



5th Session, 37th Parliament

REPORT OF PROCEEDINGS
(HANSARD)

SELECT STANDING COMMITTEE ON
CROWN CORPORATIONS

Victoria

Wednesday, December 1, 2004

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KEN STEWART, MLA, CHAIR

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SELECT STANDING COMMITTEE ON
CROWN CORPORATIONS

Victoria
Wednesday, December 1, 2004

- Chair:* * Ken Stewart (Maple Ridge-Pitt Meadows L)
- Deputy Chair:* * Harry Bloy (Burquitlam L)
- Members:*
- Daniel Jarvis (North Vancouver-Seymour L)
 - * Harold Long (Powell River-Sunshine Coast L)
 - Dennis MacKay (Bulkley Valley-Stikine L)
 - Karn Manhas (Port Coquitlam-Burke Mountain L)
 - * Ted Nebbeling (West Vancouver-Garibaldi L)
 - * Barry Penner (Chilliwack-Kent L)
 - * Gillian Trumper (Alberni-Qualicum L)
 - Rod Visser (North Island L)
 - * Dr. John Wilson (Cariboo North L)
 - * Joy K. MacPhail (Vancouver-Hastings NDP)
 - * Paul Nettleton (Prince George-Omineca Ind)

** denotes member present*

Clerk: Craig James

Committee Staff: Jonathan Fershau (Acting Committee Research Analyst)

Witnesses:

- Anwar Chaudhry (Insurance Corporation of British Columbia)
- Bill Goble (Insurance Corporation of British Columbia)
- Geri Prior (Insurance Corporation of British Columbia)
- Paul Taylor (President and CEO, Insurance Corporation of British Columbia)
- Rick Turner (Chair, Insurance Corporation of British Columbia)

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MINUTES

SELECT STANDING COMMITTEE ON CROWN CORPORATIONS



Wednesday, December 1, 2004

10 a.m.

Douglas Fir Committee Room

Parliament Buildings

Victoria, British Columbia

Present: Ken Stewart, MLA, (Chair); Harry Bloy, MLA (Deputy Chair); Harold Long, MLA; Ted Nebbeling, MLA; Barry Penner, MLA; Gillian Trumper, MLA; Dr. John Wilson, MLA; Joy K. MacPhail, MLA; Paul Nettleton, MLA

Unavoidably Absent: Daniel Jarvis, MLA; Dennis MacKay, MLA; Karn Manhas, MLA; Rod Visser, MLA

Others Present: Jonathan Fershau, Committee Researcher

1. Pursuant to its terms of reference the Committee reviewed the Insurance Corporation of British Columbia.
Witnesses
 - Paul Taylor, President & Chief Executive Officer
 - Rick Turner, Chair of the Board
 - Bill Goble, Chief Operating Officer
 - Geri Prior, Chief Financial Officer
 - Anwar Chaudhry, Controller
2. The Committee met in camera to consider its review of the Insurance Corporation of British Columbia.
3. The Committee met in public session.
4. The Committee adjourned at 12:38 p.m. to the call of the Chair.

Ken Stewart, MLA
Chair

Craig James
Clerk Assistant and
Clerk of Committees

WEDNESDAY, DECEMBER 1, 2004

The committee met at 10:06 a.m.

[K. Stewart in the chair.]

K. Stewart (Chair): Good morning, and welcome to the Select Standing Committee on Crown Corporations. Today we have the Insurance Corporation of British Columbia before us. I'd just like to take a couple of minutes and go over our process for today. Then we'll do introductions and we'll start into the proceedings.

Basically, what we're going to be doing here is giving an hour for a presentation and policy. You've got up to an hour for your group to do that. We use first names here, as long as you're comfortable with that. We've been doing that as we go along, and it seems to work out fine.

A couple of points before we start. First, everything that's said today, other than what may be done in camera, will be recorded by Hansard. The only reason that you may have some interest in going in camera, from your perspective, is if there's something of a very competitive nature or something that shouldn't be released out to the public. I don't anticipate that with your group today. When we had the integrated police group in here, there were a few things. But with yours we don't anticipate anything there.

There's an opportunity for you to go over the transcripts within a day or two, and if there's something you think is incorrect or something that you would like to give a fuller response to, we'll give you the opportunity to do it through the Clerks. As we're talking about responses through the Clerks.... The second hour will be devoted to questions. If there's a desire from the committee, we can even extend that. I know in our last session they felt that we could have used some more time. We do try and keep within some time constraints, but we may allow questioning beyond the hour and a half if necessary. At that point in time, that will be the conclusion of your involvement in the process and proceedings. Then the committee will be convening to complete a report that will be presented when the Legislature sits again.

This is a legislative committee, and as such it has members from all parties. We report to the House through the Clerks. Any correspondence that you have, please send it through the Clerks' department. If there are questions that you can't fully answer at the conclusion, feel free to research and give us a written answer back through the Clerks. Also, if we do run out of time or if members come up with questions they'd like to ask, we will submit those. We usually allow about two weeks for the questions and answers to be clarified afterwards, because we want to make sure we get things as accurate as we can.

Given that, we'll now do introductions. I'll start with myself. My name is Ken Stewart. I'm the MLA for Maple Ridge-Pitt Meadows, and I'll be your Chair for today.

C. James: Craig James, Clerk of Committees and Clerk Assistant in the Legislative Assembly.

J. Fershau: Jonathan Fershau, committee researcher.

J. MacPhail: Joy MacPhail, MLA for Vancouver-Hastings.

P. Nettleton: Paul Nettleton, MLA for Prince George-Omineca.

J. Wilson: John Wilson, MLA for Cariboo North.

B. Goble: Bill Goble, chief operating officer for ICBC.

G. Prior: Geri Prior, chief financial officer.

P. Taylor: Paul Taylor, CEO, ICBC.

R. Turner: Rick Turner, chair, ICBC.

A. Chaudhry: Anwar Chaudhry, controller, ICBC.

G. Trumper: I'm Gillian Trumper, the MLA for Alberni-Qualicum.

T. Nebbeling: I'm Ted Nebbeling, West Vancouver-Garibaldi.

H. Long: Harold Long, Powell River-Sunshine Coast.

H. Bloy (Deputy Chair): Harry Bloy, Burquitlam.

K. Stewart (Chair): With that, you have an hour.

Insurance Corporation of British Columbia

R. Turner: Mr. Chair, members, good morning. I was appointed as chair of ICBC about a year ago, and I'm very pleased to represent ICBC before this committee today. I would like to make a few opening comments and then turn over the presentation to Paul Taylor upon conclusion. After the presentation, as you mentioned, Mr. Chair, we'll be happy to answer any questions that you have.

[1010]

After a period of escalating auto insurance premiums, insurance rates across the country have stabilized or decreased. Legislative reforms, improved operating efficiencies, stronger focus on underwriting and the underlying insurance cycle have resulted in improved loss ratios, positive underwriting results and higher capital levels. Within the B.C. market, government has established a common legislative framework for all insurers selling optional insurance. Basic insurance is now regulated by the B.C. Utilities Commission. These changes put basic rate-setting in the hands of an independent public body and also ensure that ICBC must compete for our customers on the optional side of our business. These changes provide us with a go-forward framework that will challenge us, but it's a challenge that I believe we're up to.

Over the past three years the corporation has focused on getting its financial house in order. Since 2000 we have reduced approximately 1,660 FTEs and \$166 million, or 26 percent, of operating costs. These changes, along with underwriting adjustments and a growing economy, have resulted in improved financial results. After a loss of a quarter of a billion dollars in 2001, the corporation has achieved profits of \$45 million in 2002, \$225 million in 2003. In addition, we are forecasting a net income of \$389 million for this year — and this Crown's year-end is December, unlike other Crowns.

The last three years of profitability have contributed to rebuilding the corporation's capital to levels required of our competitors. These retained earnings stay in the company for the benefit of our customers. The achievement of greater financial stability has been an important and necessary priority for us. We will continue to manage prudently and focus on our costs. However, we will also emphasize other aspects of our business. In particular, we will focus on ensuring that optional rates are competitive and that we are providing the best level of customer service that we possibly can in a competitive environment. We are proud of our strong customer satisfaction results, especially our insurance and driver licensing services, and we continue to work toward achieving the highest results possible in the claims area.

The role of our people is key in the process, and we're optimistic that a new collective agreement will provide a platform to build on the passion and commitment of our ICBC team.

In closing, we look forward to a new competitive environment and believe that we're up to the challenge ahead. With the same focus and determination that we've brought to meeting our financial challenges, we believe that we are able to provide British Columbians with a competitive auto insurance product and superior customer service. We also remain vigilant in ensuring that the mandatory insurance product receives the same attention and service. There was a paragraph written very nicely for me that introduced us all, but I think we already did that.

With that, I'd like to turn the presentation over to Paul.

P. Taylor: Thank you, Rick. The purpose of today's presentation is to review the 2003 annual report and our 2004-06 service plan of the corporation and to discuss our current operations and future objectives.

Given that we are here visiting the committee in December, we are in the process of currently drafting our 2005-07 service plan, and we will give some information on our performance to date in 2004 and a sense of where we believe the company is going.

As ICBC competes with other insurance companies in the sale of optional auto insurance in B.C., we have chosen not to include some of our competitive information in our presentation.

The purpose of auto insurance is primarily to provide customers with financial protection should they

be in a crash. The function of the insurance is to spread risk. Premiums collected from many pay the losses of few, and premiums to cover losses are put in place to cover losses and operational costs and, in effect, provide an indemnity to put the insured back to the same position that they were in before the loss.

Defining business characteristics for us. Claims costs are unknown for a long period of time and are difficult to control. That is an ongoing challenge for us in ensuring that we properly account for our financial results. Actuarial estimates of claims costs. We all know the challenges of dealing with actuarial results as well.

In talking about our product, basic insurance is the mandatory insurance that the Legislature requires us to deliver on, on behalf of the government. It includes accident benefits, medical and rehab costs up to \$150,000 per injured person, wage loss compensation to a maximum of \$300 per week, funeral expenses and death benefits. In addition, as part of the basic package, we provide third-party legal liability protection at the level of \$200,000, which protects you for claims against you when you are responsible for a crash — that \$200,000 level is more or less standard across the country; underinsured motorist protection to the level of \$1 million; plus we also provide hit-and-run and uninsured motorist protection to the level of \$200,000.

