Insurance Corporation of British Columbia

2021/22
Annual Service Plan Report

August 2022

British Columbia

For more information on ICBC contact:

Head Office

151 West Esplanade
North Vancouver, British Columbia, V7M 3H9

In the Lower Mainland
1-800-663-3051

Or visit our website at
icbc.com
icbc.com/contact-us

Published by the Insurance Corporation of British Columbia

ICBC's Corporate Service Plans, Annual Service Plan Reports and Financial reports are available on the ICBC website

Board Chair's Accountability Statement

The *ICBC 2021/22 Annual Service Plan Report* compares the corporation's actual results to the expected results identified in the *2021/22 – 2023/24 Service Plan* created in April 2021. I am accountable for those results as reported.

Catherine Holt
Chair of the Board of Directors
July 28, 2022

Table of Contents

Letter from the Board Chair & CEO

The Insurance Corporation of British Columbia (ICBC) is a provincial Crown corporation. Our purpose is to provide affordable insurance products and quality driver licensing services to British Columbians. We work together with a large community of brokers and many other partners to help British Columbians go where they need and take care of our customers and their vehicles when crashes happen.

We continue to work closely with the provincial government to achieve expectations such as those in the 2021/22 Mandate Letter.

ICBC is about mid-way through its five-year Corporate Strategy which defines our priorities to 2025. We have been working hard and making significant progress on our goals of being affordable, customer driven, smart and efficient, and future focused as we continue to provide the products and services British Columbians rely on.

On May 1, 2021, we implemented the biggest change in our history with the launch of the Enhanced Care insurance model. This helped us deliver on our promise to provide some of the best care, recovery and income replacement benefits available in Canada, and made vehicle insurance more affordable for British Columbians. Enhanced Care will help ensure British Columbians have a financially stable auto insurance system — and insurance rates — for years to come.

We are also finishing the year in a good financial position. Lower claims costs and a robust investment market were positive factors for our 2021/22 financials. Our investment income exceeded expectations and was a strong contributor to our net income. We also helped to keep claims costs down with effective management of remaining legal-based claims. As announced in March 2022, our strong 2021/22 net income is allowing for a one-time Relief Rebate of $396 million for customers.

Our people are a big focus for us at ICBC and good progress has been made on a number of initiatives related to Diversity, Equity and Inclusion (DEI), such as the adoption of a DEI Charter. Permanent flexible work options were introduced in 2021/22 to support employees and help reduce congestion on B.C. roads.

We at ICBC know there is a lot of work to do to advance reconciliation with Indigenous Peoples. We are committed to Indigenous reconciliation and are working to align ICBC policies and practices to effectively serve and support the needs of Indigenous peoples and communities in BC. We have recently partnered with an Indigenous-owned consulting company to develop a framework upon which we will build an Indigenous reconciliation and relations strategy.

All of us at ICBC are provided with ongoing education opportunities, including our executive leaders and board members. In 2021/22, executive leadership had sessions with internal and external experts to enhance their performance in managing operations, and continued their outreach program to broaden leaders' perspectives.

Two new directors were appointed to the board and onboarded in 2021/22 for a total of 11. All directors continued to receive education and evaluation opportunities to expand their understanding of ICBC and their role in overseeing its operations. These opportunities included a number of presentations to the Board of Directors by government, ICBC staff and external subject matter experts.

As part of our commitment to fiscal responsibility and to ensure the best possible use of resources, ICBC will continue to work with government to meet all objectives set out in the mandate letter.

Sincerely,

Catherine Holt

Chair of the Board of Directors ICBC
July 28, 2022

Nicolas Jimenez

President and Chief Executive Officer ICBC
July 28, 2022

Purpose of the Annual Service Plan Report

The Annual Service Plan Report is designed to meet the requirements of the *Budget Transparency and Accountability Act* (BTAA), which sets out the legislative framework for planning, reporting and accountability for government organizations. Under the BTAA, the Crown corporation's board is required to report on the actual results of the Crown's performance related to the forecasted targets documented in the previous year's Service Plan.

Purpose of the Organization

The Insurance Corporation of British Columbia (ICBC) is a provincial Crown corporation mandated by the *Insurance Corporation Act*, *Insurance (Vehicle) Act* and the *Motor Vehicle Act* to provide universal compulsory auto insurance (Basic insurance) to drivers in B.C., with Basic insurance rates regulated by the British Columbia Utilities Commission.

In addition, ICBC provides British Columbians with optional auto insurance products and driver licensing services. It champions a safe driving culture by working with communities, law enforcement and other stakeholders on various road safety campaigns and initiatives.

ICBC is one of B.C.'s largest corporations and one of Canada's largest property and casualty insurers. Its insurance products and services are available through a province-wide network of approximately 900 independent brokers.

Each year, ICBC processes approximately one million claims through a 24-hour telephone claims handling service and online claims reporting. It works with auto repairers and healthcare professionals throughout the province to help customers after a crash.

ICBC also provides a number of non-insurance services on behalf of the provincial government, including vehicle registration and licensing, driver licensing and fines collection. It also issues the B.C. Services Card at its driver licensing offices.

ICBC does not have any active operating subsidiary companies. It has 63 nominee holding companies, which hold or have held investment properties, infrastructure, mortgage and private equity investments for the purpose of generating investment income. ICBC has disclosed a list of all its nominee holding companies in Appendix B.

Strategic Direction

The strategic direction set by the government in 2020 and expanded upon in the Board Chair's 2021/22 Mandate Letter from the minister responsible shaped the goals, objectives, performance measures, and financial plan outlined in the 2021/22 ICBC Service Plan as well as actual results reported on in this annual report.

Operating Environment

Like all companies, ICBC operates in a complex business environment. It faces an array of strategic, financial and operating risks that require a focused Enterprise Risk Management Framework to help it assess and mitigate potential adverse impacts. The framework also helps ICBC firmly establish a strong risk culture across the organization, which is an essential ingredient for any large entity in the financial services sector.

ICBC's key risks are similar to those of other private sector insurers, including the impacts of climate change, talent attraction/retention, racial and social justice, the effects of rising inflation and interest rates, changing customer expectations and behaviours (e.g., driving) and the need to ensure business agility to avoid the impacts of performance shortfalls. Effective responses and mitigations to these (and other) risks are key to ICBC delivering on its 2021/22 Service Plan commitments.

To address customer expectations, both in the areas of care for the injured and affordability, ICBC became a better insurer for the people of British Columbia. Enhanced Care, introduced on May 1, 2021, was a generational change for auto insurance in British Columbia. Customers began benefitting right away from some of the best care, recovery and income replacement benefits available in Canada, and more affordable insurance.

In 2021/22, under Enhanced Care, B.C. drivers with both Basic and Optional ICBC coverage saved an average of approximately $490 or 28 percent per policy. As well as receiving immediate savings, British Columbians have a more financially stable auto insurance system — and insurance rates — for years to come because ICBC's depleted capital reserves began to rebuild.

The COVID-19 pandemic mainly impacted the 2020/21 fiscal year. Fewer crashes resulted in fewer claims, allowing $950 million to be returned to customers in two rebates, the second paid to customers in summer 2021. Crash rates have since returned to pre-pandemic levels and the pandemic continues to be an evolving risk for ICBC, like many other organizations. ICBC continues to monitor and provide timely responses to ensure it continues to deliver the services British Columbians rely on.

In a further effort to respond to customer needs in a changing insurance system, the B.C. government appointed Michael Skinner to the new position of ICBC Fairness Officer in July 2021. Having an independent body to consider customer complaints about procedural fairness is part of the government's and ICBC's commitment to building trust and transparency with customers.

When it comes to addressing the risks associated with social and racial justice, ICBC took active steps in 2021/22. Reconciliation with the Indigenous Peoples and communities within British Columbia is key for ICBC and work has begun to build a long term strategy in this regard.

Further, making progress in the area of Diversity, Equity and Inclusion (DEI) will ensure services are accessible to all. ICBC adopted a DEI charter in 2021 to express its commitment to creating an environment that reflects B.C.'s diversity and to ensure it provides services that are accessible to all. Also in 2021/22, a new senior management position to lead DEI strategy work was created and filled. To increase the diversity of the people hired, ICBC partners with a number of different organizations that focus on the recruitment of people of diverse backgrounds, orientations and those with disabilities. A robust network of seven Employee Resource Groups — voluntary, employee-driven communities that focus on providing a sense of belonging and connection — held events in 2021/22 that encouraged dialog and directly supported ICBC's commitment to DEI and to Indigenous Reconciliation.

This past year saw acute risks emerge in the area of talent attraction and retention. Tight labour markets and staff turnover could lead to disruptions to ICBC’s daily operations, additional training costs, and filling positions with the wrong talent. To mitigate this, ICBC implemented flexible work options for eligible employees. In addition, it put greater emphasis on wellness and wellbeing, introducing a year-long mental health series that gives employees additional wellness resources and quarterly live sessions with registered psychologists.

Business agility is a key attribute when facing risk. Being able to move quickly in the face of unplanned events, including climate change, ensures ICBC can meet its operational responsibilities. For example, when extreme weather events — including wildfires, record heat and massive flooding — struck British Columbia in 2021/22, numerous customers suffered catastrophic losses. ICBC responded quickly to customers in need. Approximately 2,100 customer claims from the November 2021 floods and extreme weather were prioritized and multiple teams collaborated to get claims settled up to five times faster than usual.

Employees also stepped up with personal donations to help fellow British Columbians during the flood and fire season. When the floods hit, 100 boxes of food and essential items were collected and approximately $100,000 was given by employees and ICBC to the United Way Flood Relief program. Employees and the company also gave a total contribution of just over $20,000 to United Way’s 2021 BC Wildfire Recovery Fund.

When B.C. driving routes shifted due to flooding, multiple safety hazards along the Highway 3 bypass were identified by ICBC’s Road Safety team. The team helped address the safety gap by developing a map of hazards that it distributed to truckers at the Hope Weigh Scales along with safety information and snacks.

As driving patterns return to their pre-pandemic norms, the ever-present risk of crash frequency puts a spotlight on ICBC’s crash prevention efforts. ICBC’s Road Safety team collaborated with partners to help make roads safer for drivers, pedestrians and cyclists. In addition to its regular annual road safety initiatives, the driver licensing team worked with government to introduce Mandatory Entry-Level Training (MELT) in October 2021. MELT, which exceeds the minimum national training requirements for heavy commercial vehicle operators, became a prerequisite to taking a Class 1 driver’s licence road test. Better trained commercial vehicle drivers make safer roads for everyone and a more efficient and skilled trucking industry.

Report on Performance: Goals, Objectives, Measures and Targets

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 Highlights

- Successfully implemented Enhanced Care, which is designed to improve rate affordability, in May 2021.
- Continued to improve the delivery of Enhanced Care Coverage through: establishing procedures to ensure consistent approach to customer recovery, engaging with advisory groups to understand and apply best practices, and enhancing relationships with health care providers.
- Managed and accelerated legal-based claims closures through the use of analytics and strategic initiatives.
- Undertook operational and strategic efforts to manage rising material damage costs, in order to ensure ongoing affordability for customers.

Performance Measure(s)	2020/21 Actuals	2021/22 Target	2021/22 Actuals	2022/23 Target[5]	2023/24 Target[5]
1.1a ICBC rates are affordable					
Jurisdictional comparison of year over year rate changes[1]	ICBC's Rate Change is 15.5 percentage points lower compared to Provincial Benchmark	≤ Provincial Rate Change Benchmark	2021/22 comparison will be available in 2023[2]	≤ 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[3]	80.8%	91.4%	95.0%	93.4%	93.4%
1.1c ICBC repairs vehicles in a cost effective manner					
Average cost for a vehicle related claim[4]	$4,718	$4,941	$5,080	$5,220	$5,518

[1]Data source: Benchmark relies on publicly available rate information for Canadian jurisdictions; ICBC's Basic rate change is based on the government-directed zero percent Basic change effective April 1, 2020; and Optional rate changes are based on the accumulated rate changes that were implemented during the 12-month period. Note that any rebates provided to customers as a result of COVID-19 were excluded from this analysis.
[2]This result is unavailable now and will be reported in the 2022/23 Annual Service Plan Report after a complete year of data. However with Enhanced Care rate reductions effective May 1, 2021, ICBC is expected to perform better than the Provincial Rate Change Benchmark.
[3]Data source: Analysis of ICBC-incurred claims; plaintiff counsel contingency fees assumed at 25 percent of settlement amounts on average for represented claimants.
[4]Data source: ICBC claims database.

[5]Targets shown are from the 2021/22 – 2023/24 Service Plan. Targets for future years have been updated in the 2022/23 – 2024/25 Service Plan.

Discussion of Results

- ICBC successfully launched Enhanced Care on May 1, 2021. This care model was designed to improve rate affordability by removing legal costs from the system. As a result of Enhanced Care, ICBC reduced rates and a greater percentage of claims costs now goes back to customers.
- In 2021/22, a key focus for ICBC was making ongoing improvements to the delivery of Enhanced Care, with efforts made around the following:
    - Improving consistency and effectiveness of ICBC's approach to customer recovery by implementing case and disability management best practices.
    - Creating a Clinical Advisory Group to further understand and recommend best practices in customer recovery.
    - Working with health-care providers throughout the province to identify and address service gaps.
- ICBC continues to manage the legal-based book of claims, estimated at approximately $10 billion, and to monitor legal-based claims to control financial risk.
- ICBC continues to manage rising material damage costs through operational and strategic efforts.
- Several recent events and trends have increased vehicle damage costs in the past year, including supply-chain issues and high vehicle values. The November 2021 flood further increased high-severity claims.

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 Highlights

- Successfully launched online auto-insurance renewals for personal policies in March 2022.
- Evolved our customer measurement framework to include additional insight and feedback to inform the evolution of product and service offerings.
- Explored options to introduce usage-based products in the coming years including expanding low-kilometre discounts in the short term.

Performance Measure(s)	2020/21 Actuals	2021/22 Target	2021/22 Actuals	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	Foundational capabilities delivered	Project milestones on track to support online insurance renewals in 2022	Project was delivered on time and included foundational components	Online insurance renewals delivered	TBD[1]
2.1b Customers value their experience with ICBC					
Customer Satisfaction for Insurance Services[2,3]	96%	95%	96%	96%	96%
Customer Satisfaction for Claims Services[2,3]	92%	92%	89%	93%	94%
Customer Satisfaction for Driver Licensing Services[2,3]	92%	92%	91%	93%	94%

[1]Digital capabilities for 2023/24 and beyond have yet to be identified.
[2]Data source: An independent firm is retained to conduct ongoing surveys of customers for the purposes of monitoring transactional satisfaction.
[3]Effective 2022/23, customer satisfaction will be measured based on the portion of customers who select the top two choices on a seven-point scale instead of the portion of customers who select the top two choices on a four-point scale; the ICBC Service Plan 2022/23 – 2024/25 contains a comprehensive description of the new scale. As a result of this change, targets for future years have been updated in Service Plan 2022/23 – 2024/25.

Discussion of Results

- To support online renewals, ICBC established foundational capabilities including electronic payment and two authentication services (BC Services Card app and Verified.Me). Other digital services can leverage these capabilities in the future.
- ICBC launched online renewals on March 17, 2022 for personal policies effective May 1, 2022, providing customers with another convenient option to renew their insurance in addition to in-person and phone transactions. All transaction types are supported by Autoplan brokers. This was completed in parallel with the elimination of licence plate validation decals from May 1, 2022 onwards.
- ICBC continues to explore ways to improve customer measurement, including piloting new survey programs to gather richer insights and better information from more customers.
- ICBC initiated plans to incrementally introduce usage-based insurance to British Columbian drivers in the coming years, including expanding low-kilometre discounts in the short term, and continues to explore options for design and delivery.
- Customer satisfaction for insurance services:

  - Independent insurance brokers process more than three million Autoplan policies each year. The insurance services satisfaction measure evaluates customer experience when purchasing a new policy, renewing a policy or making a mid-term change to an existing policy.
  - Insurance customer satisfaction remains strong, exceeding the target of 95 percent by 1ppt. High satisfaction scores continue to be supported by the reduced premiums introduced with Enhanced Care. Additionally, Autoplan brokers continue to support in-person and phone transactions, with consistent performance. On March 17, 2022, ICBC launched online renewals with brokers for personal policies expiring May 1, 2022 onwards.
- Customer satisfaction for claims services:
  - Claims are handled through ICBC's claims contact centres and specialty departments such as commercial claims and rehabilitation services. Claims surveying includes customers with personal (non-commercial) claims when they first open a claim with ICBC or after the claim is closed.
  - Claims customer satisfaction scores did not achieve target. A number of challenges were encountered, including the number of claims returning to pre-COVID-19 levels faster than anticipated and the ability to hire staff to meet that increasing claims demand. This resulted in customers experiencing longer-than-normal response times and some service delays. Additionally, with the launch of Enhanced Care on May 1, 2021, some processes were completely redesigned, contributing to a steep learning curve for new Enhanced Care claims employees.
  - To address these challenges ICBC has focused on recruitment efforts to meet service demands including hiring relevant experience from outside the organization. Additionally, enhancements to training were made to optimize skill development needs. ICBC has also engaged in process and work segmentation improvements to streamline the customer experience and improve the overall responsiveness of our teams. ICBC is also adapting best practice standards in case management to the Enhanced Care business and is utilizing a quality assurance program to support understanding of the success of the execution to these standards.
- Customer satisfaction for driver licensing services:
  - ICBC conducts approximately 1.6 million driver licensing transactions every year, including renewing licences, administering driving tests and issuing identification cards.

  ICBC achieved a CSAT score of 91 percent, narrowly missing its target of 92 percent. Satisfaction results were challenged by increasing transaction volumes at the time safety measures were in place, impacting appointment availability and wait times.

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 Highlights

- Realized continuous improvement of the data governance program.
- Leveraged claims predictive analytics models to lower costs and create efficiencies.
- Developed an Enhanced Care data collection proposal.

Performance Measure(s)[1]	2020/21 Actuals	2021/22 Target	2021/22 Actuals	2022/23 Target[2]	2023/24 Target[2]
3.1a The cost to run ICBC is below industry standards/average					
Operating Expense Ratio[3]	22.5%[4]	22.4%	23.4%[5]	21.1%	21.0%
Loss Adjustment Expense Ratio	15.9%	14.0%	9.0%[5]	12.9%	12.8%
Loss Adjustment Expense Ratio for post April 1, 2019 claims[6,7]	12.2%	14.0%	7.8%	12.9%	12.8%

[1]Data Source: Financial performance measures are derived from actual financial information, forecasted trends and assumptions.
[2]Targets for future years have been updated in the Service Plan 2022/23 – 2024/25.
[3]The property and casualty industry benchmark for 2021 was 31.0 percent. Source: MSA Research Inc., MSA Benchmark Report, Property and Casualty, Canada, 2021. Benchmark name: Total Canadian Property Casualty Industry (including Lloyds, excluding ICBC and Saskatchewan Auto Fund).
[4]ICBC issued two COVID-19 rebates (totalling $950 million for 2020/21); this resulted in lower earned premiums. Excluding the rebates, the 2020/21 operating expense ratio would be 19.2 percent.
[5]ICBC approved the Relief Rebate ($396 million); this resulted in lower earned premiums. Excluding the rebate, the 2021/22 operating expense ratio would be on target (21.6 percent) and the 2021/22 Loss Adjustment Expense Ratio would be lower (8.3 percent).
[6]The 2021/22 Targets for post April 1, 2019 claims are the same as for all claims as the forecast cost to settle prior year claims is already held as a reserve. With the introduction of the Enhanced Care model, the ratio for legal-based claims after the April 1, 2019 reforms will no longer be measured separately.
[7]This measure was removed as of Service Plan 2022/23 – 2024/25.

Discussion of Results

- The operating expense ratio is 23.4 percent (1.0 percentage point off target); the target was missed mainly due to the payout of the $396 million Relief Rebate.
- To support data-informed decision-making – a key strategy in improving efficiency, ICBC focused on the continuous improvement of its data governance program and implementation of a related operational model and processes to test and monitor the quality of key data across the organization, and the development of a multi-year plan to strengthen data-driven decision-making.

- ICBC is leveraging claims predictive analytics models to help lower costs and create efficiencies. The work done in 2021/22 included identifying risk within operational areas and developing a proposal for data collection on Enhanced Care Coverage.
- In 2021/22, ICBC built a foundation that will lead to future claims efficiencies, including systems enhancements and an operational excellence review of non-injury claims processes.

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 Highlights

- Launched new Employee Opinion Survey (EOS).
- Developed multi-year people strategy.
- Implemented flexible hybrid work model.
- Approved a crash prevention strategy.
- Completed telematics pilot and report.

Performance Measure(s)	2020/21 Actuals	2021/22 Target	2021/22 Actuals	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[1] Aligned Enabled Motivated Accountable Leadership[2]	 83 73 71 88 N/A	Evolve EOS Engagement Methodology[3]	New measure Employee Engagement Index is 63%	Employee Engagement Index at 65%	Employee Engagement Index at 67%

[1]Data source: EOS conducted by an independent firm.
[2]Leadership Index can only be updated in a full survey year.
[3]ICBC has been evolving EOS methodology, starting in 2021/22, to integrate employee engagement more closely with Diversity, Equity & Inclusion goals.

Discussion of Results

- ICBC launched the newly designed EOS this year.
  - The new EOS performance measure will be the Employee Engagement Index.
  - Using a new survey means that the new scores do not align to previous targets. In 2022/23 new targets will be set against newly established benchmarks.
  - The new survey includes a DEI index to understand the employee experience of various groups.
  - The survey response rate was higher this year than in recent years.

  - Key insights from the survey included employees feeling supported by their immediate manager and understanding the company's strategic goals. They expressed a desire for senior leaders to connect more with them and put people first in decision-making. They also reported not experiencing a sustainable work environment.
- ICBC developed a multi-year people strategy — our commitment to support and invest in our people — which will be important in addressing feedback arising from the EOS. The strategy is framed around four focus areas: developing inspirational leaders, creating a future focused employee experience, focusing on workforce planning and resourcing, and redefining our performance and development approach.
- Recognizing that the pandemic has taken a toll on mental health, ICBC started a quarterly mental health series that all employees have the opportunity to participate in.
- ICBC implemented a flexible hybrid work model that gives most employees remote work options, lessening commute times, helping to reduce congestion and crashes on B.C. roads, and reducing the corporation's carbon footprint.
  - By year-end, the model had enabled about 90 percent of employees (over 5,000) to work from home part-time; roles not eligible for work-from-home are mostly due to customer service requirements.
  - ICBC supported leadership in the transition to the flexible work program with the rollout of leadership development sessions on trust, collaboration, autonomy, leader mental health and resiliency, as well as through the provision of an approach to set up team agreements for hybrid work.
  - ICBC set up employees to work from home by providing access to resources such as laptops and peripherals for home office set up.
- Key to ICBC's work in this area is the development of a multi-year cross-functional strategy to prevent crashes, with key components now being developed.
- ICBC completed a telematics pilot ("TechPilot") to understand how giving people data about their driving and incentives can help improve driving behaviours for inexperienced drivers. The pilot provided important insights for ICBC's journey toward offering more usage-based insurance options, which will make roads safer while giving customers more control over how much they pay for insurance. Findings included:
  - Participants who received data about their driving during the pilot showed immediate and sustained changes in driving behaviours: 11 percent less rapid acceleration, 14 percent less harsh braking, and 8 percent less speeding.
  - Participants shared some concerning norms and attitudes about speeding in B.C. and the negative impact it had on their own driving habits. In interviews, they talked about the unwritten rule of speeding, its acceptability, and the pressure they felt to conform based on expectations from other drivers.
- External partnerships will be critical to ICBC's work in transforming transportation in B.C.; ICBC will be exploring future mobility partnerships in support of the Crash Prevention Strategy.

Financial Report

For the auditor's report and audited consolidated financial statements, see Appendix C. These can also be found on ICBC's website.

Discussion of Results

Highlights

ICBC's 2021/22 fiscal net income was $2,217 million. The main factors impacting the bottom line this fiscal year-end were high investment income and favourable claims costs.

ICBC realized higher-than-expected investment income mostly due to equity distributions, as well as equity gains triggered by the transition to a new asset mix for the investment portfolio and regular trading activities throughout the fiscal year.

In an environment of increasing yields, the discount rate, which is based on the expected return of ICBC's current investment portfolio, has also increased. A higher discount rate reduces the unpaid claims balance which was a driving factor to lower claims costs.

Claims costs were also lower due to favourable results on prior years' injury claims. Further, a judgement that had ruled the Civil Resolution Tribunal (CRT) jurisdiction over minor injury claims as unconstitutional was overturned; this decision also had a positive impact on prior years' claims costs.

Partially offsetting the favourable claims costs, the BC Supreme Court ruled the Disbursements and Expert Evidence Regulations as unconstitutional; this decision had a negative impact on claims costs.

The Enhanced Care insurance model implemented on May 1, 2021 has seen benefits to claims costs. However, as expected, the transition to Enhanced Care also decreased revenues from various rate reductions.

With this strong financial performance, ICBC was able to provide a Relief Rebate of $396 million to eligible customers to help ease some of the financial challenges facing drivers in British Columbia.

Financial Summary

The table below provides an overview of ICBC's 2021/22 financial performance relative to its 2021/22 – 2023/24 Service Plan.

