

# **Insurance Corporation of British Columbia**

## **2021/22 – 2023/24 Service Plan**

**April 2021**



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## Board Chair's Accountability Statement



The 2021/22 – 2023/24 Insurance Corporation of British Columbia (ICBC) Service Plan was prepared under the Board's direction in accordance with the *Budget Transparency and Accountability Act*. The plan is consistent with government's strategic priorities and fiscal plan. The Board is accountable for the contents of the plan, including what has been included in the plan and how it has been reported. The Board is responsible for the validity and reliability of the information included in the plan.

All significant assumptions, policy decisions, events and identified risks as of April 7, 2021 have been considered in preparing the plan. The performance measures presented are consistent with the *Budget Transparency and Accountability Act*, ICBC's mandate and goals, and focus on aspects critical to the organization's performance. The targets in this plan have been determined based on an assessment of ICBC's operating environment, forecast conditions, risk assessment and past performance.

Joy MacPhail

A handwritten signature in blue ink that reads "Joy MacPhail".

Chair, ICBC Board of Directors

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## Strategic Direction and Alignment with Government Priorities

In 2021/22, British Columbians continue to face significant challenges as a result of the global COVID-19 pandemic. Recovering from the pandemic will require focused direction, strong alignment and ongoing engagement between public sector organizations and the Government of British Columbia. The government has identified five foundational principles that will inform each Crown agency's policies and program and contribute to COVID recovery: putting people first, lasting and meaningful reconciliation, equity and anti-racism, a better future through fighting climate change and meeting our greenhouse gas commitments, and a strong, sustainable economy that works for everyone.

ICBC's mandate, as provided through the *Insurance Corporation Act*, *Insurance (Vehicle) Act* and the *Motor Vehicle Act*, is to provide Basic and Optional vehicle insurance for B.C. motorists. The Basic insurance rates are regulated by the British Columbia Utilities Commission (BCUC), an independent regulator. The BCUC approves the Basic insurance rates and ensures that they are adequate, efficient, just and reasonable. ICBC also sells Optional auto insurance in a competitive marketplace. In addition, ICBC provides driver licensing, vehicle registration and licensing, and violation ticket and government fine collections services on behalf of the Province, under a Service Agreement between government and ICBC. ICBC also implements road safety initiatives to reduce crashes and losses on B.C. roads and to assist in managing claims costs. The organization works closely with the Ministry of Public Safety and Solicitor General, as the ministry responsible for ICBC (the Ministry), and the Crown Agencies Secretariat under the Ministry of Finance, to ensure financial targets and reporting requirements are met.

In line with government's commitment to make life more affordable for British Columbians, while delivering services that people can count on, ICBC is dedicated to providing customers with the best insurance coverage and service, at the lowest possible cost. To support this, ICBC's corporate strategy focuses on four key goals: To Make Insurance Affordable, To Be Customer Driven, To Be Smart & Efficient and To Be Future Focused. ICBC's [2021/22 Mandate Letter](#) direction from government, including implementing measures for greater accountability and transparency in ICBC's services to its customers, will help shape ICBC's operations in the coming year.

Improvements have already been made to B.C.'s auto insurance system over the last two years which have increased care for the injured, made rates fairer and helped put ICBC back on the path to financial stability. While these changes are working, the auto insurance system for accidents that occur before May 1, 2021, is still seeing far too much spent on legal costs.

Change has arrived to ICBC in the form of Enhanced Care coverage, a new model for providing auto insurance in British Columbia. This model was developed after understanding the benefits of other auto-insurance models, particularly those in Manitoba and Saskatchewan. Enhanced Care coverage will lower the price of insurance for drivers in our province and provide everyone with access to significantly better care and recovery benefits if they're injured in a crash. By largely removing court costs from the system, Enhanced Care coverage will deliver auto

insurance that takes care of British Columbians when they need it and that is affordable to them. The Enhanced Care coverage legislation was passed in the B.C. Legislature in 2020 and comes into effect May 1, 2021.

ICBC's customers also want to see more options for communicating with ICBC and accessing its services. One of the ways ICBC is delivering on this is by working with brokers to provide insurance renewals online in 2022. ICBC continues to implement measures to create greater accountability and improve transparency for its customers.

## Operating Environment

2021 will be a momentous year for ICBC, bringing significant improvements to auto insurance for British Columbians: greater affordability, more care for those injured in a crash and a more stable, sustainable system going forward. Working closely with government, doctors and treatment providers, disability stakeholders, brokers and a host of others over the last year, ICBC will successfully move to an [Enhanced Care coverage](#) model of insurance on May 1, 2021.

For decades, auto insurance in B.C. was based on a full tort system where the not-at-fault driver had to recover damages through an adversarial, often legal, process from the at-fault driver, whom ICBC had a duty to defend. During this time, claims costs increased unsustainably, resulting in significant upward pressure on the cost of insurance. That started changing in 2019 when government introduced important reforms to the auto insurance system. These reforms avoided significant rate increases and improved accident benefits. Despite these changes, affordability was still a major challenge, with the premiums collected in B.C.'s auto insurance system still funding hundreds of millions every year of legal costs, including lawyer fees and expert reports.

The implementation of Enhanced Care coverage will build on the success of the changes made to date, and will include significant improvements to the care and recovery benefits available to anyone injured in a crash, regardless of fault. While those at fault will see their annual insurance premiums increase, everyone will be entitled to the same, improved care. Importantly, Enhanced Care coverage will, overall, provide a more affordable auto insurance system for British Columbians. In January, the British Columbia Utilities Commission approved, on an interim basis, a 15-per cent decrease to Basic insurance rates, the largest decrease in more than 40 years. When combined with a significant decrease to Optional rates, Enhanced Care coverage will provide overall average savings of 20 per cent for British Columbians who purchase full coverage from ICBC.