[1015]

On the optional side, we provide collision, which effectively covers your vehicle; comprehensive; extended third-party legal liability over and above what the basic provides; and a number of other optional pieces of insurance product that we can discuss more intensely, if you want, during the question period.

The next slide, basically, is a bit of a starburst slide that we'll walk through and give you some of the key highlights. In terms of our employees, we have about 4,750 FTEs. We operate 41 claim centres, 18 driver service centres and four call centres. The locations of those, if you're interested, are in the back of our annual report. Many of you, of course, as representing constituencies, have these facilities in your communities.

We also serve about 2.7 million customers and collect from them about \$3 billion in premiums. We operate road safety and loss management programs to the tune of about \$40 million. This is something that I think British Columbia is clearly a leader in. We found a way to do it here that I believe is unique and is something that should be preserved and developed over time.

We do about 900,000 driver's licence transactions annually and conduct about 370,000 driver exams. On the driver's and vehicle licence fees and fines, we collect on behalf of government about \$420 million a year, and I know government is thankful for that service we provide.

The next part of the slide. We have 900 independent brokers. ICBC in itself doesn't really sell insurance. Our broker network is located across the province. They are independent; they are retail operators. They really are our sales arm. We're committed to that approach to selling our product, and we think they do a great job on our behalf.

Just to quickly run through the other numbers on there. Just shy of a million claims in 2003. Material damage was about \$496 million in payments. It's interesting. A lot of people, when they think about ICBC and auto insurance, think about the material damage — the impact on their vehicle — as the big part of our business. But if you compare that to the bodily injury, which is down below, bodily injury is the biggest part of our claims process. It's bigger than the payouts we make on vehicles.

We also provide about \$56 million to the medical community, and we deal with the legal community to the tune of about \$90 million. So there are lots of folks that rely on ICBC to provide support in the system in our province.

This next slide gives you a quick overview of where we sit in the Canadian context. ICBC is the only public system in Canada that provides a tort model. In Saskatchewan they have a choice system; Quebec has a no-fault system; Ontario and some of the Maritimes have a threshold system; the rest of the country is based on tort. That's a matter of government policy.

Just quickly, one of the questions, Chair, you'd asked us to talk about was where we stood in the Canadian context in terms of rates. Over all in Canada in the last couple of years there's been a fair bit of turmoil on the rate fronts. The reason for increases was growing claim costs due to rising medical costs, larger court awards, increasing numbers of injury claims despite declining numbers of accidents and lower levels of investment income. That has impacted insurance companies across the country in 2002.

Rates began to stabilize in 2003. Stability has returned to some provinces, particularly in Atlantic Canada as the result of a number of legislative changes and also partly to do with the normal insurance cycle.

Over all, B.C. has been a relatively calm harbour in the storm that's taken place on the auto insurance front over the while. As you've seen, our rates went up about 7 percent in 2002 and about 0.4 percent January 2004 over January 2003. That's really the flow-through of the increase in the tax.

[1020]

The investment market and the state of the insurance industry, as I said, in 2001-02 were in a significant period of turmoil. Cycles in the P and C industry typically last six to eight years, where you have three or four years of worsening underwriting results followed by three or four years of improved underwriting results.

On what happened in 2001-03, there was some debate whether that was part of the cycle or not, but I think we're starting to see the industry come back. Significant amounts of capital are returning to the industry, and profitability is back up. What's important to understand is that that means we could see increased competition in British Columbia on our optional side.

I want to just quickly give you some context. BCUC is now the independent regulator for ICBC. We're just working our way through our first set of experiences

with the regulator. The basic rule that has been put in place says there should be no cross-subsidization between our basic and optional insurance. The Legislature has provided a common legal framework for all insurers selling optional insurance products in British Columbia. Those rules are laid out in Bill 58 and Bill 93, which were passed by the Legislature, although some elements of those still remain to be implemented and the regulations passed.

The core review, as you remember, said that an independent regulator should be established for ICBC. We also got direction that the commercial vehicle compliance and motor carrier commission functions should return to government, and that has happened. ICBC would continue to retain responsibility for driver licensing and vehicle registration and licensing, and ICBC would continue to be responsible for road safety and loss-management programs. We also put in place an enhanced enforcement MOU with government to improve the use of the dollars that are focused on that area.

Special direction IC2, which was issued by the government to BCUC pursuant to the Insurance Corporation Act, requires BCUC to take certain costs into account — examples are the non-insurance accounts or the MOU I talked about — and ensure that implementation of rate changes are stable and predictable so that we don't get into a yo-yo effect on insurance rates and, clearly, that there should be no discrimination based on age, sex or marital status. IC2 also set out different capital targets for the basic and optional business and requires retained earnings to be allocated to each line of the business.

Our challenges. Clearly, we've got transitional costs as we move to a new regulator model and business adjustments to respond to the new regulatory framework. Our folks in our insurance division and our finance division, headed up by Geri, put in a lot of work to get ready for our first submissions to the commission. It has been a learning exercise for us and the commission and for the interveners that have participated in the process. I want to acknowledge the hard work that our folks have done to get us ready.

We've also seen some discussion about the possibility of how we deal with higher-risk customers, but at this point, we haven't made any moves on that front. I know that even on Bill Good today they're discussing whether insurance rates have some role in affecting young people's habits. That's certainly a matter up for debate, although our main focus on that front has been to look at education as the main way of changing behaviour.

Rick, I'm going to flip this over to you, if you want to just quickly talk about the board governance piece, if you're comfortable.

R. Turner: Sure.

May 2003 was, I believe, the last time ICBC was before you, and at that time, one of the committee's recommendations was that a split be enacted between the board function of the chair and executive manage-

ment, which is the president and CEO. That recommendation was carried out when I was appointed about this time a year ago, so effectively the roles of the chair and of the president and CEO are now separate, as recommended by you. That has been accomplished.

Our mandate as a board. At a very high level I look at this three ways. We are there for management oversight and all that that means. We are there for succession planning and all that that means. We're also there for strategic planning. Those are, at a high level, the three principal reasons why boards exist.

[1025]

We choose to do that and carry out our duties not only at board meetings and in conversations between them but also through four committees of the board. They are human resources and compensation, audit, investment, and governance. Those are the four board committees we have that look at the things I've already mentioned.

We also elected to rotate the board consistent with best practices in corporate Canada or corporate U.S. or corporate anywhere. All the directors originally were appointed in July 2001. All the terms were up, if you will, in 2004 — three years. What we elected to do with our minister responsible and with the Premier's office, which makes the appointments.... We rotated three directors, and we got three new directors. Again, that's consistent not only with best practices in corporate governance, but it's also consistent with other Crowns and the health authorities that have begun to rotate the boards.

What we wanted to ensure was that we had continuity of knowledge, so you don't rotate the whole board at once. You have to have continuity of knowledge. You should stagger the rotation, which is what we've done. And we have diversified knowledge and experience with other board members. We've got, if you will, an institutional memory on the board, and that will continue as we rotate.

The business of ICBC. We are an insurance company, but there are a lot of aspects to that that aren't always apparent. We have a policy side of us because of the regulation of our basic rates through BCUC. So there's a policy side of our business. We also have an insurance side, obviously, because we are an insurance company. We manage, on behalf of our policyholders and the citizens of B.C., \$7 billion of investments. We have a finance side to us, and part of the investments includes real estate.

When we went out to find new board members, we looked at what we had on the board — what skills were remaining — and went out purposely and found different skills for a different time. We've brought on more insurance experience. We had an existing board member with insurance experience, but we felt that we needed a little bit more horsepower there, so one of our new board members is an insurance person who's been in the business for about 25 years.

We also brought on board a board member that's steeped in knowledge in terms of portfolio management. We have a huge portfolio, \$7 billion, so we

brought that person on. That seems to have helped a great deal in terms of adding knowledge to the board.

The third person we brought on has a long experience in policy matters and regulation. That's needed at this time because of the framework that we're now in.

Just briefly, that's our board governance discussion. I'd be happy to answer questions at the appropriate time, but that's what's been done since you recommended in May 2003 that the roles be split. We split the roles. We've rotated our board consistent with best practices and brought in the skills we need to oversee management, to provide strategic advice and to ensure that there's succession.

Paul, back to you.

P. Taylor: From management's perspective we find our board very helpful to us. They're great to bounce ideas off and look at options that we're considering. Rick and I and the vice-chair talk about every ten days or every two weeks. We work through an agenda item and have regular consultation.

Other members of the executive will work closely with the committee chairs on their various portfolios. So the vice-president of human resources will have strong interaction with Sue Paish, who's the chair of the HR committee. It's very much a two-way street and, I think, a very useful function. They do hold us to account and ask some pretty tough questions from time to time, and I think we provide a better product because of it.

Just moving to our vision, I'm not going to read the vision and the mission. It's there for you. You've seen it before in previous presentations. It's not something that we look to change much on a regular basis. We are very much in a stay-the-course mode, so we want to ensure that our employees and our customers understand that we're not lurching back and forth; that there's a clear, set-out direction we're following; and that the consistency in our vision and mission provides that.

I just quickly want to talk about planning at ICBC. I thought that this was an interesting slide, because it shows the different players we have to work with or we need to work with to ensure that we get our job done. The stuff on the left-hand side I'll come back to, but on the right-hand side you can see that we work closely with a number of bodies and organizations inside government. Clearly, the shareholder letter of expectation that we received from government provides us with a fair bit of direction.

[1030]

The ICBC board, as Rick has just talked about and which is appointed by government, provides oversight. Treasury Board clearly has a role in reviewing our financial plans. We were just there yesterday. We have external auditors that provide oversight and protection for our shareholder. We have an appointed actuary that also has an important role. We're here before the select standing committee. We do that on a regular basis to account to you for what we do.

The B.C. Utilities Commission is our regulator. We're developing a relationship with them, and it's a

fairly intense process, although over time I'd like to see us get to a more light-handed regulation once we've worked out all the bugs of what it means to be regulated. Certainly, we're accountable to the Minister of Public Safety and Solicitor General, who is the minister responsible for ICBC. The auditor general, through our auditor, also has oversight of the corporation, as you would expect of a public body. Then we have oversight through the Crown agencies secretariat. A fair number of organizations work with us and look over our shoulder to ensure that we're doing a good job.