$ millions[1,2]	2020/21 Actual	2021/22 Budget	2021/22 Actual	2021/22 Variance
Premiums earned[3,4]	5,377	5,085	4,784	(301)
Service fees and other	144	108	120	12
Total earned revenues	**5,521**	**5,193**	**4,904**	**(289)**
Provision for claims occurring in the current year	3,708	3,939	2,922	1,017
Change in estimates for losses occurring in prior years	(367)	(101)	(430)	329
Net claims incurred	**3,341**	**3,838**	**2,492**	**1,346**
Claims service and loss management[5]	446	552	504	48
Insurance operations expenses[5]	284	329	303	26
Premium taxes and commissions[5]	787	643	654	(11)
Total expenses	**4,858**	**5,362**	**3,953**	**1,409**
Underwriting income (loss)	**663**	**(169)**	**951**	**1,120**
Investment and other income	1,011	480	1,418	938
Income — insurance operations	**1,674**	**311**	**2,369**	**2,058**
Non-insurance operations expenses[5]	107	130	124	6
Non-insurance commissions[5]	34	35	37	(2)
Non-insurance — other income	(5)	(8)	(9)	1
Net income	**1,538**	**154**	**2,217**	**2,063**
At year end:				
Long-term debt	-	-	-	
Total liabilities	22,315	20,047	19,949	
Equity:				
• Retained earnings	1,131	455	3,348	
• Other components of equity	729	1,077	361	
• Non-controlling interest	7	6	6	
Total equity	**1,867**	**1,538**	**3,715**	
Capital Expenditures	100	68	54	
Autoplan policies earned[6]	4,011,000		4,217,000	
Average premium ($)[7]	1,556		1,199	
Claims reported during the year[8]	756,000		972,000	

[1] Financial information for all years is prepared based on International Financial Reporting Standards.
[2] Rounding may affect totals.
[3] 2021/22 actual premiums earned reflect the Relief Rebate of $396 million to eligible ICBC customers.
[4] Premiums earned are net of mid-term changes and cancellation refunds.
[5] See Note 19 of the consolidated financial statements for details of Operating Expenses by Nature.
[6] Annualized values have been used for policies with a term of less than 12 months. Autoplan policies earned include Basic, storage and temporary operating permit policies.
[7] Average premium is based on Autoplan premiums earned.
[8] Claims reported represent the number of claims reported against purchased insurance coverages.

Basic and Optional Comparative Summary Table

$ millions[1]	Basic: Actual vs. Prior Year 2020/21 Actual	2021/22 Actual	Variance	Optional: Actual vs. Prior Year 2020/21 Actual	2021/22 Actual	Variance
Premiums earned[2,3]	2,945	2,754	(191)	2,432	2,030	(402)
Service fees and other	83	74	(9)	61	46	(15)
Total earned revenues	**3,028**	**2,828**	**(200)**	**2,493**	**2,076**	**(417)**
Provision for claims occurring in the current year	2,172	1,849	323	1,536	1,073	463
Change in estimates for losses occurring in prior years[3]	(127)	(156)	29	(240)	(274)	34
Net claims incurred	**2,045**	**1,693**	**352**	**1,296**	**799**	**497**
Claims service and loss management	299	331	(32)	147	173	(26)
Insurance operations expenses	124	138	(14)	160	165	(5)
Premium taxes and commissions	194	194	-	593	460	133
Total expenses	**2,662**	**2,356**	**306**	**2,196**	**1,597**	**599**
Underwriting income	**366**	**472**	**106**	**297**	**479**	**182**
Investment and other income	696	982	286	315	436	121
Income — insurance operations	**1,062**	**1,454**	**392**	**612**	**915**	**303**
Non-insurance operations expenses	107	124	(17)	-	-	-
Non-insurance commissions	34	37	(3)	-	-	-
Non-insurance — other income	(5)	(9)	4	-	-	-
Net income	**926**	**1,302**	**376**	**612**	**915**	**303**
At year end:[4]						
Liabilities:						
Unearned premiums	1,441	1,488		956	955	
Provisions for unpaid claims	10,802	9,748		4,718	3,956	
Equity:						
• Retained earnings	720	2,022		411	1,326	
• Other components of equity	503	248		226	113	
• Non-controlling interest	4	4		3	2	
Total equity	**1,227**	**2,274**		**640**	**1,441**	

[1] Rounding may affect totals.
[2] 2021/22 actual premiums earned reflect the Relief Rebate of $396 million to eligible ICBC customers.
[3] Premiums earned are net of mid-term changes and cancellation refunds.
[4] Balances presented at year end as of March 31, 2021 and March 31, 2022 respectively.

Variance and Trend Analysis

The 2021/22 net income of $2,217 million was $679 million higher than the $1,538 million net income in 2020/21. The year-over-year improvement was primarily due to higher investment income and lower claims costs. Investment income was higher mainly from equity distributions and realized gains during the investment portfolio transition to a new asset mix. Claims costs were lower due to the introduction of Enhanced Care on May 1, 2021, a higher discount rate applied to unpaid claims and favourable results on prior years' injury claims despite increased crashes and the unfavourable Disbursements and Expert Evidence Regulations ruling. At the same time, the reduced claims costs were partially offset by lower premiums earned due to the transition to Enhanced Care. These impacts contributed to the bottom line year-over-year improvement.

The current year's net income was $2,063 million higher than the budgeted net income of $154 million. This was mainly due to lower claims costs as a result of a higher discount rate and favourable results on prior years' injury claims, and the aforementioned higher investment income, partially offset by lower premiums earned.

Premiums earned

Premiums earned totalled $4,784 million in 2021/22, which was $593 million lower compared to 2020/21. Consistent with expectations, this was mainly due to the transition to Enhanced Care. Lower premiums were the result of removing a large amount of claims costs from the system, leading to Basic and Optional rate reductions in 2021. Without the Relief Rebate of $396 million in 2021/22 and COVID-19 rebates of $950 million in 2020/21, premiums earned would have been higher in both fiscal years, resulting in an even larger decrease compared to premiums earned in the previous year.

Premiums earned was $301 million lower than budgeted primarily due to the Relief Rebate approved in March 2022. Without the Relief Rebate, premiums earned would be higher than budgeted.

Service fees and other

Service fees and other are primarily comprised of interest and other fees received from policyholders who have chosen to finance their insurance premiums over the policy period.

Service fees and other income were lower than last year due to lower premium revenues.

Service fees and other income were slightly higher than budgeted as premiums earned were also higher than budgeted, prior to the Relief Rebate.

Claims costs

The cost of claims, also referred to as claims-incurred costs, is affected by the growth in the number of policies, the likelihood of having a claim (frequency) and the average expected costs to settle those claims (severity). Factors influencing frequency include driving and claimant behaviour, driver experience, weather, pandemic events, the effectiveness of road safety and loss management programs, and the increasing number of new vehicles with advanced safety features. Factors influencing severity include legal representation, litigation, settlement awards, legal fees, medical inflation, vehicle parts and repair inflation, and various investigative costs.

The cost of claims incurred accounts for the majority of ICBC's total costs. Claims-incurred costs are comprised of the expected costs to settle claims for all crashes that have occurred during the fiscal period, regardless of when the crash was reported to ICBC, and the change in estimates for losses that occurred in prior periods. Claims-incurred costs include payments made to settle claims, adjusters' case reserves and actuarial estimates of the additional costs that will be paid on current claims and future claims.

Estimating how much claims will cost in the future involves predicting the future behaviour of incurred claims, taking into consideration the following:

- Changes to the insurance product
- Closure rates, payment patterns and inflation
- Consistency of ICBC's claims-handling procedures
- The legal representation status of claims
- Historical delays in claims reporting

In general, the more time required to settle a group of claims, the less certain their estimates will be. Adjustments to the prior periods' claims reserves are due to the re-estimation of future payments for claims incurred in prior periods that are in progress and for those that are not yet reported. As time passes, more claims are paid and more information becomes available, refining the estimate of the remaining future claims payments.

The provision for claims occurring in the current year, or current-year claims costs, is reflective of claims under Enhanced Care on May 1, 2021, and the April 1, 2019 minor injury cap product for the month of April 2021. Estimated changes for losses that occurred in prior periods reflect a combination of claims under the April 1, 2019 minor injury cap product and claims under the pre-April 1, 2019 legal-based product.

While early experience shows that Enhanced Care is on track to deliver the expected savings of $1.5 billion annually, the majority of claims costs remains unpaid and so there is a high level of uncertainty in the claims cost estimates. One of the key uncertainties is inflation. Inflationary pressures are expected to increase health-care costs, wage loss payments and vehicle repair costs, all of which would create upward impacts on claims costs.

Overall, 2021/22 net claims-incurred costs of $2,492 million were $849 million lower than the claims costs incurred in 2020/21. The major contributing factors were the increase in discount rate and a reduction in the amount reserved for future claims handling costs. Excluding these factors, incurred losses for 2021/22 was comparable to 2020/21. Although Enhanced Care lowers the injury claims costs incurred in 2021/22, the corresponding 2020/21 claims costs were particularly low as a result of fewer crashes occurring during the COVID-19 pandemic.

Net claims-incurred costs were also $1,346 million lower than the budgeted $3,838 million. There was also a favourable difference of $1,017 million in current year claims costs, which was mainly due to the increase in discount rate, the reduction in the amount reserved for future claims handling costs and a favourable difference of $329 million in prior years' claims adjustments.

Prior years' claims adjustments were better than budgeted mainly due to a higher discount rate and lower-than-expected bodily injury claims severities. The April 2019 product reform has so far lowered claims costs, including a favourable impact from the decision by the BC Court of Appeal. The decision allowed the expanded jurisdiction of the CRT over motor vehicle claims for minor injuries under the vehicle insurance system in place for injuries arising between April 1, 2019 and April 30, 2021. The decision overturns a previous judgement that found the CRT jurisdiction over these claims to be unconstitutional.

On July 8, 2022, the BC Supreme Court ruled the Disbursements and Expert Evidence Regulation as unconstitutional, which places restrictions on recovery of disbursements in vehicle injury actions at 6 percent of a settlement or court award. As a result of this decision, ICBC has included no savings in the provision for unpaid claims and has a negative impact on claims costs. On July 12, 2022, the Attorney General of BC filed a notice to appeal. At this stage of the proceeding the financial impact cannot be determined and can vary depending on the outcome.

$ millions	2017/18 Actual	2018/19 Actual	2019/20 Actual	2020/21 Actual	2021/22 Actual
Net Claims-Incurred Costs	**5,647**	**6,529**	**5,908**	**3,341**	**2,492**
Injury	3,902	4,854	4,327	2,002	824
Current year claims	3,334	3,498	2,986	2,110	1,482
Prior years adjustments	511	1,225	1,216	(357)	(385)
Change in claims handling costs reserves	57	131	125	249	(273)
Material Damage and Other	1,745	1,675	1,581	1,339	1,668
Current year claims	1,690	1,668	1,614	1,346	1,718
Prior years adjustments	52	(4)	(36)	(10)	(45)
Change in claims handling costs reserves	3	11	3	3	(5)

Data Source: ICBC financial systems

Injury claims

Current year injury claims, comprised of bodily injury claims and accident benefit claims, account for approximately 50 percent of current year claims-incurred costs in 2021/22. Injury claims include amounts for medical costs and future care, past and future wage loss, and external claims handling expenses. Injury claims in the legal-based system include compensation for pain and suffering, while injury claims in the Enhanced Care system include compensation for permanent impairments. Overall, the total cost of current-year injury claims has decreased in 2021/22 compared to 2020/21 primarily due to the implementation of Enhanced Care, including the reduction in the cost of litigation. The shift to a care-based model means more costs will be incurred under accident benefits, reducing bodily injury costs, which accounted for over 90 percent of injury claims costs prior to 2019/20.

$ millions	2017/18 Actual	2018/19 Actual	2019/20 Actual	2020/21 Actual	2021/22 Actual
Current Year Injury Claims Incurred (major categories)	**3,334**	**3,498**	**2,986**	**2,110**	**1,482**
Bodily Injury	3,114	3,162	2,420	1,728	223
Accident & Death Benefits	220	336	566	382	1,259

Data Source: ICBC financial systems

Material damage (non-injury) claims

Material damage claims are largely categorized into property or Basic vehicle damage, collision, comprehensive and windshield claims. Overall, the total cost of current-year material damage claims was higher than 2021/22 as a result of claims frequency returning to a more normal level from the lows seen in 2020/21, as well as increasing costs to repair or replace damaged vehicles.

$ millions	2017/18 Actual	2018/19 Actual	2019/20 Actual	2020/21 Actual	2021/22 Actual
Current Year Material Damage Claims Incurred (major categories)	**1,690**	**1,668**	**1,614**	**1,346**	**1,718**
Property damage	674	643	611	455	626
Collision	583	612	583	492	677
Comprehensive	198	195	202	196	239
Windshield	100	98	99	101	126
Other	135	120	119	102	50

Data Source: ICBC financial systems

Provision for unpaid claims

The provision for unpaid claims is the largest liability on the consolidated statement of financial position. It is an estimate of future claims payments relating to claims that have already occurred. The adequacy of this unpaid claims liability is reviewed and adjusted periodically throughout the fiscal year based on revised actuarial estimates, which include a provision for adverse deviations (see note 2d to the consolidated financial statements).

The provision for unpaid claims as at March 31, 2022 was $13,704 million; however, estimates for future payments can change significantly due to the time frame in which certain types of claims are settled, which can be over a number of years. The provision for unpaid bodily injury and accident benefits claims account for approximately 90 percent of total unpaid claims costs. As illustrated in the table below, only a small percentage of bodily injury and enhanced accident benefits claims costs are paid and known in the first year of the claim's occurrence, with a greater portion of the costs being an estimate of claims costs payable in future years.

	End of Year 1	End of Year 2	End of Year 3	End of Year 4	End of Year 5	End of Year 6
Breakdown of Bodily Injury Costs (%) (typical accident year)	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**
Paid	6%	10%	14%	26%	43%	66%
Unpaid	94%	90%	86%	74%	57%	34%

Data Source: ICBC financial system

	End of Year 1	End of Year 2	End of Year 3	End of Year 4	End of Year 5	End of Year 6
Breakdown of Enhanced Accident Benefits Costs (%) (typical accident year)	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**
Paid	15%	31%	38%	43%	46%	48%
Unpaid	85%	69%	62%	57%	54%	52%

Data Source: ICBC financial systems

ICBC commissions an external actuary to provide an independent assessment of the provision for unpaid claims. As part of the annual audit of the financial results, the external auditor's actuary also reviews the adequacy of the unpaid claims reserves in the context of the consolidated financial statements.

ICBC earns investment income on funds set aside for unpaid claims from the premiums that are collected for the related policies. Investment income is earned until the claims are ultimately paid. In accordance with accepted actuarial practice in Canada, ICBC reports the provision for unpaid claims on a discounted basis to reflect the time value of money. The discounted amount takes into account the expected timing of future payments related to unpaid claims (see note 15 to the consolidated financial statements). The discount rate is based on the expected return of ICBC's current investment portfolio. An increase in the discount rate applied to claims costs will reduce the unpaid claims balance while a decrease in the discount rate will increase the unpaid claims balance. As of March 31, 2022, the discount rate of 3.7 percent increased by 121 basis points from the prior period's discount rate of 2.5 percent, resulting in a decrease to the unpaid claims balance.

Road safety and loss management

In 2021/22, ICBC invested $55 million in road safety initiatives and loss management programs, which include auto crime and fraud prevention, investigation and detection to help reduce claims costs.

Using a safe systems approach, ICBC targets its road safety investments on the major risks that impact customers and costs, including distractions, high-risk driving, impaired driving and vulnerable road users. Over the past year, ICBC worked with partners throughout the province to deliver road safety programs that help protect customers from risks on the road by reducing the frequency and impact of crashes and crime.

ICBC continued to support enhanced enforcement initiatives through a funding agreement with the Ministry of Public Safety and Solicitor General. In 2021/22, ICBC invested approximately $26 million in enhanced enforcement such as CounterAttack, distracted driving, speed enforcement and seat belt checks. ICBC also invested in public education, awareness and community initiatives to help change driver behaviours. It combats fraud through deterrence, detection, enforcement and prevention efforts, and continues work to ensure fraudulent claims are detected in a timely manner and managed appropriately. ICBC works collaboratively between all business areas that identify and investigate fraudulent claims to reduce overall claims costs.

Operating expenses

Operating expenses include employee compensation and other expenses required to operate the insurance and non-insurance businesses (which consist of expenses for administering driver licenses, vehicle registration and licensing) with the exception of claims payments, commissions and premium taxes. In 2021/22, ICBC continued to manage its controllable operating expenses while transitioning to Enhanced Care on May 1, 2021.

In 2021/22, operating expenses increased to $931 million compared to $837 million in 2020/21. This is mainly due to a return to pre-COVID-19 levels in claims and claims-related areas. In addition, an increase in demand for driver licensing services to address the backlog of driver knowledge and road tests resulted in higher average full-time equivalents (FTEs) and related costs. Additionally, 2021/22 compensation increased for unionized employees as negotiated under the Collective Agreement, and pension expenses were higher than prior years due to a lower discount rate compared to prior year.

Operating expenses in 2021/22 were lower than budgeted due to fewer FTEs and related costs. Fewer overall FTEs were mainly the result of recruitment challenges. Costs incurred for the implementation of Enhanced Care were lower due to the refinement of estimates, as well as savings from continuing COVID-19 impacts resulting from supply chain issues and resource constraints. Additionally, pension expenses were lower than budgeted due to a higher than planned discount rate for pension liabilities.

Included in total operating expenses are non-insurance operating expenses of $124 million, primarily funded from Basic insurance premiums.

$ millions	2020/21 Actual	2021/22 Budget	2021/22 Actual
Operating Expenses	**837**	**1,011**	**931**
Claims related costs	446	552	504
Insurance	284	329	303
Non-Insurance	107	130	124

Below is a table of total operating expenses by nature:

$ millions	2020/21 Actual	2021/22 Budget	2021/22 Actual
Operating Expenses by Nature	**837**	**1,011**	**931**
Employee benefit expense	525	659	598
Professional, administrative and other	202	219	206
Depreciation and amortization	79	98	93
Road improvements and other traffic safety programs	31	35	34

Acquisition costs

Acquisition costs represent the amounts paid to brokers and appointed agents for the sale of ICBC's insurance products and the administration of driver and vehicle licensing transactions. Acquisition costs also include premium taxes (4.4 percent of premiums) collected and paid to the provincial government.

Consistent with the recognition of premium revenue earned over the duration of the policy, premium acquisition costs are deferred and amortized as expense on a similar basis. When future claims and related expenses, after consideration of investment income, are expected to exceed unearned premiums, the deferred premiums acquisition costs (DPAC) are written down and a premium deficiency liability is recognized. Conversely, where there has been a previous premium deficiency, a positive adjustment is made to eliminate the premium deficiency when unearned premiums are expected to exceed future claims and related expenses. As at March 31, 2022, the net Corporate DPAC asset was $285 million (see notes 19 and 20 in the accompanying consolidated financial statements).

Acquisition costs (including non-insurance commissions) of $691 million were lower than the prior year. This was mainly due to lower premiums this fiscal year resulting from the transition to Enhanced Care.

Acquisition costs were $13 million higher than planned primarily due to Optional premiums being higher than planned.

Investments

ICBC has an investment portfolio with a carrying value of $20.5 billion, which represented 87 percent of the corporation's total assets as at March 31, 2022.

Funds available for investment purposes come primarily from the premiums collected and set aside for unpaid claims. ICBC maintains an investment portfolio with significant allocation to high-quality fixed income securities.

As at March 31, 2022, 57 percent of the carrying value of the portfolio took the form of corporate and government bonds, bond funds, money market securities and mortgage instruments, while 43 percent of the portfolio was invested in equity and alternative investments (real estate, mezzanine debt and infrastructure investments).

Investment income

In 2021/22, investment income was $1,418 million. This was higher than the investment income in the prior year mainly due to higher equity distributions, equity gains triggered from transition of the investment portfolio to the new asset mix and from regular trading activities. Overall, these results equated to an accounting investment return of 7.0 percent in 2021/22 (compared to 5.1 percent in 2020/21) based on the average investment balance during the period on a cost basis.

Investment income was higher than budgeted primarily due to reasons discussed previously.

Equity

At March 31, 2022, ICBC's total equity was $3,715 million, which is an improvement from an equity of $1,867 million as at March 31, 2021. This improvement is primarily due to the positive net income in this fiscal year and prior year. Equity has historically helped to absorb significant unexpected increases in claims costs and volatility in the financial markets.

As at March 31, 2022, ICBC had a net unrealized loss of $133 million in other components of equity that comprised of $388 million in unrealized gains and $521 million in unrealized losses. The unrealized gains and losses included in other components of equity reflect the changes in fair value for bonds and equities and the realization of gains and losses during the year.

The adequacy of equity or capital base is an important factor in assessing the financial stability of an insurance company and is closely monitored by regulators. For federally regulated insurance companies, the common industry method used to measure financial stability is the Minimum Capital Test (MCT) ratio, an Office of the Superintendent of Financial Institutions (OSFI) risk-based capital adequacy framework, which assesses assets, policy liabilities and other potential liabilities to determine appropriate capital levels. Although ICBC is not federally regulated, prior to fiscal 2021, legislation and regulation required ICBC to use the OSFI MCT framework to set capital targets. During fiscal 2021, the government passed legislation to remove ICBC's requirements to set the Optional insurance management target and to transfer excess optional capital to government, thereby retaining capital for the benefit of customers. As such, ICBC is only required to set the Basic insurance capital target using OSFI's MCT framework.

As at March 31, 2022, ICBC's corporate MCT level of 99 percent was higher than the prior year primarily due to the improvement in net income. However, the MCT level is still lower than the approved targets mainly due to cumulative net losses from fiscal years prior to 2020/21. For further information on the Basic insurance and Optional insurance capital framework, please refer to notes 10, 22 and 24 in the accompanying consolidated financial statements.

Basic and Optional insurance operations

ICBC operates as an integrated company providing Basic and Optional insurance products and services. Integrated operations provide benefits to ICBC's customers, such as ease of service and savings achieved through economies of scale.

The majority of premium revenues and claims costs are specifically identifiable as Basic or Optional; however, certain costs are not tracked separately. For those costs that are not specifically identified as Basic or Optional, a financial allocation methodology, as approved by the British Columbia Utilities Commission (BCUC), is used to allocate costs between these two lines of business. Detailed financial information on Basic and Optional lines of business is included in note 24 in the accompanying consolidated financial statements. The following paragraphs provide a high-level summary of results for Basic and Optional lines of business, while the balance of the annual report discusses results of integrated operations.

The Basic insurance business this fiscal year recorded a net income of $1,302 million. The Basic net income was higher than in the prior year mainly due to lower claims costs and higher investment income, which were partially offset by lower premiums earned.

In 2021/22, the Optional insurance business net income was $915 million, which was higher than the prior year for reasons as stated above.

Risks and Uncertainties

ICBC is committed to adopting an effective enterprise risk management approach to properly oversee its risk exposure, reduce possible negative outcomes and contribute to the sound execution of its mandate, delivery of strategic priorities and quality of business operations across the organization.

The company employs an Enterprise Risk Management Framework ("Framework") to manage all risk management activities. The Framework, approved by the Board, provides a structural and standard way for ICBC to manage its risk at all levels and support the risk culture with a focus on active risk management in a supportive and collaborative way.

Risk management governance is established in the Framework which sets out the oversight of risks by the Board and Risk Committee formed by the Executive Leadership Team. The company adopts a Three Lines of Defense model to embed risk management at all levels with defined roles and responsibilities. The first line of defense, management and staff, has the ultimate ownership for risk and controls. The second line of defense, enterprise risk management, provides oversight of risks by reviewing, challenging and providing recommendations to ensure risk management is adequate and effective. The third line of defense, internal audit, assures the management of risk is reviewed independently.

The Framework defines risk management processes that allow ICBC to focus on significant adverse risks that are identified. The risk and control assessment activities are comprised of risk identification, risk analysis and risk treatment. Risks are identified through the standard Risk Taxonomy to ensure a comprehensive review on all potential risk areas. All identified key risks are analyzed quantitatively or qualitatively by the Risk Prioritization Matrix which provides consistent evaluation criteria based on risk impacts. The process of risk treatment includes formulation of risk mitigations and risk escalation or acceptance to ensure appropriate actions are taken to manage risk exposure within approved risk appetite. The Framework also provides risk visibility through other risk management tools including significant incident management and executive key risk indicators.

ICBC is exposed to a variety of evolving internal and external events which can have an impact on the company's overall risk profile and potentially alter the delivery of strategic and operational priorities. The company is taking a proactive approach in identifying, managing and monitoring its top and emerging risks exposures. On a semi-annual basis, senior leaders and executives identify the top and emerging risks to the organization and monitor these risks on a regular basis. The exercise involves the identification and ranking of risks as well as documentation of management actions to manage and mitigate those risk exposures.

Major Capital Projects

Major Capital Projects (over $50 million)	**Year of Completion**	**Project Cost to March 31, 2022 ($m)**	**Estimated Cost to Complete ($m)**	**Total Cost ($m)**
Enhanced Care program	2021/22	91	0	91
Description: This new way of providing auto insurance in B.C. built on previous reforms but also helped address the outstanding issue of high legal costs in order to achieve affordable insurance premiums for British Columbians. Among the suite of changes, Enhanced Care dramatically expanded care and treatment coverage for anyone injured in a crash by providing access to comprehensive accident benefits designed to cover all of the injured parties' needs; expanded coverage to all B.C. residents involved in accidents that arise from the use of a vehicle in B.C., Canada, or the US; and introduced direct compensation for property damage to align with the move away from a modified tort system. Enhanced Care program was implemented on May 1, 2021.				