Under the Enhanced Care coverage model, ICBC's focus will be the recovery of injured customers. As ICBC transitions to Enhanced Care coverage, it will, in effect, be serving customers in three systems: those who have advanced claims under the full tort system; those with claims that occurred under a modified tort system implemented in 2019; and those in the Enhanced Care coverage system for all new claims that occur on or after May 1.

ICBC continues to work closely with government and its broker, material damage supplier and medical service provider partners to help British Columbians through the COVID-19 pandemic. Measures introduced this past year enabled customers to renew their insurance, make adjustments to their policies and complete other insurance and driver licensing transactions by phone and email. Along with other safety protocols, Driver Licensing Offices adopted an appointment system to better serve customers and help with physical distancing. Support was offered to customers facing financial hardship with the option to defer monthly insurance payments for up to 90 days with no penalty. Most of these services will stay in place for the foreseeable future. ICBC continues to review and adjust the steps they are taking to support the health and safety of ICBC customers, employees and partners through the pandemic.

Due to fewer crashes during the early months of the COVID-19 pandemic, ICBC is returning net savings of about \$600 million directly to ICBC customers – specifically, the vast majority of people who had an active policy from April 1, 2020, to Sept. 30, 2020. This rebate is separate from the refunds ICBC customers will get because of the shift to the Enhanced Care coverage model, which will be issued starting May 1.

Capital reserves help stabilize ICBC for the long-term to be able to absorb adverse risk events. Its capital reserves can be significantly impacted by global financial markets. The 2020/21 investment income forecast has a high likelihood of being achieved as the global markets have recovered from the COVID-19 pandemic. ICBC's investment income forecast for future periods is still subject to volatility in the global financial markets. ICBC maintains a diversified strategic asset mix constructed to help mitigate volatility.

The COVID-19 pandemic significantly reduced economic activity in B.C. in 2020. The ongoing evolution and economic cost of the pandemic on B.C. and its trading partners remains highly uncertain. The Economic Forecast Council (EFC) estimates a 5.1 per cent decline in B.C. real GDP in 2020 and expects growth of 4.9 per cent in 2021 and 4.3 per cent in 2022. Meanwhile for Canada, the EFC projects national real GDP growth of 4.7 per cent in 2021 and 4.2 per cent in 2022, following an estimated decline of 5.4 per cent in 2020. As such, B.C.'s economic growth is expected to outperform Canada's in the coming years. The pandemic has increased risks to B.C.'s economic outlook, such as the timing of the global vaccination rollout, extended travel restrictions, a weaker global recovery, and the continued impact of a slower recovery in some sectors of the B.C. economy. Further risks include ongoing uncertainty regarding global trade policies and lower commodity prices.



## Performance Plan

### Goal 1: To Make Insurance Affordable

ICBC is committed to delivering an affordable and sustainable insurance system for British Columbians.

#### Objective 1.1: Reduce legal expenses and the costs to manage claims

##### Key Strategies

- Implement Enhanced Care coverage
- Deliver leading injury management practices that improve health outcomes and build trust in ICBC
- Develop stronger industry partnerships and processes to manage escalating vehicle repair costs

Performance Measure(s)	2019/20 Actuals	2020/21 Forecast	2021/22 Target	2022/23 Target	2023/24 Target
1.1a ICBC rates are affordable					
Jurisdictional comparison of year over year rate changes <sup>1</sup>	ICBC's Rate Change is 4.0 ppt <sup>2</sup> lower Compared to Provincial Benchmark	≤ Provincial Rate Change Benchmark	≤ Provincial Rate Change Benchmark	≤ Provincial Rate Change Benchmark	≤ Provincial Rate Change Benchmark
1.1b ICBC helps British Columbians return to their lives after a loss					
Percentage of claims costs that goes to customers <sup>3</sup>	82.2%	79.9%	91.4%	93.4%	93.4%
1.1c ICBC repairs vehicles in a cost effective manner					
Average cost for a vehicle related claim <sup>4</sup>	\$4,391	\$4,691	\$4,941	\$5,220	\$5,518

<sup>1</sup> Data source Benchmark relies on publicly available rate information for Canadian jurisdictions; ICBC's Basic rate change is based on the 2019 Revenue Requirements Application and Optional rate changes are based on the accumulated rate changes that were implemented during the 12 month period.

<sup>2</sup> As at February 2021: The Provincial Benchmark as well as ICBC's rate changes represent the Fiscal Year (FY) 2019/20 period with the exception of Ontario which relies on 2019 calendar year period due to the availability of public data (drawn from provincial data in both public and private insurance systems).

<sup>3</sup> Data Source: Analysis of ICBC incurred claims; plaintiff counsel contingency fees assumed at 25% of settlement amounts on average for represented claimants.

<sup>4</sup> ICBC claims database.

## **Linking Performance Measure to Objective**

In recent years, ICBC has made working with government to improve the affordability and sustainability of auto insurance in B.C. a primary focus. Changes to its Basic insurance product implemented in 2018/2019 closed the gap between premiums being collected and the cost of the claims being paid out. Improved sustainability is demonstrated by the percentage of claims costs that goes to customers, which increased from 77.9% in 2018/19 to 82.2% in 2019/20 as a result of the April 1, 2019 product reforms. Looking forward, the Enhanced Care coverage model will move auto insurance in B.C. to a system that continues to be more affordable, sustainable and focused on injury recovery.

### **1.1a ICBC rates are affordable**

A key measure of affordability is year-over-year changes in insurance rates. ICBC's rate affordability will be evaluated each year against a Provincial Rate Change Benchmark, calculated using a weighted average of published rate changes implemented in other provinces for the 12-month period. For Fiscal Year 2019/20, ICBC is below this jurisdictional benchmark, indicating our rates have increased less than the weighted average of other Canadian jurisdictions.