From an inside-the-organization point of view on a planning front, clearly we do our strategic planning. We really do that about once a year. We sit down and go through our mission, vision, goals and objectives. We try to identify our corporate measures and targets — we're actually just in the process of doing that — and develop corporate strategies that will lay out where we're going.

In the past couple of years the real focus has been on getting the fiscal house in order. You'll see a bit of a shift, although it's really a rebalancing as opposed to a moving away from the fiscal agenda, in that we'll increase focus on defining what customer service means and on doing more to engage our employees. That doesn't mean we'll leave behind the hard road that we've travelled on the fiscal front. We need to continue to focus on our fiscal situation, because that's what allows us to maintain rates at the low and stable area that we want to be at.

From a business planning point of view, again, various aspects of the corporation are working through this and various business strategies and tactics for each of the line, and budgeting is an important part of that. Geri leads that on a regular basis. As a former Deputy Minister of Finance, I know what a challenge it is to do the budgeting, and Geri does a great job.

Then, ultimately, we report out on performance. You'll see a lot of the performance results laid out in last year's annual report, and we define them in the service plan each year. That's one of the things I think the corporation has really moved on in the last couple of years. Something that I want to build on, as the new CEO, is improving our definition of what it means to be doing a good job and learning in those instances where we fall short.

The planning cycle includes risk management. We have an independent risk management group that reports to the board, works with various aspects of the corporation and brings diligence to us. There's quarterly reporting on those risks to our board of directors.

On the BCUC rate-setting process, we've had to adjust the time of our budget planning cycle to fit in with the BCUC. Clearly, if we start the rate process.... If you take this year, for example, July was when IC2 went in, and that was when the process began. We will get the decision from BCUC on our rates for 2005 sometime in the middle of January. That could have some effect on our budget process. We clearly have to make assumptions at the start of the year on what that's going to be, but that can have an effect on us.

[1035]

Performance management is an important part of what we do. Each manager and department has to be able to demonstrate how they contribute to corporate goals and objectives. We have a mediated settlement with our union right now, and one of the aspects of that, which they are considering, is that we have corporate goals on gainsharing and performance pay on the management side that has us all using the same set of measures and targets. Effectively, it tries to have us all pulling in the same direction. Whether you're the CEO or you're somebody who works in a claim centre, the corporate goals that we're all measured on are effectively the same measures. I think that's a positive. As I say, the union is considering that. We'll hear their decision on whether they accept the mediated settlement around December 10.

Financial and non-financial measures. We focus on a variety of targets, and many of those are laid out in our service plan. We're also working on drilling down and making those better.

Our goals and objectives. Clearly, we want to become more competitive. As I say, that and the customer focus are really the emphasis that we're going to be looking at in the next couple of years.

Revenue-driven and fiscally responsible. That's really the legacy of the last couple of years and what the team has done to really turn around the fiscal situation in the corporation.

Again, personally accountable, capable and engaged people. This is an area we need to do more in. We've got great people who have contributed substantially to the turnaround of the corporation, but we have to continue to be better on that front and ensure that we can compete for the hearts and minds of our customers on the optional side and not take for granted the basic auto insurance product that we provide on behalf of government to all British Columbians.

ICBC, as I said, is gaining strength. Q3 numbers were \$317 million, and Rick talked to you about what the forecast is for the end of the year. A lot of this is the result of one-time positive impacts that we don't think can be repeated each and every year. Those include strong premiums; good driving conditions, which have been a significant contributor to an improved bottom line; higher investment returns; and unexpected improvements in prior claims adjustments. That's a significant amount of one-time activity that has really helped improve our bottom line.

The net income strength flows into our retained earnings to help keep rates low and stable. As I say, the positive impacts that we see this year will not necessarily be repeated in future years. Although the financial stability of the organization, and I don't want to understate that.... With the hard work that has been done in the last three years, we're forecasting a much more stable financial result with net income on the positive side on a go-forward basis. That, also, is not to understate our challenges in achieving that and maintaining a strong focus on our costs and meeting our customers' needs, but clearly, the corporation is on much more solid footing than it was two or three years ago.

I just want to quickly run through a couple of points from our annual report and the service plan. The first one is this net income slide. Clearly, you can see that we've had some volatility over the last couple of years. As I said, with this year's results and the go-forward plan we're working on, we expect that the corporation should be on a positive footing on the net income front and that we should do our part to be an overall contributor to the government's bottom line, although I want to reinforce the point that the retained earnings stay inside the corporation.

In terms of controllable costs, they include compensation and operating costs but exclude commissions and premium taxes. This is the area that Rick talked about, where we've done a significant job of bringing down these costs. We'll see a marginal increase in 2003 over 2002, but that's clearly less than inflation, and I would expect that you'd continue to see that from us in the go-forward plan. We will continue to place a strong emphasis on keeping our costs under control. If we don't, that just translates into higher premiums, and we all know that that's not something we want to have happen.

Rick talked about the drop in FTEs. The 4,754 number, I think, is about the right number for the corporation on a go-forward basis. You might see some targeted growth in the number of FTEs over the next little while.

[1040]

Clearly, the BCUC process requires us to beef up our financial area. You'll see some expansion in our underwriting capability as we move into a competitive marketplace, and the number of lawyers on our legal team. We were understaffed, and we'll fully staff on that. Again, the numbers will be relatively modest, but we're about the right level now.

Combined ratio is really known as the underwriting ratio. It measures the overall profitability of insurance products before taking investment income into account. One hundred percent ratio means that we're breaking even before investments. So we're breaking even. Premiums come in; you've got your costs. Those two should be more or less in sync.

While we are comparable to our competitors and other insurance companies, we do have a combined ratio that is higher than the private insurers due to a number of factors. One is the inclusion of non-insurance costs and the fact that we do take all comers on the basic side. We accept that and think that's part of our business, but that does have some effect on our combined ratio.

Next on performance — the expense ratio. This ratio measures our operational efficiency. The benchmark for the industry is about 27 percent and the auto piece is about 23 to 25 percent. ICBC is well under the benchmark despite the fact that we do include non-insurance services, such as driver and vehicle licences, on behalf of government, although I acknowledge we do not pay taxes either. Those are sort of the two off-sets that are at play here.

Why are we much lower? I think that clearly, because of our significant size and scale, it allows us to

operate at a much lower operating cost than, say, some of our competitors. We've got a very efficient point-of-sale system with the brokers. I think those are the reasons why we're lower. We don't take that for granted. We continue to make sure that we can continue to outpace the industry on this front.

Investment return. ICBC manages an investment fund of about \$7 billion. On a market value basis we've consistently matched the P and C investment manager return. For example, on the four-year comparison our number was 8.2 percent. The P and C industry median return was 8.2 percent. At seven years we were 7.1, and they were 7 percent. On one year they were 7.5 percent, and we're 7.2. We're basically in line with what's happening across the industry.

The majority of our portfolio is conservatively invested in fixed-income assets. The challenges we do face on our portfolio are the low interest rate environment, single-digit equity returns and the volatility of currency markets — as we've all seen the dollar move up and down. We have about \$330 million in investment income in 2003.

On the performance front, customer satisfaction. We do conduct a number of surveys. This is an area in which we clearly have more work to do, but I will run through the existing set of performance measures that we have in place for Autoplan, claims and driver services.

On insurance satisfaction for Autoplan, in summary, this really says that about nine out of ten of our Autoplan customers are relatively happy with the product that we're providing. As I say, this is helpful, but I think we have more to do on understanding what customer satisfaction on this front means. I know the last time that the corporation was here, they talked about this. This is clearly something we're doing more work on. We'll certainly keep you apprised on that as we come back before you over time. As we make changes, it'll show up in our service plan and annual reports that you'll get to review.

On driver services satisfaction. This is the part of the business that effectively, we provide on behalf of government. Again, nine out of ten is more or less the number. I think there's more work to do in understanding this. Clearly, at this point our customers appear to be quite satisfied with the work we're doing.

[1045]

Claims. Claims is an area where we've seen some falloff. We're still trying to understand why, although the trend is moving back up. Certainly, I know Bill would be happy to talk about this if you have any questions. My understanding of this, Bill, is that in these numbers we're effectively excluding a number of folks that are streamed off into the express repair program, so we don't get a full picture of this. This is where we do need to do some more work. Even at this level.... Think about it. This is somebody who has been in an accident, so their frame of mind may not necessarily be quite as positive as somebody who has just renewed their driver's licence. Even at that, where we've got eight out of ten of our customers achieving a

satisfaction rate, that's still pretty good, but again, there's more work to be done on this.

Employee index. This is a piece of work that was talked about the last time the corporation was here. We've got our first round of data. It's just being compiled and will be reviewed by management shortly, and then we will also discuss it with the HR committee and the board in the next few weeks. We'll also bring our union into the picture and discuss it with them.

Based on that, we will have baseline information. Then we will start to lay out targets for ourselves so we can increase the level of employee engagement and improve the capacity and capability of our workforce to ensure that they're doing work they're satisfied with and that it meets the needs of our customers as our business changes over time.

Issues and risks. The first one is the regulatory process. BCUC is a new process for us, and we are still adjusting. The reality is that the commission can bring down decisions that can have a large impact on our business. We just sit and wait, and when we get the decision, we have to respond. We do our best to help them in making their decisions, but there are others that sit at the table who have a different perspective on our business and might advocate the commission take a different approach. We're waiting for the current round of decisions to come down, and as I say, we'll see that in mid-January. We'll be a couple of weeks into our year, so that will present its own set of challenges if we see anything that's unexpected.

There's certainly competition in optional insurance. As I showed you, the rest of the industry is becoming more profitable, and their balance sheets are improving. Bill 93 and Bill 58 provide a more level playing field for them to compete for our customers. Those factors could have some effect on us. We don't cede any market share to our competitors. We're prepared to compete for, as I said, the hearts and minds of British Columbians, but we could see some impact on our market share.

The longer-term financial strength of the corporation. Clearly, the team has done a great job of turning around the financials of the corporation, but we need to be diligent on a go-forward basis. Our claims costs rise currently at the 4 percent to 5 percent level. We're looking at premiums not increasing at that level, so sooner or later you get to a mismatch. We've got to be diligent about that, make sure we continue to be profitable and build our reserves.