Appendix A: Additional Information

Organizational Overview

ICBC is a provincial Crown corporation mandated by the *Insurance Corporation Act*, *Insurance (Vehicle) Act* and the *Motor Vehicle Act* to provide universal compulsory auto insurance (Basic insurance) to drivers in B.C., with Basic insurance rates regulated by the BCUC.

ICBC is a progressive public auto insurer that is part of the fabric of our province, helping British Columbians get on the road through driver licensing services and get back on the road to recovery after a crash. ICBC also works with communities, law enforcement and stakeholders to champion a safe driving culture and is a partner on various road safety campaigns and initiatives.

ICBC is one of B.C.'s largest corporations and one of Canada's largest property and casualty insurers. Its insurance products and services are available through a province-wide network of approximately 900 independent brokers. Each year, ICBC processes approximately one million claims through a 24-hour telephone claims handling service and online claims reporting. ICBC continues to have a presence in communities throughout the province and works with material damage suppliers (e.g., collision and glass repair shops) and healthcare professionals to help customers after a crash.

In addition to insurance products and services, ICBC also provides a number of non-insurance services on behalf of the provincial government including vehicle registration and licensing, driver licensing and fines collection. ICBC also assists with the issuing of B.C. Services Card at its driver licensing offices.

ICBC operates as an integrated company for the benefit of its customers and partners with businesses and organizations in communities throughout B.C. to deliver services and programs. Autoplan brokers are key business partners, distributing ICBC's insurance products and providing other services such as vehicle registration and licensing. Other key business partners who help ICBC deliver services and programs include law enforcement agencies, health services providers, material damage suppliers and community organizations.

Corporate Governance

ICBC is governed by a Board of Directors, CEO and management team. They are guided by the public sector guidelines for corporate governance and must act in accordance with the provisions of the *Insurance Corporation Act*, the *Insurance (Vehicle) Act*, the *Motor Vehicle Act* and other legislation applicable to ICBC.

Changes to ICBC's Basic insurance rates are regulated by the BCUC to ensure that Basic insurance rates are justified and reasonable.

For additional information, please refer to the Corporate Governance section of ICBC's website. This includes links to information regarding:

- Executive Committee
- Board of Directors
- ICBC Board of Directors Committees
- ICBC Code of Ethics
- Mandate Letter

Contact Information

- See page 2 for full contact information or visit ICBC's website at icbc.com.

Appendix B: Subsidiaries and Operating Segments

The Corporation does not have any active operating subsidiary companies. All nominee holding companies listed below hold or have held investment properties, infrastructure, mortgage and private equity investments for the purpose of generating investment income. All nominee holding companies are consolidated into our financial statements, the basis of which is explained in note 2b in the accompanying consolidated financial statements. A consolidated summary of the investment income can be found in note 11 in the accompanying consolidated financial statements.

Nominee Holding Companies		
596961 B.C. Ltd.	2272811 Ontario Ltd.	2553178 Ontario Ltd.
2050376 Ontario Ltd.	2272807 Ontario Ltd.	2599056 Ontario Ltd.
1141268 Alberta Ltd.	2277479 Ontario Ltd.	5757 CSF GP Inc.
2091053 Ontario Ltd.	1611527 Alberta Ltd.	SWBC MEC 1 Ltd.
1263146 Alberta Ltd.	2306519 Ontario Ltd.	SWBC MEC 2 Ltd.
2134529 Ontario Ltd.	1648020 Alberta Ltd.	SWBC MEC 3 Ltd.
2140940 Ontario Ltd.	2309092 Ontario Ltd.	SWBC MEC 4 Ltd.
2154855 Ontario Ltd.	1662170 Alberta Ltd.	140 Main Hamilton Ltd.
2166025 Ontario Ltd.	1672904 Alberta Ltd.	BCI (IC) US Realty Inc.
1394626 Alberta Ltd.	2329075 Ontario Ltd.	BCI (IC) RPG Investment Corp
2176758 Ontario Ltd.	1688141 Alberta Ltd.	BCI (IC) Mex Realty LP
1467288 Alberta Ltd.	1685611 Alberta Ltd.	BCI (IC) Realty LP
1476459 Alberta Ltd.	2353777 Ontario Ltd.	Bolsena IC Inc.
2210344 Ontario Ltd.	1746615 Alberta Ltd.	BCI (IC) US Finance Inc.
0866691 B.C. Ltd.	1796824 Alberta Ltd.	IMCPE IC 2021 Inc.
2225888 Ontario Ltd.	1884419 Alberta Ltd.	IMCPE IC Investment Inc.
2232027 Ontario Ltd.	2468434 Ontario Ltd.	IMC PD IC 2021 Inc.
0869391 B.C. Ltd.	1930933 Alberta Ltd.	
1535992 Alberta Ltd.	2496976 Ontario Ltd.	
0879948 B.C. Ltd.	1961735 Alberta Ltd.	
2228366 Ontario Ltd.	2530694 Ontario Ltd.	
0881157 B.C. Ltd.	2542170 Ontario Ltd.	
1575160 Alberta Ltd.	2543053 Ontario Ltd.	

Appendix C: Auditor’s Report and Audited Financial Statements

INSURANCE CORPORATION OF BRITISH COLUMBIA

CONSOLIDATED FINANCIAL STATEMENTS

AS AT MARCH 31, 2022

Management’s Responsibility for the Consolidated Financial Statements

Scope of Responsibility

Management prepares the accompanying consolidated financial statements and related information and is responsible for their integrity and objectivity. The statements are prepared in conformity with International Financial Reporting Standards (IFRS). These consolidated financial statements include amounts that are based on management’s estimates and judgments, particularly our provision for unpaid claims. We believe that these statements present fairly ICBC’s financial position, results of operations and cash flows, and that the other information contained in the annual report is consistent with the consolidated financial statements.

Internal Controls

We maintain and rely on a system of internal accounting controls designed to provide reasonable assurance that assets are safeguarded and transactions are properly authorized and recorded. The system includes written policies and procedures, an organizational structure that segregates duties, and a comprehensive program of periodic audits by the internal auditors, who independently review and evaluate these controls. There is a quarterly risk assessment process, the results of which influence the development of the internal audit program. We continually monitor these internal accounting controls, modifying and improving them as business conditions and operations change. Policies that require employees to maintain the highest ethical standards have also been instituted. We recognize the inherent limitations in all control systems and believe our systems provide an appropriate balance between costs and benefits desired. We believe our systems of internal accounting controls provide reasonable assurance that errors or irregularities that would be material to the consolidated financial statements are prevented or detected in the normal course of business.

Board of Directors and Audit Committee

The Audit Committee, composed of members of the Board of Directors, oversees management’s discharge of its financial reporting responsibilities. The Audit Committee recommends for approval to the Board of Directors the appointment of the external auditor and the external actuary. The Audit Committee meets no less than quarterly with management, our internal auditors and representatives of our external auditor to discuss auditing, financial reporting and internal control matters. The Audit Committee receives regular reports on the internal audit results and evaluation of internal control systems and it reviews and approves major accounting policies including alternatives and potential key management estimates or judgments. Both internal and external auditors and the appointed actuary have access to the Audit Committee without management’s presence. The Audit Committee has reviewed these consolidated financial statements prior to recommending approval by the Board of Directors. The Board of Directors has reviewed and approved the consolidated financial statements.

Independent Auditor and Actuary

Our independent auditor, PricewaterhouseCoopers LLP, has audited the consolidated financial statements. Their audit was conducted in accordance with Canadian generally accepted auditing standards, which includes the consideration of our internal controls to the extent necessary to form an independent opinion on the consolidated financial statements prepared by management.

William T. Weiland of Eckler Ltd. is engaged as the appointed actuary and is responsible for carrying out an annual valuation of ICBC's policy liabilities, which include a provision for claims and claims expenses, unearned premiums and deferred premium acquisition costs. The valuation is carried out in accordance with accepted actuarial practice in Canada and regulatory requirements. In performing the evaluation, the appointed actuary makes assumptions as to the future rates of claims, frequency and severity, inflation, reinsurance recoveries and expenses, taking into consideration the circumstances of ICBC and the insurance policies in force. The appointed actuary, in his verification of the underlying data used in the valuation, also makes use of the work of the external auditor.

Mr. Weiland meets every year with PricewaterhouseCoopers' valuation actuaries and ICBC's management to discuss business developments, changes in claims processing and claims trends. These discussions assist the independent parties in developing expectations around and assessing management's estimate of the claims provision.

Nicolas Jimenez
President and Chief Executive Officer

July 27, 2022

Phil Leong
Chief Financial Officer

July 27, 2022

Independent auditor's report

To the Minister Responsible for Insurance Corporation of British Columbia and the Board of Directors of Insurance Corporation of British Columbia

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Insurance Corporation of British Columbia and its subsidiaries (together, the Corporation) as at March 31, 2022 and the results of its operations and its cash flows for the year then ended in accordance with International Financing Reporting Standards (IFRS).

What we have audited
The Corporation's consolidated financial statements comprise:

- the consolidated statement of financial position as at March 31, 2022;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Other information

Management is responsible for the other information. The other information comprises the Annual Service Plan Report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Corporation to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PricewaterhouseCoopers LLP

Chartered Professional Accountants

Vancouver, British Columbia
July 27, 2022

Actuary's Report

I have valued the policy liabilities, including reinsurance recoverables, in the consolidated statement of financial position of the Insurance Corporation of British Columbia as at March 31, 2022 and their changes in its consolidated statement of comprehensive income for the year then ended in accordance with accepted actuarial practice in Canada, including selection of appropriate assumptions and methods.

In my opinion, the amount of the policy liabilities, including reinsurance recoverables, makes appropriate provision for all policy obligations, and the consolidated financial statements fairly present the results of the valuation.

W. T. Weiland

William T. Weiland

Fellow, Canadian Institute of Actuaries
Eckler Ltd.

Vancouver, British Columbia
July 27, 2022

Consolidated Statement of Financial Position

($ THOUSANDS)	March 31 2022	March 31 2021
Assets		
Cash and cash equivalents (note 7)	$ 29,654	$ 19,641
Accrued interest	40,024	59,943
Assets held for sale (note 6)	208,420	58,964
Financial investments (note 6)	20,001,745	20,520,280
Derivative financial instruments (note 7)	24,019	23,597
Premiums and other receivables (note 10)	2,066,674	1,985,132
Reinsurance assets (note 10)	43,596	28,441
Investment properties (note 6)	255,044	558,333
Property and equipment (note 12)	110,586	102,538
Intangible assets (note 14)	252,167	292,777
Lease assets (note 13)	56,206	64,284
Accrued pension benefits (note 18)	245,213	89,511
Deferred premium acquisition costs and prepaids (note 20)	330,856	378,359
	$ 23,664,204	$ 24,181,800
Liabilities and Equity		
Liabilities		
Cheques outstanding (note 7)	$ 130,762	$ 66,228
Accounts payable and accrued charges	305,881	287,109
Provision for premium rebates/refunds (note 7)	396,000	1,186,062
Derivative financial instruments (note 7)	1,395	984
Net bond repurchase agreements, investment-related, and other liabilities (note 8)	2,669,037	2,269,511
Premiums and fees received in advance	58,914	69,300
Unearned premiums (note 16)	2,443,055	2,396,658
Lease liabilities (note 9)	53,670	60,502
Pension and post-retirement benefits (note 18)	186,181	457,713
Provision for unpaid claims (note 15)	13,704,154	15,520,254
	19,949,049	22,314,321
Equity		
Retained earnings	3,347,398	1,130,934
Other components of equity	361,003	729,501
Equity attributable to owner of the corporation	3,708,401	1,860,435
Non-controlling interest	6,754	7,044
	3,715,155	1,867,479
	$ 23,664,204	$ 24,181,800

Critical accounting estimates and judgments (note 3)
Contingent liabilities and commitments (note 23)
Subsequent events (note 26)

The accompanying notes are an integral part of these consolidated financial statements.

Approved by the Board

Catherine Holt
Chair of the Board of Directors

Cathy McLay
Director

Consolidated Statement of Comprehensive Income

($ THOUSANDS)		For the year ended March 31 2022		For the year ended March 31 2021
Premiums written				
Premium revenue – vehicle	$	5,208,692	$	6,347,229
Premiums ceded to reinsurers – vehicle		(12,909)		(11,550)
Net premium revenue – vehicle before premium rebates/refunds		5,195,783		6,335,679
Premium revenue – vehicle premium rebates/refunds (note 7)		(396,000)		(1,547,472)
Net premium revenue – vehicle		4,799,783		4,788,207
Premium revenue – driver		30,327		30,933
	$	4,830,110	$	4,819,140
Revenues				
Premiums earned				
Premium revenue – vehicle	$	5,162,644	$	6,305,702
Premiums ceded to reinsurers – vehicle		(12,909)		(11,550)
Net premium revenue – vehicle before premium rebates/refund		5,149,735		6,294,152
Premium revenue – vehicle premium rebates/refunds (note 7)		(396,000)		(950,000)
Net premium revenue - vehicle		4,753,735		5,344,152
Premium revenue – driver		29,978		32,838
		4,783,713		5,376,990
Service fees and other income		120,059		143,592
Total earned revenues		4,903,772		5,520,582
Claims and operating expenses				
Provision for claims occurring in the current year (note 15)		2,922,081		3,708,477
Change in estimates for losses occurring in prior years (note 15)		(429,937)		(367,272)
Net claims incurred (note 15)		2,492,144		3,341,205
Claims services (note 19)		448,885		395,092
Road safety and loss management services (note 19)		55,304		50,866
		2,996,333		3,787,163
Operating expenses – insurance (note 19)		302,425		283,438
Premium taxes and commissions – insurance (notes 19 and 20)		654,393		787,128
		3,953,151		4,857,729
Underwriting income		950,621		662,853
Investment income (note 11)		1,418,030		1,011,420
Income – insurance operations		2,368,651		1,674,273
Non-insurance operations				
Provincial licences and fines revenue (note 21)		652,331		615,661
Licences and fines transferable to the Province of B.C. (note 21)		652,331		615,661
Operating expenses – non-insurance (note 19)		124,500		107,214
Commissions – non-insurance (notes 19 and 20)		36,497		34,306
Other income – non-insurance		(8,955)		(5,314)
		804,373		751,867
Loss – non-insurance operations		(152,042)		(136,206)
Net income	$	2,216,609	$	1,538,067
Other comprehensive income				
Items that will not be reclassified to net income				
Pension and post-retirement benefits remeasurements (note 18)	$	485,030	$	(185,694)
Items that will be reclassified to net income				
Net change in available for sale financial assets		(853,528)		1,080,529
		(368,498)		894,835
Total comprehensive income	$	1,848,111	$	2,432,902
Net income attributable to:				
Non-controlling interest	$	145	$	10,898
Owner of the corporation		2,216,464		1,527,169
	$	2,216,609	$	1,538,067
Total comprehensive income attributable to:				
Non-controlling interest	$	145	$	10,898
Owner of the corporation		1,847,966		2,422,004
	$	1,848,111	$	2,432,902

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

($ THOUSANDS)	Retained Earnings	Other Components of Equity: Net change in available for sale financial assets	Other Components of Equity: Pension and post-retirement benefits remeasurements	Total Other Components of Equity	Total attributable to owner of the corporation	Non-Controlling Interest	Total Equity
For the year ended March 31, 2022							
Balance, beginning of year	$ 1,130,934	$ 720,156	$ 9,345	$ 729,501	$ 1,860,435	$ 7,044	$ 1,867,479
Contributions						6	6
Disposition of subsidiary with non-controlling interest						(441)	(441)
Comprehensive income (loss)							
Net income	2,216,464	-	-	-	2,216,464	145	2,216,609
Other comprehensive income							
Net gains reclassified to investment income	-	(352,299)	-	(352,299)	(352,299)	-	(352,299)
Net losses arising on available for sale financial assets in the year	-	(501,229)	-	(501,229)	(501,229)	-	(501,229)
Pension and post-retirement benefits remeasurements (note 18)	-	-	485,030	485,030	485,030	-	485,030
Total other comprehensive (loss) income	-	(853,528)	485,030	(368,498)	(368,498)	-	(368,498)
Total comprehensive income (loss)	2,216,464	(853,528)	485,030	(368,498)	1,847,966	145	1,848,111
Balance, end of year	$ 3,347,398	$ (133,372)	$ 494,375	$ 361,003	$ 3,708,401	$ 6,754	$ 3,715,155

($ THOUSANDS)	Retained Earnings (Deficit)	Other Components of Equity: Net change in available for sale financial assets	Other Components of Equity: Pension and post-retirement benefits remeasurements	Total Other Components of Equity	Total attributable to owner of the corporation	Non-Controlling Interest	Total Equity (Deficit)
For the year ended March 31, 2021							
Balance, beginning of year	$ (396,235)	$ (360,373)	$ 195,039	$ (165,334)	$ (561,569)	$ 14,211	$ (547,358)
Contributions						10	10
Disposition of subsidiary with non-controlling interest						(18,075)	(18,075)
Comprehensive income (loss)							
Net income	1,527,169	-	-	-	1,527,169	10,898	1,538,067
Other comprehensive income (loss)							
Net gains reclassified to investment income	-	(314,561)	-	(314,561)	(314,561)	-	(314,561)
Net gains arising on available for sale financial assets in the year	-	1,395,090	-	1,395,090	1,395,090	-	1,395,090
Pension and post-retirement benefits remeasurements (note 18)	-	-	(185,694)	(185,694)	(185,694)	-	(185,694)
Total other comprehensive income (loss)	-	1,080,529	(185,694)	894,835	894,835	-	894,835
Total comprehensive income (loss)	1,527,169	1,080,529	(185,694)	894,835	2,422,004	10,898	2,432,902
Balance, end of year	$ 1,130,934	$ 720,156	$ 9,345	$ 729,501	$ 1,860,435	$ 7,044	$ 1,867,479

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

($ THOUSANDS)	For the year ended March 31 2022	For the year ended March 31 2021
Cash flow from (used in) operating activities		
Net income	$ 2,216,609	$ 1,538,067
Items not requiring the use of cash (note 25)	(179,264)	(196,447)
Changes in non-cash working capital (note 25)	(2,587,272)	370,237
Cash flow (used in) from operating activities	(549,927)	1,711,857
Cash flow from (used in) investing activities		
Purchase of financial investments and investment properties	(27,862,208)	(26,262,760)
Proceeds from sales of financial investments and investment properties	28,163,702	24,556,282
Purchase of property, equipment and intangibles, net	(48,996)	(76,040)
Cash flow from (used in) investing activities	252,498	(1,782,518)
Cash flow from (used in) financing activities		
Net securities sold under repurchase agreements (note 25)	257,708	59,022
Principal payments on lease liabilities (note 25)	(14,800)	(14,190)
Cash flow from financing activities	242,908	44,832
Decrease in cash and cash equivalents during the year	(54,521)	(25,829)
Cash and cash equivalents, beginning of year	(46,587)	(20,758)
Cash and cash equivalents, end of year	$ (101,108)	$ (46,587)
Represented by:		
Cash and cash equivalents (note 7)	$ 29,654	$ 19,641
Cheques outstanding (note 7)	(130,762)	(66,228)
Cash and cash equivalents, net	$ (101,108)	$ (46,587)
Supplemental information		
Interest and dividends received	$ 1,106,393	$ 370,120

The accompanying notes are an integral part of these consolidated financial statements.

Notes to Consolidated Financial Statements

For the year ended March 31, 2022

1. Corporate Information

The Insurance Corporation of British Columbia (the Corporation or ICBC) is a wholly-owned Crown corporation of the Province of British Columbia (B.C.), not subject to income taxes under the *Income Tax Act (Canada)*, incorporated in 1973 and continued under the *Insurance Corporation Act* (ICA), R.S.B.C. 1996 Chapter 228. The head office of the Corporation is 151 West Esplanade, North Vancouver, British Columbia. The Corporation operates and administers plans of universal compulsory vehicle insurance (Basic) and optional vehicle insurance (Optional) as set out under the *Insurance (Vehicle) Act*, and is also responsible for non-insurance services under the *Insurance Corporation Act* and the *Motor Vehicle Act*. Non-insurance services include driver licensing, vehicle registration and licensing, violation ticket administration and government fines collection. The Corporation is subject to regulation by the British Columbia Utilities Commission (BCUC) with respect to Basic insurance rates and services (note 24).

Prior to May 1, 2021, Basic insurance included the following coverages: $200,000 third party liability protection (higher for some commercial vehicles), access to accident benefits including a maximum of $300,000 (note 3f) for medical and rehabilitation expenses and up to $740 per week for wage loss (note 3f), $1,000,000 underinsured motorist protection, and also protection against uninsured and unidentified motorists within and outside the Province of B.C.

As of May 1, 2021, the Corporation implemented a new care-based (Enhanced Care) insurance model and Basic insurance includes the following coverages: access to enhanced accident benefits providing care and recovery benefits with no overall limit, up to $200,000 of basic vehicle damage coverage (BVDC), $200,000 in third party liability protection, inverse liability protection, and underinsured motorist protection. Under the new insurance model, coverage for hit and run claims for vehicle damage is no longer being provided under Basic insurance, uninsured coverage no longer applies with respect to vehicle damage although BVDC will usually apply, and individuals are generally precluded from suing both with respect to bodily injuries covered by enhanced accident benefits and for vehicle damage in circumstances where BVDC may apply.

The Corporation also offers Optional insurance in a competitive environment, which includes, but is not limited to, the following coverages: extended third party liability, comprehensive, collision, loss of use, and hit and run.

The Corporation's Basic and Optional insurance products are distributed by approximately 900 independent brokers located throughout the Province of B.C. The Corporation has the power and capacity to act as an insurer and reinsurer in all classes of insurance; however, the Corporation currently only acts as a vehicle insurer.

On July 27, 2022, the Corporation's Board of Directors authorized these consolidated financial statements for issue.

2. Summary of Significant Accounting Policies

The significant accounting policies applied in preparation of these consolidated financial statements are set out below. They have been prepared under the historical cost convention, as modified by the revaluation of certain financial assets at fair value.

a) Basis of reporting

The consolidated financial statements of the Corporation have been prepared in accordance with the IFRS as issued by the International Accounting Standards Board (IASB) and required by the *Budget Transparency and Accountability Act*. The consolidated financial statements include the accounts of the Corporation and its subsidiary companies. The Corporation's reporting currency and functional currency for all of its operations is the Canadian dollar, unless otherwise stated.

The Corporation reports revenues and expenses attributable to Basic insurance separately from the other operations of the Corporation (note 24). The Corporation presents investment income separately from underwriting results as this reflects how the business operations are managed and provides more relevant, reliable, comparable and understandable information of these consolidated financial statements. The Corporation also provides a number of non-insurance services on behalf of the Province of B.C. The costs associated with these non-insurance activities are borne by the Corporation. The amounts collected and remitted as well as the related costs are accounted for and presented separately in the consolidated statement of comprehensive income under non-insurance operations for greater transparency (note 21).

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Corporation's accounting policies (note 3). The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are disclosed in note 3.

b) Basis of consolidation

Control

The Corporation consolidates the financial statements of all subsidiary companies. Control is achieved when the Corporation is exposed to, or has rights to, variable returns from the entity and has the ability to use its power to affect the amount of the returns. Entities are fully consolidated from the date on which control is transferred to the Corporation. All but one of the Corporation's investment properties (note 6b) are held individually in nominee holding companies. The Corporation also invests in financial investments (note 6a) through a number of investment entities, some of which are wholly-owned and therefore consolidated. The Corporation does not have any active operating subsidiary companies. All inter-company transactions and balances are eliminated.

Non-controlling interest (NCI), presented as part of equity, represents the portion of a subsidiary's profit or loss and net assets that are not attributable to the Corporation. The Corporation attributes total comprehensive income or loss of entities between the parent and the NCI based on their respective ownership interests.

When the Corporation loses control over an entity, it derecognizes the assets and liabilities of the entity, and any related NCI and other components of equity. Any resulting gain or loss is recognized in profit or loss. Any interest retained in the entity is measured at fair value when control is lost.

Significant influence

Associates are entities over which the Corporation has significant influence, which means it has the power to participate in the financial and operating decisions of the investee but does not have control or joint control over the financial or operating policies. Associates generally involve a shareholding of 20% to 50% of the voting rights.

In some cases, voting rights in themselves are not sufficient to assess power or significant influence over the relevant activities of the investee. In such cases, judgment is applied through the analysis of management agreements, the effectiveness of voting rights, the significance of the benefits to which the Corporation is exposed and the degree to which the Corporation can use its power or significant influence to affect its returns from investees.

Associates are accounted for using the equity method. The Corporation has determined that it does not have significant influence in any investments in which the Corporation has 20% or more holdings (note 3b).

Joint operation

The Corporation classifies joint arrangement investments based on the Corporation's contractual rights and obligations, rather than the legal structure of the joint arrangement. The Corporation owns a 50% share of each of its three joint operations, one of which is with a Limited Partner. The joint operations are all investment properties in Canada.

The Corporation recognises its direct right to the assets, liabilities, revenues and expenses of the joint operations and its share of assets, liabilities, revenues and expenses.

c) Service fees

Service fees on the Corporation's payment plan are recognized monthly over the term of the policy. For six or twelve month term Autoplan policies, the Corporation's payment plan enables customers to make monthly or quarterly payments. The related interest bearing receivables are carried at amortized cost as determined using the effective interest method.

d) Insurance contracts

The Corporation issues insurance contracts, which result in contingent payments of benefits subject to the occurrence of an insured event. The Corporation accounts for insurance contracts as follows:

Premiums earned

The Corporation recognizes vehicle insurance premiums on a straight-line basis over the term of each vehicle policy written. Driver premiums are earned over the term of the policy.

