

COMMENTARY: THE ICBC BLAME GAME

As the NDP government continues to calculate what changes will be required in the current ICBC insurance model to return the corporation to a satisfactory financial condition, some finger-pointing has occurred.

It is useful to understand how the deterioration in ICBC's finances occurred, if only to apprise the public of how the finances of ICBC can (and have been) used to promote the political advantage of the party in power.¹

BLAME

The revelation that the former Liberal government suppressed certain recommendations in a 2014 consultant's report regarding ICBC's worsening financial situation prompted David Eby, the minister responsible for our public auto insurer, to criticize former minister Todd Stone for failing to address ICBC's growing financial crisis in a timely manner.²

Instead, during the 2015 to 2016 period the previous government continued to ignore the rapid growth in claims costs and underprice the compulsory Basic program.³ This approach further depleted ICBC policyholders' capital reserves. Keeping the growing losses at ICBC from becoming an election issue during the run-up to the May 2017 election, rather than taking the tough decisions necessary to reduce the costs, became the over-riding political consideration.

Even former Liberal cabinet colleague Andrew Wilkinson blamed Stone for fumbling the ICBC file,⁴ although his criticism must be tempered by the knowledge that he and former finance minister Michael de Jong have an alliance for the second votes in the current Liberal leadership race.

FINANCE MINISTER CALLS SHOTS

While Mr. Stone was the government's spokesperson regarding ICBC matters during the last few years of the Liberal administration, it is clear to me that finance minister de Jong had the lead on matters relating to ICBC's finances.

¹ http://www.bcpolicyperspectives.com/media/attachments/view/doc/article_bc_studies_icbc_2013/pdf

² <http://vancouver.sun.com/news/politics/liberals-scrubbed-2014-report-into-icbc-financial-crisis> and <http://vancouver.sun.com/news/local-news/attorney-general-slams-predecessor-for-hiding-icbc-finance-recommendations>

³ In 2015 and 2016/17 ICBC was ordered by cabinet to transfer \$922 million from the Optional program to keep the Basic capital reserve ratio above the government's 100% minimum regulatory level (\$99 million occurred after 31 March 2017).

⁴ <http://vancouver.sun.com/opinion/columnists/vaughn-palmer-friends-expose-friction-in-liberal-leadership-race>

The strengthening of the controls by Treasury Board (chaired by the finance minister) over the finances of ICBC began after the government was surprised by an 11.2% increase in the Basic rate requirement for 2012. The government had not requested a Basic rate increase for 2011,⁵ but rapidly rising claims costs resulted in the large revenue requirement for the next year.⁶

In 2013, following the ministry of finance's 2012 Internal Audit and Advisory Services review of ICBC (which exposed the government to criticism for not managing the growth in ICBC's management levels and remuneration), cabinet ordered the BC Utilities Commission to implement a new rate smoothing policy for Basic insurance rate changes.

Future annual Basic rate increases were limited to no more and 1.5% over the rate increase of the previous year, and ICBC was required to seek Treasury Board approval for annual budget and capital reserve changes prior to applying to the Utilities Commission for the formal approval. Optional rate changes were also now formally approved by Treasury Board.⁷

In 2016 spring sitting the government amended the Insurance Corporation Act to allow cabinet to set the Basic and Optional capital reserve management targets.⁸ In the legislature the amendments were defended by the minister of finance, not the minister nominally responsible for ICBC.

During the 2017 election campaign Mr. de Jong attacked the NDP campaign platform, focusing especially on the cost implications of the proposed one-year freeze on BC Hydro and ICBC rates. The Liberal estimates of the foregone income resulting from freezing ICBC rates made it clear that the government had been underestimating the true rate impacts required to match growing costs at ICBC (and BC Hydro as well).⁹

In sum, the direction over ICBC's finances shifted during the 2012 to 2017 period from ICBC and the BC Utilities Commission to the minister of finance and cabinet. Apparently, the temptation to manipulate the rates for some 3.0 million private policyholders (and potential voters) had proved too tempting to resist.

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⁵ Christy Clark became premier early in 2011, and there was some thought that an election would be called in the spring to capitalize on her new government.

⁶ Basic rates did not increase in 2009 and declined by 2.4% in 2010. In 2012, Optional rates dropped by 6%.

⁷ See OIC 152/13 of March 2013.

⁸ The Basic target was set by the BC Utilities Commission, while the ICBC board of directors set the Optional management target.

⁹ https://thetyee.ca/Opinion/2017/05/01/Rate-Increases-BC-Hydro-ICBC/?utm_source=daily&utm_medium=email&utm_campaign=020517

