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June 8, 2018

Ms. Christina Zacharuk  
President & CEO  
Public Sector Employers' Council Secretariat  
Suite 210 – 880 Douglas Street  
Victoria, BC V8W 2B7

Dear Ms. Zacharuk,

Re: 2017/18 Executive Compensation Disclosure Statement– ICBC

On behalf of the Board of Directors of ICBC, attached is ICBC's Executive Compensation Disclosure Statement for the period of April 1, 2017 to March 31, 2018 (based on the audited financial statements).

As per the Public Sector Executive Compensation Reporting Guidelines, I, the undersigned, hereby attest the following:

- The board is aware of the executive compensation paid in the 2017/18 fiscal year.
- The compensation information (based on audited financial statements) being disclosed is accurate and includes all compensation paid by the employer, foundations, subsidiaries, or any other organization related to or associated with the employer.
- It includes the value of any pre or post-employment payments made during the 12-month period before or after the term of employment.
- Compensation provided was within approved compensation plans based on financial audited statements and complies with these guidelines.

Yours truly,

A handwritten signature in cursive script, reading "Joy MacPhail", is positioned below the "Yours truly," text.

Joy MacPhail  
Chair, ICBC Board of Directors

Enclosure(s)



## Human Resources and Compensation Committee

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Reporting Period: Fiscal Year 2017/18  
(April 1, 2017 – March 31, 2018)

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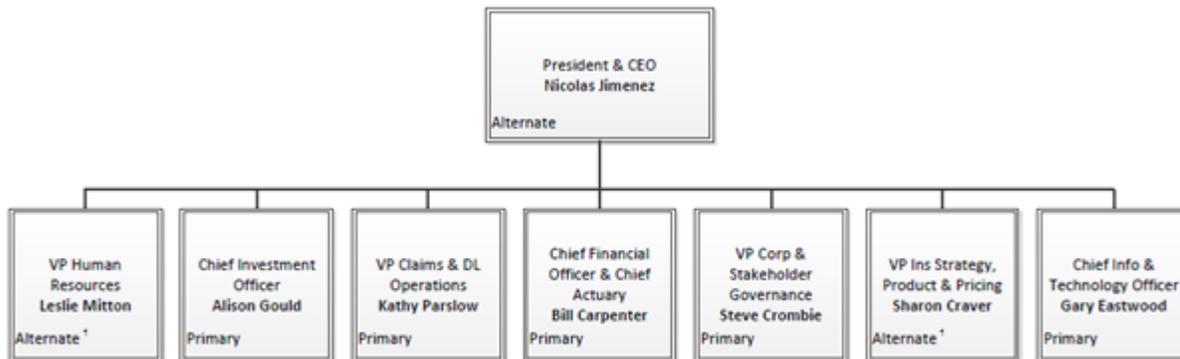
# INSURANCE CORPORATION OF BRITISH COLUMBIA

## 2017/18 STATEMENT OF EXECUTIVE COMPENSATION

### 1. INTRODUCTION

ICBC is a provincial Crown corporation established in 1973 to provide universal auto insurance, driver licensing, and vehicle licensing and registration to B.C. motorists. ICBC's corporate strategy is to be a low cost and operationally efficient company that provides consistent, quality service to its customers.

ICBC is a complex, multi-billion dollar company that requires talented management and staff. ICBC's total compensation philosophy is to provide market-competitive total compensation to attract and retain the required skills, talent, and experience at an affordable cost to taxpayers and ratepayers. During the 2017/18 fiscal year, some members of the Executive Leadership Team have changed. The following Executives are currently responsible for leading the management of ICBC's business and the implementation of its corporate strategy:



<sup>1</sup> Interim acting assignments are denoted with the word "alternate".

As per the Public Sector Employers' Council ("PSEC Secretariat") Act, ICBC must disclose all compensation provided to the President and Chief Executive Officer ("CEO") and the next four highest ranking/paid "Named Executive Officers" ("NEOs"). As per PSEC Secretariat's, the following outlines the governance, compensation philosophy, and total value of executive compensation for services during the 12 month period starting April 1, 2017 and ending March 31, 2018.

### 2. GOVERNANCE

Executive compensation is reviewed by both the Board and the Human Resources and Compensation Committee (the "Committee"). The terms of reference as related to total compensation for each are outlined below.

#### Board of Directors

- Approve the CEO's compensation package and performance against pre-determined annual objectives.

- Review and approve the total compensation strategy and philosophy to be applied to all ICBC employees upon recommendation of the Committee.
- Review and approve all compensation matters acting upon the advice of the CEO and upon recommendation of the Committee.
- In its sole discretion, review and amend the payment level of the annual salary holdback plan to better reflect the actual performance of the Corporation.