Unearned premiums are the portion of premiums relating to the unexpired term, net of any premium refunds.

Deferred premium acquisition costs

To the extent premium acquisition costs such as commissions and premium taxes are recoverable from unearned premiums, they are deferred and amortized to income over the term of the related policies. An actuarial evaluation is performed to determine the amount allowable for deferral. The method followed in determining the deferred costs limits the amount of the deferral to the amount recoverable from unearned premiums, after giving consideration to the investment income, claims costs, and adjustment expenses expected to be incurred as the premiums are earned. A premium deficiency exists when future claims and related expenses are expected to exceed unearned premiums. When this occurs, the premium deficiency is recognized as a liability and any deferred premium acquisition costs are written down.

Provision for unpaid claims

The provision for unpaid claims represents the estimated amounts required to settle all unpaid claims. It includes amounts for claims that are incurred but not reported plus development on known case reserves and loss adjustment expenses, and is gross of recoveries from reinsurance. The provision for unpaid claims also includes an estimate of direct expenses to be incurred in settling claims net of the expected salvage and subrogation recoveries. It is carried on a discounted basis and therefore reflects the time value of money. To recognize the uncertainty in establishing best estimates, the Corporation includes a provision for adverse deviations (PfAD).

Reinsurance

Reinsurance balances are presented separately on the consolidated statement of financial position and on the consolidated statement of comprehensive income.

Reinsurance assets, including both reinsurance recoverable on unpaid claims and reinsurance receivable on paid claims, are shown on the consolidated statement of financial position. A PfAD is included in the discounted amount recoverable from reinsurers. The PfAD is applied on a consistent basis with the underlying provision for unpaid claims and includes a reinsurance recovery portion that reflects considerations relating to potential collectability issues with reinsurers.

e) Cash and cash equivalents

Cash and cash equivalents are short-term, liquid investments that are subject to insignificant changes in fair value, including cash on hand, deposits with financial institutions that can be withdrawn without prior notice or penalty, and directly held money market securities with a term less than 90 days from the date of acquisition.

f) Assets held for sale

Non-current assets that are expected to be recovered primarily through sale rather than through continuing use, and the sale is considered to be highly probable, are classified as held for sale. The Corporation classifies an asset as held for sale when the following conditions are met:

- Management is committed to a plan to sell;
- The asset is available for immediate sale;
- An active programme to locate a buyer is initiated;
- The sale is highly probable, within 12 months of classification for sale;
- The asset is being actively marketed for sale at a reasonable purchase price; and
- Actions require to complete the plan indicate that it is unlikely the plan will significantly changed or withdrawn.

Immediately before classification as held for sale, the assets are remeasured at cost less accumulated depreciation and impairment losses. Thereafter, the assets are measured at the lower of their carrying amount and fair value less costs to sell. Impairment losses on initial classification as held for sale, and subsequent gains and losses on remeasurement, are recognized in profit or loss; these gains are not recognized in excess of any cumulative impairment loss. Once classified as held for sale, non-current assets are no longer amortized or depreciated (note 6).

g) Financial assets

The Corporation categorizes its financial instruments as fair value through profit or loss (FVTPL), loans and receivables (Loans) or available for sale (AFS) depending on the purpose for which the financial assets were acquired. Monetary assets are assets that are to be received in a fixed or determinable number of units of currency. Monetary financial assets include fixed-income investments except mortgage funds and bond funds. Non-monetary financial assets include mortgage funds, bond funds, equities, and other financial investments.

Regular way purchases and sales of financial assets are recognized on trade dates, being the date on which the Corporation commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred along with substantially all the risks and rewards of ownership.

The Corporation's financial assets are accounted for based on their classification as follows:

Fair value through profit or loss

A financial asset is 'classified', by default, as FVTPL if it is acquired or originated principally for the purpose of selling in the short-term. A financial asset can be 'designated' in this category if doing so results in more relevant information.

FVTPL financial assets are recorded at fair value on initial recognition and for subsequent measurement. Transaction costs and changes in the fair value are recognized in investment income on the consolidated statement of comprehensive income.

Loans and receivables

Loans are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Corporation has classified its directly held mortgages, mortgage bond, premiums and other receivables as Loans.

Loans are recorded at fair value on initial recognition and subsequently measured at amortized cost using the effective interest rate method. Transaction costs are included in the initial carrying amount of the assets in addition to the fair value. Impairment losses on loans are recognized in investment income on the consolidated statement of comprehensive income.

Available for sale

Non-derivative financial assets that are not classified as Loans or FVTPL are accounted for as AFS. The Corporation has classified its bonds portfolio, bond funds, mortgage funds, money market securities, other financial investments and equity portfolios as AFS except for one global mezzanine pooled fund, which is designated as FVTPL.

AFS financial assets are recorded at fair value on initial recognition and for subsequent measurement. Transaction costs are included in the initial carrying amount of the assets in addition to the fair value.

Changes in the fair value, other than due to foreign exchange, of an AFS financial asset are recorded in other comprehensive income (OCI), until the financial asset is disposed of or becomes impaired, at which time the gain or loss will be recognized in investment income or impairment loss. Changes in the fair value due to foreign exchange on a non-monetary AFS financial asset are recorded in OCI. Changes in fair value due to foreign exchange on a monetary AFS financial asset are recorded in investment income. Interest calculated using the effective interest method is accrued daily and recognized in investment income. Dividends are recognized in investment income when the right to receive payments is established on the ex-dividend date.

h) Translation of foreign currencies

Foreign currency transactions are translated at exchange rates at the date of the sale or purchase. Monetary assets and liabilities denominated in foreign currencies are translated at exchange rates in effect at the year-end date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities at year-end are recognized in investment income.

Translation differences on non-monetary AFS financial assets, such as equity securities and other financial investments, are recognized as part of the change in fair value in OCI until the security is disposed of or impairment is recorded. Translation differences on monetary AFS financial assets and non-monetary financial assets classified or designated as FVTPL are recorded in investment income.

i) Fair value of financial assets

In accordance with IFRS 13 *Fair Value Measurement*, the Corporation defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurement is classified as Level 1, 2 or 3, based on the degree to which inputs to the fair value measurement are observable:

- Level 1 inputs to the valuation methodology are quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 inputs to the valuation methodology include inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs to the valuation methodology are not based on observable market data.

An asset's or liability's classification within the fair value hierarchy is based on the lowest level of significant input to its valuation.

Specific valuation techniques used to determine the fair value of financial instruments include:

- For AFS and FVTPL – the use of quoted prices where available, other observable market information, where available or valuation models and techniques that are based on non-observable market data.
- For Loans – the yield curve of Government of Canada bonds to the corresponding maturity dates of the underlying mortgages, plus an estimated risk premium. The risk premium is determined by factors such as the location of the property, tenant profile, and degree of leverage of the property.

These valuations are reviewed at each reporting date by management.

j) Derivative financial instruments

The Corporation uses derivative financial instruments such as foreign currency forward contracts and foreign exchange swaps to manage foreign exchange risks and interest rate swaps to manage interest rate risks (note 7).

Derivative financial instruments are measured on the consolidated statement of financial position at fair value and are accounted for at FVTPL with all changes in fair value recorded immediately in investment income on the consolidated statement of comprehensive income. The Corporation does not apply hedge accounting.

k) Investment properties

Properties held for rental income or capital appreciation that are not occupied by the Corporation are classified as investment properties.

The estimated fair value of the Corporation's investment properties is based on independent appraisals by professionally qualified external valuators made during the year or using the income approach to estimate fair value through the direct capitalization method and/or the discounted cash flow analysis as determined by an external investment manager.

The Corporation has certain properties that serve dual purposes: investment and own-use. If the investment and own-use portions can be sold separately, or leased out separately under a finance lease, the portions are accounted for separately. If the portions cannot be sold separately, the property is accounted for as an investment property only if an insignificant portion is held for own use in the supply of services or for administrative purposes. Where the portion held for own-use is significant, then the property is treated as property and equipment. The Corporation has two properties that serve a dual purpose and are classified as investment properties.

Investment properties are initially recognized at the fair value of the purchase consideration plus directly attributable costs. Subsequent to initial recognition, the investment properties are carried at cost, less accumulated depreciation, for the building portion, and impairment, if any.

Depreciation is provided on a straight-line basis at 2.5% to 5.0% of initial carrying value annually over the investment properties' useful life.

l) Investment-related liabilities

Investment-related liabilities include mortgage debt associated with investment properties (note 2k) and are initially recognized at fair value, net of transaction costs incurred, and subsequently measured at amortized cost.

m) Net bond repurchase agreements

The Corporation participates in the sale and repurchase of Government of Canada and Provincial bonds, which are sold and simultaneously agreed to be repurchased at a future date. These sale and repurchase arrangements are accounted for as financial liabilities and are initially recognized at fair value and subsequently measured at amortized cost. The interest rate at the time of the sale is the cost of borrowing the funds and is recognized as interest expense.

The Corporation also participates in the purchase and sale of Government of Canada and Provincial bonds, which are purchased and simultaneously agreed to be resold, to the same counterparty, at a future date with the market repurchase rate determining the forward contract price. These agreements are initially recognized at fair value and subsequently measured using effective interest method. These reverse repurchase arrangements have an offsetting effect to enhance performance by reducing interest expenses on the repurchase agreements and by economically hedging the interest rate, counterparty and collateral risks.

Assets transferred under repurchase or reverse repurchase agreements are not derecognized or recognized as substantially all the risks and rewards of ownership are retained by the Corporation or the counterparty in the case of the reverse repurchase agreements. The Corporation records a liability equal to the consideration received in repurchase agreements and offsets the liability equal to the purchase price in reverse repurchase agreements.

n) Accounts payable and accrued charges

Accounts payable and accrued charges are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Accounts payable and accruals are measured at amortized cost.

o) Provisions

Provisions are recognized when the Corporation has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. These provisions are included in the accounts payable and accrued charges and provision for premium rebates/refunds as presented on the consolidated statement of financial position. Future operating losses are not recognized.

Where the provision amounts are due more than 12 months after the reporting date, they are measured at the present value of the expenditures expected to settle the obligation using a discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

p) Pension and post-retirement benefits

The amounts recognized in net income in respect of defined benefit pension plans and post-retirement benefits are as follows:

- The Corporation's portion of the current service costs;
- Non-investment costs;
- Interest costs;
- Past service costs; and
- Impact of any curtailment or settlements during the year.

The current service cost is equal to the present value of benefits earned by members during the reporting year.

The non-investment costs are equal to expenses paid from the plans in the reporting year relating to the administration of the plans. The interest costs are calculated using the discount rate at the beginning of the reporting year and applied to the net liability at the beginning of the reporting year.

Past service costs arise from plan amendments that increase or decrease the obligation. Past service costs are recognized immediately in net income.

The changes in the defined benefit obligation and the changes in the fair value of plan assets that result from a curtailment or settlement of plan liabilities during the reporting year are recognized in net income.

A plan's surplus is equal to the excess, if any, of the plan's assets over its obligations. For plans in surplus, an asset is recognized on the consolidated statement of financial position to the extent that the Corporation can realize an economic benefit, in the form of a refund or a reduction in future contributions, at some point during the life of the plan or when the plan liabilities are settled. For plans in deficit, the resulting net liability is recognized on the consolidated statement of financial position.

The value recognized on the consolidated statement of financial position for each defined benefit pension plan and for post-retirement benefits is calculated at the end of the reporting year as follows:

- The defined benefit obligation of the plan;
- Less the fair value of the plan assets out of which the obligations are to be settled directly; and
- Adjusted for the net change of any surplus derecognized.

The Corporation recognizes all actuarial remeasurements (i.e., gains or losses) in the reporting year in which they arise, through OCI on the consolidated statement of comprehensive income.

Certain current and former employees of the Corporation who were formerly employed in the Motor Vehicle Branch are members of a separate plan, the BC Public Service Pension Plan. This is a multi-employer defined benefit plan for which the Corporation applies defined contribution accounting. Since the BC Public Service Pension Plan pools risks amongst the current and former members of many employers, there is no consistent or reliable basis for allocating the Corporation's portion of the obligation, assets, and costs. As a result, the Corporation expenses the contributions made. Contributions are subject to change in the future, depending on the funded status of the plan, and are split equally between all participating employers and all contributing active plan members.

q) Property and equipment

Property and equipment are initially recorded at fair value and subsequently measured at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition or construction of the items, including retirement costs. Subsequent costs, such as betterments, are included in the asset only when it is probable that future economic benefits associated with the item will flow to the Corporation. All other subsequent expenditures are recognized as repairs and maintenance. Capitalized software that is an integral part of the equipment is accounted for as equipment. Property and equipment are depreciated when they are available for use, on a straight-line basis over the estimated useful life of each asset, taking into account the residual value, at the following annual rates:

- Buildings 2.5% to 10%
- Furniture and equipment 10% to 20%
- Leasehold improvements Term of the lease

The assets' residual values and useful lives are reviewed annually and adjusted, if appropriate, at each reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and recorded in net income.

r) Lease assets and liabilities

At inception of a contract that conveys rights to the Corporation to use an identified asset, the Corporation assesses whether the contract is or contains a lease. This assessment involves exercising judgment to determine whether the Corporation has the right to control the use of an identified asset for a period of time in exchange for considerations. If the arrangement is, or contains a lease, the Corporation recognizes a lease asset and a lease liability at the commencement of the lease. Lease assets include both tangible and intangible assets.

The lease asset is initially measured based on the present value of future lease payments plus directly attributable cost, less any lease incentive received. Directly attributable costs are incremental costs of obtaining a lease that would not have otherwise been incurred and that are directly attributable to negotiating and securing a lease. The lease asset is amortized on a straight-line basis over the lesser of the lease term or the asset’s useful life. The lease asset is subject to testing for impairment if there is an indicator for impairment.

Lease liability consists of fixed payments less incentive receivable, variable lease payments that depend on an index or a rate, residual value guarantee, and purchase options price less termination costs. Lease liability is measured at the present value of the remaining lease payments using the incremental borrowing rate implicit in the lease.

When the lease contains an extension or purchase option that the Corporation considers reasonably certain to be exercised, the exercise price of the option is included in the lease liability.

s) Intangible assets

Capitalized software that is not an integral part of the equipment is accounted for as an intangible asset. Software development costs, which are comprised of labour and material costs for design, construction, testing, and other costs directly attributable to bringing the asset to a condition where it can be applied in its intended use, are capitalized for projects expected to be of continuing benefit to the Corporation, or expensed where the potential future benefits are uncertain or not quantifiable. Where software in development is not available for its intended use, the software development costs are classified as an asset under construction. Once the asset is available for intended use, it will be classified as an intangible asset.

Finite life intangible assets are initially recorded at fair value and subsequently carried at cost less accumulated amortization and impairment losses. Intangible assets with finite useful lives are amortized over their estimated useful lives when they are available for use on a straight-line basis at 10% to 20%, taking into account the residual value.

Indefinite life and not available for use intangible assets are not subject to amortization, but are assessed for indicators of impairment at each reporting date.

The assets' residual value and useful lives are reviewed annually and adjusted, if appropriate, at each reporting date.

t) Impairment of assets

Impairment of financial assets

Financial assets not carried at FVTPL are assessed at each reporting date to determine if there is objective evidence of impairment such as deterioration in the financial health of the investee, industry and sector performance, changes in technology, financing and operational cash flows, and the significance of any deterioration in the fair value of the asset below cost. In addition, for equity and other financial investments, a prolonged decline is also considered objective evidence of impairment. Where objective evidence of impairment exists, an impairment loss will be recognized as follows:

- For AFS financial assets, the related unrealized loss charged to OCI is reclassified to impairment loss.
- For Loans, the related difference between the amortized cost carrying amount and the fair value, calculated as the present value of the estimated future cash flows, directly from the loan or the sale of collateral, discounted at the asset's original effective interest rate, is recognized in investment income.

If the fair value of a previously impaired debt instrument classified as AFS or a financial asset measured at amortized cost increases, and the increase can be objectively related to an event occurring after the impairment loss was recognized, the impairment loss is reversed in investment income. Impairment losses on equity and other financial investment instruments are not reversed.

Impairment of non-financial assets

The Corporation's non-financial assets consist primarily of investment properties, property and equipment, intangible assets and lease assets. An impairment review is carried out at the end of each reporting year to determine if there are any indicators of impairment. When indicators of impairment exist, the Corporation assesses the asset for impairment. Investment properties are assessed for impairment as separate and identifiable cash-generating units, distinct from the other operations of the Corporation. All other assets are assessed as a group as their cash flows are generated from the operations of the Corporation. If an asset is impaired, the Corporation's carrying amount is written down to its estimated recoverable amount when material. The recoverable amount is the higher of fair value less costs to sell and value in use. Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date. If there is a change in estimate of the recoverable amount, an impairment loss is reversed to net income on the consolidated statement of comprehensive income only to the extent that the asset's carrying value does not exceed the carrying value that would have been determined, net of depreciation, if no impairment loss had been recognized.

u) Current and non-current classification of assets and liabilities

Assets are considered current when expected to be realized within one year of the reporting date. Liabilities are considered current when expected to be settled within one year of the reporting date.

The Corporation presents the statement of financial position on basis of liquidity. The classification of current and non-current of assets and liabilities is disclosed in the notes to the financial statements.

3. Critical Accounting Estimates and Judgments

In preparation of the consolidated financial statements, the Corporation makes judgments in applying the Corporation's accounting policies. The judgments that have the most significant effect on the amounts recognized in the consolidated financial statements include the assessment of impairment indicators in determining the impairment, if any, in the financial investment portfolio and non-financial investments. In addition, management makes assumptions in developing estimates in preparing the consolidated financial statements. Estimates subject to uncertainty include the provision for unpaid claims, the valuation of Level 3 investments, and the valuation of pension and post-retirement benefit obligations. Management believes its estimates and judgments to be appropriate; however, due to estimation uncertainty the actual results may be materially different. Particular sources of estimation uncertainty include the impacts of product reform and Enhanced Care and the related costs and savings on the provision for unpaid claims and deferred premium acquisition costs. Other sources of economic uncertainty include the effects of economic conditions, including inflation, potential impacts of the recent Russian invasion of Ukraine, and the COVID-19 pandemic on the future development of the Corporation's assets and liabilities. These areas of judgment and critical accounting estimates are described below.

Significant accounting estimates and judgments include:

Areas of Judgment

a) Impairment of financial assets

Judgment is required to determine if there is objective evidence of impairment of financial assets. The Corporation evaluates, among other factors, the financial health of the investee, industry and sector performance, changes in technology, financing and operational cash flows, and the significance of deterioration in the fair value of the asset below cost. In addition, for equity and other investments, a prolonged decline is considered objective evidence of impairment (note 11).

b) Significant influence

The Corporation owns more than 20% of various investment entities. However, the Corporation does not have significant influence in any of these entities. In determining whether the Corporation has significant influence over an entity, judgment is applied considering all the facts such as whether or not it has the power or only protective rights to exert influence over investment activities.

Estimates Subject to Uncertainty

c) Provision for unpaid claims

The provision for unpaid claims is established according to accepted actuarial practice in Canada. An unbiased estimate (best estimate) of claims costs is produced and discounted to determine a present value as of the reporting date, and a PfAD is included based on the uncertainty associated with the estimate. Methods of estimation have been used which the Corporation believes produce reasonable results given current information (note 15).

The Corporation's provision for unpaid claims is an estimate subject to volatility, which could be material in the near term. The estimation of claims development involves assessing the future behaviour of incurred claims, taking into consideration changes to the insurance product, as well as the closure rates, payment patterns, consistency of the Corporation's claims handling procedures, the legal representation status of claims, historical delays in reporting of claims, and the historical and forecasted levels of inflation. In general, the more time required for the settlement of a group of claims, the more uncertain the estimates will be. Variability can be caused by receipt of additional information, significant changes in the average cost or complexity of claims over time, significant changes in the Corporation's claims operations, the timing of claims payments, product and legal reforms with limited or no experience, and future rates of investment return and inflation.

The ultimate cost of claims that settle over a long period of time is particularly challenging to forecast for several reasons, which include changes in the legal environment, case law or legislative amendments, and periods of time between the occurrence date of a claim and the date it is reported to the Corporation. The Corporation is subject to litigation arising in the normal course of conducting its insurance business, which is taken into account in establishing the provision for unpaid claims and other liabilities. Provisions for such liabilities are established by examining the facts of tendered claims and are adjusted in the aggregate to reflect ultimate loss expectations based upon historical experience patterns, current socio-economic trends and for certain claims, structured settlements that are provided in the form of consistent periodic payments as opposed to lump-sum payments.

To recognize the uncertainty in establishing a best estimate of the provision for unpaid claims, and consistent with the requirements of the Standards of Practice of the Canadian Institute of Actuaries, the Corporation includes a PfAD, consisting of three elements: an interest rate margin, a reinsurance margin, and a claims development margin. The interest rate margin reduces the expected investment rate of return used for discounting to make allowance for i) asset liability mismatch risk, ii) uncertainty in the timing of claims settlement, and iii) credit risk within the investment portfolio. The reinsurance margin makes allowance for the collectability of recoverable amounts from reinsurers and is a reduction in the expected amount of reinsurance recoverable. The claims development margin makes allowance for the various factors that can create greater uncertainty in the estimates of ultimate claims costs, including i) changes in the Corporation's operations (e.g., claims practices), ii) the underlying data upon which the unpaid claims estimates are based, and iii) the nature of the lines of business written. The claims development margin is a percentage of the unpaid claims, gross of reinsurance, and is larger for injury lines that generally require more time for claims to settle and close.

The Corporation also assesses the adequacy of its insurance liabilities at the end of each reporting period to ensure that they are sufficient to capture expected future cash outflows. All changes to the estimate since the end of the last reporting period are recorded in the current period as a 'Change in estimates for losses occurring in prior years' in the consolidated statement of comprehensive income.

The Corporation has considered the impacts of tort reform and the new Enhanced Care insurance model in the estimation of the provision for unpaid claims. The impact of these changes creates additional source of estimation uncertainty, as there is limited historical experience under the tort reform and no historical experience under the Enhanced Care insurance model.

d) Pension and post-retirement benefits

The cost of pension and post-retirement benefits earned by employees is actuarially determined using the Projected Unit Credit Method and management's best estimate of future compensation levels and healthcare costs.

The key assumptions used in calculating the cost of pension and post-retirement benefits are the discount rate, rate of compensation increase, inflation rate, life expectancies and extended healthcare cost trends. Together with plan member data, these and other assumptions are used to estimate future benefit eligibility, amount and duration of payments. The rate determined for each of the key assumptions is disclosed in note 18.

The discount rate is used to calculate the present value of the expected future benefit payments and to calculate interest on the net liability. The discount rate is based on high-grade corporate bond yields at the measurement date.

The rate of compensation increase reflects individual job progression, general price level increases, productivity, seniority, promotion, and other factors.

The inflation rate assumption is based on an assessment of historical data, the Bank of Canada target inflation range and the inflation expectations implied by the Government of Canada nominal and real return long-term bond yields.

Life expectancies are based on Canadian mortality tables, and contain a provision for future longevity improvements.

The extended healthcare trend rate is based on an analysis of plan experience, assumptions about the trend in total healthcare costs, and the proportion that will be covered by private plans.

With the exception of the discount rate, which is based on market conditions at the financial statement date, all other assumptions are management's best estimate (note 18).

e) COVID-19 economic uncertainty

In March 2020, the World Health Organization declared a global pandemic related to COVID-19. The magnitude of the impact of the COVID-19 pandemic on local and global commerce continues to evolve as it depends on future development of measures taken by government and central banks to stabilize the economy. Hence, there continues to be ongoing uncertainty surrounding the extent and duration of the impact that COVID-19 might have on the investment portfolio of the Corporation, claims costs (frequency and severity), premium revenues and receivables, and post-retirement benefit obligations (fair value of investments and the obligation for pension benefits and the related funding requirements).

The Corporation has considered the impact of COVID-19 in the estimation of the provision for unpaid claims. The impact of COVID-19 creates additional sources of estimation uncertainty as the estimation of claim frequency and severity may be affected by the reduction of vehicles on the road, changes in the timing of reporting claims, and delays in legal, medical, and vehicle repair services; and as the discount rate may be affected by changes in investment values and cash flows.

