



BCUC Sides with BCTA and Denies Flat Rates for Trailers

On June 30, 2010, the BC Utilities Commission (BCUC) rejected ICBC's request to standardize trailer basic insurance premiums, citing and agreeing with BCTA's assessment that ICBC's plan would penalize safe fleet operators.

ICBC had proposed a lower basic rate for trailers, with no discounts, which would arbitrarily increase premiums for hundreds of fleets with large numbers of trailers that have earned discounts through low claims experience.

In its analysis, BCUC considered that ICBC itself characterizes rate increases of more than 6 percent as "rate shock" and noted that according to ICBC's estimates based on 2009 data, 309 fleets would have experienced basic insurance premium increases exceeding 10 percent under ICBC's proposed changes, with 110 of those fleets facing increases of over 20 percent.

Greatest total premium increases would have been at 144 percent, for fleets exclusively made up of trailers in Rate Classes 550 to 552, with a current fleet discount of 59 percent.

According to BCUC's analysis, fleets with a tractor-to-trailer ratio of just 2:1 would avoid overall premium increases over 6 percent, with percentage increases directly proportional to the trailer-to-tractor ratio. BCUC found that "average" fleets with a trailer-to-tractor ratio of roughly 4:1 would have experienced rate increases over 6 percent.

Significantly, BCUC included BCTA's argument in its analysis that ICBC would be harming rather than helping safe fleets, as follows:

...Given that the cause of the increase is ICBC's desire to introduce a more rational approach to premium pricing rather than a higher risk posed by the behaviour of these customers, they should not be unduly penalized by the introduction of this new rating system.

BCUC pointed to a similar government requirement directing that rate design should reward good and penalize bad safety performance and rejected ICBC's proposal, which demonstrably failed to do so. BCUC did, however, support the intent of standardisation and encouraged ICBC to re-examine "whether an implementation which limits total annual premium increases (perhaps consistent with the 20-percent BCTA recommendation) may be feasible."

BCUC approved changes to the number of vehicles required for Fleetplan eligibility (5 power units) and the elimination of Plan A from the Fleet Retrospective Rating Program, which fails to take poor claims experience into account. BCTA supported both of these changes.

Complete details are available in BCUC's June 30, 2010, decision document:
http://www.bcuc.com/Documents/Proceedings/2010/DOC_25797_G-115-10_ICBC-Fleetplan%20Reasons%20for%20Decision.pdf