### **1.1b ICBC helps injured British Columbians return to their daily lives after a loss**

The cost for ICBC to resolve claims includes costs that support the customer's recovery, costs for vehicle repair or replacement, as well as ICBC's costs associated with administering the claim (such as towing and storing vehicles, managing payments to treatment providers and investigating fraud). Additionally, where a customer retains a lawyer, payments are also made for legal fees and costs related to litigation (such as medical examinations and expert reports).

The percentage of claims costs that goes to customers is determined by the percentage of current year claims costs that have been and will be paid to customers to support recovery and vehicle repair or replacement costs, which excludes the amount that customers pay for legal representation and expert reports, as well as amounts ICBC pays to manage and settle claims (including costs of litigation). Removing costs from the system that don't directly go to customers ensures those savings can be passed on to customers in the form of lower and more stable premiums as well as the care and treatment necessary after a collision so they can return to their daily lives as quickly as possible. The percentage of claims costs that went to customers in 2020/21 was slightly lower than the target, due to an increase in the proportion of represented claims. This metric is expected to increase in 2021/22 as a result of the introduction of Enhanced Care coverage.

### **1.1c ICBC repairs vehicles in a cost effective manner**

The average cost for a vehicle related claim measures the combined average cost for all material damage claims (excluding glass claims) for ICBC's main insurance products. Industry-wide, the cost to repair vehicles is continuing to increase as vehicles become more complex due to embedded sensors, cameras, and other driver assistance technologies. This measure quantifies the efforts ICBC is making to moderate these increasing material damage costs through strong processes and industry partnerships.

## Discussion

### Strategy 1: Implement Enhanced Care coverage

To help make life more affordable for British Columbians, Enhanced Care coverage will significantly lower insurance premiums and make rates more stable going forward. This will be done by reducing the current unpredictability and volatility of rising legal costs, so British Columbians can better budget their costs year over year. In the current system, a significant portion of the cost of insurance goes towards the protection of customers against the cost of being sued by another driver. By removing the adversarial approach of suing the driver at-fault for the crash, the overall costs of B.C.'s auto insurance system will be reduced dramatically, with cost savings forecast at more than \$1.5 billion in the first full year of Enhanced Care coverage. These savings will be passed on to British Columbians in the form of lower and more stable insurance rates with average savings of 20 per cent for full ICBC Basic and Optional coverage. It also means ICBC can provide much more in care and recovery benefits, to support injured customers when they need it, regardless of who caused the crash. Without moving to Enhanced Care coverage, ICBC's customers would face projected ongoing and unacceptably high rate increases to cover escalating costs.

### *Strategy 2: Deliver leading injury management practices that improve health outcomes and build trust in ICBC*

As part of the April 1, 2019 product reforms, ICBC's Accident Benefit levels were increased and customers have equal access to these improved accident benefits, regardless of fault in a crash.

Enhanced Care coverage will build on improvements already made to care and recovery benefits, to ensure that anyone injured in a crash can have the peace of mind that they will get the care they need, when they need it, for as long as they need it. Under the Enhanced Accident Benefits of the new insurance model, there will be no overall limit to the medical and rehabilitation benefits, a much higher income replacement benefit for anyone who is unable to work due to injuries sustained in a crash, and a new permanent impairment benefit that will provide a lump sum cash compensation for anyone seriously or catastrophically injured in a crash.

Going forward, ICBC will partner with research leaders in injury recovery to better understand best-in-class injury management principles. The corporation will then apply those principles to its injury management practices to better support customer recovery. Consultation with medical and healthcare service providers and disability stakeholders helped inform the development of the care pathways and operational delivery to best support and assist injured customers with access to care. These service providers are critical stakeholders in the success of this initiative. Moving forward, ICBC will continue to develop policies, practices and medical and healthcare provider relationships that support customers' return to health, leading first to better recovery outcomes, as well as to resulting savings and decreased pressure on rates.

### *Strategy 3: Develop stronger industry partnerships and processes to manage escalating vehicle repair costs*

The costs to repair damaged vehicles continue to increase. Vehicles today are more reliant on technology and expensive materials than ever before, while the hours of labour required to repair

vehicles and the number and cost of replacement parts are also increasing, particularly for newer vehicles. In 2020, ICBC modernized its material damage programs and implemented new tiering models for collision repair and glass suppliers. In 2021/22, ICBC will continue to fine-tune the program with industry feedback and focus on enhancing performance results, including engaging with industry to address equipment, training, and performance metrics. ICBC will continue to foster strong industry relationships through ongoing efforts to manage vehicle repair costs.

## Goal 2: To be Customer Driven

ICBC aims to be customer driven and more flexible and to have the needs of customers drive improvements in the design and delivery of its products and services.

### Objective 2.1: Be more flexible, with customer needs driving improvements in the design and delivery of products and services

#### Key Strategies

- Offer digital options to purchase and renew insurance
- Provide a better and enhanced online claims experience
- Implement usage based products, including products to support transportation network services and taxis

Performance Measure(s)	2019/20 Actuals	2020/21 Forecast	2021/22 Target	2022/23 Target	2023/24 Target
2.1a Customers choose digital options to purchase and renew their insurance					
On-time delivery of defined digital capabilities	N/A	Foundational capabilities delivered by end of year	Project milestones on track to support online insurance renewals in 2022	Online insurance renewals delivered	TBD <sup>1</sup>
2.1b Customers value their experience with ICBC					
Customer Satisfaction for Insurance Services <sup>2</sup>	96%	96%	95%	96%	96%
Customer Satisfaction for Claims Services <sup>2</sup>	92%	92%	92%	93%	94%
Customer Satisfaction for Driver Licensing Services <sup>2</sup>	92%	92%	92%	93%	94%

<sup>1</sup> Digital capabilities for 2023/24 and beyond have yet to be identified.