The long-term impact of COVID-19 on the pension and post-retirement benefits assumptions is also uncertain and introduces additional estimation uncertainty. As a result of the uncertainty, actual results may differ materially from the Corporation's estimates. The valuation of pension assets and the discount rate were determined at the reporting date based upon the best available information. The Corporation has considered if COVID-19 would have an impact on any of the other assumptions and has concluded, based on the information currently available, that the long-term assumptions remain appropriate. As new information emerges, assumptions will be updated as necessary and the consequential impact will be recorded in future reporting periods.

f) Russian invasion of Ukraine

As a result of the Russian invasion of Ukraine, beginning on February 28, 2022, sanctions were put in place to halt trading of Russian securities in major stock exchanges and major index providers have removed Russian equities from their indexes. As a result, the Corporation’s investment manager has fully written off investments with Russian exposure. The Corporation has determined that there is minimal residual impact on its financial investments. However, there is ongoing uncertainty surrounding the extent of the potential macroeconomic impact on the Corporation’s investment portfolio and business activities as the war continues to evolve. The Corporation is developing business practices to ensure compliance with the sanctions related to Russia via the *Special Economic Measures (Russia) Regulations*.

g) Product reform

Legislation was enacted on May 17, 2018 to reform the Basic insurance product to limit pain and suffering payouts for minor injuries and create an independent dispute resolution process for injury claims effective April 1, 2019 (note 23). The product reform significantly decreased claims costs associated with accidents occurred on or after April 1, 2019. Key factors that contributed to the overall reduction in claims cost pressures include: a) the limit on general damages of $5,500 apply to minor injuries, b) the enhancements in accident benefits coverage, c) other insurance (collateral benefits) are primary for most medical and wage loss amounts when it is available and, d) bodily injury claims disputes valued up to $50,000 are resolved by the Civil Resolution Tribunal (CRT) instead of the Supreme Court of B.C. As a result, the premium deficiency from the beginning of fiscal year 2019 was eliminated and deferred premium acquisition costs continue to be recognized and amortized in future years, as outlined in note 20.

The impact of the product reform has been favourable and contributed to improvement in the Corporation’s financial stability. Given the limited history of the product reform, there is material estimation uncertainty in the measurement of these costs. Any recognition of additional impact has been reflected in the change in estimates for losses occurring in prior years.

h) Enhanced Care

On May 1, 2021, the Corporation implemented a new care-based insurance model (note 1). The impact of the new insurance model has been reflected in the estimate of current year claims costs, and affects the estimate of claims costs used in determining the asset associated with the deferred premium acquisition costs (note 20). Given the lack of historical experience under this model, there is estimation uncertainty in the measurement of these costs.

i) Fair value of level 3 investments

The fair value of financial instruments where no active market exists or where quoted prices are not otherwise available are determined by using valuation techniques and relying on significant unobservable inputs. In these cases, the fair values are estimated from observable data in respect of similar financial instruments, unobservable data using models or both. Where market observable inputs are not available, they are estimated based on appropriate assumptions. Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed by an external qualified personnel independent of those that sourced them (note 2i).

Inherently there is significant estimation uncertainty arising from the judgments and assumptions in determining fair value of these investments.

4. New Accounting Pronouncements

a) Standards and interpretations effective for the year ended March 31, 2022

The Corporation has adopted the standards and interpretations that are relevant to the operations of the Corporation and effective for the year ended March 31, 2022. There were no material impacts to the Corporation's consolidated financial statements from the adoption of new standards.

b) Standards and interpretations issued but not yet effective and not early adopted

Standards and interpretations issued that are relevant to the operations of the Corporation, but not yet effective include:

- IFRS 9 *Financial Instruments*. Effective for annual periods beginning on or after January 1, 2018; early adoption is permitted. The Corporation has deferred the implementation of IFRS 9 until its fiscal year beginning April 1, 2023, as allowed under the amendments to IFRS 4 *Insurance Contracts*. IFRS 9 brings together the classification and measurement, impairment and hedge accounting to replace IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 introduces a principles-based approach to the classification of financial assets based on an entity’s business model and the nature of the cash flows of the asset. All financial assets are measured at FVTPL, fair value through OCI or amortized cost. For financial liabilities, IFRS 9 includes the requirements for classification and measurement previously included in IAS 39. IFRS 9 also introduces an expected loss impairment model for all financial assets at amortized costs. The model has three stages: (1) on initial recognition, 12-month expected credit losses are recognized in profit or loss and a loss allowance is established; (2) if credit risk increases significantly and the resulting credit risk is not considered to be low, full lifetime expected credit losses are recognized; and (3) when a financial asset is considered impaired, interest revenue is calculated based on the carrying amount of the asset, net of the loss allowance, rather than its gross carrying amount. Finally, IFRS 9 introduces a new hedge accounting model that aligns the accounting for hedge relationships more closely with an entity's risk management activities, permits hedge accounting to be applied more broadly to a greater variety of hedging instruments and risks and requires additional disclosures. The Corporation has selected its accounting policies and is currently evaluating the impact of this standard on its consolidated financial statements.

- IFRS 17 *Insurance Contracts.* Effective for annual periods beginning on or after January 1, 2023. Early adoption is permitted for entities that apply IFRS 9 and IFRS 15 on or before the initial application of IFRS 17. The standard establishes the principles of recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4. The standard was issued in May 2017 and requires all insurance contracts to be accounted for in a consistent manner, benefiting both investors and insurance companies. Insurance obligations will be accounted for using current values. The information will be updated regularly, providing more useful information to users of financial statements. The standard will be effective for the Corporation on April 1, 2023, and reflected in the Corporation's consolidated financial statements for the year ending March 31, 2024. The Corporation has considered the impact of this standard on its consolidated financial statements, finalized the selection of accounting policies, and adopted a technological solution to assist with the IFRS 17 reporting. The Corporation is in the continuing process of implementing the technological solution and continuously evaluating the impact of this standard on its consolidated financial statements.

- IAS 1 *Presentation of Financial Statements, Classification of Liabilities as Current or Non-current*. Effective for annual periods beginning on or after January 1, 2023; early adoption is permitted. Amended to clarify that the classification of liabilities as current or non-current should be based on the rights that are in existence at the end of the reporting period, the classification is unaffected by expectations of the entity or events after the reporting date, and the definition of settlement. The standard will be effective for the Corporation on April 1, 2023, and reflected in the Corporation's consolidated financial statements for the year ending March 31, 2024. The adoption of this amendment is not expected to have a material impact to the Corporation's consolidated financial statements.

- IAS 1 *Presentation of Financial Statements, Disclosure of Accounting Policies* (Amendment). Effective for the annual periods beginning on or after January 1, 2023; early adoption is permitted. Amended to require entities to disclose their material accounting policies rather than their significant accounting policies. The standard will be effective for the Corporation on April 1, 2023, and reflected in the Corporation's consolidated financial statements for the year ended March 31, 2024. The adoption is not expected to have a material impact to the Corporation's consolidated financial statements.

- IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Accounting Estimates* (Amendment). Effective for the annual periods beginning on or after

January 1, 2023; early adoption is permitted. Amended to clarify the definition of "accounting policies" and "accounting estimates" by making those two definitions more distinct and concise. The standard will be effective for the Corporation on April 1, 2023, and reflected in the Corporation's consolidated financial statements for the year ended March 31, 2024. The adoption is not expected to have a material impact to the Corporation's consolidated financial statements.

- IFRS 10 *Consolidated Financial Statements* and IAS 28 *Long term Interests in Associates and Joint Ventures* (Amendment). Effective for the annual periods beginning on or after a date to be determined by IASB; early adoption is permitted. Changes to these standards amend the accounting for sales or contribution of assets between an investor and its associate or joint ventures, and accounting guidance for a parent in the loss of control of a subsidiary. The adoption is not expected to have a material impact on the Corporation's consolidated financial statements.

- IAS 16 *Property, Plant and Equipment* (Amendment). Effective for annual periods beginning on or after January 1, 2022; early adoption is permitted. Amends to prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognize such sales proceeds and related cost in profit or loss. The standard will be effective for the Corporation on April 1, 2022, and reflected in the Corporation's financial statements for the year ending March 31, 2023. The adoption is not expected to have a material impact on the Corporation's consolidated financial statements.

5. IFRS 9 deferral disclosure

The Corporation has elected to defer implementation of IFRS 9 to the fiscal year commencing April 1, 2023, based on an assessment of the Corporation's consolidated financial statements as at December 31, 2015, as permitted by the amendments to IFRS 4 issued on June 25, 2020.

The Corporation qualifies for this deferral as IFRS 9 has not previously been applied and the carrying amount of its liabilities arising from insurance contracts was significant (greater than 90%) when compared to the total amount of liabilities of the Corporation as at December 31, 2015. The Corporation's predominant business activity therefore continues to be in connection with insurance contracts and the eligibility to defer IFRS 9 implementation remains.

The following table distinguishes the Corporation's financial assets that give contractual rise to cash flows that are solely payments of principal and interest (SPPI), excluding those held for trading, and all other financial assets. The assets are presented at fair value for the year ended March 31, 2022.

($ THOUSANDS)		2022		2021
		Fair Value		Fair Value
Financial assets				
SPPI (excluding held for trading)				
Cash and cash equivalents	$	29,654	$	19,641
Accrued interest		40,024		59,943
Other receivable[1]		528,545		484,248
Type 2 structured settlements		16,099		17,537
Money market securities		6,019		3,498
Bonds		7,293,745		11,145,959
Mortgages		420,743		778,119
	$	8,334,829	$	12,508,945
Other financial assets				
Non-SPPI bonds		146,284		168,431
Pooled funds classified as debt instruments		10,850,343		7,594,180
Investments held through investment entities		1,055,085		636,597
Equities		238,144		208,782
	$	12,289,856	$	8,607,990

[1] *Given the short-term nature of other receivable, the carrying amount has been used as a reasonable approximation of fair value.*

Credit risk

IFRS 9 will require the Corporation to recognize a loss allowance for expected credit losses on financial assets that meet the SPPI conditions and are held for the purpose of collecting contractual cash flows. The credit risk rating for money market securities and bonds in the above table that meet these conditions (SPPI, excluding held for trading) can be found in note 10b. Mortgages and other receivables (including type 2 structured settlements) are assessed for significant increases to credit risk based on past due analyses. All directly held mortgages are current as at March 31, 2022. See note 10b for an aging table for other receivables.

6. Investments

a) Financial investments

($ THOUSANDS)		Financial Investments			
	Classification	Investments In Pooled Funds	Investments Held Directly	Investments Held Through Investment Entities	Total Carrying Value
March 31, 2022					
Fixed-income investments					
Money market securities	AFS	$ 830,283	$ 6,019	$ -	$ 836,302
Mortgages	Loans	-	412,125	-	412,125
Mortgage funds	AFS	748,063	-	89,986	838,049
Bond funds	AFS	2,216,886	-	-	2,216,886
Bonds					
Federal	AFS	-	2,694,798	-	2,694,798
Provincial	AFS	-	1,817,543	-	1,817,543
Municipal	AFS	-	-	-	-
Corporate	AFS	-	2,927,688	-	2,927,688
Total bonds		-	7,440,029	-	7,440,029
Total fixed-income investments		3,795,232	7,858,173	89,986	11,743,391
Equity investments					
Domestic	AFS	326,618	238,144	-	564,762
Global	AFS	4,973,595	-	-	4,973,595
Total equity investments		5,300,213	238,144	-	5,538,357
Other financial investments					
Domestic real estate	AFS	855,841	-	-	855,841
Global real estate	AFS	2,113	-	453,666	455,779
Global infrastructure	AFS	36,182	-	338,145	374,327
Global mezzanine debt	FVTPL	221,300	-	-	221,300
Global mezzanine debt	AFS	89,220	-	-	89,220
Other	AFS	550,242	-	173,288	723,530
Total other financial investments		1,754,898	-	965,099	2,719,997
Total financial investments		$ 10,850,343	$ 8,096,317	$ 1,055,085	$ 20,001,745
March 31, 2021					
Fixed-income investments					
Money market securities	AFS	$ 582,391	$ 3,498	$ -	$ 585,889
Mortgages	Loans	-	762,833	-	762,833
Mortgage funds	AFS	663,718	-	111,596	775,314
Bonds					
Federal	AFS	-	5,125,599	-	5,125,599
Provincial	AFS	-	2,600,545	-	2,600,545
Municipal	AFS	-	106,210	-	106,210
Corporate	AFS	-	3,482,036	-	3,482,036
Total bonds		-	11,314,390	-	11,314,390
Total fixed-income investments		1,246,109	12,080,721	111,596	13,438,426
Equity investments					
Domestic	AFS	1,630,777	208,749	-	1,839,526
Global	AFS	3,419,550	33	-	3,419,583
Total equity investments		5,050,327	208,782	-	5,259,109
Other financial investments					
Domestic real estate	AFS	581,023	-	-	581,023
Global real estate	AFS	721	-	224,718	225,439
Global infrastructure	AFS	35,913	-	300,150	336,063
Global mezzanine debt	FVTPL	220,716	-	-	220,716
Global mezzanine debt	AFS	97,464	-	-	97,464
Other	AFS	361,907	-	133	362,040
Total other financial investments		1,297,744	-	525,001	1,822,745
Total financial investments		$ 7,594,180	$ 12,289,503	$ 636,597	$ 20,520,280

The Corporation's investment in pooled funds are denominated 96.1% (2021 – 95.3%) in Canadian dollars. The Corporation's investment held through investment entities are denominated 100% (2021 – 100%) in Canadian dollars. The above equity and other financial investment disclosure presents the Corporation's interest in pooled funds and investments held through investment entities by looking through the funds, and classifying by the type of the underlying investments, which is consistent with how the Corporation manages risk and monitors performance.

Money market securities, bonds, bond funds, mortgage funds, equity and other financial investments are carried at their fair value. The fair value of directly held mortgages is determined to be consistent with Level 3 investments based on the inputs to the valuation technique used (note 2i). Directly held mortgages are measured at amortized cost and have an estimated fair value of $420.7 million (2021 – $778.1 million). The fair value of the directly held mortgages is determined by applying a discount rate ranging from 1.3% to 4.0% (2021 – 1.6% to 3.4%).

Pooled funds and investments held through investment entities

The Corporation invests in pooled funds and investments held through investment entities; the investment strategies of some of these funds and investments include the use of leverage. As at March 31, 2022, the Corporation's interest in pooled funds range from 1.9% to 36.2% (2021 – 1.4% to 30.5%) and investments hold through investment entities range from 7.0 % to 100% (2021 – 7.0% to 100%) of the net assets of the respective funds and investments. The funds and investments are managed by external asset managers. The Corporation has a percentage ownership in each of the pooled funds and investments that entitle the Corporation to a proportional share in the respective fund's net assets. The carrying value of the Corporation's investments in pooled funds (including investments held through investment entities) as at March 31, 2022 is $11.91 billion (2021 – $8.23 billion).

The change in fair value of each AFS pooled fund is included in the OCI section within the consolidated statement of comprehensive income in 'Net change in available for sale financial assets'. One of the pooled fund investments is designated as FVTPL and as a result, the change in fair value is recorded in investment income on the consolidated statement of comprehensive income.

The Corporation's maximum loss exposure from its interests in the pooled funds is equal to the total fair value of these investments.

Asset-backed securities

The Corporation purchases bonds that are secured by various assets as part of its investment strategy. The majority of the bonds are issued by Canadian corporate entities and are secured by credit card, auto, or equipment receivables. Also, the Corporation invests in AAA rated senior securities issued by securitization trusts that have a first lien on assets. The weighted-average duration of the asset-backed securities in the Corporation's portfolio is 1.3 years (2021 – 2.3 years) and the coupon interest rates range from 2.3% to 2.6% (2021 – 2.3% to 2.6%).

As at March 31, 2022, the carrying value of asset-backed securities included in financial investments in the consolidated statement of financial position is $22.4 million (2021 – $23.3 million). This amount also represents the maximum exposure to losses at that date.

The Corporation also has one mortgage backed security with a carrying value of $16.9 million (2021 – one at $17.3 million) and an estimated fair value of $17.3 million (2021 – $18.5 million). The mortgage backed security is included in financial investments as a mortgage and is secured by a first priority mortgage charge on a Class A real estate property. The fixed interest rate on the mortgage backed security is 4.9% (2021 – 4.9%) and the mortgage will mature in less than two years.

b) Investment properties

The movement in the carrying value of investment properties is as follows:

($ THOUSANDS)		2022		2021
Cost				
Balance, beginning of year	$	695,017	$	731,736
Capital improvements		8,347		6,832
Reclassification to assets held for sale		(252,446)		(68,174)
Reverted from assets held for sale to investment properties		-		30,762
Disposals		(95,107)		-
Impairment loss		(1,106)		(6,139)
Balance, end of year		354,705		695,017
Accumulated depreciation				
Balance, beginning of year		136,684		121,654
Depreciation		19,191		21,688
Reverted from assets held for sale to investment properties		-		2,552
Disposals		(12,188)		-
Reclassification to assets held for sale		(44,026)		(9,210)
Balance, end of year		99,661		136,684
Carrying value, end of year	$	255,044	$	558,333

The fair value of investment properties is $0.40 billion (2021 – $0.76 billion) and based on the inputs to the valuation technique used, the valuation of these investment properties is Level 3. As at March 31, 2022 and March 31, 2021, the estimated fair value is based on independent appraisals, by professionally qualified external valuators or using the income approach to estimate fair value through the direct capitalization method and/or the discounted cash flow analysis as determined by an external investment manager.

As at March 31, 2022, four (2021 – two) investment properties remain in assets held for sale.

c) Lease income

The Corporation leases out its investment properties. As of March 31, 2022, the future minimum lease cash receipts under non-cancellable leases over the next five years and beyond are as follows:

($ THOUSANDS)	2022		2021	
	Lease Income	Net Present Value	Lease Income	Net Present Value
Up to 1 year	$ 22,403	$ 21,608	$ 36,176	$ 35,304
Greater than 1 year, up to 5 years	55,518	49,398	96,187	88,878
Greater than 5 years	24,999	20,126	52,510	45,359
	$ 102,920	$ 91,132	$ 184,873	$ 169,541

7. Financial Assets and Liabilities

a) Fair value hierarchy

The following table presents the fair value hierarchy for financial assets and liabilities measured at fair value in the consolidated statement of financial position. During fiscal years 2022 and 2021, there were no transfers between Level 1, Level 2 and Level 3. The Corporation's policy is to recognize transfers into and out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

($ THOUSANDS)	Fair Value Measurements at Reporting Date			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
March 31, 2022				
Cash and cash equivalents	$ 29,654	$ -	$ 29,654	$ -
Fixed-income investments, excluding directly held mortgages	11,331,266	-	10,493,217	838,049
Equity investments	5,538,357	238,144	5,300,213	-
Other financial investments	2,719,997	-	-	2,719,997
Total financial assets	$ 19,619,274	$ 238,144	$ 15,823,084	$ 3,558,046
March 31, 2021				
Cash and cash equivalents	$ 19,641	$ -	$ 19,641	$ -
Fixed-income investments, excluding directly held mortgages	12,675,593	-	11,900,279	775,314
Equity investments	5,259,109	208,782	5,050,327	-
Other financial investments	1,822,745	-	-	1,822,745
Total financial assets	$ 19,777,088	$ 208,782	$ 16,970,247	$ 2,598,059

Cash and cash equivalents (Level 2) is valued using the end of day exchange rates. Level 2 money market securities within fixed-income investments and equity investments (pooled funds) are valued using net asset value or pricing matrices derived from yield quotations, or if one does not exist, cost plus accrued interest. Bonds and money market pooled fund within Level 2 fixed-income investments are valued using the quoted market price or dealer quotes for similar instruments exchanged in active markets.

The table below shows the movement of financial assets where fair value has been determined based upon significant unobservable inputs (Level 3). Level 3 investments consist of all the pooled funds and investments held through entities or collectively, the other financial investments and the mortgage funds.

The fair values of the real estate pooled investments are provided by the investment managers and are based on the appraised or calculated market value plus the net assets and liabilities combined with any cash flows. The global mezzanine debt funds valuations are provided by the investment managers and are based on the discounted cash flow method using yields of assets with similar characteristics combined with cash flows. The global infrastructure valuations are provided by the investment manager and are based on various methods such as the discounted cash flows, appraisals and audited financial statements. The private fixed-income funds and private equity funds valuations are provided by the investment manager and are based on the observed external price, if one exists, or if one does not exist, discounted cash flows using the yields of externally priced comparable private or public fixed-income assets. The consolidated mortgage fund's value is provided by the investment manager and is based on a discounted cash flow that uses a risk-free rate of return and a mortgage credit spread for fixed term mortgages, for variable mortgages, valuations are based on the principal balance plus accrued interest and for other mortgage investments, valuations may be based on audited financial statements and discounted cash flows.

($ THOUSANDS)	Fair Value Measurements using Level 3 Inputs	
	Equities and Other Financial Investments	
March 31, 2022		
Balance, beginning of year	$	2,598,059
Additions		2,504,708
Disposals		(1,635,871)
Market value adjustment		91,150
Balance, end of year	$	3,558,046
March 31, 2021		
Balance, beginning of year	$	2,152,773
Additions		2,338,423
Disposals		(1,805,246)
Market value adjustment		(87,891)
Balance, end of year	$	2,598,059

The fair value of derivative instruments not designated as accounting hedges is as follows:

($ THOUSANDS)	2022		2021	
	Notional Amount	Fair Value	Notional Amount	Fair Value
Non-designated derivative instruments				
Assets				
Forward contracts	$ 2,187,494	$ 24,019	$ 548,143	$ 8,082
Foreign exchange swaps	-	-	805,921	15,515
	$ 2,187,494	$ 24,019	$ 1,354,064	$ 23,597
Liabilities				
Foreign exchange swaps	$ 154,579	$ 1,395	$ -	$ -
Interest rate swap - investment properties	-	-	91,850	984
	$ 154,579	$ 1,395	$ 91,850	$ 984

The Corporation uses foreign exchange forward contracts and swaps to hedge the foreign exchange risks associated with its foreign currency financial investments. All forward contracts and swaps have settlement dates within one year.

The non-designated derivative financial instruments are classified as Level 2. Forward contracts are valued based on the difference between the forward rate at the contract initiation date and the remaining forward term rate on the reporting date. Swap contracts are valued at the present value of their expected cash flows on the reporting date.

b) Other financial assets

Other financial assets include accrued interest, premiums and other receivables, and reinsurance assets. The fair values of the other financial assets excluding structured settlements and reinsurance recoverables approximate their carrying values due to their short-term nature. The fair value of the structured settlements and reinsurance recoverable are based on present value of future cash flows. The non-current portion of the other financial assets is $65.4 million (2021 – $47.1 million).

c) Financial liabilities

Financial liabilities include cheques outstanding, accounts payable and accrued charges, provision for premium rebates/refunds, net bond repurchase agreements, investment-related and other liabilities, and lease liabilities. All financial liabilities are carried at cost or amortized cost. Except for lease liabilities, investment-related and other liabilities, the fair values of financial liabilities approximate their carrying values due to their short-term nature. The estimation of fair value of investment-related and other liabilities is discussed in note 8, and for lease liabilities in note 9.

As at March 31, 2022, the general ledger bank balances representing deposits in transit were $122.6 million (2021 – $160.8 million) and the general ledger bank balances representing outstanding cheques were $253.4 million (2021 – $227.0 million), netting to a cheques outstanding balance of $130.8 million (2021 – $66.2 million) on the consolidated statement of financial position.

During fiscal year 2021, the Corporation approved the issuing of two COVID-19 rebates totalling $950.0 million to policyholders as a result of claims costs savings net of lower premiums from customers cancelling and reducing coverage related to the pandemic. Costs savings experienced were due to lockdown restrictions that reduced driving activity resulting in fewer crashes. As at March 31, 2022, the COVID-19 rebates have been paid in full.

In addition, the Enhanced Care Coverage insurance model became effective on May 1, 2021 and the Corporation provided refunds to customers for the difference between their existing Autoplan coverage and the new, lower-cost Enhanced Care coverage, for the portion of their existing policy that went past May 1, 2021. As at March 31, 2021, the Corporation was obligated to provide the Enhanced Care refund to the customers given the legislative approval of the Enhanced Care Coverage Bill in August 2020. The total amount of Enhanced Care refund was $594.5 million. As at March 31, 2022, Enhanced Care refunds have been paid in full.

During fiscal year 2022, the Corporation approved the issuing of a Relief Rebate totalling $396.0 million to policyholders who had an active eligible Basic insurance certificate that was in effect at any time during the month of February 2022. As at March 31, 2022, the Relief Rebate payable of $396.0 million is presented as a provision for premium rebates/refunds in the consolidated statement of financial position.

8. Net Bond Repurchase Agreements, Investment Related and Other Liabilities

($ THOUSANDS)	2022		2021	
	Carrying Value		Carrying Value	
Net bond repurchase agreements	$	1,947,260	$	2,097,612
Investment-related liabilities		121,328		164,730
Other liabilities		600,449		7,169
Total net bond repurchase agreements, investment-related, and other liabilities	$	2,669,037	$	2,269,511
Non-current portion	$	5,371	$	48,295

Investment-related liabilities are comprised of mortgages payable of $121.3 million (2021 – $143.8 million) with repayment terms ranging from within one year to seven years and interest rates ranging from 2.9% to 4.6% (2021 – 2.8% to 5.4%). The fair value of investment-related liabilities approximates carrying value. Other liabilities consist of accrued interest payable and unsettled trades. All of these liabilities are classified as Level 3 under the fair value hierarchy.

Estimated principal repayments for investment-related and other liabilities are as follows:

($ THOUSANDS)	2022		2021	
Up to 1 year	$	716,406	$	123,604
Greater than 1 year, up to 5 years		616		15,697
Greater than 5 years		4,755		32,598
	$	721,777	$	171,899

9. Lease Liabilities

Lease liabilities are as follows:

($ THOUSANDS)		2022		2021
Up to 1 year	$	13,924	$	13,642
Greater than 1 year, up to 5 years		33,312		37,575
Greater than 5 years		12,225		16,194
Total undiscounted lease liabilities balance, end of year	$	59,461	$	67,411
Total discounted lease liabilities balance, end of year	$	53,670	$	60,502
Current	$	13,445	$	13,106
Non-current	$	40,225	$	47,396

The fair value of lease liabilities is the present value of cash flows over the remaining term of the leases.