Claims costs. I just alluded to that and the challenge we face on that. Also, British Columbia in itself presents some challenges on the driving front. Weather can have a big impact on us. If weather goes against us, that's something that could really hit our bottom line.

We're also seeing that cars are getting more expensive to fix — and people are getting more expensive to fix. You all know the challenges of the health care system, and we have to deal with that as well. For example, a few years ago you had one air bag in a car; today you have two or multiple air bags. Well, every time there's an impact, you get one extra air bag going off;

that's another \$2,500 that we have to manage. That's the challenge.

Then we're seeing potential changes in things like the court tariff, which is under consideration and would ultimately go to cabinet for a decision. Crime and fraud is an issue that we have. Auto theft is relatively high in British Columbia. We have programs such as the bait car program that are trying to deal with that, but the overall number is.... The estimates.... That can have a significant impact on our premiums, and fraud itself can have as much as a 15 percent impact on our bottom line.

[1050]

The evolution of service delivery. As the market evolves and the needs of customers change, this is something we have to be at the forefront of. Call centres and express repair are two examples of how we try to respond to the needs of our customers. We have to continue to be diligent. Our competitors will also be in the marketplace trying innovative new products and service delivery mechanisms, so we need to keep pace with what's happening.

The investment market. You all know from your own personal investments that things can move around a little bit. When you've got \$7 million, you need to keep track of that.

Labour relations. As I said, we have a mediated settlement that the union and the corporation are considering. Sometime around mid-December we will, hopefully, have a resolution to that. This is really up to the union to decide from their perspective, and we'll wait to see what their decision is. That will have some effect on us.

Thank you, Mr. Chairman. I know my colleagues and I were a little bit ahead of schedule here, but we'd all be happy to try and answer your questions. As you mentioned earlier, if we're not able to answer them here today, we'd certainly endeavour to get back to you within the two-week time frame that you've laid out for us.

K. Stewart (Chair): By way of schedule, we're a little light with Hansard today, so I'd suggest that we take a five-minute break right now to give them an opportunity to do what they have to do. Also, if it's okay with the committee, we'll do the same at 12 o'clock — take a break with regard to that.

I'm looking to the committee at this point in time. At the last meeting we seemed to run a little short on question time, so I'm fully prepared to extend it an extra half-hour, into 12:30, for question period today if we need to and if you're conducive to that.

At this point, if we could just take a very short break of five minutes. If people would like to refill their coffees, grab a juice or something, please do so. Also, to the members, Jonathan has brought out the report that we did when ICBC came to us the first time. We might just want to take a moment to reflect upon that. It might help you with some of your questions for today, as this is the second round for ICBC. Thanks. We'll just take a short little break.

The committee recessed from 10:52 a.m. to 10:58 a.m.

[K. Stewart in the chair.]

K. Stewart (Chair): I'd like to call the meeting back to order.

We're in our question portion of the session. What we'll do here is just ask an individual question each, and we'll go around the room until we either run out of time or run out of questions. Basically, as I mentioned before, if there is any question that you don't have the full answer to, feel free to give what you have available. Then you may want to send any further addition to that answer through to the Clerk's office.

J. MacPhail: I've read both of the last two reports, and I'm trying to find the page where it shows the relationship of, on the optional side, the portion serviced by ICBC versus private insurers. My question will flow from that. I can't find it in either report.

G. Prior: The only reference that we have on the optional side of the business in terms of dollars is on page 64 of the annual report, which is one of the notes.

J. MacPhail: Page 64? My question flows from that, Mr. Chair.

K. Stewart (Chair): Sure. Go ahead. We'll work through this.

J. MacPhail: Thank you. Where?

G. Prior: On the bottom half of the page. You can see that we've split the dollars between the basic side of the business and the optional side of the business. It's through a financial allocation that we've done that.

J. MacPhail: Okay. Fair enough, but I'm.... So in '02-03 the optional coverage premiums earned by ICBC went up from \$1.081 billion to \$1.225 billion. Am I reading that correctly?

G. Prior: That's correct.

J. MacPhail: Okay. So in terms of the industry portion of optional coverage.... I understand the mandate of this government for ICBC is to increase the competition or to make the insurance industry more competitive — i.e., as I interpret it, give the private insurers a crack at insuring on the optional side.

[1100]

What I'm looking at here is that there has been an increase in optional coverage provided by ICBC, and I think that's great. How much of that is by premium increase? How much of that is getting a greater share of the overall industry?

P. Taylor: In round numbers there is about a \$1.5 billion optional insurance market in British Columbia.

We have about \$1.3 billion of it. There's about \$150 million or so that is held currently by the private insurers.

At this point — I know we're here to talk about last year's report, but they're fresh in my mind — the year-to-date numbers tell us that we haven't seen any significant change in the market penetration for the corporation. At this point there's no shift in who's got what. That's not to say that can't happen, but at this point we continue to hold the optional customers that we had last year.

J. MacPhail: When you say there's no penetration by ICBC, then the reverse is...?

P. Taylor: No penetration by the private insurers over and above what they had before.

J. MacPhail: Okay. My question flows from that, which is that the legislation and the mandate of the government is to level the playing field, as I understand it, on the optional side. What does that mean? What do you anticipate that means in terms of discrimination?

There was always a policy, a legislated policy, of no discrimination — i.e., your record is as you as a person obtain it through your own driving. If you're an 18-year-old or an 80-year-old, you pay the price of your own driving record. What's the pressure on either ICBC or the government, to the best of your knowledge, to introduce discriminatory rates based on classes?

P. Taylor: Clearly, on basic insurance, as it has been for awhile, there's no discrimination on age, sex or marital status. That continues under the existing regime. ICBC had the ability before to price on the optional side based on that and chose not to. At this point we don't see that we need to. There are a number of other factors we think are more appropriate to measure the risks that drivers might have.

J. MacPhail: So discrimination will not be introduced.

P. Taylor: At this point I don't see us needing to do that.

J. MacPhail: Thank you. That's great.

My supplementary is: on the introduction in the legislation, I noted that — I can't remember whether it was Bill 58 or Bill 93 — there's a provision for a facility insurance. We didn't debate that; we didn't discuss that in the Legislature. I just note that that's a very controversial issue both in the United States and now in Ontario and some of the other jurisdictions.

As I understand it, the provision, which is brand new under this legislation, of a facility insurance is for people who can't get insurance elsewhere, because there's a legal requirement for everybody to be covered. It's become controversial in other Canadian jurisdictions, such as Ontario where people are being put

into the facility insurance category when their driving record would suggest that they should not be there, that they should be easily covered.

What is the intent of the legislation that allows for facility insurance? Is there any plan afoot to actually implement that in British Columbia?

P. Taylor: I can't speak to the intent of the legislation. I can tell you my understanding of it is that what the government has done in the legislation is allowed for the provision of a facility organization if it's required, if it becomes a situation where some British Columbians aren't able to get insurance. Remember, we have a pretty comprehensive basic package here in British Columbia that everybody has to have. There's no ability to refuse people who buy that, so it's really on the optional side. What I think the legislation does is to contemplate that if there were an evolution in which situations arose where people were unable to buy optional and it was necessary for them to have that, a facility could be put in place. But at this point it's not contemplated that we needed it, because there's no reason to have one yet.

[1105]

J. MacPhail: It's reassuring to know that there's not, to the best of your knowledge anyway, any intent to.... You used the phrase, or someone did.... I think it was "ICBC takes all comers."

P. Taylor: On basic.

J. MacPhail: On basic. And there's no intent to change that.

P. Taylor: Absolutely not.

J. MacPhail: Thank you very much.

P. Taylor: Unless.... That's government policy, but from our perspective we're not advocating any change or expecting any change.

J. MacPhail: And there is no available change through the legislation as it exists now.

P. Taylor: You're correct.

J. MacPhail: Thank you.

B. Penner: Just a question on slide 25, if I can go back to that. I wonder if you could help clarify that. I think I heard Ms. MacPhail remark parenthetically here that it appeared that the expense ratio is actually increasing going forward. I wonder if you could just explain that apparent trend on slide 25.

P. Taylor: I'm going to ask Geri to answer that.

G. Prior: On slide 25 what you're looking at is.... If you look at the actuals in 2002, it's 18.5 percent, and on

the actuals in 2003, it's 18.1 percent. The other target numbers are what were in the service plan. What's going to come in, in 2004.... We haven't finished our year-end yet, but that's not necessarily actual numbers. Our intent is to hold that as flat as possible, but we also have to look at the base. The denominator in this calculation is premiums, and without increases in the premium rates.... Last year we only passed through the premium tax, and in 2005 we're not asking for any rate increase. It does put pressure on that ratio. In terms of actual dollars spent, we're holding it pretty constant. There are some very small increases that Paul talked about under inflationary increases, but that would be where the pressure comes on that ratio.

B. Penner: So you're hoping that for the current year, 2004, you may actually come in under that target of 19.2 percent.

P. Taylor: That's our expectation.

G. Prior: Yes, that's correct.

A. Chaudhry: If I could add, we also had the premium tax increased in 2004. It increased from 4 percent to 4.4. That also shows up in our expense ratio, and that pushed our expense ratio up.

J. Wilson: Page 18.

P. Taylor: In the slide presentation?

J. Wilson: Yeah. Your goals and objectives. I wonder if you could clarify the first two bullets for me a little bit. "To become more competitive" — does that mean lower rates? Or does that mean a sounder financial footing compared to other companies? "Customer-focused" — that one is rather vague.

P. Taylor: Being more competitive is ensuring that we've built our reserves to the point where they should be. It's ensuring that we maintain our financial position and continue to be strong financially, but it's also about making sure that we're competitive on the product side. We see some interesting different kinds of products being offered in the marketplace.

I think the last time the committee was here, you talked about glass. There's some interest in removing glass from a policy. An overall policy without glass in it is one possible answer to that — a product like that. That's about trying to understand what our customers want in terms of insurance products and making them available for them.

It's also about service. Currently we offer service on a set basis. There were some restrictions within our collective agreement. We've talked with our employees about making some changes to that so we might be able to operate on extended hours. Instead of the claim centre being open from nine to five, it might be open from seven to six so that people could come in and get their claims dealt with. Competitive is understanding

what our customers want and shaping our actions and plans to fit the needs of our customers.