<sup>2</sup> Data Source: An independent firm is retained to conduct ongoing surveys of customers for the purposes of monitoring transactional satisfaction.

#### Linking Performance Measure to Objective

ICBC will continue to design and deliver products and services that address the needs of its customers. Its customer measurement framework will be expanded to include additional insight and feedback as product and service offerings evolve. By offering digital options, customers will have more choice in how they interact with ICBC and access its products and services.

ICBC is committed to increasing customers' trust by providing fair and transparent support and service and by being accountable. Some of this work includes government's commitment to establish a Fairness Officer, who will be appointed by government instead of ICBC thereby making them more independent than the previous Fairness Commissioner. Also, ICBC's Customer Insight Panel will be expanded and new avenues will be made available for customers to interact with ICBC. In 2019/20, ICBC launched a more accessible summary of its annual

report. ICBC will continue to produce this easy-to-read report and will provide its customers with more straightforward and easy-to-understand information.

2.1a Customers choose digital options to purchase and renew their insurance

As this is a multi-year initiative, ICBC will use milestone measures to monitor its success. This includes the on-time *delivery of defined digital capabilities* within the Enhanced Care coverage model, which is on track to deliver in May 2021. The focus in 2021/22 is on working towards the on-time delivery of online insurance renewals in 2022/23. Once digital services are implemented, ICBC will measure customer *utilization rates* of digital options.

2.1b Customers value their experience with ICBC

ICBC measures customer service based on the percentage of satisfied customers for each major transaction type or service that it provides: insurance product purchase and renewal, claims service and driver licensing. ICBC continues to meet measures for its Insurance Services, Driver Licensing and Claims Service to ensure customers are receiving consistent, quality service while interacting with ICBC and Autoplan brokers.

*Insurance Services Satisfaction* - Independent insurance brokers process over three million Autoplan policies each year. The insurance services satisfaction measure is typically based on surveys of approximately 5,000 customers over the course of a year. ICBC's Insurance Customer Satisfaction Target for 2022/23 is higher than the target set last year. This is based on multiple factors, including: a positive customer response to services offered during COVID-19, indications that rate design impacts to Customer Experience are better than expected, the addition of online capabilities planned for launch in 2022, and an anticipated improvement in satisfaction due to lower rates associated with Enhanced Care coverage.

*Claims Service Satisfaction* - Claims are processed through ICBC's claims call centre, claims centres and specialty departments such as commercial claims and recovery services. In addition to reporting a claim by phone, customers can report a claim and check details online. Claims surveying draws upon personal claims and is based on the average of surveys conducted after the First Notice of Loss and after closed claims. In a typical year, there are over 15,000 completed surveys.

*Driver Licensing Satisfaction* - Each year, ICBC conducts approximately 1.6 million transactions relating to the issuance of driver licences and driver exams, including renewing a licence, taking a knowledge test or undergoing a road test. This measure is weighted by the number of transactions for each type of service and is drawn from a sample of over 5,000 customers surveyed throughout the year. ICBC's Driver Licensing Customer Satisfaction Target for 2022/23 is lower than set last year by -1%pt. This is due to possible ongoing COVID-19 impacts on Driver Licensing operations which created backlogs for testing and impacted Customer Experience.

## Discussion

*Strategy 1: Offer digital options to purchase and renew insurance*

Our customers expect accessible options when interacting with us. They want multiple ways to communicate and interact with ICBC (text, email, online chat, etc.) and to access services online. In 2021/22, ICBC will continue to invest in technology that enables online insurance transactions and other digital services. ICBC is working in collaboration with an online broker task force to introduce online insurance options in 2022 focusing on renewals and temporary operation permits, with brokers providing support during and/or after the transaction. Future services will be determined based on customer and broker feedback.

*Strategy 2: Provide a better and enhanced online claims experience*

ICBC will deliver consistent and quality claims customer services. Feedback received by customers who use this channel today is being used to inform improvements to the online claims experience.

Insights gathered through customer surveys will guide ICBC's efforts to enhance the online claims experience over the next years.

*Strategy 3: Implement usage-based products*

Usage-based products, such as kilometre-based pricing, are valued by customers who want insurance that reflects how much they are driving and how they're driving. ICBC is exploring options to deliver usage-based products informed by customer insights.

### Goal 3: To be Smart & Efficient

ICBC will invest in data, analytics and technology to improve efficiency and make better decisions.

#### Objective 3.1: Invest in data, analytics and technology to improve efficiency and decision-making

##### Key Strategies

- Invest in robust data management and governance
- Embed analytics in key claims processes
- Automate simple and routine claims processes

Performance Measure(s)	2019/20 Actuals	2020/21 Forecast	2021/22 Target	2022/23 Target	2023/24 Target
3.1a The cost to run ICBC is below industry standards/average					
Operating Expense Ratio	19.4% <sup>1</sup>	21.8% <sup>2</sup>	22.4% <sup>3</sup>	21.1%	21.0%
Loss Adjustment Expense Ratio	15.4%	12.8% <sup>4</sup>	14.0%	12.9%	12.8%
Loss Adjustment Expense Ratio for post April 1, 2019 claims <sup>5</sup>	N/A	11.3%	14.0%	12.9%	12.8%

Data source:

<sup>1</sup> ICBC's 2019/20 Operating Expense Ratio is lower than a comparable 2019/20 benchmark of 29% from MSA Research (benchmark includes all Canadian auto writers excluding ICBC and Saskatchewan Auto Fund). ICBC's Operating Expense Ratio is inclusive of 2.2% for non-insurance services, which other insurance carriers do not have.

<sup>2</sup> The 2020/21 Forecast is higher than previous year's due to a reduction in forecasted premium as a result of the COVID rebate back to customers.

<sup>3</sup> The 2021/22 Forecast is higher than previous year's due to a reduction in forecasted premium as a result of the introduction of Enhanced Care coverage.