As at March 31, 2022, the Corporation did not have any leases committed to but not yet commenced. As at March 31, 2022, the Corporation had committed to facilities-related expenses associated with leased properties, over the next five years and beyond, at a net present value of $36.1 million (2021 – $31.1 million).

10. Management of Insurance and Financial Risk

As a provider of vehicle insurance products, effective risk management is fundamental in protecting earnings, cash flow, and ultimately the financial stability of the Corporation. The Corporation is exposed to various types of insurance and financial risks including risks of uncertainty resulting from COVID-19 and the Russian/Ukrainian situation (note 3).

a) Insurance risk

The principal risk that the Corporation faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur when the frequency or severity of claims and benefits are greater than estimated. Insurance events have an element of randomness and the actual number and amount of claims and benefits will vary each year from the level established using statistical techniques. The resolution of the legal challenge to the minor injury cap (notes 3f and 15) represents a meaningful risk to the severity of claims incurred since April 1, 2019.

The introduction of the new care-based insurance model has increased the insurance risk as the insurance liabilities for new injury claims under the care model must be established in an absence of direct historical experience. The Corporation has considered relevant experience from other jurisdictions with similar products in determining the appropriate amount of the insurance liabilities. Actual results may be materially different and take many years to emerge.

Frequency is the average number of claims per policy, calculated by dividing the total number of claims by the total number of policies. Severity is the average cost of a claim calculated by dividing the total cost of claims by the total number of claims. There are a number of factors that influence the frequency and severity of claims.

Some factors are affected by the actions of the Corporation and a number of strategies are used to try and reduce cost pressures created by these factors, including claims operational changes, road safety programs, programs to influence driver behaviour such as impaired driving and distracted driving programs, public awareness campaigns, auto crime reduction initiatives, and fraud detection and investigation.

There are other factors that the Corporation has little or no control over, including weather, demographics, court issued settlement awards, plaintiff legal fees, pandemic events, and economic changes, including vehicle parts/repair inflation, supply chain issues and medical expense inflation that influence the cost of claims.

Sources of uncertainty in the estimation of the provision for unpaid claims

To manage the uncertainty associated with estimating the provision for unpaid claims, the Corporation's Chief Actuary employs standard actuarial methods. The estimation of the provision for unpaid claims is determined in accordance with accepted actuarial practice in Canada and is based on reasonable assumptions and appropriate methods that are consistently applied (note 3c), giving appropriate consideration to relevant changes in circumstances such as the COVID-19 pandemic (note 3e), product reform (note 3g) and the new case-based insurance model (note 3g).

There is an inherent uncertainty regarding the assumptions to estimate the amount and timing of future claims payments that make up the provision for unpaid claims. The Corporation is liable for all insured events that occurred during the term of the insurance contract, even if the loss is reported after the end of the contract term. In addition, injury claims may take a long period of time to settle.

Injury claims include bodily injury, accident benefits, and enhanced accident benefits, which account for approximately 49% (2021 – 60%) of total claims costs. The timing of payments of injury claims can be extended due to delayed reporting, as well as extended recovery time required for severe injuries, and the timing and amount of injury payments can exhibit considerable uncertainty because of the complex bodily injury claims environment, including the legal environment.

The Corporation's provision for unpaid claims can be affected by the frequency and severity of claims, the discount rate, and actuarial methods and assumptions. The frequency and severity of claims are discussed above, while the discount rate and the actuarial methods and assumptions are discussed in notes 3 and 15.

Concentration of insurance risk

The Corporation has a diverse customer base as the sole provider of Basic insurance to all drivers in British Columbia. The Corporation operates in one provincial jurisdiction and provides vehicle insurance only, so there is a concentration of insurance risk with respect to geography, jurisdiction, and product type.

The impact of the concentration of insurance risk is quantified through Catastrophe modeling that the Corporation's reinsurance broker updates annually. This testing allows the Corporation to assess, monitor and manage these risks effectively. The concentration of insurance risk is also managed through an Automobile property damage catastrophe reinsurance treaty, a casualty catastrophe reinsurance treaty, and road safety programs such as road improvement strategies, the graduated licensing program, and the distracted driving campaign. As the sole provider of Basic insurance, the Corporation invests in and benefits the most from these programs.

Premium pricing risk

The Corporation is the sole provider of Basic insurance and is not subject to competitive risk for its Basic insurance product. Basic insurance rates are set to cover costs after considering investment returns. Because the insurance rates are determined based on forward looking estimates of costs, the unfavourable variance in costs, in particular claims costs, may result in Basic insurance premiums not being sufficient to cover costs.

The Corporation is subject to legislative requirements with respect to Basic insurance and applies to the BCUC for approval to change its Basic insurance rate. The Corporation is required to make Basic insurance rate applications and the BCUC is required to approve rates set according to accepted actuarial practice. These legislated requirements mitigate the underwriting risk associated with pricing for the Basic insurance product. For the 2020 policy year, the Province of B.C. exempted the Corporation from filing the revenue requirement application (note 24) and accordingly the BCUC approved a 0% rate change in February 2020. The Province of B.C. further exempted the Corporation from filing a revenue requirement application in 2021, and the rates for the 2021 policy year will remain in effect through March 31, 2023.

Regulations establish the rate smoothing framework for Basic insurance rates that allows for the use of capital to reduce volatility. As a result, Basic rates may be set below those required to cover costs, as constrained by the ceiling of the rate smoothing band. Product reform, implemented as part of Rate Affordability Action Plan and effective April 1, 2019, reduced claims costs. In fiscal year 2020, the Basic rate was established below the floor of the rate smoothing band as no rate change was made for policy year 2020, while BCUC had approved a 6.3% increase in Basic insurance rate for policy year 2019. On October 28, 2021, the BCUC approved a 15.0% decrease to Basic insurance rates. The Basic rate application includes a government-directed capital build provision, of 11.5 percentage points, which is expected to allow the Corporation to rebuild its depleted capital over the 23-month term of policy year 2021. To allow for a rate decrease, the rate smoothing framework was suspended for policy year 2021 (note 24).

The Corporation's Optional insurance products compete with other insurers and are subject to underwriting risk and competitive risk.

In fiscal 2021, the Province of B.C. passed legislation to remove the ability of the government to direct the Corporation to transfer capital to government from the Corporation's excess Optional insurance capital.

b) Financial risk

Concentration of financial risk

The Corporation establishes investment portfolio level targets and limits with the objective of ensuring that portfolios are diversified across asset classes and individual investment risks. The Corporation reviews investment positions and risk exposures for concentration risk.

As at March 31, 2022, the equity and other financial investments portfolios were 21.9% (2021 – 0.2%) invested in the government sector, 22.1% (2021 – 19.3%) in the real estate sector, and 13.6% (2021 – 21.6%) in the financial sector. The bond portfolio was 49.8% (2021 – 69.2%) invested in the government sector and 23.7% (2021 – 14.2%) invested in the financial sector. See credit risk for a discussion of the government bonds.

Concentration of geographical risk

Geographical concentration risks arises when the investments are located in the same geographical region. The Corporation reduces geographical concentration risk by dispersing the investments in more than one geographical region. The Corporation has contracted external investment managers to manage its foreign investments in diversified global pooled funds. As at March 31, 2022, the investment portfolio was 79.7% (2021 – 76.6%) invested in Canada, 16.1% (2021 – 16.9%) invested in the United States, and 4.2% (2021 – 6.5%) was invested elsewhere around the world.

Price risk

General economic conditions, political conditions, and other factors affect the equity markets, thereby also affecting the fair value of the equity securities, fixed income funds, and other financial investments (including all pooled funds) held by the Corporation. Fluctuations in the value of these securities impact the recognition of both unrealized and realized gains and losses on equity securities and on the units of funds held. As at March 31, 2022, the impact of a 10% change in prices, with all other variables held constant, would result in an estimated corresponding change to OCI for AFS equities, fixed income funds and other financial investments of approximately $1.19 billion (2021 – $0.82 billion) and to profit or loss for FVTPL equities of approximately $22.1 million (2021 – $22.1 million).

The Corporation holds a widely diversified portfolio, diversified geographically, by sector, and by company, and has policies in place to limit and monitor total equity exposure and individual issuer exposure.

Interest rate risk

When interest rates increase or decrease, the market value of fixed-income securities will decrease or increase respectively with a larger market value impact on instruments with a long duration compared to instruments with a short duration. Fluctuations in interest rates have a direct impact on the market valuation of the Corporation’s directly held fixed-income portfolio. The Corporation is also indirectly exposed to interest rate risk through its investments in fixed-income pooled funds and fixed-income investments held through investment entities. The Corporation's investment yields, which include fixed-income portfolio, are used to derive the discount rate for the provision for unpaid claims (note 10a); therefore, the change in interest rate will also have an impact to the provision for unpaid claims.

The Corporation has policies in place to limit and monitor its exposure to interest rate risk in relation to the duration of its claims liabilities.

The carrying values reported in the consolidated statement of financial position for cash and cash equivalents, premiums and other receivables, accounts payable and accrued charges, and provision for premium rebates/refunds approximate their fair values and are not significantly impacted by fluctuations in interest rates.

In fiscal years 2022 and 2021, the Corporation did not use material derivative financial instruments to hedge interest rate risk on its investment portfolio.

	2022		2021	
	Average Yield (%)	Duration (Years)	Average Yield (%)	Duration (Years)
Bonds				
Canadian				
Federal	2.3	2.7	0.7	3.8
Provincial	2.6	2.8	1.3	4.8
Municipal	-	-	1.8	7.0
Corporate	3.0	3.0	1.4	4.4
Total bonds	2.7	2.7	1.1	4.2
Mortgages	4.0	1.2	3.8	1.4
Total bonds and mortgages	2.8	2.6	1.3	4.1

As at March 31, 2022, a 100 basis point change in interest rates would result in a change of approximately $198.6 million (2021 – $478.8 million) in fair value of the Corporation's bond portfolio and a corresponding impact of approximately $198.6 million (2021 – $478.8 million) to OCI. A 100 basis point change in interest rates would result in a change of approximately $5.0 million (2021 – $10.4 million) in fair value of the Corporation's directly owned mortgages, however there would be no impact to OCI or net income as the mortgage portfolio is measured at amortized cost. Interest rate changes would also result in a partial inverse change to the provision for unpaid claims and the corresponding claims costs (note 10a). With the increase in uncertainty given the current economic environment, there may be volatility in investment yields in the future, and any interest rate changes will have an impact on discount rates used by the Corporation.

Credit risk

Credit risk is the potential for financial loss to the Corporation if the counterparty in a transaction fails to meet its obligations. Financial instruments that potentially give rise to concentrations of credit risk include cash and cash equivalents, fixed-income securities, accounts receivable, reinsurance receivables and recoverables, and structured settlements. The Corporation is also indirectly exposed to credit risk through its investments in fixed-income pooled funds and fixed-income investments held through investment entities. The total direct credit risk exposure is $7.30 billion (2021 – $8.95 billion).

Fixed-income securities

Fixed-income securities are comprised of investment grade bonds and corporate bonds, private debt and mortgages, which are directly held, or in pooled funds. The Corporation mitigates its overall exposure to credit risk in its fixed-income securities by holding the majority of its fixed-income portfolio in investment grade bonds, and by limiting fixed income credit investments to a maximum of 23.0% (2021 – 14.5%) of total investment assets. Credit risk in mortgages is mitigated by the security of the underlying mortgaged property.

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings, where available, or to historical information about counterparty default rates.

The maximum credit risk exposure for fixed-income securities pertain to directly held bond investments and to directly held mortgage investments; however, the Corporation considers Canadian government bonds to be risk-free. Therefore, the total carrying amount is $5.16 billion (2021 – $6.95 billion). There is minimal credit risk exposure to cash.

The counterparty risk associated with repurchase agreements for 2022 and 2021 is not material.

The Corporation's money market securities and bonds by credit quality according to Standard and Poor's are as follows:

($ THOUSANDS)		2022		2021
Money market securities				
AAA	$	6,019	$	3,498
Bonds				
AAA	$	2,717,248	$	5,369,042
AA		730,958		1,421,292
A		2,989,255		3,062,363
BBB		1,002,568		1,461,693
	$	7,440,029	$	11,314,390

Premiums and other receivables

The Corporation has a diverse customer base as it is the sole provider of Basic insurance to all drivers in British Columbia. While there is no significant individual concentration of credit risk, the Corporation's premiums and other receivables are comprised of customers with varying financial conditions.

The credit risk for premiums receivables is mitigated as a customer's policy may be cancelled if the customer is in default of a payment. The maximum credit risk for all other receivables equals their carrying amount. As at March 31, 2022, the Corporation considered $125.4 million (2021 – $108.8 million) of its premiums and other receivables to be uncollectible and has provided for them. The allowance was determined by applying a percentage derived from six years of collection experience by receivable type to the total of current and prior periods' customer billings.

The following table outlines the aging of premiums and other receivables as at March 31, 2022 and at March 31, 2021:

($ THOUSANDS)	Current	Past Due 1 – 30 days	Past Due 31 – 60 days	Over 60 days	Total
March 31, 2022					
Premiums and other receivables	$ 2,009,317	$ 5,050	$ 5,452	$ 172,228	$ 2,192,047
Provision	(2,885)	(2,699)	(2,730)	(117,059)	(125,373)
Total premiums and other receivables	$ 2,006,432	$ 2,351	$ 2,722	$ 55,169	$ 2,066,674
March 31, 2021					
Premiums and other receivables	$ 1,930,017	$ 4,749	$ 4,768	$ 154,395	$ 2,093,929
Provision	(2,782)	(2,551)	(2,585)	(100,879)	(108,797)
Total premiums and other receivables	$ 1,927,235	$ 2,198	$ 2,183	$ 53,516	$ 1,985,132

The movements in the provision for premiums and other receivables are as follows:

($ THOUSANDS)	2022	2021
Balance, beginning of year	$ (108,797)	$ (93,701)
Charges for the year	(37,709)	(35,975)
Recoveries	6,531	7,008
Amounts written off	14,602	13,871
Balance, end of year	$ (125,373)	$ (108,797)

Reinsurance assets

Failure of reinsurers to honour their obligations could result in losses to the Corporation. The maximum credit risk exposure equals the carrying amount of $43.6 million (2020 – $28.4 million). The Corporation has policies that require reinsurers to have a minimum credit rating of A-. No single reinsurer represents more than 25% of the total reinsurers' share of the provision for unpaid claims and adjusting expenses in a contract year. Both these items mitigate the Corporation's exposure to credit risk. No amount owing from the reinsurers was considered impaired as at March 31, 2022 or March 31, 2021.

($ THOUSANDS)		2022		2021
Reinsurance recoverable (note 15)	$	41,544	$	25,963
Reinsurance receivable		2,052		2,478
Reinsurance assets	$	43,596	$	28,441

Liquidity risk

A significant business risk of the insurance industry is the uncertain ability to match the cash inflows from premiums and the investment portfolio with the cash requirements of the policy liabilities and operating expenses. The timing of most policy liability payments is not known, may take considerable time to determine precisely, and may be paid in partial payments.

Liquidity risk is the risk that the Corporation is unable to meet its financial obligations as they fall due. Cash resources are managed on a daily basis based on anticipated cash flows. The majority of financial liabilities, except for the provision for unpaid claims, pension and post-retirement benefits, lease liabilities, and investment-related, are due within one year. The Corporation generally maintains positive overall cash flows through cash generated from operations as well as cash generated from its investing activities. Where overall cash flows are negative, the Corporation maintains sufficient liquid assets (money market securities) to cover any shortfall from operations. In addition, the Corporation has a netting arrangement with its banks that permits positive bank balances to be offset against negative bank balances.

Liquidity risk is primarily controlled by holding government bonds and other highly liquid investments, which can be readily sold. In addition, the Corporation takes into account the overall historical liability settlement pattern and the historical cash in-flows as a basis to broadly define diversification and duration characteristics of the investment portfolio. The following table summarizes the maturity profile of the Corporation’s fixed-income investments by contractual maturity or expected cash flow dates:

($ THOUSANDS)	Within One Year	One Year to Five Years	After Five Years	Total
March 31, 2022				
Bonds				
Canadian				
Federal	$ 81,962	$ 2,612,836	$ -	$ 2,694,798
Provincial	2	1,817,541	-	1,817,543
Corporate	182,566	2,334,186	410,936	2,927,688
Total bonds	264,530	6,764,563	410,936	7,440,029
Mortgages	174,835	237,290	-	412,125
	$ 439,365	$ 7,001,853	$ 410,936	$ 7,852,154
March 31, 2021				
Bonds				
Canadian				
Federal	$ 100,318	$ 3,683,456	$ 1,341,825	$ 5,125,599
Provincial	-	1,152,985	1,447,560	2,600,545
Municipal	-	23,266	82,944	106,210
Corporate	114,425	2,095,748	1,271,863	3,482,036
Total bonds	214,743	6,955,455	4,144,192	11,314,390
Mortgages	349,473	409,070	4,290	762,833
	$ 564,216	$ 7,364,525	$ 4,148,482	$ 12,077,223

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Corporation has direct foreign exchange risk on its US pooled fund investments. A 10% change in the US exchange rate as at March 31, 2022 would change the fair value of the US pooled fund investments and result in a change to OCI of approximately $20.1 million (2021 – $14.0 million) and to profit or loss of $22.1 million (2021 – $22.1 million). However, this is mitigated by the use of forward contracts and swaps (note 7a). The Corporation does not have direct foreign exchange risk on its global equity portfolio, however the Corporation is exposed to indirect foreign exchange risk.

The Corporation has policies in place to limit and monitor its exposure to currency risks.

11. Investment Income

($ THOUSANDS)		2022		2021
Interest				
Fixed-income investments	$	231,792	$	244,545
Equity investments		9,049		6,612
		240,841		251,157
Gains (losses) on investments				
Fixed-income investments		(82,862)		209,412
Equity investments		401,379		104,260
Other financial investments		37,015		36,698
Net unrealized fair value changes [1]		(449)		(12,696)
		355,083		337,674
Dividends, distributions and other income				
Equity investments		681,084		312,423
Other financial investments		107,208		50,614
Income from investment properties		17,411		17,099
Investment management fees [2]		(28,582)		(29,435)
Impairment loss		(6,195)		(6,503)
Other		51,180		78,391
		822,106		422,589
Total investment income	$	1,418,030	$	1,011,420

[1] *Includes changes in unrealized foreign exchange gains and losses on monetary AFS/FVTPL assets*

[2] *Includes internal and external fees*

($ THOUSANDS)		2022		2021
Amounts recognized in investment income for investment properties				
Rental income	$	67,380	$	73,549
Direct operating expenses that generated rental income		(47,696)		(53,608)
Direct operating expenses that did not generate rental income		(2,273)		(2,842)
Income from investment properties		17,411		17,099
Gain on sale of investment properties		67,259		97,518
Total amount recognized in investment income	$	84,670	$	114,617

As at March 31, 2022, the ‘Net change in available for sale financial assets’ portion of other components of equity is comprised of $387.5 million (2021 – $860.6 million) in unrealized gains and $520.9 million (2021 – $140.4 million) in unrealized losses.

12. Property and Equipment

($ THOUSANDS)	Land	Buildings	Furniture & Equipment	Leasehold Improvements	Total
March 31, 2022					
Cost					
Balance, beginning of year	$ 30,699	$ 181,614	$ 119,186	$ 27,678	$ 359,177
Additions	-	904	22,465	735	24,104
Disposals	-	-	(5,750)	(412)	(6,162)
Balance, end of year	30,699	182,518	135,901	28,001	377,119
Accumulated depreciation					
Balance, beginning of year	-	153,514	89,307	13,818	256,639
Disposals	-	-	(5,750)	(352)	(6,102)
Depreciation charge for the year	-	2,627	10,598	2,771	15,996
Balance, end of year	-	156,141	94,155	16,237	266,533
Net book value, end of year	$ 30,699	$ 26,377	$ 41,746	$ 11,764	$ 110,586
March 31, 2021					
Cost					
Balance, beginning of year	$ 30,699	$ 179,411	$ 125,008	$ 25,404	$ 360,522
Additions	-	2,203	5,934	2,661	10,798
Disposals	-	-	(11,756)	(387)	(12,143)
Balance, end of year	30,699	181,614	119,186	27,678	359,177
Accumulated depreciation					
Balance, beginning of year	-	150,785	90,002	11,446	252,233
Disposals	-	-	(11,756)	(86)	(11,842)
Depreciation charge for the year	-	2,729	11,061	2,458	16,248
Balance, end of year	-	153,514	89,307	13,818	256,639
Net book value, end of year	$ 30,699	$ 28,100	$ 29,879	$ 13,860	$ 102,538

The balances in property and equipment include $21.6 million (2021 – $4.0 million) in assets under development.

13. Lease Assets

($ THOUSANDS)	Leased Facilities	Leased Equipment	Leased Computer Hardware	Leased Computer Software Intangibles	Total
March 31, 2022					
Cost					
Balance, beginning of year	$ 60,393	$ 2,805	$ 1,179	$ 28,176	$ 92,553
Additions	2,512	-	2,872	1,197	6,581
Disposals	(93)	-	-	(577)	(670)
Balance, end of year	62,812	2,805	4,051	28,796	98,464
Accumulated depreciation					
Balance, beginning of year	15,822	2,669	614	9,164	28,269
Disposals	(32)	-	-	(247)	(279)
Depreciation charge for the year	8,163	70	618	5,417	14,268
Balance, end of year	23,953	2,739	1,232	14,334	42,258
Net book value, end of year	$ 38,859	$ 66	$ 2,819	$ 14,462	$ 56,206
March 31, 2021					
Cost					
Balance, beginning of year	$ 50,543	$ 2,745	$ 1,127	$ 23,243	$ 77,658
Additions	10,118	60	52	4,933	15,163
Disposals	(268)	-	-	-	(268)
Balance, end of year	60,393	2,805	1,179	28,176	92,553
Accumulated depreciation					
Balance, beginning of year	7,993	2,108	300	5,304	15,705
Disposals	(268)	-	-	-	(268)
Depreciation charge for the year	8,097	561	314	3,860	12,832
Balance, end of year	15,822	2,669	614	9,164	28,269
Net book value, end of year	$ 44,571	$ 136	$ 565	$ 19,012	$ 64,284

14. Intangible Assets

($ THOUSANDS)	2022	2021
Cost		
Balance, beginning of year	$ 548,278	$ 501,629
Additions	23,553	73,869
Disposals	(9,376)	(27,220)
Balance, end of year	562,455	548,278
Accumulated amortization		
Balance, beginning of year	255,501	233,537
Disposals	(8,482)	(27,220)
Amortization charge for the year	63,269	49,184
Balance, end of year	310,288	255,501
Net book value, end of year	$ 252,167	$ 292,777

The Corporation's intangible assets consist of externally purchased software and any directly attributable costs required to bring the software to a condition where it is available for use.

The balance of intangible assets includes $9.4 million (2021 – $79.3 million) in assets under development.

There were no indefinite life intangible assets as at March 31, 2022 and March 31, 2021.

15. Provision for Unpaid Claims

a) Actuarial methods and assumptions

The Corporation typically employs three standard actuarial methods to analyze the ultimate claims costs, augmented by more in-depth analyses as needed:

- The incurred development method;
- The paid development method; and
- The Bornhuetter-Ferguson method.

The standard methods call for a review of historical loss and count development patterns. As part of this review, the Corporation calculates loss and count development factors, which represent the period-to-period changes in a given loss year's incurred loss amount. Based on an examination of the loss development factors, the Corporation's Chief Actuary selects a best estimate of development factors that forecast future loss development.

A key assumption that the loss and count development factors rely on is a selected baseline. The baseline for the majority of the coverages is the average of the most recent four loss years. The use of a baseline helps maintain consistency in the loss and count development factors from one reserve review to another. Circumstances may arise when the standard methods are no longer appropriate to use. In these cases, and in accordance with accepted actuarial practice, modifications to the methods are made or alternative methods are employed that are specific and appropriate to the circumstances. Circumstances may include a change in the insurance product or claims settlement environment, a change in the handling or reserving of claims, or an emerging trend in the statistical data used in the analysis.

Because of the change in insurance coverages provided following the introduction of Enhanced Care on May 1, 2021, there is no direct historical information available for some of the coverages currently provided. Where possible, appropriate historical claims data has been selected to represent each of the future coverages, for example by separating claims that occurred within and outside of British Columbia, and accounting for hit-and-run and non-vehicle damage liability claims.

An additional method is employed to address the particularly complex injury claims environment, which includes shifts in the legal representation rate, the frequency mix of claims by severity of injury, and the settlement rate of claims. This additional method uses legal status and claim severity to separate bodily injury claims data into segments of similar complexity and is based on the Adler-Kline claim closure model. It has allowed the Corporation's Chief Actuary to capture changes in the claim settlement rates within each segment, and changes in the mix of claims by segment, which impacts the bodily injury severity trend rate. The Adler-Kline claim closure model is also applied to medical payments on accident benefits claims to capture changes in the pending claims including a shift to longer term payouts.

The cost of injury claims associated with accidents occurring on or after April 1, 2019 but before May 1, 2021, are estimated from the methods described above. Severity estimates for bodily injury represented claims and accident benefits claims use assumptions consistent with the pricing model used to establish the premium rate for policies in effect at the time, which includes assumptions about classification of injuries as minor or non-minor, classification of costs by heads (categories) of damages, and classification of claims by size and legal complexity.

