation was suspended in February 2018 for four years. ICBC no longer reports this vital measure in its annual service plan.

2.7 – Year-End MCT Ratio

	2013	2014	2015	2016/17	2017/18	2018/19	2019/20
BASIC	149	135	82	103	50	6	(18)
OPTIONAL (est.)	304	298	300	132	18	e(9)	e(25)
COMBINED	204	193	155	112	31	(7)	(30)

Source: Basic for 2013 to 2017/18 from, while Optional estimate derived from ICBC annual reports; combined from annual service plans until 2018/19 when MCT was dropped as a performance measure. https://www.bcuc.com/Documents/Proceedings/2019/DOC_53549_B-2-ICBC-Responses-to-BCUC-Intervener-IR1.pdf Pdf 711/1357. Combined 2018/19 MCT from ICBC statement of financial position as of 31 December 2019, p. 3.

3.0 CLAIMS INFORMATION

Basic claims arise from crashes and are for Injury and/or property (or material) damage claims. Under the full tort model (in place until 2018/19), injury claimants generally sought payment for out-of-pocket expenses over and above that allowed for the no-fault Accident Benefits (Part 7 benefits), and for general damages (pain and suffering). Optional

⁶ <https://www.icbc.com/about-icbc/company-info/Documents/Service-Plan-201718-201920-updated-Sept2017.pdf> p. 10.

insurance pays for third-party liability beyond the \$200,000 (raised to \$300,000 for 2019/20) Basic limit and property damage for the at-fault party.

Table 3.1 shows the number of crashes reported to ICBC by location.

3.1 – TOTAL CRASHES by LOCATION REPORTED TO ICBC (000's)

	2012	2013	2014	2015	2016	2017	2018	2019
PARKING LOTS	124.8	128.6	124.5	133.9	143.5	155.6	n/a	n/a
INTERSECTION	116.6	115.0	115.1	135.2	147.9	148.8	n/a	n/a
OTHER	30.0	29.6	51.5	46.3	47.1	52.5	n/a	n/a
TOTAL CRASHES	271.4	273.2	291.1	315.4	338.5	356.9	n/a	n/a

Source: RRA 2019, Chapter 5, Appendix 5A; https://www.bcuc.com/Documents/Proceedings/2018/DOC_53062_B-1-ICBC-2019-RRA.pdf (pdf 840/1419).

ICBC does provide limited calendar year statistics on total crashes reported. Table 3.1.1 shows that during the last two calendar years the number of crashes has declined by 12%. ICBC has not explained the reasons for this decline.

3.1.1 – TOTAL CRASHES REPORTED TO ICBC

	2015	2016	2017	2018	2019
CHRASHES	300,000	325,000	335,000	315,000	295,000

Source: <https://public.tableau.com/profile/icbc#!/vizhome/QuickStatistics-Crashandcasualtycrashes/CrashesCasualtyCrashes>

ICBC does not report the number of injury claims or exposures (as more than one exposure can be received for each crash) in its annual or quarterly reports. Basic injuries include all parties with a claim or who receive no-fault accident benefits. Optional claims show the number who qualify for payments beyond the Basic monetary limit. Therefore, a paid injury exposure over \$200,000 (\$300,000 starting 2019/20) will show as a Basic exposure and as an Optional exposure.

ICBC does not report the number of Optional injury or property damage claims in its annual report or in its three-year service plan. ICBC asserts that this actual information for previous years is commercially sensitive; that is a private insurer may somehow gain some advantage by knowing the average cost of ICBC’s scores of thousands of claims.

Table 3.2 shows the number of new Basic injury claims dropped by approximately 4% in 2018/19 compared to the prior year, and dropped by a further 13.5% in 2019/20 when the hybrid-tort liability model went into effect. Total exposures fell by 4% in 2018/19 and 12% in 2019/20.

Basic property damage claims declined by 7% in 2018/19 compared to the prior year, and a further 7.1% in 2019/20.