<sup>4</sup> The 2020/21 Forecast is lower than previous year's due to a more favourable change in the reserves for prior year claims services expense and allocated loss adjustment expense.

<sup>5</sup> The 2021/22 Targets for post April 1, 2019 claims are the same as for all claims as no expense reserve adjustments are expected in future years.

#### Linking Performance Measure to Objective

ICBC will maintain a strong focus on managing costs using data, analytics and technology to derive insights, improve efficiencies and manage change. Analytical insights will also help to more effectively identify at-risk claims in order to manage future claims as well as the roughly \$10 billion in claims liabilities related to claims that occurred before April 1, 2019, which remain a volatile part of ICBC's business.

3.1 The cost to run ICBC is below or comparable to industry averages

ICBC monitors its effectiveness in keeping operating costs below or comparable to industry averages through the following measures: Operating Expense Ratio and Loss Adjustment Expense Ratio.



**Operating Expense Ratio** - The Operating Expense Ratio is a standard industry measure to assess operational efficiency of an insurer. The Operating Expense Ratio is calculated as a ratio of insurance operating expenses and non-insurance expenses (excluding claims and claims related costs) to insurance premium dollars earned. This includes both insurance and non-insurance lines of business. ICBC is unique in providing non-insurance services (driver licensing, vehicle registration and licensing, violation ticket and government fine collections), as these services are not typically provided by other insurance carriers in Canada. As ICBC continues to be an efficient and low cost organization, this ratio will remain below the industry average.

**Loss Adjustment Expense Ratio** - The Loss Adjustment Expense Ratio compares the cost to settle claims to total premiums earned, which is an indicator of the efficiency of the claims settlement process.

**Loss Adjustment Expense Ratio for post April 1, 2019 claims** - The calculation of this ratio is identical to the Loss Adjustment Expense Ratio, except that changes in costs related to claims that occurred before April 1, 2019 are excluded, in order to eliminate the volatility that they may create in the measure. This ratio therefore provides an indication of the efficiency of the claims settlement process for claims falling under the April 1, 2019 product reform. ICBC expects the Loss Adjustment Expense Ratio to continue to be a low proportion of premium earned even with the premium reduction that is forecast to occur under Enhanced Care coverage, although the Loss Adjustment Expense Ratio will be somewhat higher in the year of transition.

## **Discussion**

**Strategy 1: Invest in robust data management and governance**

In ICBC's role as a public insurer, vehicle registrar and issuer of driver licences, the quality, accuracy, relevancy, timeliness and completeness of data play a critical part in ensuring the success of the organization. ICBC will continue to invest in tools and processes that ensure ICBC has sound data management and governance practices.

**Strategy 2: Embed analytics in key claims processes**

Data insights can improve file-handling and settlement processes in order to effectively and proactively manage claims liabilities. In 2021/22, work in this area will expand to include Material Damage and Enhanced Care coverage claims.

**Strategy 3: Automate simple and routine claims processes**

Manual administrative work increases costs and can be a barrier to better customer service. Disciplined investments in process design and automation technologies that reduce these manual processes will help the corporation realize efficiencies.

ICBC will continue to pilot new technologies to help with routine claims processes and improve corporate functions.

## Goal 4: To be Future Focused

ICBC will help shape the future of insurance and mobility in B.C. through partnerships and workplace practices.

### Objective 4.1: Shape the future of insurance and mobility in B.C. through partnerships and workplace practices

#### Key Strategies

- Be leaders in crash prevention
- Be a valued partner in transforming transportation in B. C.
- Be a flexible employer, promoting workplace practices to reduce commutes

Performance Measure(s)	2019/20 Actuals	2020/21 Forecast	2021/22 Target	2022/23 Target	2023/24 Target
4.1a ICBC’s workplace practices attract, engage and retain people to deliver service to our customers					
Employee Opinion Survey results <sup>1</sup>					
Aligned	81	Index score ranges will be maintained	Evolve EOS Engagement Methodology <sup>3</sup>	Evolve EOS Engagement Methodology <sup>3</sup>	Evolve EOS Engagement Methodology <sup>3</sup>
Enabled	68				
Motivated	65				
Accountable	87				
Leadership <sup>2</sup>	N/A				

<sup>1</sup> Data Source: Employee Opinion Survey (EOS) conducted by an independent firm.

<sup>2</sup> Leadership Index can only be updated in a full survey year.

<sup>3</sup> ICBC will evolve EOS methodology starting in 2021/22 to integrate employee engagement more closely with Diversity, Equity & Inclusion goals.

### Linking Performance Measures to Objectives

The business and transportation landscapes are changing at a rapid pace and ICBC has an opportunity to shape how insurance interacts with mobility in B.C. ICBC will collaborate with municipalities and organizations across the province to ensure policies and infrastructure are in place to support these changes. ICBC will also focus on workplace practices that reduce the amount of time that employees spend commuting, thus helping to reduce congestion. In the long term, the strategies are expected to reduce the number of collisions, injuries and deaths on B.C. roads.

4.1a ICBC’s workplace practices attract, engage and retain people to deliver service to our customers

ICBC’s *Employee Opinion Survey* (EOS) captures employees’ opinions regarding the tools and processes through which they execute their work, their understanding of how their efforts align with the corporate strategy, their personal motivation, their individual accountability for delivering business results and an assessment of leadership. The EOS is one indicator of ICBC’s

efforts to attract, engage and retain people through its workplace practices, including flexible work arrangements that can help reduce commutes. The 2020/21 EOS Forecast is for scores to be maintained from 2019/20. This is slightly lower than the 2020/21 Target set last year, as a result of the significant transformation that the organization is undergoing in the move to offer Enhanced Care coverage. Starting in 2021/22, ICBC will partner with a new independent firm to evolve the employee measures and an updated measurement framework and forecast will be included in subsequent Service Plans. These measures will also connect to ICBC's commitment in being an inclusive employer, one that reflects the diversity of the people and communities of the province that it serves. Diversity, equity and inclusion are foundational to ICBC's way of doing business, enabling a culture of respect, belonging and empowerment, helping ICBC serve its customers and communities with empathy and care.