We'll also have to keep an eye on what our competitors are doing. They may bring innovation or different products to the marketplace. We may want to respond, or we may want to get out in front of the market and put new products and services out there as well. I don't know if my colleagues want to jump in and say anything on that.

[1110]

B. Goble: Well, for example, in the area of customer focus, we introduced a new concept of how to handle minor injury claims. In the past they were required to go into a claim office and fill out a number of forms and go through a normal sort of process. Now we have a special unit that we're just finishing a pilot on where people can do that by phone. There are teams in there where people can reach someone to talk to on their file at any point in time. It's not a specific adjuster. It's much smoother for that. We have a system that identifies the kind of people who can do that. That allows a certain stream of customers to go through the system much more easily. We believe that that's more economical in the long run and increases customer service.

K. Stewart (Chair): Are you okay, John?

J. Wilson: Well....

K. Stewart (Chair): I know that's a broad question, but....

J. Wilson: What I heard you say, Paul, is that with respect to something like glass, there may be something coming in that would exclude glass from a policy.

P. Taylor: Right. Some people have asked us to look at that. Again, it's about being responsive to what people are suggesting to us.

J. Wilson: Where's the focus on the person that has to buy the insurance? Where is the focus directed, say, to all those people out there who may see their rates increasing slightly or holding but their coverage becoming less? Glass is a good example. There are a lot of people that are not very happy with the corporation. They see it as buck-passing, I guess. I don't know how else you would describe it.

The standards for, say, sand on the highway have been increased by the Ministry of Transportation, which is fine. It means a lot more broken windshields. As a result, ICBC then steps away from the issue by saying: "If you get more than two" — or whatever — "in a set period of time, we won't cover them."

ICBC has also taken it a step further. That has to do with animal collisions. If you get more than one, you may not be covered on your comprehensive. These things are totally out of the control of the driver in many cases.

The Ministry of Water, Land and Air Protection would like to see the numbers of wildlife increase, because it's a good reflection on them if they can boost the numbers. The Ministry of Transportation is under a lot of duress — fiscal constraints, you might put it — to do proper brushing on the road rights-of-way. These animals pop out of the brush right in the ditch. Within half a second, they're in front of your vehicle, and it's totally unavoidable. Yet I have seen a case or two where the individual would come to me and say: "We can't get collision. We've had more than one animal collision in the last year, and now we're refused coverage."

I guess my concern is that in order to make it a more level playing field and more fair, the corporation should perhaps, in my opinion, be looking into this and trying to either get some of the ministries that are responsible for rising insurance costs to cover part of that or pay their share, which you could no doubt levy in their direction, and give the motoring public a break.

[1115]

K. Stewart (Chair): Does that pretty much clarify it for the question?

P. Taylor: The issue you're talking about, if I recollect, is the same issue you raised last year. We've talked about this, myself and the VP of insurance, and one of our thoughts on this is.... First off, if somebody pays us \$100 for an insurance product and they consistently have claims for \$500, \$600 or \$700 over time, we can't carry on doing that — right? I think everybody would accept that over time that's not what an insurance company would do.

That said, what we do need to think about is thinking less like a monopoly where there's a one-size-fits-all solution or response to every problem. We need to be more targeted in dealing with our problems. I think we have a good track record on the road safety stuff of working with others to try and solve the problem. You raised a couple of good points here, which maybe are worthy of follow-up from our perspective — to sit down and talk with people and be more collaborative about addressing some of the issues that give rise to why animals end up on the road and impact vehicles and why we have damage from rocks on windshields.

I don't have much more of an answer for you, John, than that. I don't know, Bill, if you want to chime in, if you've got anything that might help John in understanding where we're coming from.

B. Goble: Well, just a couple of points. My understanding of the issue around glass coverage out of comprehensive.... It's not contemplated that we would remove all glass coverage from comprehensive, but we would provide the option...

P. Taylor: The product.

B. Goble: ...or the product where a customer, if they choose because of the amount of the rate to have it

in there — "Okay, I don't want glass coverage; I'll be happy with two or three hits on my windshield" — they would get a lower premium. It's not intended to be an all-or-nothing in an area — that we will take all glass coverage out. That's the first point.

The issue around animal collisions. I know that we've.... I think it's provided animal reflectors for 15 kilometres on the highway between Quesnel and Williams Lake this year. That is, I believe, an interesting responsibility to determine whose responsibility it is — as you've pointed out, who wants more animals around and how you cut the brush. I think we'd be quite happy, as Paul says, to broker a meeting or sit down with a couple of different ministries and talk about that.

J. Wilson: Just a point of clarification on the strider lights. Did ICBC cover the full cost, or was it a combined...?

B. Goble: I don't have the exact figures here. I think it was a combined.... Generally, what we do is go in and provide some engineering expertise and then partner with a community or a department. I can certainly get that information for you, though.

J. Wilson: Do you have anything on the results from that?

B. Goble: No, I do not.

P. Nettleton: I'm glad that John Wilson raised the issue of glass coverage with the folks from ICBC. I think those of us that live and represent folks in the northern central interior would be remiss if we didn't take full advantage of this opportunity just to remind you of our concerns — concerns of the constituents we represent in and around the whole question of glass coverage. I can tell you from personal experience that it's rather disheartening to drive out of the glass shop after getting a new windshield and five minutes later you've got a rock chip on your windshield.

[1120]

I know that I've had meetings here in Victoria with the Ministry of Transportation with respect to sand and gravel and so forth that are currently being used and the impacts in terms of the effect they have on windshields and how it's virtually impossible to make it through the winter without your windshield really being pretty much rendered useless because of the problems associated with rock chips from the sand and gravel used. They assure me, of course, that in fact there have been extensive studies done with respect to the types of sand and gravel they use. It's not associated in any way with cost savings and so forth.

All of that I'm quite sure is in fact the case, but it's of little consequence for those folks who find themselves having to replace windshields pretty much once a year. Then there are problems that flow from that with respect to how many windshields you can claim over the course.... What's the limit with respect to

windshield coverage? I think you're allowed — what? — three or four over the course of...

P. Taylor: It's about four.

P. Nettleton: ...four years. Then at that point you no longer have coverage.

It's a huge ongoing problem, and if there's anything that you can do to address those concerns, you'd be doing a tremendous service to people who live in the northern central interior, for whom this is an ongoing problem.

I just thought I would ask a question.

T. Nebbeling: That wasn't your question?

P. Nettleton: I'm sorry?

T. Nebbeling: That wasn't your question?

P. Nettleton: That was just a preamble to my question, Ted. You live in Whistler, and I suppose that's not a problem for you.

Interjection.

K. Stewart (Chair): Members, please go through the Chair.

I think we've got the understanding about the gravel and that. I think there are other agencies that we have to notify on that.

P. Nettleton: Great.

K. Stewart (Chair): Can you concisely give us the question here?

P. Nettleton: With respect, then, to your presentation, Rick Turner made reference a couple of times to a new competitive environment with respect to ICBC. Further on in the presentation, under "Goals and Objectives," there was also reference made to becoming more competitive. Can you perhaps provide for us in practical terms what it is you mean by your repeated reference to the new competitive environment within ICBC?

P. Taylor: Just to give you a sense of one of the things that we have to look at.... First off, there are a number of financial measures that have been put in place. We have to achieve capital levels that are consistent with our competitors, so that requires us to build up reserves over time. The original thinking was that that would take us a number of years to get there. The strong financial results and the one-time events that have happened in the last couple of years in many ways have got us to where we need to be on the capital.

To give you a sense, one of the things that we have to deal with is when the legislation contemplates a separate policy for optional insurance in British Columbia, provided by ICBC or a non-ICBC product. So

you have the customer effectively making an explicit choice to purchase optional insurance. In making that choice, they will think about other options besides us. We can't assume that customer, because they've bought basic insurance, will naturally buy optional insurance off of us. We have to price our product competitively. We have to provide the type of products they want. When they need services from us, we have to be responsive to their needs.

I'm not saying the corporation hasn't tried to address a number of those issues in its current environment, but I think there would be increased intensity around that as other companies show up in British Columbia and either the existing players try to grow their market share or newer companies show up in British Columbia and try to compete for our customers and maybe provide lower rates or a more unique product or whatever. We have to be able to respond to that. We can't act as a monopoly anymore. We have to be more nimble and responsive to the needs of our customer. We also have to work with our broker network. They are our retail network. They are the point-of-sale for us. We need to continue to support them and make their job easier so they can serve our customers better.

[1125]

We also need to help our employees in the claim centres and our partners in repair centres to provide better service. The desire of a customer who buys optional is that they look at it and say: "I think, on par, ICBC is a pretty good company. They've looked after me in the past." Or "I've talked to my neighbours, and they got a good shake from them. The price is about right, and they provide good service, so when I make that choice as to which optional policy I'm going to buy, I'll buy their product." If we don't do that, then we'll see our market share diminish.

I don't know if that answers your question, member.

P. Nettleton: That's ample. Thank you.

G. Trumper: On page 5....

P. Taylor: Of the presentation?

G. Trumper: Yeah. On your "Delivery Network," can you tell me what's included — I presume it's here — in road safety and loss management programs? I was trying to work it out here and wasn't doing very well. How much of your budget is spent on education? And what do you see the role of ICBC is in education?

P. Taylor: Road safety education in 2003 is about \$5 million. That's the answer to your question.

G. Trumper: That's a small figure, a small amount. So if I could follow that through, can I ask: what does ICBC see as its role in education for driving? It's a bit of topic this morning.

P. Taylor: It was on Bill Good.

G. Trumper: I heard that discussion, but I also have another interest in it. Can you sort of outline what ICBC does, what you may see yourselves doing?

P. Taylor: Some folks talk about taking a more interventionist approach. Our belief is that education has an important role in shaping attitudes on driving. I can quickly just run through the programs we do.

G. Prior: I think there are a couple of things. Certainly on the graduated licensing program, we've developed a fairly comprehensive booklet, etc., for parents as well as the new driver to go through on the education piece. If they're going to be assisting the new driver, we give a lot of tips in there. We're not just looking for the skill set of the new driver, but we're also trying to encourage the right attitudes of being responsible on the road.

We do go into the schools. We do some work with the schools in terms of programs in helping to put education in there. There are a number of facets we look at. I think about \$5 million to \$6 million is the spending anticipated for 2004 — about \$6 million on that whole education component.

