

# SERVICE DELIVERY PROJECT

Vehicle Insurance Model &  
Frequently Asked Questions

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# Vehicle Insurance Program

## Background

In March 2016, the Service Delivery Project Steering Committee endorsed a cost savings opportunity related to vehicle insurance as outlined in the [Transportation Business Case](#). The Transportation Working Group recommended pooling all school district white fleet vehicles and buses into a single fleet and adopting a self-insured model for physical damage under the Schools Protection Program. The estimated annual savings of this new insurance model is \$1.4M. Please see the vehicle insurance section of the Transportation Business Case for full details.

The key stakeholders involved in and/or impacted by this model are:

- School districts
- ICBC
- BC Shared Services - Procurement Services Branch (PSB)
- Contracted Service Providers: ARI Financial Services, Inc. (ARI) and HUB International (HUB)
- Ministry of Finance – Risk Management Branch (RMB), Schools Protection Program (SPP)

## Business Case Update

The vehicle insurance model proposed in the Transportation Business Case was presented to the Service Delivery Project Steering Committee in March 2016. Over the last four weeks the Service Delivery Project team has been working with key stakeholders to implement this new model. Based on their input, some aspects of the approach have been further refined, including the following two key updates:

- Collision and Comprehensive Damage Deductible – The insurance model has been refined so that the deductible for collision and comprehensive damage claims will be \$1,000 instead of \$10,000. School districts will be directly responsible for covering the first \$1,000 of own-fault damage expenses incurred. Any covered claim over \$1,000 will be paid from the Schools Protection Program property insurance coverage, managed by the Risk Management Branch.
- Deductible Pool – A separate deductible pool will no longer be required to help school districts cover deductible amounts from \$1,000 to \$10,000 related to vehicle collision and comprehensive claims. The existing SPP insurance policy will be amended to cover these claims with a \$1,000 deductible. Premiums will not be impacted for 2016/17; however premiums will be assessed for losses on an annual basis going forward.

## New Model Requirements

1. All school districts must participate in the new insurance model. ICBC and RMB, the two key stakeholders required to implement the model, are not able to onboard school districts using a piecemeal approach.
2. All school districts will move to a common expiry date of June 30, 2016. This date represents the current renewal date for the majority of school districts.
3. All school districts will input vehicle insurance data into a database using a template provided.

4. Under the Schools Protection Program, the Property Coverage Agreement will be amended to allow for the provision of collision and comprehensive coverage for all licensed motor vehicles owned or licensed in the name of the school district. The deductible applied to this coverage will be \$1,000 per occurrence. Premiums will not be impacted for 2016/17; however premiums will be assessed for losses on an annual basis going forward. Any impacts on premiums in future years are expected to be minimal.

## Model Outline

- The new K-12 fleet will have a consolidated premium discount of 59 per cent based on the current experience rating of school district fleets for 2016/17 and 2017/18. This is the discount level for the next two years and may change in subsequent years based on experience ratings.
- All fleets will only carry the required liability coverage of \$1M for white fleet vehicles and \$10M for school buses. All optional collision and comprehensive coverage from ICBC will be declined.
- Trailers may require annual inspection before renewal.
- Where possible, school buses and white fleet vehicles should only be insured for ten months (i.e. for the school year only) and carry garage plates when not in use. School districts are responsible for purchasing or renewing garage policies.
- There will be an annual \$20/vehicle administration fee paid to ARI to centrally manage and administer renewal of insurance and distribution of decals and paperwork. The Ministry of Education will cover the cost of the vehicle administration fee for the first year.
- Vehicle insurance information will need to be entered into ARI's database by school district staff on an annual basis for insurance renewals, and for reporting the acquisition and disposal of vehicles during the year.
- Liability claims will be covered by ICBC and Schools Protection Program:
  - ICBC provides liability coverage up to \$1M on white fleet and \$10M on buses;
  - Schools Protection Program provides excess liability over \$1M on white fleet and over \$10M on buses.
- For collision and comprehensive damage claims, school districts will be directly responsible for covering the first \$1,000 of expenses incurred. Any covered claim over \$1,000 will be paid from the Schools Protection Program property insurance coverage, managed by the SPP.