## **Human Resources and Compensation Committee**

- Review and recommend the Corporation's compensation and benefits philosophy, strategy, and guidelines and review their compliance with laws and any applicable guidelines established by the Government.
- Review and make recommendations to the Board respecting the administration of pension plans of which ICBC is an administrator and ensure the obligations of ICBC as administrator of those plans are met. Review and approve before implementation, any proposed change to a pension plan administered by ICBC other than any change which i) according to legal advice, is required to comply with applicable law, or ii) according to actuarial advice has no measurable impact on the cost of the pension plan and is desirable for administrative or other reasons.
- In consultation with the CEO, review and recommend the compensation, including incentive, benefit and retirement plans, for the Executive team.
- Review the annual Executive Compensation Disclosure Statement as required by the Public Sector Executive Compensation Disclosure Guidelines.
- For purposes of administering the Salary Holdback Plan, review and recommend to the Board the annual corporate framework and targets for the Salary Holdback Plan.
- For the purpose of administering the Salary Holdback Plan based on corporate performance, review fiscal year-end corporate results and recommend to the Board any recognition of corporate performance for the purpose of incentives calculation and the level of that performance.
- Review and recommend the CEO's compensation, including incentive, benefit and retirement plans, to the Board for approval, subject to legislative guidelines then in effect.

## **3. COMPENSATION DISCUSSION AND ANALYSIS**

ICBC's executive compensation is guided by the Crown Corporation Executive Compensation Policy, linked to its strategic business interests and objectives, and balanced with ensuring alignment to the broader public sector.

ICBC's compensation programs generally apply to all Executives and Management Group employees, with some Executive and CEO exceptions as noted herein. Annual salary increases and incentive compensation when granted, are variable, based on public policy, corporate and individual performance. The Board of Directors (the "Board") sets the CEO's total compensation within the guidelines set by PSEC Secretariat and applicable legislation.

### **3.1 Total Compensation Philosophy**

In June 2015, ICBC amended its total compensation philosophy for Executives and Management Group employees which has been approved by the Board and PSEC Secretariat.

## **Objective**

ICBC's amended total compensation philosophy is designed to:

- Competitively attract, develop and retain high quality talent with the depth of skills, knowledge and competencies required to achieve ICBC's strategic and operational priorities;
- Inspire and support high performance, accountability and fiscal responsibility;
- Link total compensation with company and individual performance;
- Create a solid relationship with employees that is built on trust, fair treatment, and mutual respect;
- Complement the intrinsic value of the workplace environment;
- Support the direction and long term goals of ICBC and government.

## **Core Principles**

ICBC's total compensation philosophy is underpinned by four core principles:

- **Performance** – compensation programs support and promote a performance-based organizational culture. ICBC's provision of salary increases and salary holdback awards are not guaranteed. They are based on individual merit and dependent on achieving its corporate performance objectives.
- **Differentiation** – differentiation of salary is supported where there are differences in position scope or due to superior individual team contributions. ICBC's job evaluation process and performance management program ensure salary differentiation is managed in an objective, consistent manner.
- **Accountability** – compensation decisions are objective and based upon a clear and well documented business rationale that demonstrates the appropriate expenditure of public funds. ICBC's compensation policies and guidelines set out clear procedures and authorizations for the administration of all compensation decisions.
- **Transparency** – compensation programs are designed, managed and communicated in a manner that ensures the program is clearly understood by employees and the public while protecting individual personal information.

## **Benchmarking Practices**

### **a) Market Comparator Groups**

ICBC's approved total compensation philosophy is a hybrid approach which is based on three distinct market comparator groups, or market benchmarks:

- 1) B.C. Public Sector Organizations includes Crown corporations, BC Public Service, health sector, K-12 education, community social services, regional government, municipalities and various public bodies; and

- 2) Other Provincial Jurisdictions where relevant and available, excluding territories; and
- 3) Private Sector Organizations which includes general industry and the property and casual insurance industry as well as for talent with specialized expertise and/or in high demand with significant recruitment pressure from the private sector.

## **b) Job Categories**

Job categories have been established to align ICBC's pay practices with the practices of the different comparator groups. ICBC's competitive positioning ensures that each job's total cash target reflects the 50th percentile total cash target provided by its relative comparator group. For the purpose of competitive market analysis, jobs at ICBC would fall into one of the four categories:

- 1) **General business roles** are the majority of jobs supporting the day-to-day business operations
- 2) **Roles in high demand by general industry** would include specialized or technical jobs filled by talent in high demand with significant recruitment pressure from the private sector
- 3) **Key industry specific roles** are jobs that are difficult to recruit and/or critical jobs requiring specialized expertise in the property and casual insurance industry.
- 4) **Executive roles** – those positions deemed to be at the executive level in accordance with PSEC Secretariat guidelines. ICBC forgoes labour market comparisons for Executive positions and makes Executive compensation decisions entirely based on PSEC Secretariat policy. As Executive compensation is set by public policy, market comparisons of any nature are only illustrative for guidance, not determinative.