An additional method is used to estimate the cost of enhanced accident benefits claims, associated with accidents occurring on or after May 1, 2021. These claims fall under a new insurance model (note 3g), and are therefore expected to follow different patterns from the historical loss and count development patterns on which the three standard methods rely. The additional method uses assumptions for the severity of these claims that are consistent with the pricing model used to establish the premium rate for policies effective May 1, 2021, and with additional relevant information regarding inflation expectations and claim severity from other jurisdictions with similar products.

An additional method has been applied to estimate the cost of basic vehicle damage claims, associated with accidents occurring on or after May 1, 2021. The Corporation has observed a high rate of growth in the average cost of repair and total loss claims in the current fiscal year, concurrent with some delay in the ability of repair facilities to complete repairs, which affects the timing and development of losses. The additional method is based on the development of paid severities.

The timing of when the unpaid ultimate claims costs will be paid depends on the line of business. Injury claims generally take longer to settle than material damage claims and exhibit greater variability as to the timing and amount ultimately paid to settle a claim. Historical patterns of claims payment data are used to estimate the future claims payment pattern. Expected future paid amounts are then discounted, using the discounted cash flow method, to determine a present value as of the reporting date. The discount rate is based upon the expected return on the Corporation's current investment portfolio, the expected asset default risk of its investment portfolio, and assumptions for interest rates relating to reinvestment of maturing investments. These estimates are based on current market returns as well as expectations about future economic and financial developments.

A PfAD is then added to the estimate to recognize sources of uncertainty in the assumptions behind the provision for unpaid claims (note 3c). The PfAD is calculated according to accepted actuarial practice in Canada.

Changes in Assumptions

Discount rate

The Corporation discounts its provision for unpaid claims using a discount rate of 3.7% (2021 – 2.5%). As a result of the increase in the discount rate, there was a favourable adjustment to both current and prior years' unpaid claims provision of $403.2 million (2021 – unfavourable adjustment of $218.8 million).

Change in loss development assumptions

Actuarial assumptions pertaining to loss and count development for all coverages were reviewed and revised in light of an additional year of actual experience. There were several material changes in development assumptions.

The Corporation has observed a return in reported claims for the majority of the fiscal year to relatively normal levels, following the substantial reduction in vehicle related accidents that had been observed during the course of the public health emergency declared by the Province of B.C. that was in effect from March 17, 2020 through June 30, 2021, related to the COVID-19 pandemic. As a result, claims development assumptions for crash-related claims have relied primarily on baseline assumptions, with no adjustments being required for ongoing impacts from the COVID-19 pandemic. This represents a change from fiscal year 2021, where two modifications were made to development assumptions in order to represent higher expected levels of future claims reporting and vehicle repairs. The change in assumptions to remove the expectation of higher future claims reporting has had an estimated favourable impact to the provision of unpaid claims of $82.3 million, holding all other assumptions constant.

Development assumptions pertaining to bodily injury claims arising between April 1, 2019 and April 30, 2021 were adjusted to reflect the B.C. Court of Appeal decision related to the CRT. The Chief Justice delivered his reasons in May of 2022 and allowed the expanded jurisdiction of the CRT over motor vehicle claims for minor injuries under the vehicle insurance system in place during this period of time. This overturned a previous judgement that found the CRT jurisdiction over these claims to be unconstitutional. The change in assumptions for bodily injury claims to reflect this decision has decreased the provision for unpaid claims by $98.5 million. This decrease also accounts for lower claims services expenses that will be required to service the outstanding claims.

Development assumptions pertaining to the number of large bodily injury claims have relied on the baseline factors (average of the most recent six fiscal loss years), which is considered to be consistent with the experience that has emerged in the current fiscal year. This represents a change from fiscal year 2021, where an average of the most recent eight fiscal loss years was used in order to put less weight on the recent historical experience at that time. This change in assumptions for large bodily injury claims has the effect of increasing the provision for unpaid claims by $263.8 million.

The severity of represented bodily injury claims (both large and non-large) paid in fiscal year 2022 was low relative to prior fiscal years. The severity trend assumptions used to forecast future paid severity for these segments of claims were revised to moderate the impact of the low fiscal year 2022 emergence and provide greater stability in the provision for unpaid claims. This revision has an unfavourable impact of $280.8 million on the provision for unpaid claims, holding all other assumptions constant.

Development assumptions pertaining to bodily injury were adjusted to reflect the B.C. Supreme Court decision on July 8, 2022 regarding limitations on the reimbursement of expert report and plaintiff disbursements. As a result of this decision, the Corporation has included no savings in the provision for unpaid claims on account of the affected *Disbursements and Expert Evidence Regulation*. This represents a change from fiscal year 2021, in which savings of $261.4 million were included on account of these regulations.

b) Sensitivity Analysis

The sensitivity to significant assumptions is outlined below. The analysis is performed for possible changes in the assumptions with all other assumptions held constant, showing the impact on the provision for unpaid claims and net income in the table below. Movements in these assumptions may be non-linear and may be correlated with one another.

($ THOUSANDS)			2022		2021
Assumption	**Sensitivity**				
Discount rate	+ 1ppt[1]	$	(370,000)	$	(387,100)
Discount rate	- 1ppt	$	405,600	$	409,400
Severity of unpaid bodily injury claims	+ 1%	$	111,800	$	137,400
Future emergence of large bodily injury claims	+ 1%	$	41,900	$	50,900
Severity of unpaid enhanced accident benefit claims	+ 1%	$	12,800		n/a

[1] *ppt = percentage point*

c) Provision for Unpaid Claims

The movements in the provision for unpaid claims and reinsurance recoveries and their impact on claims incurred for the year are as follows:

($ THOUSANDS)	2022			2021		
	Gross	Reinsurance Recoverable	Net	Gross	Reinsurance Recoverable	Net
Notified claims	$ 9,138,114	$ (25,963)	$ 9,112,151	$ 9,518,745	$ (28,142)	$ 9,490,603
Incurred but not reported	6,382,140	-	6,382,140	6,484,989	-	6,484,989
Balance, beginning of year	15,520,254	(25,963)	15,494,291	16,003,734	(28,142)	15,975,592
Change in liabilities (assets):						
Provision for claims occurring in the current year	2,931,474	(9,393)	2,922,081	3,708,477	-	3,708,477
Change in estimates for losses occurring in prior years:						
Prior years' claims adjustments	(28,952)	(8,064)	(37,016)	(472,629)	(1,062)	(473,691)
Prior years' changes in discounting provision	(393,320)	399	(392,921)	106,723	(304)	106,419
	(422,272)	(7,665)	(429,937)	(365,906)	(1,366)	(367,272)
Net claims incurred per consolidated statement of comprehensive income	2,509,202	(17,058)	2,492,144	3,342,571	(1,366)	3,341,205
Cash (paid) recovered for claims settled in the year for:						
Claims incurred in current year	(1,625,583)	-	(1,625,583)	(1,296,116)	-	(1,296,116)
Recoveries received on current year claims	145,999	-	145,999	107,660	-	107,660
	(1,479,584)	-	(1,479,584)	(1,188,456)	-	(1,188,456)
Claims incurred in prior years	(2,888,132)	-	(2,888,132)	(2,690,575)	-	(2,690,575)
Recoveries received on prior years' claims	42,414	1,477	43,891	52,980	3,545	56,525
	(2,845,718)	1,477	(2,844,241)	(2,637,595)	3,545	(2,634,050)
Total net payments	(4,325,302)	1,477	(4,323,825)	(3,826,051)	3,545	(3,822,506)
Balance, end of year	$ 13,704,154	$ (41,544)	$ 13,662,610	$ 15,520,254	$ (25,963)	$ 15,494,291
Notified claims	$ 7,689,689	$ (41,544)	$ 7,648,145	$ 9,138,114	$ (25,963)	$ 9,112,151
Incurred but not reported	6,014,465	-	6,014,465	6,382,140	-	6,382,140
Balance, end of year	$ 13,704,154	$ (41,544)	$ 13,662,610	$ 15,520,254	$ (25,963)	$ 15,494,291

The following table shows the effect of discounting and PfADs on the provision for unpaid claims:

($ THOUSANDS)	Undiscounted	Effect of Present Value	PfADs	Discounted
March 31, 2022				
Provision for unpaid claims, net	$ 13,386,331	$ (1,421,594)	$ 1,697,873	$ 13,662,610
Reinsurance recoverable	39,924	(2,905)	4,525	41,544
Provision for unpaid claims, gross	$ 13,426,255	$ (1,424,499)	$ 1,702,398	$ 13,704,154
March 31, 2021				
Provision for unpaid claims, net	$ 14,613,297	$ (914,020)	$ 1,795,014	$ 15,494,291
Reinsurance recoverable	23,942	(1,402)	3,423	25,963
Provision for unpaid claims, gross	$ 14,637,239	$ (915,422)	$ 1,798,437	$ 15,520,254

d) Claims development table

The top half of the table illustrates how the Corporation's estimate of total undiscounted claims costs for each loss year has changed at successive year-ends. The bottom half of the table reconciles the cumulative claims to the amount appearing in the consolidated statement of financial position.

As a result of the change in year-end in fiscal 2017, there are two claims development tables: one as at March 31, 2022 and one as at December 31, 2015. The Corporation changed from a December 31 to a March 31 year end in fiscal 2017, and therefore there are six years of historical data in the first table as at March 31, 2022.

Claims development table as at March 31, 2022:

($ THOUSANDS)											
Fiscal Loss Year*	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**Total**
Estimate of undiscounted ultimate claims costs:											
- At end of fiscal loss year	-	-	-	-	$ 4,372,966	$ 4,968,820	$ 5,208,101	$ 4,524,433	$ 3,376,605	$ 3,382,219	
- One year later	-	-	-	$ 4,037,775	4,529,126	5,229,618	5,312,311	4,155,162	3,169,382	-	
- Two years later	-	-	$ 3,695,574	4,184,489	4,762,695	5,490,881	5,326,839	4,118,627	-	-	
- Three years later	-	$ 3,313,949	3,757,390	4,450,883	5,015,000	5,483,201	5,410,875	-	-	-	
- Four years later	$ 3,042,291	3,432,710	3,960,331	4,595,394	4,948,037	5,516,400	-	-	-	-	
- Five years later	3,111,271	3,591,481	4,072,014	4,581,417	4,964,606	-	-	-	-	-	
- Six years later	3,194,200	3,633,106	4,047,419	4,627,181	-	-	-	-	-	-	
- Seven years later	3,198,016	3,625,490	4,045,981	-	-	-	-	-	-	-	
- Eight years later	3,207,061	3,647,116	-	-	-	-	-	-	-	-	
- Nine years later	3,216,571	-	-	-	-	-	-	-	-	-	
Current estimate of cumulative claims	3,216,571	3,647,116	4,045,981	4,627,181	4,964,606	5,516,400	5,410,875	4,118,627	3,169,382	3,382,219	42,098,958
Cumulative payments to date	(3,148,826)	(3,508,914)	(3,700,229)	(4,002,263)	(3,831,100)	(3,377,344)	(2,724,063)	(2,169,448)	(1,639,254)	(1,479,584)	(29,581,025)
Undiscounted provision for unpaid claims	$ 67,745	$ 138,202	$ 345,752	$ 624,918	$ 1,133,506	$ 2,139,056	$ 2,686,812	$ 1,949,179	$ 1,530,128	$ 1,902,635	$ 12,517,933
Undiscounted provision for unpaid claims in respect of 2012 and prior years											$ 187,545
Undiscounted unallocated loss adjustment expense reserve											720,777
Total undiscounted provision for unpaid claims											**$ 13,426,255**
Discounting and PfAD adjustment											277,899
Total discounted provision for unpaid claims (gross)											**$ 13,704,154**

*Fiscal Loss Year refers to the year ended March 31

The table above reflects the total discounted provision for unpaid claims of $13.70 billion (2021 – $15.52 billion) before the amount for reinsurance recoverable. The total discounted provision for unpaid claims after the amount for reinsurance recoverable of $0.04 billion (2021 – $0.03 billion) would be $13.66 billion (2021 – $15.49 billion). The cumulative payments of fiscal loss year 2022 for the year ended March 31, 2022 are $1.48 billion (2021 – $1.19 billion).

The history for four prior periods ending December 31 is shown in the below claims development table as at December 31, 2015 due to the Corporation's change in year end in fiscal 2017:

($ THOUSANDS)				
Accident Year	**2012**	**2013**	**2014**	**2015**
Estimate of undiscounted ultimate claims costs:				
- At end of accident year	$ 3,030,779	$ 3,146,388	$ 3,372,304	$ 3,765,040
- One year later	3,065,562	3,194,080	3,518,858	-
- Two years later	2,985,690	3,200,324	-	-
- Three years later	3,024,045	-	-	-

The expected maturity of the provision for unpaid claims is analyzed below (undiscounted and gross of reinsurance):

($ THOUSANDS)	Less than One Year	One to Two Years	Two to Three Years	Three to Four Years	Four to Five Years	Over Five Years	Total
March 31, 2022	$ 3,804,457	$ 2,852,081	$ 2,186,462	$ 1,508,783	$ 929,311	$ 2,145,161	$ 13,426,255
March 31, 2021	$ 3,824,991	$ 3,079,536	$ 2,587,983	$ 1,915,443	$ 1,263,540	$ 1,965,746	$ 14,637,239

The unpaid claims for future payment years except for the current year is $9.62 billion (2021 – $10.81 billion).

The weighted-average term to settlement of the discounted provision for unpaid claims as at March 31, 2022 is 2.8 years (2021 – 2.6 years).

16. Unearned Premiums

All unearned premiums are earned within 12 months of the reporting date. The movements in unearned premiums net of reinsurance and the impact on premiums earned for the year are as follows:

($ THOUSANDS)	2022	2021
Balance, beginning of year	$ 2,396,658	$ 2,954,508
Premiums written net of premium rebates/refunds during the year	4,830,110	4,819,140
Premiums earned net of premium rebates/refunds during the year	(4,783,713)	(5,376,990)
Balance, end of year	$ 2,443,055	$ 2,396,658

Net premium written before rebates/refunds (note 7) includes $10.7 million (2021 – $14.0 million) of temporary operation permit policy, $36.9 million (2021 – $41.1 million) of garage policy and $586.0 million (2021 – $634.1 million) of fleet policy.

17. Reinsurance

The Corporation maintains casualty and catastrophe reinsurance to protect against significant losses.

During fiscal year 2022, the Corporation renewed the casualty reinsurance contract beginning May 1, 2021, for a 12-month term. On December 31, 2021, the Corporation terminated the renewal contract and entered into a 12-month contract beginning January 1, 2022. The Corporation also entered into a 12-month catastrophe reinsurance contract beginning January 1, 2022 as follows:

a) For individual catastrophic occurrences, portions of losses up to $275.0 million (2021 – $250.0 million) in excess of $25.0 million (2021 – $25.0 million); and
b) For individual casualty loss occurrences, portions of losses up to $44.0 million (2021 – $44.0 million) in excess of $6.0 million (2021 – $6.0 million).

These reinsurance arrangements do not discharge the Corporation's obligation as primary insurer. The Corporation evaluates the financial condition of its reinsurers to minimize the exposure to significant loss from reinsurer insolvency.

18. Pension and Post-Retirement Benefits

Plan information

The Corporation sponsors a defined benefit registered pension plan for its current and former management and confidential employees (the Management and Confidential Plan). Subject to the terms of the plan, the Management and Confidential Plan provides benefits to members based on their length of service and eligible earnings in the best five years of plan membership. Employees are required to contribute to the Management and Confidential Plan. Effective January 1, 2019, all Management and Confidential employees contribute 50% of the current cost benefits.

In addition, the Corporation sponsors two supplemental pension plans for certain employees. The Corporation is the legal administrator of the Management and Confidential Plan and the two supplemental pension plans. Subject to the terms of the plans, pensions are indexed in line with increases in the Consumer Price Index (CPI) up to fixed or sustainable maximums for certain periods of service.

The Corporation also contributes to two other defined benefit pension plans for which it is not the sole sponsor. Current and former employees of the Corporation who are or were members of the Movement of United Professionals are members of the MoveUP/Insurance Corporation of British Columbia Pension Plan (MoveUP Plan). Half of the Trustees of the MoveUP Plan are appointed by the Corporation and the other half by MoveUP. The Board of Trustees of the MoveUP Plan is the legal plan administrator. The MoveUP Plan provides benefits to members based on their length of service and eligible earnings in the best five years of plan membership. MoveUP employees are required to contribute 50% of the cost of benefits to the MoveUP Plan. Subject to the terms of the plan, pensions are indexed in line with increases in the CPI. The Corporation's former Motor Vehicle Branch employees participate in the BC Public Service Pension Plan. The Corporation has no fiduciary responsibility for, or role in the governance of, the MoveUP Plan or the BC Public Service Pension Plan.

The Management and Confidential Plan, MoveUP Plan, and the BC Public Service Pension Plan are subject to the statutory requirements (including minimum funding requirements) of the British Columbia *Pension Benefits Standards Act* (PBSA) and the *Income Tax Act* (Canada). Each plan's pace of funding is set out in their respective funding policies.

The Corporation pays life insurance premiums, extended healthcare, and dental costs as post-retirement benefits for its qualifying retirees. The benefits are not prefunded. Benefit entitlements differ for management and confidential and bargaining unit employees, as stated within the terms of the plans.

The Corporation measures its defined benefit obligations and the fair value of plan assets for accounting purposes at the end of the Corporation's fiscal year. Defined benefit obligations are extrapolated from the most recent actuarial valuation date for each of the plans. The Management and Confidential Plan and the MoveUP Plan actuarial valuations are as at December 31, 2019 and the post-retirement benefits actuarial valuation is as at January 1, 2019. Updated actuarial valuations for the Management and Confidential Plan and the MoveUP Plan are expected to be no later than December 31, 2022. These results will be reflected in the financial statements in the year immediately following their preparation.

On its consolidated statement of financial position, the Corporation does not recognize its portion of any surplus assets held by the MoveUP Plan because it cannot realize a future economic benefit in respect of those assets.

An additional liability may be recognized in some instances if minimum future funding requirements are expected to generate a future surplus. These instances are ones where the Corporation would not be able to access or realize a future economic benefit from the future surplus. The Corporation has determined that no additional liability is required to be recognized in respect of solvency funding payments made to the Management and Confidential Plan. This is because the British Columbia PBSA permits the Corporation to secure these payments with a letter of credit in lieu of cash solvency payments or to deposit them in the Plan's Solvency Reserve Account (SRA), for which any surpluses in this account would ultimately be refundable to the Corporation. Furthermore, the Corporation may realize an economic benefit related to future current service cost, in respect of the Corporation, exceeding minimum funding requirements.

The weighted-average durations of the pension plans and post-retirement benefits are shown below, along with the approximate proportions of the defined benefit obligation by membership category:

	Pension Plans		Post-Retirement Benefits	
	2022	2021	2022	2021
Weighted-average duration	20 years	21 years	14 years	17 years
Proportion of obligation in respect of:				
- Active members	48.3%	50.2%	38.4%	50.1%
- Deferred members	7.5%	7.6%	0.0%	0.0%
- Retired members	44.2%	42.2%	61.6%	49.9%

Since pensions are adjusted to changes in the CPI, the pension plans are exposed to changes in levels and volatility in Canada's inflation rate.

In addition, the plans' obligations are exposed to interest rate risk and changes in the life expectancy for pensioners. As the plan assets include significant investments in quoted equity shares, the Corporation is also exposed to equity market risk.

Contributions to all pension and post-retirement benefit plans

Total contributions for employee future benefits for 2022, consisting of cash contributed by the Corporation to all of the funded pension plans and in respect of benefits paid from its unfunded pension and post-retirement benefits, were \$43.3 million (2021 – \$41.6 million). Estimated employer contributions for the year ending March 31, 2023 are $47.5 million (2021 – $46.2 million). The estimate is based on the plans' most recent actuarial funding valuations.

As at March 31, 2022, the Corporation secured certain solvency funding requirements through payments made into the SRA totalling $0.5 million (2021 – $ 0.7 million). The SRA is a separate account, established to hold solvency and transfer deficiency payments made under a defined benefit component of a pension plan. The only funds that may be deposited to the SRA are payments made in respect of a solvency deficiency. As at October 1, 2020, the Management and Confidential Plan no longer required a letter of credit given the Plan does not require any solvency funding following the filing of the December 31, 2019 valuation report on August 26, 2020.

Financial information

These consolidated financial statements include the assets and liabilities of all plans, excluding the BC Public Service Pension Plan, sponsored by the Corporation. The amounts recorded on the statement of financial position are as follows:

($ THOUSANDS)	Pension Plans		Post-Retirement Benefits		Total	
	2022	2021	2022	2021	2022	2021
Assets						
Accrued pension benefits	$ 245,213	$ 89,511	$ -	$ -	$ 245,213	$ 89,511
Liabilities						
Pension and post-retirement benefits	(37,958)	(275,101)	(148,223)	(182,612)	(186,181)	(457,713)
Net total asset (liability)	$ 207,255	$ (185,590)	$ (148,223)	$ (182,612)	$ 59,032	$ (368,202)

One of the pension plans is in a net asset position and, as a result, that plan is required to be reported as an asset on the consolidated statement of financial position. The net total asset for all of the Corporation's pension plans and post-retirement benefits as at March 31, 2022 is $59.0 million (2021 – $368.2 million liability), which is reflected in the consolidated statement of financial position as a $245.2 million asset and a $186.2 million liability as illustrated in the table above.

Information regarding the pension plans and post-retirement benefits is as follows:

($ THOUSANDS)	Pension Plans		Post-Retirement Benefits	
	2022	2021	2022	2021
Plan assets				
Fair value, beginning of year	$ 2,736,804	$ 2,432,395	$ -	$ -
Interest on plan assets	90,200	94,569	-	-
Actuarial gain on assets	41,403	224,298	-	-
Employer contributions	37,838	36,627	5,432	4,959
Employee contributions	36,249	35,011	-	-
Benefits paid	(94,407)	(85,196)	(5,432)	(4,959)
Non-investment expenses	(600)	(900)	-	-
Fair value, end of year	2,847,487	2,736,804	-	-
Defined benefit obligation				
Balance, beginning of year	2,922,394	2,426,961	182,612	161,210
Current service cost	115,569	89,069	6,268	5,078
Interest cost	98,935	96,462	6,143	6,389
Remeasurements on obligation				
- due to changes in financial assumptions	(402,341)	336,155	(41,368)	14,894
- due to changes in demographic assumptions	-	15,157	-	-
- due to participant experience	82	43,786	-	-
Benefits paid	(94,407)	(85,196)	(5,432)	(4,959)
Balance, end of year	2,640,232	2,922,394	148,223	182,612
Funded status – plans in deficit	(37,958)	(275,101)	(148,223)	(182,612)
Funded status – plan in surplus	245,213	89,511	-	-
Net total asset (liability)	$ 207,255	$ (185,590)	$ (148,223)	$ (182,612)

The net total expense for the pension plans and post-retirement benefits is $101.1 million (2021 – $68.3 million). In addition, the Corporation contributed $0.3 million in 2022 (2021 – $0.4 million) to the BC Public Service Pension Plan.

Assets

The pension plans' assets consist of:

	Percentage of Plan Assets	
	2022	2021
Cash, cash equivalent and accrued interest	1.2%	1.5%
Equities		
Canadian	22.0%	25.4%
United States	21.5%	18.8%
Global	29.7%	23.1%
Fixed income		
Government	14.8%	19.1%
Corporate	10.8%	12.1%
	100.0%	100.0%

All bonds have quoted prices in active markets and all bonds are rated from BBB to AAA, based on rating agency ratings. All equity securities other than infrastructure, real estate and mezzanine debt funds have quoted prices in active markets.

Pension plan assets generated a return of 4.8% (2021 – 13.1%) for the year ended March 31, 2022.

For the Management and Confidential Plan, the administrator compares the investment performance of the fund against the median investment performance of a peer group of comparable pension funds at least quarterly. In addition, there are monthly and quarterly asset allocation reviews performed to ensure compliance with investment policies. For the MoveUP Plan, the long-term objective is to obtain an investment return that will exceed the investment return assumption used in the actuarial valuation and to provide positive real growth. The Trustees have outsourced the Chief Investment Officer (CIO) who reviews the fund managers' performance on a quarterly basis. The outsourced CIO invests funds based on the Trustees' approved Statement of Investment Policy.

As at March 31, 2022 and March 31, 2021, the Corporation's pension plans did not hold any of the Corporation's securities or assets nor were any of the plans' assets used by the Corporation during these years.

Assumptions

The significant actuarial assumptions adopted in measuring the Corporation's defined benefit obligation are as follows (weighted-average assumptions):

	Pension Plans		Post-Retirement Benefits	
	2022	2021	2022	2021
Discount rate	4.11%	3.30%	4.07%	3.30%
Rate of compensation increase	2.77%	2.77%	n/a	n/a
Pension inflation rate	1.75%	1.75%	n/a	n/a

Mortality assumptions are significant in measuring the obligations under the defined benefit plans. Future longevity improvements have been considered and included where appropriate. The following table summarizes the life expectancy for members, in years, based on the mortality assumption used:

2022		2021	
Life expectancy at 65 for a member currently		Life expectancy at 65 for a member currently	
Age 65	Age 45	Age 65	Age 45
23.9	25.3	23.9	25.3

As at March 31, 2022, the extended healthcare trend rate is assumed to be six per cent per annum for the first year, decreasing linearly over six years to four and a half per cent per annum thereafter. As at March 31, 2021, the extended healthcare trend rate is assumed to be six and a quarter per cent per annum for the first year, decreasing linearly over seven years to four and a half per cent per annum thereafter.