## Retrospective Rebate Program

- All school districts will participate in ICBC's Retrospective Rebate Program.
- ICBC's Retrospective Rebate Program offers up to a 35 per cent rebate on premiums paid if the loss-claims ratio is below specified levels, and invoices up to 10 per cent additional premium if the loss ratio exceeds a certain threshold.
- Currently, only eight school districts participate in this program. For the 2014/15 school year six of these school districts received refunds and two paid surcharges. These school districts are expected to continue to receive rebate cheques or pay a surcharge directly for this year depending on their own school district experience rating.

- ICBC estimates that the initial retrospective rebate for the consolidated K-12 fleet will be approximately 15 per cent. The year 1 experience rebate will be provided approximately 18 months after implementation of the new model.
- SPP will manage and administrate premiums, rebates, and surcharges, as they do for other similar programs across the Broader Public Sector, and transparently report administration costs and premium/rebate information to all school districts and the Ministry of Education.

# Frequently Asked Questions

## Vehicle Insurance Model

### 1. Why are school districts being asked to move to a new vehicle insurance model?

In March 2016, the Service Delivery Project Steering Committee endorsed the Vehicle Insurance cost savings opportunity as outlined in the [Transportation Business Case](#). The Transportation Working Group recommended pooling all school district white fleet vehicles and buses into a single fleet and adopting a self-insured model for physical damage under the Schools Protection Program. The estimated annual savings of this new insurance model is \$1.4M. Please see the Transportation Business Case for full details.

### 2. What are the benefits of the new vehicle insurance model?

The estimated net annual savings of this new insurance model is \$1.4M or \$6.25M over a 5 year period. Other benefits include:

- Net savings for all school districts are expected
- Better coverage (every vehicle in the fleet will have comprehensive and collision coverage with a \$1,000 deductible)
- Reduced administrative time for insurance renewal
- Increased predictability and reduced volatility in premiums

### 3. Do all school districts need to participate?

Yes, all school districts must participate in order to achieve the level of savings outlined in the business case. ICBC, BC Shared Services fleet management services provider (ARI) and the Schools Protection Program are unable to implement the new insurance model without full participation from all school districts.

### 4. When is the new model effective?

In order to achieve savings in the 2016/17 school year, we are working towards an implementation date of June 30, 2016. As part of the move to a single K-12 fleet, it will be necessary to move to a single renewal date. Most school districts currently have an insurance expiry date on or before June 30<sup>th</sup>. Based on this fact and ICBC's recommendations, the consolidated K-12 fleet will move to a June 30<sup>th</sup> expiry date. This date will also allow school districts to delay renewal of insurance for school buses until September 1<sup>st</sup>, as they will not be in use over the summer months.

To meet this deadline, the Service Delivery Branch will be working closely with school districts to ensure timely communication and a smooth transition to this model.

**5. How much will this new insurance model cost?**

There will be an annual \$20/vehicle annual administration fee paid to ARI to centrally manage and administer renewal of insurance and distribution of decals and paperwork. In order to expedite the implementation process, the Ministry of Education will cover this cost on behalf of school districts for the first year (2016/17). Even with this minimal additional cost, all school districts are still expected to achieve savings on an annual basis.

**6. What are the benefits of moving to a common June 30<sup>th</sup> expiry date?**

There are a number of benefits from moving to a common expiry date of June 30<sup>th</sup>. This includes avoiding a seven per cent premium rate increase in the 2016/17 fiscal year for those with insurance renewal dates after November 1, 2016. Other benefits are that the estimated savings due to participating in the ICBC Retrospective Rebate Program and optional comprehensive and collision coverage will be maximized for the whole K-12 fleet.

**7. Since this model requires school districts to move to a self-insure model, will any money be returned to school districts?**

School districts are expected to achieve savings by participating in the retrospective rebates offered by ICBC, and reduce premiums for collision damage coverage in the longer term. The anticipated savings will be retained by school districts, and will show up as a credit on SPP premiums. See the Retrospective Rebate Program section for further information.

**8. If school districts do not see a benefit from participating in this new model, can they opt out in the future?**

All school districts must participate in the new insurance model. The vehicle insurance program will provide transparent reporting back to the school district to demonstrate value and savings to the K-12 sector. The Ministry of Education is committed to the evaluation the consolidation of a common fleet once operational.

## **Policy Coverage**

**9. Is it mandatory to participate in the 10 month insurance policy?**

School districts are required to participate in moving to a common renewal date; however each district can determine whether they insure vehicles for 10 months, and if so, which buses/white vehicles they choose to insure. Moving to a 10 month insurance policy may not make sense for districts that require bus service during the summer months.