P. Taylor: The Ministry of Education is committed to making road safety learning outcomes mandatory for K-to-10. Implementation starts in September of '04 for grade 10.

G. Trumper: Just on that — and I don't know what the figures are, and I don't know what other provinces do — do you have any tracking as to...? It's probably too early to tell how the graduated licence program is working.

G. Prior: Yeah. The first phase of the graduated licensing went in, in 1998. We know that for the new drivers in that program there was a 16 percent reduction in the number of crashes that happened from drivers that had not previously been in the program. It's too early to tell yet. It will probably take us about three years before we'll get the results out from the enhancements that have just gone in last year. Certainly, as in Ontario — and they're a bit ahead of us in how they've put their program in — we're seeing pretty good results.

G. Trumper: If I could just finish on this one. Do we have any figures as to how we compare with other provinces on the education programs or how whatever we're doing about road safety compares to other provinces?

G. Prior: I don't have the specifics with me. We can certainly get that information. We understand that we have quite a progressive program in B.C. compared to the other provinces. I know that our educational area and research area would have some more information.

[1130]

G. Trumper: Okay. Thank you.

K. Stewart (Chair): Maybe that's something you can send through the Clerks. All the members can get that.

T. Nebbeling: My first question is related to the profit the company showed in 2003. Could you tell me, Paul, what percentage of the profit — the \$225 million — was included in the optional portion and what percentage in the basic portion?

G. Prior: Was the question on 2003?

T. Nebbeling: Yeah, because that is a number we can work with.

G. Prior: Right. If you go again to page 64 of the annual report....

T. Nebbeling: Well, this is my problem. If you keep referring to the report, which I have only been given this morning.... I'd rather have you give me the numbers, and I will verify it when I read the report.

G. Prior: All right. I don't have the exact percentage, but I can give you the dollar figure in 2003. About \$179 million was from the optional side of the business and, on the basic side, about \$45 million.

T. Nebbeling: Okay. That is what I wanted to know.

When you go to the utility commission and ask for an increase in premium payments....

P. Taylor: Which we're not doing.

T. Nebbeling: Oh, you're not doing that.

P. Taylor: No.

T. Nebbeling: I thought you said that the first thing you're going to....

P. Taylor: No. We're before the commission, but we're not asking for an increase.

T. Nebbeling: Okay. One of my concerns is that.... That is forward-looking. Maybe you can show me how you would safeguard the system from what I see as a concern: that with the stronger competition of the private sector when it comes to the optional and your strong desire to maintain your market share, you may look in future at reducing the premiums for optional if the other private sector insurance companies go that route. You will feel that from the competitive perspective, you have to follow suit.

At the same time, still looking for a return on your equity that reflects the 11, 12 or 13 percent, I can see some threat to requests for an increase of the basics in order to maintain the profit level you seek as a company. If that happened, what kind of safeguards are there that you cannot try to recoup from one sector —

the basic — in order to spend more on the options for promotion and maintaining the market share?

P. Taylor: IC2, in its direction from government to the commission, is that there should be no cross-subsidization and that effectively, while we operate the corporation as one business, we can't use the basic to subsidize optional.

T. Nebbeling: No. I understand that is the basis, but when you do your bookwork and your planning....

P. Taylor: We have to fully account for all of that to the commission. They go through it line by line and look at all of our things. They look at the allocations we've made, and if they disagree with the allocations, they'll move....

T. Nebbeling: Okay.

P. Taylor: That's one of the issues we're waiting for a decision on.

T. Nebbeling: So the safeguard is the B.C. Utilities Commission.

P. Taylor: The B.C. Utilities Commission. The numbers are very public, debated in front of the commission, and the commission takes that away and makes a decision whether they agree or disagree on our allocation.

T. Nebbeling: Good.

H. Bloy (Deputy Chair): Good morning.

P. Taylor: Good morning.

H. Bloy (Deputy Chair): I wanted to ask about the claim centres. Basically, you have independent brokers. You've got 900 of them. They make probably \$240,000 a year on average. I have another assumption: that's probably less than what you could operate that system for in the commissions you pay out.

You have the claim centre. I hear all kinds of stories where the cars are into the claim centre, that they go to the autobody shop and that you have people out on the road on a regular basis going to the autobody shop to relook at the claim. I'm saying: why do we need a claim centre? Why doesn't each authorized autobody shop become a claim centre where you would have the same people without the capital costs and, I'm sure, fewer people looking at the damage?

K. Stewart (Chair): Let's ask Paul to answer it.

P. Taylor: I'm going to ask Bill to answer. Bill is responsible for the claim centres and has spent most of his working life in the area, so he's probably the best guy to give you the response.

[1135]

B. Goble: I don't know if I'm the best guy, but we'll give it a whirl.

The model you talk about is actually one of the things we're transitioning to, in part. In the past, virtually everybody did come to a claim centre, and we wrote the estimate there. Then the car went to the body shop.

Now, with Express Repair, there are a certain number of claims, a certain type of claims, that are handled only in our call centres. A little over 55 percent of our claims, approximately, are handled in our call centres, and a certain segment of those go directly to the body shop. The body shop is allowed to write the estimate, so they never see a claim centre. We've closed a number of claim centres, because the volume is down through that.

Through the next year, we are working on a re-engineering of our claims process to see how we can not necessarily close more but find something that's better for the customer. What you describe is actually in a transition phase at this point in time.

H. Bloy (Deputy Chair): How many claim centres have you closed?

B. Goble: I believe it's five.

H. Bloy (Deputy Chair): Would you be projecting to close at least half the claim centres, or is it because of geographics that you can't close that many?

B. Goble: I wouldn't want to make any prediction there, but geographically, obviously, we find it's a different sort of model. We don't want to build one model and then have that throughout the province, because it doesn't work in the smaller communities to the same extent. But I can foresee a different type of claim centre. Let me say "a different type," as opposed to closing them.

The physical plant — and I'm sure you've all driven by them, the concrete bunkers, if you will — doesn't meet the model. What we may be able to do in the future is move them off the main drag, have more traditional office space, consolidate — that type of thing — as we move forward. That's what we're working on right now.

H. Bloy (Deputy Chair): I had a second question.

A Voice: How many claim centres...?

B. Goble: Forty-one.

K. Stewart (Chair): If you have a related question, go ahead. If not, we'll go around again.

H. Bloy (Deputy Chair): Go around again.

K. Stewart (Chair): I have a couple of questions here. Actually, it stems from our recommendations last time. I think I heard some of the clarification today, but I just want to ensure that's what I did hear.

There was the ICBC tax exemption issue, which was discussed last time. The indication I have is that the reason you're tax exempt is that there are services

you provide for that. I just wonder if you have a dollar number as to what those offsets are as compared to the services that are provided. That's the first part of it.

The second part of it was: part of the reason we talked about surplus is that there was a concern that the financial reserves of ICBC weren't comparative to the marketplace, and that those dollars were retained to help build up that reserve.

Paul, you might be a little closer to this because of your past experience. Given GAAP now, those dollars that go into the reserve.... Is that reserve considered as a provincial asset, or is it against liability first on ICBC and then the profit coming out of it? I've sort of mixed the two together in the sense of the tax exemption and the reality of the money staying in there for the reserves.

P. Taylor: On the tax. Geri has done some looking into this. Our assumption was, looking at the tax that other companies are paying.... It's about 3.6 percent, I think, which is about what we're paying for providing those programs on behalf of government that we don't get compensated for. It's about equivalent.

The other issue is.... The framework that is in place for ICBC is really established in the legislation. We operate under the direction of government. I think we've done a reasonably good job of trying to comply with the direction that we've been given.

On the other question, the retained earnings. What happens at the corporation is we don't do a line-by-line consolidation of the corporation's position into the province's books, but on a net basis, the annual operating profit of ICBC shows up in the government's surplus or deficit. The assets and the liability show up on the assets and liabilities of government on a consolidated basis. Just like the university doesn't send that money to the government, we in turn keep the retained earnings inside the corporation, and they build our capital reserves over time.

[1140]

K. Stewart (Chair): Just to clarify, then: if you had a \$300 million profit as such....

P. Taylor: Say, like this year.

K. Stewart (Chair): Like this year. That would go in to build up your financial reserves, but it would still show as an asset on the provincial government books. In a sense, it would show as an increased asset to the province on the books under GAAP.

P. Taylor: You'd have a change in our assets and liabilities, so that would show up on the government's balance sheet as well. Then the profit would show up on the government's operating statement surplus-deficit number for this year, but it would also show up on the change in their assets and liabilities.

K. Stewart (Chair): So, in a sense, ICBC showing a \$300 million profit doesn't mean that the government has \$300 million more to spend in other areas.

P. Taylor: It doesn't have \$300 million in cash, but it has a \$300 million improvement in its surplus.

K. Stewart (Chair): Okay, thank you. That clarifies it for me.

Joy, do you have another question?

J. MacPhail: I want to talk just very briefly about two aspects in the consolidated statement of operations, if I may. I need clarification. Oh, I'm sorry — just one area. I clarified the other myself.

Page 47, please. It actually flows from the question that Mr. Bloy asked about insurance brokers. I note that fees for agents' commissions have increased from \$191.4 million in '02 to \$219.1 million in '03. That's about a 15 or 16 percent increase. I assume that's the independent brokers' fees that you pay for selling ICBC?

G. Prior: For selling the insurance, yes.

J. MacPhail: Yeah. Policies didn't go up by that amount by any stretch of the imagination, so what happened? Did you guys increase the amount you paid to them?

G. Prior: I think it's the mix of the business. On the basic premiums, it's a flat rate that we pay the brokers. However, on the optional side of the business, it's a percentage base. With the increase in optional sales in terms of dollars, because the commissions are calculated as a percentage of that, it would have gone up more than the actual volume.

J. MacPhail: Mr. Chair, I'd like further information, if I could have a breakdown from the corporation on that. That's a whopping increase in amount earned by the insurance brokers. I take no position on it — I want to be clear — but it's a honking big increase.

K. Stewart (Chair): If we can ask, then, that if you don't have that available, you could just give us that information through the Clerk, and the Clerk will ensure it gets distributed to all members.