## **3.2 Total Forms of Executive Compensation**

### **a) Base Salary**

Executive compensation is set by public policy and a wage freeze for Executives remains in effect. The Committee annually reviews, for recommendation to the Board and then approval by PSEC Secretariat, adjustments to the salary range structure and the annual salary budget, if any.

At the beginning of the year, a performance plan is developed for each Executive, which outlines their responsibilities and objectives for the year. At the end of the year, the Executive is rated against the targets.

ICBC's adoption of a common public sector philosophy supports a performance-based culture where compensation decisions such as salary increases are based on merit.

### **b) Salary Holdback Plan**

The Salary Holdback Plan "holds back" a portion of salary and is designed to eliminate the ability to earn more than 100% of target for outstanding corporate and/or individual performance. The Salary Holdback Plan provides a single overall corporate focus that is shared by all Executives and Management Group employees, as well as individual targets in the Salary Holdback Plan for personal contribution to the successful execution of the corporate strategic objectives.

The Salary Holdback Plan is a variable component of the CEO's and the NEO's total annual cash

compensation. Their holdback of salary is tied to meeting corporate and individual performance objectives with a maximum target of 20%. The respective weight of these two components varies by job level to reflect the level of influence on the corporate objectives. The Salary Holdback Plan components' weightings for senior leaders is 50% corporate performance and 50% individual performance.

For the 2017/18 performance year, in order for a Corporate payout to be triggered, at least one of the three Corporate measures must have achieved threshold or better. All Executives and Management Group employees will be eligible for a payout from the individual portion of Salary Holdback Plan if they have met at least 50% of their performance objectives.

In 2017/18, ICBC's corporate performance was measured against three components, in support of corporate priorities:

- 1. Optional Net Income:** Optional net income is the difference between total revenue earned in the Optional portfolio (premiums, service fees and investment income) and total expenses (claims incurred, operating costs and acquisition costs) incurred to deliver the Optional product to customers. Optional net income is a significant overriding measure of financial performance at ICBC and is essential to align performance toward this key corporate objective and directly impact compensation relative to its achievement.
- 2. Corporate Loss Adjustment Ratio:** The corporate loss adjustment ratio is the percentage of claims handling costs per dollar of claims paid. It is the sum of claims services costs (salaries, benefits, expenses), external expenses (e.g., outside legal counsel, medical reports, towing services, etc.) and loss management expenses (e.g., SIU operations) divided by claims paid net of external expenses.
- 3. Expense Ratio:** The expense ratio is calculated based on operating costs (excluding claims costs and claims-related costs), premium taxes and commissions, to premiums earned.

#### **c) Vacation**

ICBC provided six weeks of vacation to the CEO. NEOs are provided with four weeks of vacation and an additional two weeks of vacation in every fifth year of employment for that year only. Unused annual vacation can be carried forward to the following calendar year, which will be paid out to limit ICBC liability if it is not been used by the end of the subsequent calendar year.

#### **d) Pension**

ICBC provides a contributory defined benefit pension plan, which is the basic plan for all Executives. In addition to the basic pension plan, Executives are eligible for the Supplemental Employee Retirement Plan ("SERP").

Both the basic pension plan and the SERP are valued at the average current service cost for all members in the plan, less the average member contributions. A portion of Salary Holdback is treated as pensionable income for Executives based on their position and date of hire. Holdback pay is non-pensionable for Executives hired on or after September 1, 2013.

#### **e) Health and Wellness Benefits**

ICBC provides a comprehensive benefit program for Executives and their immediate families. Programs include provincial medical, extended health, dental, group life, short and long term disability, travel accident insurance, executive health assessment, and an employee and family

assistance program.

Voluntary, employee funded programs are available for life insurance, accidental death and dismemberment insurance and group RRSP.

Executives hired on or after September 1, 2013 are ineligible for the management post-employment benefits program.

#### **4 SUMMARY COMPENSATION TABLE**

Enclosed is the summary compensation table that provides a summary of total compensation for ICBC's CEO and next four highest ranking/paid NEO's for the 12-month period from April 1, 2017 to March 31, 2018, including payments to previous NEOs who have left ICBC during and prior to March 31, 2018.