## **Discussion**

### *Strategy 1: Be leaders in crash prevention*

ICBC is committed to make B.C.'s roads safer and is involved in a number of initiatives to reduce crash rates, which in turn can help improve insurance affordability. While the advent of advanced driver assistance systems is encouraging, these systems are not expected to reduce crash frequency in the near future given their small percentage of the total vehicle population. ICBC will combine strengths from a number of internal disciplines, such as actuarial, data science and road safety engineering to continue to decrease British Columbia's crash frequency.

ICBC is running a telematics technology pilot to determine whether this technology can improve road safety outcomes and drive behavioural change among inexperienced drivers in B.C. During the pilot, a small telematics device is installed in the vehicle and together with a smartphone app, data such as distance, speed and braking is gathered. This pilot was scheduled to conclude in 2020, however because participants drove less than normal due to COVID-19, a decision was made to extend the pilot into 2021. The extension will allow ICBC to further assess the impact of telematics technology on driving behaviours.

ICBC continues to partner with law enforcement, local municipalities and government to promote intersection safety through supporting B.C.'s Intersection Safety Camera program at key locations to capture the worst speeding offenders.

### *Strategy 2: Be a valued partner in transforming transportation in B.C.*

ICBC will partner with municipalities, government and other organizations to help shape the future of insurance and mobility in B.C. The Corporation will collaborate to improve how the province collects and shares transportation-related data.

Previously, ICBC had the Performance Measure for this strategy of: "a future mobility strategy is developed with identified plans for key partnerships". This measure was removed as it is milestone-based and does not encompass the breadth of work happening at ICBC related to being seen as a valued partner. A new measure will be developed as part of ongoing work in this space.

### *Strategy 3: Be a flexible employer, promoting workplace practices to reduce commutes*

ICBC is facing strong competition for talent. As ICBC's business shifts, its workforce will also change and the company needs to consider strategies to attract, retain and develop people who will help it move forward. ICBC can help reduce transportation infrastructure congestion through the adoption of flexible workplaces. Implementing more flexible workplace practices will enable employees to work closer to where they live, reduce commute times and reduce carbon emissions for the province.

## Financial Plan

(\$m)	2019/20 Actual	2020/21 Forecast	2021/22 Budget	2022/23 Budget	2023/24 Budget
Premiums earned	6,286	5,608 <sup>1</sup>	5,085	5,048	5,242
Service fees and other	148	142	108	110	112
<b>Total earned revenues</b>	<b>6,434</b>	<b>5,750</b>	<b>5,193</b>	<b>5,158</b>	<b>5,354</b>
Provision for claims occurring in the current period	4,728	4,528	3,939	4,019	4,160
Change in estimates for losses occurring in prior periods	1,180	(242)	(101)	(166)	(171)
<b>Net claims incurred</b>	<b>5,908</b>	<b>4,286</b>	<b>3,838</b>	<b>3,853</b>	<b>3,989</b>
Claims service and loss management	464	456	552	539	538
Insurance operations expenses	275	272	306	295	303
Transformation Program	29	24	23	22	16
Premium taxes and commissions	741	786	643	585	611
<b>Total expenses</b>	<b>7,417</b>	<b>5,824</b>	<b>5,362</b>	<b>5,294</b>	<b>5,457</b>
<b>Underwriting loss</b>	<b>(983)</b>	<b>(74)</b>	<b>(169)</b>	<b>(136)</b>	<b>(103)</b>
Investment and other income	1,058	918	480	495	495
<b>Income (loss) - insurance operations before impairment loss</b>	<b>75</b>	<b>844</b>	<b>311</b>	<b>359</b>	<b>392</b>
Non-insurance operations expenses	110	108	130	130	135
Non-insurance commissions	31	32	35	35	36
Non-insurance - other income	(7)	(5)	(8)	(8)	(8)
<b>Net income (loss) before impairment loss</b>	<b>(59)</b>	<b>709</b>	<b>154</b>	<b>202</b>	<b>229</b>
Impairment loss	(317)	-	-	-	-
<b>Net income (loss)</b>	<b>(376)</b>	<b>709</b>	<b>154</b>	<b>202</b>	<b>229</b>
Other comprehensive income					
Pension and post-retirement benefits remeasurements	214	(517)	-	-	-
Net change in available for sale financial assets	(503)	1,420	339	83	250
<b>Total comprehensive income (loss)</b>	<b>(665)</b>	<b>1,612</b>	<b>493</b>	<b>285</b>	<b>479</b>

Table continued on next page

## Financial Plan – continued

(\$m)	2019/20 Actual	2020/21 Forecast	2021/22 Budget	2022/23 Budget	2023/24 Budget
Total equity – beginning of year	119	(547)	1,047	1,538	1,823
Non-controlling interest disposition	(1)	(18)	(2)	-	-
<b>Total equity – end of year</b>	<b>(547)</b>	<b>1,047</b>	<b>1,538</b>	<b>1,823</b>	<b>2,302</b>
Represented by:					
Retained earnings	(396)	302	455	657	886
Other components of equity	(165)	738	1,077	1,160	1,410
Non-controlling interest	14	7	6	6	6
<b>Total equity – end of year</b>	<b>(547)</b>	<b>1,047</b>	<b>1,538</b>	<b>1,823</b>	<b>2,302</b>
<b>Total liabilities</b>	<b>22,119</b>	<b>22,976</b>	<b>20,047</b>	<b>18,066</b>	<b>16,257</b>
<b>Capital Expenditures<sup>2</sup></b>	<b>62</b>	<b>107</b>	<b>68</b>	<b>42</b>	<b>46</b>

<sup>1</sup> The 2020/21 premiums earned forecast includes a COVID-19 rebate for customers totalling \$600 million.