**10. If school districts insure buses only for ten months, how is general maintenance and repairs conducted during the summer months?**

A garage policy in conjunction with a repairman's plate would allow school districts to perform general maintenance and repairs (see Appendix for further details).

**11. How will garage policies be managed?**

As not all school districts require garage policies, school districts may purchase or renew these types of policies directly with HUB International or through a local insurance broker.

**12. What if buses experience vandalism, fire damage, or theft when insured only for ten months?**

Buses are covered for vandalism, fire damage, and theft under the Schools Protection Program property insurance policy. No additional insurance is required.

## Re-Plating Vehicles

**13. Will school districts be required to change license plates on all vehicles?**

The re-plating requirement only applies to the 27 school districts with an expiry date post June 30<sup>th</sup>. That is, plates expiring between July 1, 2016 and March 31, 2017.

School districts with vehicle insurance expiring between April 30, 2016 and June 30, 2016 are not required to change their plates.

The Ministry is working with ICBC on a flexible timeline for re-plating the vehicles, as well as come up with a process that will minimize operational disruption to impacted school districts. A one-time re-plating fee of \$18 per vehicle will be funded by the Ministry of Education during this transition.

**14. What is the process for changing plates so that operations are not disrupted?**

The project team (i.e. Service Delivery Branch, RMB, PSB) is working with ICBC and HUB to identify the most streamlined way to have the new plates and renewals issued and old plates returned. A special set of instructions and communication will be provided to those school districts affected as soon as possible. The goal is to minimize disruption to local transportation services.

**15. Do I have to change my plates and how much will it cost?**

ICBC has indicated that plates must be changed if an existing policy is cancelled; this is an ICBC system and policy requirement. A one-time plate fee of \$18 per vehicle will be applied to those school districts impacted by this policy requirement. The Ministry of Education will cover the cost of the one-time plate fee.

Re-plating vehicles for the new June 30<sup>th</sup> renewal date will have other benefits. Specifically, this will mean that those school districts with current renewal dates between July 1<sup>st</sup> 2016 and March 31<sup>st</sup> 2017 will no longer be impacted by ICBC's November 2016 rate increase (estimated at seven per cent). Other potential impact of a plate change is that any school district specific internal lists or vehicle management systems may need to have the vehicle plate number updated.

## Premiums, Discount Rates and Rebates

### **16. How are ICBC discount levels calculated under the new model and how will my premiums be impacted?**

For the new K-12 fleet, ICBC consolidated the vehicle experience ratings of all school district fleets and calculated a new average discount rate of 59 per cent. Some school districts below this discount rate will see additional benefit and some who are slightly above may see a drop in their discount rate. However, under this new model all school districts will experience less volatility in insurance premiums, achieve savings by participating in the retrospective rebates offered by ICBC, and reduce premiums for collision damage coverage in the longer term.

### **17. How will the Schools Protection Program set premium rates in the future?**

The Schools Protection Program will determine premium rates based on an actuarial analysis of historical claims. SPP will manage and administrate premiums, rebates and surcharges, as they do for other similar programs across the Broader Public Sector, and transparently report administration costs and premium/rebate information to all school districts and the Ministry of Education.

Premiums will not be impacted for 2016/17, but will be assessed for losses on an annual basis going forward. While impacts on premiums in future years are expected to be minimal, it is difficult to predict what the impact would be if, for example, a particularly bad winter resulted in a greater number of claims. The Ministry of Education will work with school districts to review the program, including impacts to premiums, once operational.

### **18. What is ICBC's Retrospective Rebate Program?**

ICBC's Retrospective Rebate Program offers up to a 35 per cent rebate on premiums paid if the loss-claims ratio is below specified levels, and invoices up to 10 per cent additional premium if the loss ratio exceeds a certain threshold.

### **19. My school district currently participates in ICBC's Retrospective Rebate Program. What happens to my district's rebate?**

According to ICBC representatives, school districts currently participating in the rebate program will continue to receive a rebate cheque or surcharge invoice directly from ICBC based on their school district fleet experience until June 30, 2016.

The rebates received from ICBC should be applied to offset the new school year 2016/17 insurance costs.