P. Taylor: We'd be happy to.

K. Stewart (Chair): Great.
Are you done?

J. MacPhail: I'll wait. I've got another one.

K. Stewart (Chair): I think we'll have time.

P. Nettleton: I think it was Rick Turner who made some reference to the number of FTEs that had been eliminated. I don't recall any reference made to the time frame in which they were eliminated.

P. Taylor: Since 2000.

P. Nettleton: Since 2000. Currently, there are apparently 4,754 employees or FTEs. Can you confirm the

numbers of employees since 2000 that have been eliminated? I'm not clear on that from your presentation.

P. Taylor: If you go to slide 23 in the presentation, that'll give you the change in FTEs on an annual basis.

P. Nettleton: There's no reference made from where it is....

P. Taylor: It's Q4, 2000, at the bottom.

P. Nettleton: Yes, but there's no information with respect to where it is that those FTEs were located within the corporation.

P. Taylor: Oh, okay. They were, basically, dispersed across the corporation. It was done through a voluntary severance program. Employees self-selected themselves out.

G. Prior: It was pretty evenly distributed. That was about 750 at that time. Since that point in time, what the corporation has had as a sort of internal policy with the executive is that whenever there has been someone that's left the organization, we've really assessed very carefully whether we need to backfill that position or not, or whether we can redistribute the work. That's really where the rest of the changes come from.

B. Penner: Paul's question is actually apropos to mine. I'm also interested in asking some questions around the FTE reduction. According to my rudimentary calculations, it's about a 26 percent reduction in FTEs.

P. Taylor: You've got a future as a finance guy.

[1145]

B. Penner: Thank goodness for BlackBerrys, actually. They've got a calculator function.

My question is this: you mentioned your customer satisfaction surveys over the last number of years. I haven't noticed a precipitous drop in customer satisfaction.

P. Taylor: No.

B. Penner: In fact, I think it's a slight uptick. How do you explain the ability to reduce 26 percent of your staff complement and yet maintain customer service? How does that happen?

P. Taylor: I wasn't there, but I think the corporation put a significant effort into focusing on customer service as they worked through it. We've seen other corporations — I won't mention names — that went through significant downsizing and cost-reduction efforts and saw their customer satisfaction numbers drop precipitously, but this corporation explicitly focused on trying to maintain the customer satisfaction levels. I don't know.

Geri or Bill, do you want to give a quick comment on it?

B. Goble: Yes, if I could add a couple of points. The program I talked about earlier where we handle more claims in a call centre, for example, has decreased the need for a customer to go someplace else. The convenience factor has improved. It's the same on the injury claims we're doing by phone.

Driver service centres — we've increased the availability. We've opened a couple of Expressways, and we've changed the model of how we route people through those. I think it's generally those things that show the uptake.

B. Penner: A supplementary question. Can you estimate how much the corporation is saving as a result of that 26 percent reduction in FTEs? What would the annual savings amount to?

P. Taylor: Maybe I could give you that in a second. I think we've got it here. If you want to carry on, we'll get that information.

K. Stewart (Chair): John, do you have a new question while they look that up?

J. Wilson: Yes, on page 12, on board governance — the last bullet — it says: "...recommends evaluation to the board." Is this a recommendation, or is there actually an evaluation system in place? If there is, who does the evaluating?

R. Turner: Pardon me. I missed the question about the board evaluation.

J. Wilson: Is there anything in place? I see it just says "recommends." Does that mean it's a recommendation, or has something been done on that to put in place something that would do an evaluation? If there is, who would be doing it?

R. Turner: Consistent with public companies, the board does an evaluation through a third party. We hire a third party that's experienced in corporate governance, and we do an evaluation of the committees. We do an evaluation of the members. We do an evaluation of what else is required, of whether other skills may be required.

Since I've been at ICBC, which is one year, that process has occurred where we've done a board self-evaluation, if you will, but it's compiled by an independent third party that is a corporate governance person. The process is in place — if that answers your question.

J. Wilson: And this third party is a company or an individual?

R. Turner: It's a company.

J. Wilson: Is that public knowledge?

R. Turner: Yes. He's in the paper all the time. Patrick O'Callaghan does it.

K. Stewart (Chair): Further to that, if you've got an evaluation outcome that has been made public, it wouldn't hurt to send that through to the Clerk.

R. Turner: I'm not actually sure whether it's public or not. I'll plead ignorance and get back to you. Thank you.

K. Stewart (Chair): Okay. Great.

P. Taylor: I think Rick was referencing that the name of the company is public.

K. Stewart (Chair): Yes. I was just indicating the outcomes. It may be pertinent to this committee to have a baseline for your performance levels as a board so we can use that as an indicator of the growth of the performance of the organization as we review it — hopefully on an annual basis.

P. Taylor: I would suspect that the other Crowns do a similar thing, because it is best practices governance.

[1150]

H. Bloy (Deputy Chair): Just getting back to the number of employees, you were about 11 percent in 2001 as you were coming down by the different quarters, but last year, you moved a division, really, so you let only 60 employees go. That was probably only 1 percent. I appreciate your statement that other agencies have cut staff at the senior management level and are now having to replace them. I've heard that also. But have you hit your maximum levels, based on an average within the industry? You are still much higher than the industry average. That's my understanding.

G. Prior: For staffing levels?

H. Bloy (Deputy Chair): Yeah.

G. Prior: We haven't done an actual comparison on staffing levels with the industry, because we do run a different mix of products in a different business. What we have looked at is the expense ratio, and most of the expense ratio is compensation with staff.

P. Taylor: If you look on slide 25, it shows you the numbers we have. The industry benchmark for the P and C industry is about 27 percent, and the auto sector is about 23 percent to 25 percent. The recent material we got from our benchmarking company shows us continuing to track ahead, but that's partly because of the size and the scale we have.

H. Bloy (Deputy Chair): Right. You're talking about the expense ratio, but let's put it to actual numbers of claims and where we're at. Are you on an average with the competition in that area?

G. Prior: I guess I'm a little confused by the question, because in terms of actual volumes of claims, it's the size of the company that will dictate that. If you're

trying to get around issues of how efficiently we are handling the business, from the best knowledge that we have.... Again, as I said, the product is different at ICBC than at anywhere else in the country, so we have talked to different companies to try and get this information. We find it very difficult to get good comparatives because of the differences in product and the differences in the actual processes we use.

H. Bloy (Deputy Chair): When we do all these references, it just depends. You can do it to expenses, and in another business it might be, you know, better to compare it to another portion. I just wanted to know where you stood on an industry....

G. Prior: The expense ratio is a standard insurance measure — right?

P. Taylor: Another way of looking at it is if you look at gross expenses per policy in force as a way of measuring. We are \$283 in 2003. The Canadian auto industry is at \$322, and the U.S. benchmark is \$349 (U.S.).

H. Bloy (Deputy Chair): Okay. Thank you.

K. Stewart (Chair): I have a question on your slide 7, which was the one about the auto insurance rate increases across Canada. Do you have a similar slide that indicates costs — period?

P. Taylor: Actual rates?

K. Stewart (Chair): Actual rates. Right. That's the one that gets a bit confusing at times. People say, "I just came from Alberta and, you know, this is so much more expensive here," or, "I'm from Ontario and, boy, what are you guys doing here?" I think some of it may have to do with the fact that we're not prejudiced at all against age and some of these other discriminatory factors, which certainly skew rates. I'm just wondering: for comparative clients, do we have anything that indicates that?

P. Taylor: We don't have it here with us, but we can probably get you some stuff. The challenge with that is: what's an average vehicle? What's an average policy? All that stuff. But I think there's some sampling that's done, and we can give you a sense in some cases.

K. Stewart (Chair): We have a similar person — a middle-aged man, three children, clear accident record for five years, and he drives a '57 Corvette.

P. Taylor: He goes to church on Sunday, and he's got a dog.

K. Stewart (Chair): Anyway, if you have that, that would be helpful.

P. Taylor: I think we can get you that.

K. Stewart (Chair): Okay. That was just a clarification.

I have a question, though, with regard to.... I know it's a little off topic, but it's something I've noticed a little bit in the media lately and when I'm around town. With our senior population, we're seeing things like scooters and Segways and things like that around on the roads. What is ICBC's position on that? I understand there was some ruling ICBC made about Segways recently. Do you know what I'm talking about?

P. Taylor: Yeah, I know what a Segway is. The ruling is what you've got....

K. Stewart (Chair): Was it that ICBC basically would not...?

P. Taylor: Insure it for the road?

K. Stewart (Chair): No, just that they had a position of banning them from usage because of the insurance factors. That doesn't ring a bell?

[1155]

B. Goble: I don't believe we have a position, although the question has come up as to whether or not we will insure them and the scooters. We have to rely on the definition of a motor vehicle. Many of those do not fit under the definition of a motor vehicle, so we cannot contemplate insuring those unless there are some changes to the definition. That's outside our purview.

P. Taylor: And that's set in legislation right now.

K. Stewart (Chair): Given the expansion of the scooter with the seniors, especially since, I mean, I've seen them follow.... Do you have any position on that at all?

B. Goble: I don't believe we have an official position that we could state today. I believe we have done some research on that, and we can certainly look into that with our research department. I know we have done some research.

K. Stewart (Chair): Sometimes you see them on the sidewalks. Sometimes you see them on the road. I'll just throw that out. I know it's maybe a tad off topic, but it's certainly something that's out there. Whether it's ICBC's issue or responsibility or a local issue for municipalities with regard to compliance with bylaws, I'm not sure. I'll just leave it with you today as a thought to ponder.

J. MacPhail: The government just changed the drunk-driving laws to introduce mandatory rehabilitation programs for drunk drivers. Is ICBC involved in that at all? I recall from the legislative debate that contractors are going to be sought out to provide the rehab programs. What role, if any, does ICBC play in that?

G. Prior: I'm not 100 percent sure on this particular initiative. I know we have been approached for some funding on some of these. Some of it — and I'm not sure if this one in particular does — would go through the MOU we have in place for enhanced enforcement. We do work with our ministry to talk about it, but I'm not familiar with this one in particular.

J. MacPhail: I'd like follow-up on that, as well, Mr. Chair, please.

K. Stewart (Chair): Okay. At this point — I mentioned we would be breaking at 12 — I'd like to do just a quick poll as to how many questions we have out there from the committee. Who has questions left that they'd like to ask? Does anyone still have any questions they'd like to ask?

Some Voices: Yes.