The Plans' sensitivity to significant assumptions is shown below:

($ THOUSANDS)	Pension Plans		Post-Retirement Benefits	
	2022	2021	2022	2021
Estimated increase in defined benefit obligation - end of year due to:				
1ppt[1] decrease in discount rate	$ 518,442	$ 608,710	$ 21,296	$ 31,274
1ppt increase in salary increase rate	$ 84,888	$ 103,769	n/a	n/a
1ppt increase in pension inflation rate	$ 385,089	$ 458,770	n/a	n/a
1ppt increase in healthcare trend rate	n/a	n/a	$ 8,651	$ 10,235
1 year increase in life expectancy	$ 76,872	$ 92,528	$ 2,909	$ 3,913

[1] *ppt = percentage point*

The sensitivity to the significant assumptions has been determined assuming all other assumptions remain unchanged. If multiple assumptions were to change at the same time, there may be correlations between assumptions that could result in different impacts than simply adding the individual sensitivities above.

19. Operating Expenses by Nature

($ THOUSANDS)	2022	2021
Operating expenses – by nature		
Premium taxes and commission expense (note 18)	$ 690,890	$ 821,434
Employee benefit expense:		
Compensation and other employee benefits	496,670	456,324
Pension and post-retirement benefits (notes 18 and 25)	101,397	68,673
Professional and other services	44,785	48,929
Road improvements and other traffic safety programs	33,624	31,359
Building operating expenses	24,166	21,637
Merchant and bank fees	39,424	46,423
Office supplies and postage	24,041	20,353
Computer costs	35,218	31,674
Depreciation and amortization (notes 12 and 14)	79,265	65,432
Depreciation for leased assets (note 13)	14,268	12,832
Interest expense on lease liabilities	1,924	2,000
Other	36,332	30,974
	$ 1,622,004	$ 1,658,044
Operating expenses – consolidated statement of comprehensive income		
Premium taxes and commissions – insurance	$ 654,393	$ 787,128
Claims services	448,885	395,092
Operating expenses – insurance	302,425	283,438
Operating expenses – non-insurance	124,500	107,214
Road safety and loss management services	55,304	50,866
Commissions – non-insurance	36,497	34,306
	$ 1,622,004	$ 1,658,044

20. Deferred Premium Acquisition Costs and Prepaids

($ THOUSANDS)	2022	2021
Deferred premium acquisition costs, beginning of year	$ 340,542	$ 364,009
Acquisition costs related to future years	285,383	340,542
Amortization of prior year acquisition costs	(340,542)	(364,009)
Deferred premium acquisition costs, end of year	$ 285,383	$ 340,542
Deferred premium acquisition costs	$ 285,383	$ 340,542
Prepaid expenses	45,473	37,817
Deferred premium acquisition costs and prepaids	$ 330,856	$ 378,359

The premium tax and commission expenses reflected in the consolidated statement of comprehensive income are as follows:

($ THOUSANDS)	Commissions	Premium Taxes	Total
March 31, 2022			
Amount payable	$ 418,348	$ 217,383	$ 635,731
Amortization of prior year deferred premium acquisition costs	235,089	105,453	340,542
Deferred premium acquisition costs	(177,889)	(107,494)	(285,383)
Premium taxes and commission expenses	$ 475,548	$ 215,342	$ 690,890
Represented as:			
Insurance	$ 439,051	$ 215,342	$ 654,393
Non-insurance	36,497	-	36,497
	$ 475,548	$ 215,342	$ 690,890
March 31, 2021			
Amount payable	$ 580,538	$ 217,429	$ 797,967
Amortization of prior year deferred premium acquisition costs	234,011	129,998	364,009
Deferred premium acquisition costs	(235,089)	(105,453)	(340,542)
Premium taxes and commission expenses	$ 579,460	$ 241,974	$ 821,434
Represented as:			
Insurance	$ 545,154	$ 241,974	$ 787,128
Non-insurance	34,306	-	34,306
	$ 579,460	$ 241,974	$ 821,434

21. Related Party Transactions

ICBC is a wholly-owned Crown corporation of the Province of B.C.

All transactions with the Province of B.C.'s ministries, agencies, and Crown corporations occurred in the normal course of providing insurance, registration, and licensing for motor vehicles, which is representative of fair value unless otherwise disclosed in these notes. The Corporation has elected to apply the exemption for government-related entities under IAS 24 *Related Party Disclosures*.

All transactions with the Corporation's subsidiary companies occurred in the normal course of investing in investment properties (note 2k) and pooled funds (note 6a).

The Corporation acts as an agent for the Ministry of Finance regarding the collection of provincial taxes on imported and privately sold used vehicles and motor vehicle-related debts. The Corporation is the sole provider of Basic insurance (note 1) in the Province of B.C. and, therefore, insures, at market rates, vehicles owned or leased by the Province of B.C. and its controlled entities. As a consequence of these relationships, the Corporation has, at any time, amounts owing to or from various government departments or ministries in the ordinary course of business.

The Corporation is also responsible for collecting and remitting in full to the Province of B.C. all driver license fees as well as vehicle-related fees for acquiring and distributing licence plates and decals including permits and other fees and fines. These collections are not revenue to the Corporation. The costs associated with the licensing and compliance activities conducted on behalf of the Province of B.C. are borne by the Corporation. These collections on behalf of and payments to the Province of B.C. are disclosed in the consolidated statement of comprehensive income under non-insurance operations.

The Corporation has defined key management as members of the Board of Directors and management employees at the Senior Director and equivalent level and above. The compensation for key management is shown below:

($ THOUSANDS)	2022	2021
Key management compensation		
Compensation and other employee benefits	$ 5,418	$ 5,579
Pension and post-retirement benefits	609	572
	$ 6,027	$ 6,151

As at March 31, 2022, $0.6 million (2021 – $0.7 million) was payable to key management.

The Corporation contributes to several defined benefit pension and post-retirement plans. Transactions with these entities are disclosed in note 18. During the year ended March 31, 2022, the Corporation incurred $2.5 million (2021 – $4.6 million) in administrative expenses and investment management fees on behalf of these plans interest-free. In addition, the Corporation provides certain administrative, investment management, and office services to the plans at no charge. Effective August 1, 2020, investment management fees are paid by the Management and Confidential Plan and other administrative and governance costs are paid by the Corporation and recorded as incurred. As at March 31, 2022, $1.2 million (2021 – $1.0 million) was payable to these plans for employer contributions.

22. Capital Management

The Corporation's capital is comprised of retained earnings and other components of equity. The Corporation's objectives for managing capital are to maintain financial strength, including the management of ongoing business risks and protection of its ability to meet the obligations to policyholders and others.

The Corporation operates two lines of insurance business, Basic and Optional. As prescribed in *Special Direction IC2 to the British Columbia Utilities Commission* (IC2) for Basic insurance, and in line with federally regulated insurers competing for Optional insurance, the Corporation has established capital targets based upon the capital management framework of the Office of the Superintendent of Financial Institutions Canada (OSFI), and OSFI's Guideline for the minimum capital test (MCT). The MCT is a ratio of capital available to capital required, and utilizes a risk-based formula to assess the capital adequacy, including financial risk and long-term financial stability, of an insurance company.

For the Basic insurance business, IC2 requires the Corporation to determine capital targets in accordance with a capital management plan approved by the BCUC (note 24) and to set Basic insurance rates in order to maintain an MCT ratio of at least 100%. On February 26, 2018, the Province of B.C. amended IC2 to suspend the requirement for BCUC to fix rates to allow the Corporation to maintain at least 100% Basic MCT up to and including fiscal year 2022 (or policy year 2021). In December 2020, the Province of B.C. amended IC2 to suspend the rate smoothing framework to allow a rate decrease and enable a capital build provision for policy year 2021. Since the amendment, the Corporation filed a revenue requirement application and received approval from BCUC to rebuild its depleted capital over the 23-month term of policy year 2021 while still providing a significant rate decrease for Basic insurance policyholders (note 24).

For the Optional insurance business, the Corporation determined a capital management target that is calculated based on the MCT guideline and the Guideline on Regulatory Capital and Internal Targets issued by OSFI. In prior years, when Optional capital was in excess of the management target, that amount, less any Treasury Board approved deduction, was to be transferred to the Province of B.C. by July 1 of the following year (note 24). In fiscal years 2020 and 2019, there were no excess capital amounts to be transferred. The government passed the legislation on August 14, 2020 to remove these requirements. As a result, going forward, the Corporation's Optional capital cannot be transferred to the Province.

The Corporation's capital was under pressure due to worsening claims trends and Basic insurance rate increases that were insufficient to cover costs in years prior to fiscal 2021. The Corporation has implemented steps to reduce claims cost pressures (note 3f and 3g) and to rebuild Basic capital levels while still providing a significant rate decrease for Basic policyholders (note 24). For fiscal year 2021, the Corporation experienced favourable claims trends that contributed to begin rebuilding capital. For the current fiscal year, in addition to benefiting from the capital build provision in Basic insurance rates, the Corporation had higher than expected investment income, which has enabled the Corporation to approve a $396.0 million relief rebate (note 7) to policyholders while continuing to grow capital.

23. Contingent Liabilities and Commitments

a) Structured settlements

Certain injury claims are settled through the use of various structured settlements which require the Corporation to provide the claimant with periodic payments.

The Corporation purchases an annuity from an approved life insurance company to make these payments. In the event the life insurance company fails in its obligation, the risk to the Corporation is mitigated as the claimant will continue to receive payments, up to certain limits, from a not-for-profit organization that is funded by the insurance industry and designated by the Federal Government under the *Insurance Companies Act (Canada)*. The Corporation is only responsible for making payments for the excess, if any, between the claimant's annuity payments and the payment from the not-for-profit organization. At present, three federally licensed life insurance companies are used by the Corporation. An insurance company is approved based on an ongoing analysis of total assets, credit rating analysis, and past service history. The present value of these structured settlements as at March 31, 2022 is approximately $1.08 billion (2021 – $1.14 billion), which are not recorded in the consolidated financial statements of the Corporation. Management does not believe any provision for credit risk is required in relation to these annuities as at March 31, 2022, as all approved life insurance companies are rated investment-grade and outstanding balances are backed by the not-for-profit organization. The not-for-profit organization provides guarantees of up to $2,000 a month or 85% of the promised monthly income benefit, whichever is higher. The Corporation's exposure to credit risk beyond the guarantee is insignificant. To date, the Corporation has not experienced any losses resulting from these arrangements.

b) Other

The Corporation has committed to participating in the future funding of multiple investment programs and the timing of the funding and related acquisition of investments is uncertain, as it is dependent on appropriate investing opportunities identified by the investment manager:

- In 2022, the Corporation increased the commitment to invest $859.9 million to a global real estate program. As at March 31, 2022, $544.8 million (2021 – $232.7 million) of the commitment was funded.
- In 2022, the Corporation increased the commitment to invest $427.7 million to a renewable resources and infrastructure program. As at March 31, 2022, $388.7 million (2021 – $347.0 million) of the commitment was funded.
- In 2022, the Corporation increased the commitment to invest $321.8 million to a private debt pooled fund. At March 31, 2022, $140.7 million (2021 – $35.6 million) of the commitment was funded.
- In 2022, the Corporation increased the commitment to invest $661.8 million to a private equities program. As at March 31, 2022, $174.6 million (2021 – $0.1 million) of the commitment was funded.
- In 2022, the Corporation increased the commitment to invest in $1.27 billion to a mortgage program. As at March 31, 2022, $850.7 million (2021 – 773.7 million) of the commitment was funded.

In 2017, the Corporation made a commitment to invest $150.0 million USD in a limited partnership for mezzanine debt over a period of 10 years. As of March 31, 2022, $90.3 million USD (2021 – $82.6 million USD) of the commitment was funded.

In 2019, the Corporation committed to a five-year software services agreement totalling $16.0 million. As at March 31, 2022, $12.7 million (2021 – $9.4 million) of the commitment was funded.

c) Pending Litigation

A civil claim was filed in April 2019 against the Province of B.C. regarding legislation amendments over the Corporation's Basic insurance product that became effective on April 1, 2019 (note 3e). The plaintiffs were successful in bifurcating the hearing of the challenge of the CRT and the challenge to the minor injury legislation. The constitutional challenge of the CRT was ruled unconstitutional in March 2021 but the decision was appealed successfully in May 2022 which resulted in a favourable impact on the Corporation's provision of unpaid claims (note 15). With respect to the challenge to the minor injury cap, this remains outstanding with the plaintiffs taking no further steps to date to advance the claim. If the plaintiffs are successful, there will likely be a material financial impact on the Corporation.

A notice of civil claim was filed in March 2020 against the Corporation and the Province of B.C. The proposed class action alleges the Corporation has been making payments to the provincial Medical Services Plan contrary to law. It is further alleged that the payments have cost ratepayers hundreds of millions of dollars, driving up insurance costs and have also caused accident victims to receive fewer benefits. A certification hearing took place on April 26 to 28, 2021 and June 28 to 30, 2021. The presiding judge reserved the decision. During the hearing, the Judge was advised of Bill 12, which has received Royal Assent and as a result the *Insurance (Vehicle) Act* now requires the Corporation to reimburse the government for costs of health-related services arising out of vehicle accidents. These legislative amendments provide retroactive authorization to the existing agreements. Despite this, the plaintiffs are taking the position that these amendments do not prevent them from pursuing their allegation that the agreements/legislation is an unconstitutional tax. The continuation of the certification hearing was heard on February 11, 2022. The Court dismissed the application for certification of the ratepayer claim, but certified the class action for the accident victim claim. At this stage of the proceedings, the probability of success on the accident victim claim cannot be determined and the financial impact can vary depending on the outcome.

On August 13, 2021, a Petition was filed by the Trial Lawyers Association and individual plaintiffs (who have personal injury actions against ICBC insureds) against the Attorney General of British Columbia. The Corporation was not named in the Petition but the Corporation has standing on behalf of our named insureds in the personal injury actions. The Petitioners sought to overturn the provisions of the *Disbursements and Expert Evidence Regulation,* which placed restrictions on recovery of disbursements in vehicle injury actions at 6% of a settlement or court award, subject to limited exceptions. On July 8, 2022, the B.C. Supreme Court struck down section 5 of the *Disbursements and Expert Evidence Regulation*. As a result of this decision, the Corporation has included no savings in the provision for unpaid claims on account of the affected regulation (note 15). On July 12, 2022, the Attorney General of B.C. filed a notice of appeal of the B.C. Supreme

Court's decision. At this stage of the proceeding, the financial impact cannot be determined and can vary depending on the outcome.

24. Regulation over Basic Insurance

As discussed in note 1, the Corporation is subject to regulation by the BCUC. The BCUC has jurisdiction over the Corporation's rates and services for Basic insurance, and responsibility for ensuring that the Basic insurance business does not subsidize the Corporation's Optional insurance business.

For the regulation of the Corporation's Basic insurance rates, the BCUC is required to ensure that the rates are just, reasonable, not unduly discriminatory, and not unduly preferential. The BCUC is required to approve rates set on the basis of accepted actuarial practice allowing the Corporation to collect sufficient revenue, to pay for costs allocated to the Basic insurance line of business using the BCUC approved financial allocation methodology, ensure the Corporation maintains and/or builds the required Basic insurance capital, ensure rates are not based on age, gender or marital status, and to ensure increases or decreases in rates are phased in, in a stable and predictable manner.

The BCUC initiates regulatory processes upon application by the Corporation but may also do so on its own initiative. It uses oral and written hearings, or negotiated settlement processes to review applications and subsequently issues legally binding decisions. The Corporation is required to reimburse a portion of the BCUC's general operating expenses as well as its costs associated with each proceeding. The BCUC can also order the Corporation to reimburse other proceeding participants for specified costs such as legal and expert witness fees.

As required by the regulatory framework, the Corporation maintains a Basic insurance capital management plan that is reviewed and approved by the BCUC. The rate smoothing framework limits Basic insurance rate increases to a range of allowable rate changes, and uses Basic insurance capital to smooth the volatility in Basic insurance rates (note 10a).

Amendments to IC2 in calendar year 2016 suspended the capital build and release provisions of the existing capital management plan and kept the capital maintenance provision stable with no impact on the Basic insurance rate change.

On February 26, 2018, the Province of B.C. amended IC2 to suspend the requirement for the BCUC to fix rates necessitating the Corporation to maintain at least 100% Basic MCT for years up to and including fiscal year 2022. In December 2020, the Province of B.C. defined the period of time spanned by the 2021 policy year as 23 months instead of the regular 12 months period. This effectively suspends the requirement for the Corporation to maintain at least 100% Basic MCT for years up to and including fiscal year 2023.

Amendments to IC2 in December 2020 also suspended the rate smoothing framework to allow a rate decrease and enabled a capital build provision for policy year 2021. On December 15, 2020, the Corporation filed a revenue requirements application with BCUC requesting a 15% decrease in Basic insurance rate for the policy year 2021 (commencing May 1, 2021 for 23 months ending March 31, 2023), which is the net result of a larger decrease in costs which includes a 11.5

percentage points provision to rebuild Basic capital levels. This application was approved by BCUC on October 28, 2021.

Allocation of Basic and Optional amounts

The Corporation operates its business using an integrated business model. The majority of premium revenues and costs are specifically identifiable as Basic or Optional (see note 1).

The Corporation also delivers non-insurance services on behalf of the Province of B.C. Non- insurance activities include driver licensing, vehicle registration and licensing, violation ticket administration and government fines collection all of which are reported as Basic costs.

BCUC requires the Corporation to follow an approved financial allocation methodology with respect to allocating costs between the Basic insurance business, the Optional insurance business, and non-insurance services. For those revenues and costs that are not specifically identified, a pro-rata method is used to allocate to each line of business based on the drivers of those revenues and costs, the degree of causality, and any BCUC directives. BCUC directives have been applied on a prospective basis.

($ THOUSANDS)	Basic Coverage		Optional Coverage		Total	
	2022	2021	2022	2021	2022	2021
Net premiums written	$ 2,800,397	$ 2,735,426	$ 2,029,713	$ 2,083,714	$ 4,830,110	$ 4,819,140
Revenues						
Net premiums earned	$ 2,753,668	$ 2,945,115	$ 2,030,045	$ 2,431,875	$ 4,783,713	$ 5,376,990
Service fees and other income	74,027	82,569	46,032	61,023	120,059	143,592
Total earned revenues	2,827,695	3,027,684	2,076,077	2,492,898	4,903,772	5,520,582
Claims and operating expenses						
Provision for claims occurring in the current year (note 15)	1,848,937	2,172,175	1,073,144	1,536,302	2,922,081	3,708,477
Change in estimates for losses occurring in prior years (note 15)	(156,452)	(126,787)	(273,485)	(240,485)	(429,937)	(367,272)
Claim services, road safety and loss management services	331,287	298,926	172,902	147,032	504,189	445,958
	2,023,772	2,344,314	972,561	1,442,849	2,996,333	3,787,163
Operating expenses – insurance (note 19)	137,930	123,038	164,495	160,400	302,425	283,438
Premium taxes and commissions – insurance (notes 19 and 20)	193,845	194,106	460,548	593,022	654,393	787,128
	2,355,547	2,661,458	1,597,604	2,196,271	3,953,151	4,857,729
Underwriting income	472,148	366,226	478,473	296,627	950,621	662,853
Investment income (note 11)	981,560	696,343	436,470	315,077	1,418,030	1,011,420
Income – insurance operations	1,453,708	1,062,569	914,943	611,704	2,368,651	1,674,273
Loss – non-insurance operations	(152,042)	(136,206)	-	-	(152,042)	(136,206)
Net income for the year	$ 1,301,666	$ 926,363	$ 914,943	$ 611,704	$ 2,216,609	$ 1,538,067
Net income attributable to:						
Non-controlling interest	$ 100	$ 7,503	$ 45	$ 3,395	$ 145	$ 10,898
Owner of the corporation	1,301,566	918,860	914,898	608,309	2,216,464	1,527,169
	$ 1,301,666	$ 926,363	$ 914,943	$ 611,704	$ 2,216,609	$ 1,538,067
Equity (Deficit)						
Retained earnings (deficit), beginning of year	$ 720,345	$ (198,515)	$ 410,589	$ (197,720)	$ 1,130,934	$ (396,235)
Net income for the year, owner of the corporation	1,301,566	918,860	914,898	608,309	2,216,464	1,527,169
Retained earnings, end of year	2,021,911	720,345	1,325,487	410,589	3,347,398	1,130,934
Other components of equity, beginning of year	503,462	(112,145)	226,039	(53,189)	729,501	(165,334)
Net change in available for sale assets	(590,812)	743,922	(262,716)	336,607	(853,528)	1,080,529
Pension and post-retirement benefits remeasurements (note 18)	335,641	(128,315)	149,389	(57,379)	485,030	(185,694)
Other components of equity, end of year	248,291	503,462	112,712	226,039	361,003	729,501
Total equity attributable to owner of the corporation	2,270,202	1,223,807	1,438,199	636,628	3,708,401	1,860,435
Non-controlling interest, beginning of year	4,450	9,436	2,594	4,775	7,044	14,211
Change in net assets for the year, non-controlling interest	(305)	(12,489)	(130)	(5,576)	(435)	(18,065)
Net income for the year, non-controlling interest	100	7,503	45	3,395	145	10,898
Total equity attributable to non-controlling interest, end of year	4,245	4,450	2,509	2,594	6,754	7,044
Total Equity	$ 2,274,447	$ 1,228,257	$ 1,440,708	$ 639,222	$ 3,715,155	$ 1,867,479

($ THOUSANDS)	Basic Coverage		Optional Coverage		Total	
	2022	2021	2022	2021	2022	2021
Liabilities						
Unearned premiums (note 16)	$ 1,487,580	$ 1,440,851	$ 955,475	$ 955,807	$ 2,443,055	$ 2,396,658
Provision for unpaid claims (note 15)	$ 9,748,114	$ 10,801,962	$ 3,956,040	$ 4,718,292	$ 13,704,154	$ 15,520,254

25. Indirect Method Cash Flow Details

The following table illustrates the details of the consolidated statement of cash flows:

($ THOUSANDS)	March 31 2022	March 31 2021
a) Items not requiring the use of cash		
Bad debt expense	$ 8,116	$ 9,182
Pension and post-retirement benefits (notes 18 and 19)	101,397	68,673
Amortization and depreciation of:		
Investment properties (note 6)	19,191	21,688
Property, equipment and intangibles (notes 12 and 14)	79,265	65,432
Lease assets (note 13)	14,268	12,832
Retirement of property, equipment and intangibles	(1,023)	(67)
Impairment loss on equity investments (note 6 and 11)	5,089	364
Impairment loss on investment properties (notes 6 and 11)	1,106	6,139
Interest on lease liabilities	1,921	2,000
Interest on mortgages payable	458	324
Unrealized loss (gain) on foreign currency investments	972	(56,561)
Gain on sale of investment properties (note 11)	(67,259)	(97,518)
Gain on investments	(342,765)	(228,935)
	$ (179,264)	$ (196,447)
b) Changes in non-cash working capital		
Accrued interest	$ 19,919	$ 9,271
Derivative financial instrument asset	-	1,807
Derivative financial instrument liability	(984)	(434)
Premium and other receivables	(43,541)	287,235
Reinsurance assets	(15,155)	3,708
Accrued pension benefits	(12,994)	(12,836)
Deferred premium acquisition costs and prepaids	47,502	31,525
Accounts payable and accrued charges	22,087	(43,662)
Net bond repurchase agreements and other liabilities	(3,348)	(9,195)
Premiums and fees received in advance	(10,385)	(12,801)
Unearned premiums	46,397	(557,850)
Pension and post-retirement benefits	(30,607)	(29,113)
Provision for unpaid claims	(1,816,101)	(483,480)
Provision for premium rebates/refunds	(790,062)	1,186,062
	$ (2,587,272)	$ 370,237

The table below details the changes in the Corporation's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing are those for which cash flows were, or future cash flows will be, classified in the Corporation's consolidated statement of cash flows as cash flows from financing activities.

($ THOUSANDS)	March 31, 2021	Financing cash flows	Non-cash changes	March 31, 2022
Net bond repurchase agreements (note 8)	$ 2,097,612	$ (150,307)	$ (45)	$ 1,947,260
Lease liabilities (note 9)	60,502	(14,800)	7,968	53,670
	$ 2,158,114	$ (165,107)	$ 7,923	$ 2,000,930

($ THOUSANDS)	March 31, 2020	Financing cash flows	Non-cash changes	March 31, 2021
Net bond repurchase agreements (note 8)	$ 1,834,901	$ 254,481	$ 8,230	$ 2,097,612
Lease liabilities (note 9)	54,417	(14,190)	20,275	60,502
	$ 1,889,318	$ 240,291	$ 28,505	$ 2,158,114

26. Subsequent Events

In April 2022, the Corporation completed the sale of three investment properties which were classified to assets held for sale this fiscal year 2022 (note 6) for a sale price of $112.5 million. This resulted in a gain of $53.1 million.

On July 4, 2022, a claim was filed against the Attorney General of B.C. challenging Enhanced Care. The claimants argue that the Enhanced Care legislation is a violation of equality rights under s. 15 of the *Canadian Charter of Rights and Freedoms* and grants the CRT power that violates the jurisdiction of the B.C. Supreme Court and as a result is unconstitutional. At this stage of the proceeding, the probability of success cannot be determined.