### **20. How will the rebates or surcharges be managed when we move to a consolidated K-12 fleet?**

Schools Protection Program (SPP) will manage and administrate the annual rebates on the following basis:

- In any year in which a rebate is received, five per cent of the annual premium would be held by SPP to create a maximum contingency pool. The contingency pool would be used to buffer from

any future year surcharge, avoid costs due to greater than expected claims in any given year, or pay down claims to maintain the most advantageous discount rates. This pool would be held for the benefit of the consolidated fleet.

- Any rebate amounts in excess of the five per cent required for the contingency pool would be refunded back to school districts in proportion to their premium contributions. For example, if the K-12 fleet receives a 15 per cent rebate in year 2, SPP would hold five per cent as contingency and distribute the balance back to the school districts. The rebate would appear as a credit to school districts on their SPP premiums and all information on premiums and rebates would be clearly reported to school districts by SPP.
- For transparency, SPP would provide annual reporting on claims paid from the deductible pool and balances held in the retrospective contingency pool.
- School districts will not be asked to pay for any retrospective program surcharges as these will be covered by the SPP contingency pool funds.

## Deductibles

### 21. Is the \$1,000 deductible per vehicle claim (e.g. windshield)?

Yes, if damage to the vehicle is under \$1,000 school districts will pay for the repairs directly. If damages exceed \$1,000, the school district will pay the first \$1,000 and SPP will pay the balance of the costs. The Service Delivery project team will work with BCEM and explore opportunities for windshield procurement and repair services.

## Insurance Brokers

### 22. Who are ARI and HUB International?

ARI and HUB International are BC Shared Services partners supporting the central management and distribution of insurance decals to the new K-12 fleet:

- ARI (Automotive Resources International) Financial Services Inc. (ARI) provides fleet management services; and
- HUB International is the insurance broker responsible for the issuing of insurance papers and decals for the Province's fleet.

BC Shared Services procured ARI through an open, competitive process on BC Bid. HUB is a subcontractor to ARI and manages the Province's annual insurance renewal process.

### 23. How will vehicle registration information be provided for ICBC renewals?

ARI and HUB will centrally coordinate insurance renewals on behalf of the entire K-12 fleet. Data collection with school districts will begin in April 2016. School districts will receive an Excel template to be completed by early May with all vehicle information for a one-time upload to the ARI vehicle database.

Annual deadlines will be communicated early, allowing for adequate time for processing and distribution of insurance papers and decals to school district offices.

**24. Can school districts use an insurance broker other than HUB International? We are concerned about taking business away from the local community.**

In order for the K-12 sector to consolidate the fleet and manage the transition to the new insurance model in the timeframe required, school districts will be required to use ARI and HUB International for the June 30<sup>th</sup> turnover.

**25. HUB International does not have an office in my city. How will I renew my insurance and receive my decals and plates?**

All school districts are required to use HUB International for the transition year as the K-12 sector consolidates to a common fleet. HUB International will coordinate the insurance renewal and mail out decals and plates, so that school districts have everything they need to insure their fleet in a timely manner with minimal operational disruptions.

## **Insurance Processing**

**26. What happens if a school district acquires a new vehicle or disposes of a vehicle in the fleet during the year?**

For new vehicles, school districts will need to complete and enter new vehicle information on the provided templates and request insurance processing with ARI ([bcgov@arifleet.ca](mailto:bcgov@arifleet.ca)).

For disposal of vehicles, school districts may contact ARI customer service to remove the vehicle record from the ARI database by email ([bcgov@arifleet.ca](mailto:bcgov@arifleet.ca)).

**27. How will comprehensive and collision claims be processed under the new model?**

For vehicle collision damage and comprehensive claims, school districts will be able to report their SPP claim [online](#) and in case of serious losses, access a 24/7 claims notification number (250-356-1794) to speak to a claims representative.

The \$1,000 deductible will be applied to the Schools Protection Program for all collision and comprehensive damage claims. Generally, school districts will be asked to take the vehicle for a damage estimate to a local auto body or repair shop. The property insurance policy managed by the Schools Protection Program will pay all damage claims in excess of \$1,000. Where recovery from another party is possible, the school districts will be refunded the pro-rata portion of their deductible by SPP once recovery is obtained.

For large damage claims and vehicle write-offs, an insurance adjustor/vehicle appraiser may be sent out by the Schools Protection Program to assist in managing the claim.

All liability and personal injury claims will continue to be processed via ICBC claim centers.