3.2 – NEW CLAIMS OPENED

	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
INJURY CLAIMS							
BASIC CLAIMS	36,258	39,268	43,513	47,372	50,025	47,997	41,531
EXPOSURES	n/a	n/a	n/a	n/a	n/a	n/a	
OPTIONAL CLAIMS	n/a	n/a	n/a	n/a	n/a	n/a	
EXPOSURES	n/a	n/a	n/a	n/a	n/a	n/a	
TOTAL EXPOSURES	60,890	65,034	67,547	74,000	78,000	75,000	66,000
PROPERTY DAMAGE							
BASIC CLAIMS	131,041	110,567	146,455	143,847	161,180	149,934	139,230
OPTIONAL CLAIMS	n/a	n/a	n/a	n/a	n/a	n/a	n/a

Sources:

Basic injury and property damage claims (new, closed and pending) FY2021 RRA, IR 1, RM 4.9
https://www.bcuc.com/Documents/Proceedings/2021/DOC_62143_B-6-ICBC-Responses-to-Intervener-IRs-No1.pdf (pdf 666/720).

Exposures opened and pending 2013/14 to 2016/17 from RRA 2017, IR1, RM 4.11
https://www.bcuc.com/Documents/Proceedings/2017/DOC_50367_B-2_ICBC-Responses-to-IR-1.pdf (pdf 1206). The 2017/18 data from RRA 2019, IR1, RM 3.14 https://www.bcuc.com/Documents/Proceedings/2019/DOC_53549_B-2-ICBC-Responses-to-BCUC-Intervener-IR1.pdf (pdf 797). The 2018/19 and 2019/20 data from RRA 2021, IR1, RM 4.10
https://www.bcuc.com/Documents/Proceedings/2021/DOC_62143_B-6-ICBC-Responses-to-Intervener-IRs-No1.pdf (pdf 669/720).

Table 3.3 shows the number of Basic injury and property damage claims settled. ICBC had been settling more claims until 2018/19 when the numbers of settled injury and property damage claims declined. However, the number of pending injury claims continues to increase (see Table 3.4).

3.3 – CLAIMS SETTLED/CLOSED

	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
INJURY CLAIMS							
BASIC CLAIMS	35,055	35,364	36,082	43,176	45,483	37,391	37,072
EXPOSURES	n/a	n/a	n/a	n/a	n/a	n/a	n/a
OPTIONAL CLAIMS	n/a	n/a	n/a	n/a	n/a	n/a	n/a
EXPOSURES	n/a	n/a	n/a	n/a	n/a	n/a	n/a
COMBINED EXPOSURES	47,000	48,000	49,000	59,000	62,000	75,000	66,000
PROPERTY DAMAGE							
BASIC CLAIMS	133,595	121,181	148,869	144,947	163,101	149,560	138,172
OPTIONAL CLAIMS	n/a	n/a	n/a	n/a	n/a	n/a	n/a

Sources: See Table 3.2.

Table 3.4 shows the number of Basic claims and exposures that are pending settlement as of 31 March of each fiscal year. Injury claims have steadily increased while the number of pending property damage claims increased in 2019/20 despite a 17% decline in the number of new claims in the last two years (see Table 3.2).

3.4 – CLAIMS PENDING

	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
INJURY CLAIMS							
BASIC CLAIMS	61,858	65,748	73,164	77,344	81,875	92,524	96,968
EXPOSURES	n/a	n/a	n/a	n/a	n/a	n/a	n/a
OPTIONAL CLAIMS	n/a	n/a	n/a	n/a	n/a	n/a	n/a

EXPOSURES	n/a	n/a	n/a	n/a	n/a	n/a	n/a
TOTAL EXPOSURES	79,709	84,902	93,538	98,686	105,000	119,000	122,000
PROPERTY DAMAGE							
BASIC CLAIMS	22,079	11,465	9,051	7,951	6,029	6,379	7,437
OPTIONAL CLAIMS	n/a	n/a	n/a	n/a	n/a	n/a	n/a

Sources: See Table 3.2.

Table 3.5 shows that the average cost to settle an injury claim (claim severity) remained relatively constant from 2014/15 to 2016/17, but began to escalate in 2017/18 and 2018/19. The average cost of settled injury claims declined somewhat last year, reflecting the lower cost of the new hybrid-tort model. The average cost of property damage claims has remained relatively constant during the last three years.