K. Stewart (Chair): And how many questions are those? We do have the option to go for another half-hour if we wish.

B. Penner: One more question.

K. Stewart (Chair): I was just debating whether we should continue and then stop or....

J. MacPhail: Yes, why don't we do that?

K. Stewart (Chair): Let's continue on for, say, another 15 minutes in consideration of people that may need a break. We'll go for another 15 minutes, and then, at that time, if we're not concluded, we can either have written or continue on.

P. Nettleton: With respect to slide 6, I believe it is — for auto insurance in Canada — the slide shows what other provinces are doing in terms of the various models that are used. Again, it points to the B.C. model, which is the ICBC model, and there's also reference made in the presentation to the fact that this really flows from government policy. I think that's understood.

P. Taylor: Yep.

P. Nettleton: Is there any indication, in fact, that the particular model may be revisited any time soon?

P. Taylor: Keeping in mind the correspondence units in government and in the corporation, I want to be clear. The answer is no. I don't want the poor people having to write all kinds of letters in response for members in the corporation when the legal community starts....

K. Stewart (Chair): That's a pretty clear answer on that one.

P. Nettleton: Okay.

P. Taylor: From our perspective, anyway.

K. Stewart (Chair): You're the people that are before us today. You're the ones we are asking the questions of, so that's the response we'll accept.

B. Penner: I wondered if you had a number in terms of the total dollar savings as a result of the 26 percent reduction in FTEs.

G. Prior: I was going to ask: can we get back to you on that? It's just that I want to go back to the actual costs and look at them.

B. Penner: In that case, I have a different question for you. In this past number of weeks, I've had a few concerns or complaints brought by collision repair shops in the area concerned about a program that ICBC is implementing. I think it's referred to as a collision repair agreement with repair shops, somehow using an average for a repair. And if various repair shops are exceeding that average anticipated cost of repair for given vehicles, then they are disqualified from an increase in shop rates...

[1200]

P. Taylor: Right.

B. Penner: ...for various types of work — painting, collision repair, etc. This has caused some discontent among at least two different repair shops in Chilliwack, and I'm aware there are a number of others in the Fraser Valley. I'm just wondering what your comments are and what the reaction has been around the province.

P. Taylor: The basic premise of the program is that we sat down with industry and negotiated. This wasn't something we imposed. It was negotiated. The ARA and their sister organization, the B.C. Automobile Dealers or New Car Dealers, sat down with ICBC and said: "Let's try and put in a more sustainable system for setting rates for the repair industry in the province."

The agreement was negotiated, and series of meetings were held around the province to brief body shops on it. It is performance-based. There was a clear understanding that when performance standards were met or exceeded, rates would move up, and that if they weren't met, there's some financial impact on that. That's the basis of the system.

I think the challenge is that, like anything new, it's going through some growing pains or initial concerns, and some people have been affected by it. Some folks are questioning the data or the model, and we certainly need to do more work to help them understand it. Some shops are saying: "Conceptually, I'm okay with performance pay, but I need to understand how I can affect my numbers so that I can achieve the result."

There's no set number we have, as far as I know, that says we want to kick 20 percent of the shops out and pay them a lower rate. It's a system that says everybody can be in or not, and we are meeting with the industry to

work through it. We did amend it for this measurement period, because we were concerned that the results weren't in the area we wanted them to be. We sat down with the industry and asked: "How can we ensure that the transition is a little smoother on this?"

The current results from the previous measurement period have taken into account those negotiations. We are working closely with the industry. I think we have another meeting with the ARA coming up next week, and we're continuing to meet with those body shops that don't understand the results so that we can work with them.

Bill is more closely involved in this than I am. He might want to make a comment or two, just quickly.

B. Penner: A couple of the questions relate to how the criteria are calculated. There seems to be a lack of understanding on that. As well, there's an expression of some concern about how it's calculated. I think it's based on a one-year rolling average that's backward-looking. At least one shop is indicating in their latest numbers a significant drop in September, but they're told they won't be able to get back on track in the program until the next six-month...

P. Taylor: Six months, right.

B. Penner: ...period rolls forward. They feel a little frustrated by that delay.

P. Taylor: There are some that have argued for the one-year period, because shorter periods were seen as being too unfair.

B. Goble: A couple of comments, if I could. The one-year average is unique to each body shop. It's the amount of work and the type of work that has gone into the shop. The reason we don't use a provinciewide average, obviously, is that if you're repairing vehicles in Fort St. John, they're probably high-end pickup trucks and much more expensive to repair. So in the previous year, we take into account the type of work that's gone through that shop. Also, we take in some regional or trading area averages.

As we try to get the model more precise, it actually becomes more complicated. The challenge we're dealing with right now is: what is the right model for that? In its final edition, it will measure three things: average repair cost, which is the only measurement we used in the first cycle; cycle time, the time it takes to repair the car, so that a lower cycle time gets the car back to the customer, and that's better for the customer; and customer service — a survey. We use an outside company to survey the customers for the shop.

There'll be three components that will be blended in the next round. The last two that I explained.... We didn't have sufficient data, and the data was incorrect, so we didn't use that in the first model. Paul, I believe, used the term "growing pains." Yes, there are growing pains, but we're committed to working with the industry.

[1205]

This model can work for the future only if it works not only for the company but for the repairers. It's not intended to grind anything down. It's trying to introduce a different manner of compensation so that shops performing very well — good quality repairs, faster cycle times, higher customer service — will be basically paid a bonus for that work. But there are growing pains. I will say that.

K. Stewart (Chair): John, do you have a further question?

J. Wilson: I've got one. It's kind of along that same line.

Does the corporation have any idea of the actual cost of repairs? It has been so long since you've operated a shop that I'm wondering if you've lost touch with the actualities out there. The reason I ask that is because I know that on glass, you'll get two prices from almost any shop — one for ICBC claims and one if you're putting your own windshield in. Have you got any place where you can actually determine the real cost of this?

B. Goble: We have a research and training centre in Burnaby that is a full body shop. We teach bodymen from the industry about certain repair techniques. We have actually developed some repair techniques there. We don't run it as a true body shop; however, we do keep timed studies and do work in there.

To your point, I think one of the valuable things on the new model we're trying to do is that we use actual numbers coming out of a specific shop — the shop's own numbers of the vehicles going in and their times to establish targets and repair times. We're not saying: "We can do it in our shop for \$2,100. Now you have to do it in your shop for \$2,100." We're saying: "Your mix is \$2,300, average cost, and this is where we see all your neighbours doing it for \$2,200 or whatever. You should be trying to achieve \$2,200."

K. Stewart (Chair): At this point, if there are just one or two further questions, we can probably get those through and then be done with it.

Okay, so Joy, you have a question. If not, then we'll have to break. Go ahead if you have one final question.

J. MacPhail: This is my last one, Mr. Chair.

By the way, I just wanted to make one point. I was rear-ended a couple of weeks ago.

B. Penner: She needs a lawyer.

J. MacPhail: No, ICBC was fabulous. Also, I used the express service, which was fabulous. Of course, I do live in Kitsilano.

H. Bloy (Deputy Chair): Which car were you driving?

J. MacPhail: The old one, believe you me. I've already damaged the new one.

Okay. My question was on this issue of appearing before BCUC. Do ICBC and/or private insurers have to go to BCUC for optional coverage rates?

P. Taylor: No.

J. MacPhail: Neither of you do.

P. Taylor: Just basic rates.

K. Stewart (Chair): At this point, if there are any further questions, we will get them to you in a written format. I'll give one final sort of nod before we cut this off. Does anyone have a burning question they'd just like to leave with ICBC? If they can answer it in one sentence or less, fine. At least you'll have it on there.

Interjections.

K. Stewart: Okay. Are we all right?

P. Nettleton: One quick question.

K. Stewart (Chair): Make it a really quick question. If there's a really quick answer, fine. If not, we'll wait for the written answer. Go ahead.

P. Nettleton: Do you have any specific strategy with respect to containing costs related to personal injury claims?

K. Stewart (Chair): That sounds like a written response.

B. Penner: I have a suggestion on that front with my question. In my constituency, we're just about to open B.C.'s first roundabout on a numbered highway. It's something I'm very excited about. The studies I've seen indicate a 50 percent reduction at roundabouts compared to traffic light intersections but, more importantly, an 80 percent reduction in the severity of personal injuries.

If those studies and experiences from other jurisdictions are accurate and can translate to British Columbia, I wonder if the corporation is interested in further funding and further encouraging the Ministry of Transportation and local municipalities in introducing additional numbers of roundabouts in place of signalized intersections so that we can reduce the accident rate.

B. Goble: You're talking about the roundabout for Harrison, just on the Harrison exit?

B. Penner: It's on Highway 9 on the way to Agassiz and Harrison.

[1210]

B. Goble: The concept, we believe, is very encouraging. As you know, it's used throughout Europe and is very successful. One of the things it does avoid is direct contact on collisions. We will follow that very closely, and we will consider it in our road safety programs

K. Stewart (Chair): I'd like to thank Bill, Geri, Paul, Anwar and Rick for being with us today.

At this point, we'll take a short five-minute break. Again, just before I close, your final report will be presented — my anticipation — to the House when we sit again in February.

The committee recessed from 12:11 p.m. to 12:23 p.m.

[K. Stewart in the chair.]

K. Stewart (Chair): I call the meeting back to order. Could I have a motion to move in camera so we can discuss...?

We're now going to move in camera.

The committee continued in camera from 12:23 p.m. to 12:36 p.m.

[K. Stewart in the chair.]

Other Business

K. Stewart (Chair): Bringing the committee back out of camera to on-air, I'd just like to discuss our next meetings and some of the issues. I got the understanding from the committee that we would be looking at reviewing the draft of the reports to date. That would be electronically sent out to all members. We can add to our agenda next Monday a review of those to date.

The next question after that would be fixing a date for our meeting either in late January or early February to review the final draft of the remaining Crowns we have yet to do the reporting on. At that time, hopefully, we can also look at either setting a separate date or adding a workshop session to the work of the Crown corporations to date.

Can I have someone move that we do that?

J. MacPhail: So moved.

K. Stewart (Chair): Okay, great.

All right. Any further discussion or issues for today? Hearing none, then I would certainly enjoy hearing a motion to adjourn.

The committee adjourned at 12:38 p.m.