**28. What happens if my existing ICBC insurance policy expires after June 30, 2016?**

For those school districts whose current ICBC insurance policies expire after June 30, 2016, ARI and HUB will issue new plates in the first two weeks of July. Once the old plates are returned to a local insurance broker, the date returned will mark date which the pro-rated refund is effective.

**29. If I cancel my insurance before it expires, will I get a refund for the term of insurance not used?**

Yes, school districts who cancel an ICBC insurance policy mid-term will be entitled to receive a pro-rated refund for the term not used. For example, if the current policy expires November 30<sup>th</sup>, then cancelling a policy for June 30<sup>th</sup> means that the school district will receive a 5/12 prorated refund on its paid premiums directly from ICBC. This will apply to garage policies as well, where applicable.

**30. What if I purchase a vehicle half way through the year or from outside of the province and the vehicle requires an inspection?**

School districts will be able to work with HUB International for their insurance requirements. If an inspection is required, school districts will be able to use someone locally.

**31. Are white fleet vehicles such as trailers, tractors, mowers, etc. covered under the new insurance model?**

Yes. The rule of thumb is that if the vehicle has ICBC plates, then it will be managed through the same broker and the same coverage applies.

**32. If I am one of the school districts that need to cancel my existing policy, do I do this through HUB International?**

No. The request for plate/policy cancellations should be directed to ARI who will then coordinate the cancellation with HUB.

**33. Are leased vehicles covered?**

Yes, under the Schools Protection Program, the Property Coverage Agreement will be amended to allow for the provision of collision and comprehensive coverage for all licensed motor vehicles owned or licensed in the name of the school district.

**34. For school districts with a post-June 30<sup>th</sup> renewal date, can we just let our insurance expire rather than cancelling it?**

No, these school districts will be required to cancel their insurance. In order to maximize benefits, a decision was made to move to one common date, which means that those school districts with a post-June 30<sup>th</sup> renewal date will need to cancel their policy. These school districts will renew insurance in the first two weeks in July.

**35. What if a school district occasionally lends or rents out their buses to an outside organization (e.g. local hockey academy)? Does coverage apply?**

School districts should check with ICBC for allowable uses as the primary liability coverage is provided by ICBC with SPP only providing excess liability if the primary \$10,000,000 limit is exhausted. If loaning or renting the bus to another entity is not problematic for ICBC (i.e. it doesn't impact your coverage), then the SPP excess automobile liability coverage should be triggered. The school district may wish to consider transferring the obligation to pay the physical damage deductible to the organization who has borrowed or rented the bus. The particulars of each situation should be considered before deciding whether or not to agree to this type of loan or rental and you are encouraged to contact SPP for advice.

## Appendix – Repairman Plate



### Repairman's Plates or Repairer's Plates



Your business licence confirms your operation is partially or wholly a "repairman's/repairer's garage."

This enables you to purchase a "Repairman's/Repairer's Plate" in conjunction with your Garage Policy (Garage Vehicle Certificate). This plate has a restricted use and the insurance provided by your Garage Policy for use of a vehicle with a Repairman's/Repairer's Plate attached is similarly restricted.

#### A Repairman's/Repairer's Plate

**1. may be attached only to**

an unlicensed vehicle being driven, operated or towed on a highway for the purpose of repairing, testing or rendering a service incidental to the repairing or testing,

**2. may be used only by**

the owner of the repairman's/repairer's garage, or the owner's agent or employee,

**3. may not be used by**

- a partner, officer or employee on a vehicle which they own or lease,
- a customer,
- an owner or an employee of another garage operation,

**4. may not be used on**

- a vehicle being operated for "pleasure" use. (A vehicle may not be operated for any other purpose than as indicated in #1 above.)
- a vehicle not eligible to be registered and licensed for operation on a highway, including a vehicle whose status is salvage.

This outlines the purpose and restrictions applicable to the authorized use of a Repairman's/Repairer's Plate. Where it is used for its restricted purpose, insurance will be provided. Conversely, when the vehicle to which a Repairman's/Repairer's Plate is attached is used contrary to the authorized use of a Repairman's/Repairer's Plate, it invalidates the insurance provided by your Garage Policy.

If you have any questions, please contact your Autoplan Broker or phone the Garage & Fleet Underwriting Department at 604-661-6890, or 1-800-665-8262.