## EXECUTIVE COMPENSATION DISCLOSURE

**Summary Compensation Table at 2018**

Name and Position	Salary	Holdback/Bonus/ Incentive Plan Compensation	Benefits	Pension	All Other Compensation (expanded below)	2017/2018 Total Compensation	Previous Two Years Totals Total Compensation	
							2016/2017	2015/2016
Mark Blucher, Former President & CEO	\$ 257,019	-	\$ 10,216	\$ 47,035	\$ 5,990	\$ 320,260	\$ 479,156	\$ 403,180
Bill Carpenter, Chief Financial Officer & Chief Actuary	\$ 275,000	\$ 45,834	\$ 17,282	\$ 58,713	\$ 7,640	\$ 404,469	\$ 368,884	
Steve Crombie , Vice President Corporate & Stakeholder Governance	\$ 250,000	\$ 41,667	\$ 16,757	\$ 53,375	\$ 1,440	\$ 363,239	\$ 361,025	
Alison Gould, Chief Investment Officer	\$ 247,867	\$ 49,574	\$ 15,530	\$ 54,432	\$ 1,917	\$ 369,320		
Nicolas Jimenez, Interim President & CEO	\$ 264,423	\$ 41,667	\$ 17,627	\$ 56,014	\$ 2,401	\$ 382,132	\$ 343,981	
Barbara Meens Thistle, Former Vice President Central Services	\$ 215,000	-	\$ 12,989	\$ 39,345	\$ 6,687	\$ 274,021	\$ 366,493	\$ 315,306
Kathy Parslow , Vice President Claims and Driver Licensing	\$ 275,000	\$ 45,834	\$ 18,221	\$ 58,713	-	\$ 397,768	\$ 367,051	
Geri Prior, Former Chief Financial Officer	\$ 228,328	\$ 36,851	\$ 12,973	\$ 48,528	\$ 89,005	\$ 415,685	\$ 476,049	\$ 406,027

## EXECUTIVE COMPENSATION DISCLOSURE

**Summary Other Compensation Table at 2018**

Name And Position	All Other Compensation	Severance	Vacation payout	Leave payout	Vehicle / Transportation Allowance	Perquisites / other Allowances	Other
Mark Blucher, Former President & CEO	\$ 5,990	-	\$ 4,887	-	\$ 1,103	-	-
Bill Carpenter, Chief Financial Officer & Chief Actuary	\$ 7,640	-	\$ 7,640	-	-	-	-
Steve Crombie , Vice President Corporate & Stakeholder Governance	\$ 1,440	-	-	-	\$ 1,440	-	-
Alison Gould, Chief Investment Officer	\$ 1,917	-	\$ 477	-	\$ 1,440	-	-
Nicolas Jimenez, Interim President & CEO	\$ 2,401	-	\$ 961	-	\$ 1,440	-	-
Barbara Meens Thistle, Former Vice President Central Services	\$ 6,687	-	\$ 5,500	-	\$ 1,187	-	-
Kathy Parslow , Vice President Claims and Driver Licensing	-	-	-	-	-	-	-
Gerri Prior, Former Chief Financial Officer	\$ 89,005	-	\$ 88,016	-	\$ 989	-	-

## EXECUTIVE COMPENSATION DISCLOSURE

### Notes

Mark Blucher, Former President & CEO	<b>General Note:</b> Vehicle / Transportation Allowance represents reimbursement of parking expenses. This note applies to all executives. Mark Blucher resigned from ICBC effective December 29, 2017.
Bill Carpenter, Chief Financial Officer & Chief Actuary	
Steve Crombie , Vice President Corporate & Stakeholder Governance	
Alison Gould, Chief Investment Officer	<b>General Note:</b> Alison Gould's Salary Holdback corporate rating is based on the performance of ICBC's investment portfolio.
Nicolas Jimenez, Interim President & CEO	<b>General Note:</b> Nicolas Jimenez is currently acting as Interim President & CEO effective December 30, 2017. Nicolas' Salary includes Acting Allowance which was \$14,423 for the 2017/2018 fiscal year. Nicolas' Salary Holdback is calculated on Salary excluding any Acting Allowance. Sharon Craver is currently acting as Interim Vice President Insurance Strategy, Product & Pricing effective November 20, 2017.
Barbara Meens Thistle, Former Vice President Central Services	<b>General Note:</b> Barbara Means Thistle resigned from ICBC effective January 19, 2018. Leslie Mitton is currently acting as Interim VP, Human Resources effective January 22, 2018.
Kathy Parslow , Vice President Claims and Driver Licensing	
Geri Prior, Former Chief Financial Officer	<b>General Note:</b> Geri Prior left her position as Chief Financial Officer effective June 1, 2016 and was on working notice until November 30, 2017.