<sup>2</sup> Major categories of capital expenditure include: facilities (land, building, leasehold), furniture and equipment, IT systems (computer equipment and software). Looking ahead, ICBC expects capital expenditures will change in the planning period as the company maintains or replaces aging infrastructure, including replacement or upgrade of facilities, and as critical business systems are renewed.

## Operating Costs by Nature

(\$m)	2019/20 Actual <sup>1</sup>	2020/21 Forecast <sup>1</sup>	2021/22 Budget <sup>1</sup>	2022/23 Budget <sup>1</sup>	2023/24 Budget <sup>1</sup>
Premium taxes and commission expense	805	818	678	620	647
Premium deficiency adjustments	(33)	-	-	-	-
Compensation and other employee benefits	460	462	525	986	992
Pension and post-retirement benefits	93	68	134		
Professional and other services	53	56	51		
Road improvements and other traffic safety programs	33	32	35		
Building operating expenses	23	22	25		
Merchant and bank fees	45	48	39		
Office supplies and postage	23	20	21		
Computer costs	31	32	34		
Depreciation and amortization	73	80	98		
Other	44	40	49		
<b>Total operating costs</b>	<b>1,650</b>	<b>1,678</b>	<b>1,689</b>		

<sup>1</sup> Operating cost targets are not planned in detail beyond the current year.

## Key Forecast Assumptions, Risks and Sensitivities

Financial forecasts take into consideration ICBC's plans to address the key strategic risks facing the organization and changes in the external environment. Typical of other property and casualty insurance companies, ICBC faces material risks in the execution of its strategy and conduct of operations. The Board of Directors, the Board Committees and the Executive Leadership Team review these material risks, including financial market risk, as part of their governance and oversight function. ICBC will continuously address these material risks. This includes strengthening information security system controls to protect against evolving cybersecurity threats and continuing to leverage the use of core operational systems. Leadership development and succession planning also continue to support the business model. Actual results could vary from these projections, depending on actual implementation, actual behavioural changes and associated impacts.

Based on these plans, the following assumptions were developed and incorporated into the financial forecasts on page 19.

- The summary financial outlook reflects the overall operations of the business, including Basic and Optional insurance and non-insurance activities. It has been prepared based in consideration of legislative, regulatory, and judicial frameworks. The forecast reflects a number of financial and behavioural assumptions.
- For the 2021/22 – 2023/24 period, rate changes are assumed for both the Basic and Optional insurance businesses. Any changes to Basic insurance rates are subject to BCUC regulatory approval.
- Enhanced Care coverage will be implemented May 1, 2021 and an Enhanced Care coverage refund is included in 2021/22.
- Government has directed the British Columbia Utilities Commission (BCUC) to include a Rate Stabilization Fund component in Policy Year 2021.
- The financial information was prepared based on International Financial Reporting Standards (IFRS). The forecasts do not include any changes from IFRS 9, Financial Instruments or IFRS 17, Insurance Contracts, which will be effective April 1, 2023.
- Investment income, as shown, includes the expected interest, dividends, other income, and realized gains/losses from the investment portfolio, as well as foreign exchange gains/losses.
- Claims incurred reflect current claims trends, vehicle population growth and inflation; and the impact of estimated savings from Enhanced Care coverage implementation and other initiatives.
- Prior years' claims reflect changes in the discounted value of unpaid claims.
- Changes in net income and unrealized gains and losses impact Other Components of Equity but may be subject to change when new accounting standards take effect.
- Assumptions were made with respect to the claims discount rate and the rate used to discount pension and post-retirement benefits. Actual discount rates may be different from these estimates, under the influence of external market and economy factors.

## Sensitivity Analysis

Risks are inherent in insurance forecasts since they are based on assumptions about the future. These assumptions are based on historical driving, claims and other economic patterns, as well as expert judgment. However, due to the volatile nature and the inherent risks of the insurance business, there is a range of uncertainties in these estimations. The following highlight the effect of variations in the assumptions underlying the financial forecast.

### Premiums

- 1 percentage point fluctuation represents approximately \$50 - \$62 million in net premiums (Basic and Optional combined)

### Claims

- 1 per cent change in current year claims costs represents approximately \$39 - \$45 million in current year claims costs
- 1 per cent fluctuation in the unpaid claims balance represents approximately \$100 - \$160 million in claims costs
- 1 percentage point fluctuation in the rate used to discount claims represents approximately \$390 - \$460 million in claims costs

### Investments

- 1 percentage point change in investment return represents approximately \$177 - \$213 million in investment return
- 1 per cent change in the investment portfolio represents approximately \$5 - \$10 million in investment return
- 1 percentage point change in interest rate would result in a change of approximately \$529 million in the fair value in ICBC's fixed income portfolio and a corresponding impact of \$516 million to Other Comprehensive Income (OCI). The mortgage portfolio is recorded at amortized cost and therefore the fair value change does not impact OCI.
- A 10 per cent change in equity prices would result in an estimated corresponding change to OCI of approximately \$540 million
- A 10 per cent change in Canadian dollar exchange rate would change the fair value of the non-Canadian equity fund investments and results in a change to OCI of approximately \$356 million

### Market Share

- 1 percentage point change in market share represents approximately \$6 - \$13 million impact on net income.

### Pension

- 1 percentage point change in discount rate represents approximately \$660 million impact to the defined benefit obligation.



- 1 percentage point change in discount rate represents approximately \$47 million impact to pension expense.