3.5 – SETTLED CLAIMS SEVERITY – INJURY AND PROPERTY (\$)

	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
INJURY CLAIMS							
BASIC CLAIMS	33,195	37,677	38,280	38,390	41,810	44,056	42,752
EXPOSURES	n/a	n/a	n/a	n/a	n/a	n/a	n/a
OPTIONAL CLAIMS	n/a	n/a	n/a	n/a	n/a	n/a	n/a
EXPOSURES	n/a	n/a	n/a	n/a	n/a	n/a	n/a
PROPERTY DAMAGE							
BASIC CLAIMS	2,815	2,768	3,289	3,460	4,015	3,959	4,149
OPTIONAL CLAIMS	n/a	n/a	n/a	n/a	n/a	n/a	n/a

Source: ICBC RRA PY 2021, IR1, RM 4.9 https://www.bcuc.com/Documents/Proceedings/2021/DOC_62143_B-6-ICBC-Responses-to-Intervener-IRs-No1.pdf (pdf 666/720).

ICBC has noted that injury claims that are legally represented cost more to settle, which is logical as most personal injury lawyers find it uneconomic to represent clients with small claims. Table 3.6 shows the representation status for settled injury claims in the 50% range from 2016/17 to 2018/19, but declined to 48% last year.

3.6 – SETTLED INJURY EXPOSURES BY REPRESENTATION STATUS

	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
INJURY EXPOSURES						
NO REPRESENTATION	24,000	26,000	30,000	30,000	25,000	26,000
REPRESENTED	10,000	10,000	14,000	15,000	11,000	9,000
REPRES. & LITIGATED	14,000	13,000	15,000	17,000	14,000	15,000
TOTAL SETTLED	48,000	49,000	59,000	62,000	50,000	50,000
REPRESENTED %	50.0%	46.9%	49.2%	51.6%	50.0%	48.0%

Source: ICBC RRA PY 2021, IR1, RM 4.5 https://www.bcuc.com/Documents/Proceedings/2021/DOC_62143_B-6-ICBC-Responses-to-Intervener-IRs-No1.pdf (pdf 660/720).

Table 3.7 shows the average injury exposure settlement amount (severity) by representation status. Those claims that are litigated (filed in court) cost about 7.5 times more to settle compared to exposures that are not legally represented, reflecting the greater degree of injury and cost associated with resolving the claim (the averages include the defense costs and disbursements).

3.7 – AVERAGE EXPOSURE SEVERITY by REPRESENTATION TYPE (\$)

	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
INJURY EXPOSURES						
NO REPRESENTATION	7,237	7,320	7,343	8,019	7,824	6,260
REPRESENTED	22,100	23,410	22,930	26,486	26,462	23,390
REPRES. & LITIGATED	92,250	101,507	102,940	107,427	124,152	128,652

TOTAL SETTLED (average)	35,145	35,590	35,345	39,690	44,862	45,150
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Source: See Table 3.6.

Table 3.8 shows the average time to reach a settlement where there was a payment. The settlement times for litigated claims have increased marginally in 2019/20. This increase in the time to settle a litigated claim comes after a 45% (or 266 FTE) increase in injury claims staff from 31 December 2015 to 31 March 2019,⁷ and little change in the total number of injury claims settled (see Table 3.3).

3.8 – AVERAGE MONTHS to SETTLE (with Payment)

	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
INJURY EXPOSURES						
NO REPRESENTATION	7	7	7	7	n/a	n/a
REPRESENTED	17	17	17	16	n/a	n/a
REPRESENT. & LITIGATED	39	41	40	40	41	42

Source: For 2014/15 to 2017/18 see https://www.bcuc.com/Documents/Proceedings/2019/DOC_53549_B-2-ICBC-Responses-to-BCUC-Intervener-IR1.pdf Back to FY2013/14 Data for 2018/19 and 2019/20 from ICBC RRA PY2021, IR1, RM 6.2; https://www.bcuc.com/Documents/Proceedings/2021/DOC_62143_B-6-ICBC-Responses-to-Intervener-IRs-No1.pdf (pdf 673/720).

Table 3.9 shows the number of no-fault Part 7 exposures opened. The number of no-fault injury exposures declined by 1,000 in 2019/20 compared to the prior year despite a major increase in the monetary limit (\$300,000 compared to \$200,000) and the total Part 7 injury cost rising by \$230 million or 68% (see Table 4.1).