## **Management's Perspective on the Financial Outlook**

The net income for fiscal 2020/21 is forecast to be \$709 million as compared to a net loss of \$376 million for fiscal 2019/20. The forecasted net income for 2020/21 is significantly higher than the prior year, mainly as a result of favourable COVID-19 and non-COVID-19 claims trends, as well as improved investment income. The 2020/21 net income forecast includes a COVID-19 rebate for customers as part of an overall favourable COVID-19 underwriting impact that has been estimated. Major considerations for the forecast are the transition to Enhanced Care coverage insurance as at May 1, 2021, and the potential for new commuting and driving behaviours following the end of the pandemic. The expected benefits from the implementation of Enhanced Care coverage and associated implementation costs have been reflected in the forecast period. Favourable claims trends not related to COVID-19 include lower frequency of injury claims falling under the April 1, 2019 product reform, as well as lower frequency of crash claims. Both were observed for claims prior to the onset of restrictions related to the COVID-19 pandemic, and have contributed to favourable forecast net income in 2020/21. Investment income in 2020/21 is forecast to be favourable as compared to fiscal 2019/20 investment income including impairment, due to the continued recovery of the financial markets, higher-than-expected capital dividends and realized gains from the sale of bonds and other investment assets.

On March 2, 2021, a decision was made regarding the constitutional challenge filed by the Trial Lawyers Association of British Columbia against the Province of B.C. with respect to the minor injury definition and jurisdiction of the Civil Resolution Tribunal ("CRT"). The BC Supreme Court struck down portions of the *Civil Resolution Tribunal Act* as unconstitutional. The impacts as a result of the BC Supreme Court decision are a possible increase in the number of claims that may be represented by lawyers and subsequently litigated in B.C. Supreme Court, possible increased operational pressure to handle an increase in litigated claims, and a financial impact of additional represented/litigated claims. On March 8, 2021, Attorney General David Eby has confirmed that his office will appeal the decision. There is no set timeline for the outcome of the minor injury definition challenge that is underway.

ICBC maintains ongoing efforts to identify and moderate the factors of higher claims costs that are within its control. ICBC's initiatives emphasize continuous operational improvement and consistent quality and fair handling of claims. ICBC is focused on reducing the increase in claims costs by managing higher claims volumes and providing fair and reasonable offers in an effort to settle claims. Additionally, ICBC remains focused on improving management of procurement processes and initiatives relating to material damage operational efficiency.

ICBC earns investment income that partially offsets the cost of rising insurance rates to policyholders and aims to balance risk and return within its investment portfolio.

Similar to other insurance organizations, ICBC has a capital management framework under which it operates. This framework takes into consideration both its management operating targets and its regulatory minimums to ensure that capital reserves are adequate to protect

policyholders from financial risk, while maintaining rates as low as possible over the long term. ICBC is guided by the capital management framework of the Office of the Superintendent of Financial Institutions (“OSFI”), adopting OSFI’s Minimum Capital Test (“MCT”) as a means to measure and monitor ICBC’s capital levels. Several years of consecutive losses up to 2019/20, where rate increases were not sufficient to cover the rapidly rising claims costs, have depleted capital levels.

A new directed short-term capital management plan via Order in Council 632 and 633 are provided to support the 23 month 2021 Basic rate filing. These capital plan modifications, which ICBC has collectively termed the Rate Stabilization Fund, allow the benefits of Enhanced Care coverage to flow immediately to Basic policy holders in the form of lower rates, to stabilize future rates, and to make a significant contribution to capital reserves. Given that Enhanced Care coverage is a new product which heavily relies on external data as well as the uncertainty of the long term impacts of COVID-19, there remains considerable risk to the forecast. The Rate Stabilization Fund can also be used to moderate future rate changes by unwinding capital build already embedded in rates. Implementation of Enhanced Care coverage reflects government direction and recent changes in legislation. With significant changes being brought in by Enhanced Care coverage, the minimum capital requirements may change, as the claims liability risk and the investments portfolio evolve.

## Capital Expenditures

Major Capital Projects (over \$50 million)	Targeted Year of Completion	Project Cost to Dec 31, 2020 (\$m)	Estimated Cost to Complete (\$m)	Approved Anticipated Total Cost (\$m)
Enhanced Care coverage project	2021/22	63	33	96
Description: This new way of providing auto insurance in B.C. will build on the 2019 reforms, but will also address the outstanding issue of high legal costs, in order to achieve more affordable insurance premiums for British Columbians. The Enhanced Care coverage model will also dramatically improve the care and recovery coverage available for anyone injured in a crash, regardless of fault, by providing access to comprehensive accident benefits designed to cover all of the injured parties’ needs; expand coverage to all residents involved in an accident that arises from the use of a vehicle in B.C., Canada, or the US; and introduce a new Basic Vehicle Damage coverage to align with the move away from a modified tort system.				

## Appendix A: Additional Information

### Corporate Governance

ICBC’s governance is defined through legislation applicable to all Crown corporations and legislation specific to ICBC itself.

The Board of Directors guides ICBC in fulfilling its mandate and sets the corporate direction.

The Board, with input from the Executive Team, approves the vision and values that guide ICBC, as well as the goals and strategies upon which accountability and performance are evaluated. Information on the role and membership of the Board members and Board committees is available on ICBC’s website, <https://www.icbc.com/about-icbc/company->

[info/Pages/Corporate-governance.aspx](#). Also available via this link is information regarding ICBC's Executive Committee and Governance Principles.

### **Organizational Overview**

For an organizational overview of ICBC, please visit <http://www.icbc.com/about-icbc>.

## **Appendix B: Subsidiaries and Operating Segments**

ICBC does not have any active operating subsidiary companies.

A portion of ICBC's investment portfolio is held in real estate, mortgages and infrastructures. All of the fully-owned investment entities hold investment properties or a percentage ownership of real estate pooled funds, pooled fund of mortgages or pooled fund of infrastructures for the purpose of generating investment income.