3.9 – ACCIDENT BENEFIT (Part 7) EXPOSURES OPENED

	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
EXPOSURES	93,000	94,000	100,000	103,000	100,000	99,000

Source: Data from 2014/15 to 2017/18 from ICBC 2019 RRA, IR1, TLA 4.111-131 see; https://www.bcuc.com/Documents/Proceedings/2019/DOC_53549_B-2-ICBC-Responses-to-BCUC-Intervener-IR1.pdf (pdf 1002). Data for

⁷ See https://www.bcuc.com/Documents/Proceedings/2019/DOC_53549_B-2-ICBC-Responses-to-BCUC-Intervener-IR1.pdf Pdf 791/1357.

2018/19 and 2019/20 from ICBC RRA PY2021, IR1, RM 6.2; https://www.bcuc.com/Documents/Proceedings/2021/DOC_62143_B-6-ICBC-Responses-to-Intervener-IRs-No1.pdf (pdf 674/720).

4.0 COST OF CLAIMS

The primary reason for ICBC’s financial deterioration in recent years has been the rapid increase in the cost of claims, especially the cost of injury claims under the tort model. Table 4.1 shows that from FY2013 to FY2018/19 total Basic claims costs rose by approximately \$1.45 billion, or 66%. Injury claims costs rose \$1.24 billion (71%), and the cost of property damage claims increased \$261 million (68%).

In 2019/20, the new hybrid-tort model introduced a \$5,500 cap on pain and suffering claims for minor injuries. This limitation, together with a decline in crashes (see Table 3.2), resulted in a reduction in the cost of current Basic claims. The Part 7 no-fault injury benefits increased by 68% in FY2019/20, reflecting the increase in the compensation limits.

4.1 – BASIC PROGRAM – COST of CURRENT CLAIMS (\$=million)

	2013	2014	2015	2016/17	2017/18	2018/19	2019/20
BODILY INJURY	1,635	1,732	2,004	e2,374	2,558	2,642	1,723
% change	4.9	5.9	15.7	18.5	7.8	3.3	(34.8)
PART 7 BENEFITS	159	165	183	e210	220	336	566
TOTAL	1,741	1,897	2,187	e2,584	2,778	2,978	2,289
PROP. DAMAGE	382	401	433	e565	673	643	611
% change	3.2	5.0	8.0	30.5	19.1	(4.5)	(5.0)
TOTAL COST	2,176	2,298	2,620	e3,149	3,451	3,621	2,900
% change	5.0	5.6	14.0	20.2	9.6	4.9	(19.9)

Source: Derived from annual reports using program totals less the amounts shown for accident benefits and material damage in the management discussion section.

Over the last six years the Optional program has recorded a \$551 million (40%) increase in in bodily injury current claims costs, and a \$286 million (47%) increase in the cost of property damage claims. Total Optional current claims costs have increased by \$837 million, or 84%, during the last six years.

4.2 – OPTIONAL PROGRAM – COST of CURRENT CLAIMS (\$=million)

	2013	2014	2015	2016/17	2017/18	2018/19	2019/20
BODILY INJURY	394	444	455	e623	752	782	945
% change	11.6	12.7	2.5	36.9	20.7	15.7	20.8
PROP. DAMAGE	598	637	723	e840	881	905	884
% change	nil	6.5	13.5	16.2	4.9	2.7	(2.3)
TOTAL COST	992	1,081	1,178	e1,463	1,663	1,687	1,829
% change	4.4	9.0	9.0	24.2	13.8	8.3	8.4

Source: Derived from annual reports using program totals less the amounts shown for accident benefits and material damage in the management discussion section.

In the last three years ICBC has increased its allowance for the cost of claims incurred in prior years which have yet to settle. Table 4.3 shows that from 2017/18 to 2019/20 the initial claims estimates were increased by total of almost \$3.0 billion based on the advice of ICBC's actuaries.

4.3 – ADJUSTMENT for PRIOR YEARS CLAIMS (\$=million)

	2013	2014	2015	2016/17	2017/18	2018/19	2019/20
BASIC PROGRAM	(11)	97	238	(78)	218	718	757
OPTIONAL PROGRAM	(43)	84	6	281	345	503	423
TOTAL CHANGE	(54)	181	244	203	563	1,221	1,180

Source: ICBC annual reports.

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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 recent reviews of ICBC's and B.C. Hydro's rate requests.