

Insurance Corporation of British Columbia

**2018/19 – 2020/21
SERVICE PLAN**

February 2018



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

Board Chair Accountability Statement



The 2018/19 - 2020/21 Insurance Corporation of British Columbia (ICBC) Service Plan was prepared under the Board's direction in accordance with the *Budget Transparency and Accountability Act*. The plan is consistent with government's strategic priorities and fiscal plan. The Board is accountable for the contents of the plan, including what has been included in the plan and how it has been reported. The Board is responsible for the validity and reliability of the information included in the plan.

All significant assumptions, policy decisions, events and identified risks, as of January 31, 2018 have been considered in preparing the plan. The performance measures presented are consistent with the *Budget Transparency and Accountability Act*, ICBC's mandate and goals, and focus on aspects critical to the organization's performance. The targets in this plan have been determined based on an assessment of ICBC's operating environment, forecast conditions, risk assessment and past performance.

A handwritten signature in blue ink that reads "Joy MacPhail". The signature is fluid and cursive.

Joy MacPhail
Chair, ICBC Board of Directors

Table of Contents

Board Chair Accountability Statement.....	3
Strategic Direction and Alignment with Government Priorities.....	5
Strategic Direction.....	5
Government priorities.....	6
Operating Environment.....	6
Performance Plan.....	7
Financial Plan.....	18
Summary Financial Outlook.....	18
Operating Costs by Nature.....	19
Key Forecast Assumptions, Risks and Sensitivities.....	19
Sensitivity Analysis.....	20
Management’s Perspective on the Financial Outlook.....	21
Appendix A: Hyperlinks to Additional Information.....	22
Corporate Governance.....	22
Organizational Overview.....	22
Appendix B: Nominee Companies.....	23

Strategic Direction and Operating Environment

Strategic Direction

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

In line with Government's commitment to make life more affordable for British Columbians, while delivering services that people can count on, ICBC is dedicated to providing customers with the best insurance coverage and service, at the lowest possible cost. To support this, the corporate strategy focuses on four key goals: Deliver Value and Service for Customers, Enable Financial Stability, Deliver Operational Excellence and Align People and Business Capabilities. The items included in the 2018/19 Mandate Letter will help shape ICBC's longer-term strategic plan, developed in collaboration with Government.

On November 1, 2017, ICBC's Minister announced that PwC Canada had been selected to lead an operational review of ICBC. The review was intended to identify cost savings by improving business processes; specifically looking at fraud prevention, supplier billing and other opportunities for business reform. The review was completed on January 12, 2018. A final report is expected in early 2018 and will be made public. In alignment with the 2018/19 mandate letter, and in cooperation with the Ministry, ICBC will review and implement, as appropriate, recommendations from the operational review conducted by PwC Canada.

It is worth noting that ICBC is heading into a period of significant change. This is a transitional year for ICBC's Service Plan, as the corporation reviews its corporate strategy through the lens of the recently completed operational review and works with government on initiatives focused on the long term sustainability of ICBC, including changes to its Basic insurance product. It is expected that the overall strategic direction of ICBC will become clearer in the coming months and the 2019/20-2021/22 Service Plan will reflect those significant changes.

Alignment with Government Priorities

Government Priorities	ICBC aligns with this priority by:
Making life more affordable	<ul style="list-style-type: none"> • Keeping rates as low as possible while enhancing fairness in pricing (Strategy under Goal 1)
Delivering the services people count on	<ul style="list-style-type: none"> • Designing and delivering quality products and services in ways that meet customer and business needs (Strategy under Goal 1)

Operating Environment

In B.C., auto insurance is based on a full tort system, which means that an at-fault driver may be taken to court for the full range of damages they caused, such as injuries to others or damage to vehicles. An injured party also has access to accident benefits coverage, regardless of fault, including medical and rehabilitation expenses and wage loss. This environment drives higher claims costs when compared to jurisdictions that operate under different auto insurance systems.

Risks in the operating environment could impact future performance and the ability to execute the corporate strategy. Like other jurisdictions, B.C. is experiencing a rapid increase in the number of motor vehicle crashes. From these crashes, more people are claiming bodily injury with a shift toward more complex claims that cost more to settle. Minor or soft tissue injuries and associated claims costs now account for the majority of injury claim costs. The growing sophistication of cars is also driving up vehicle repair costs.

These cost pressures show no signs of easing and, combined, are putting upward pressure on rates. Managing these costs, along with exaggerated and fraudulent claims and increasing legal representation rates, are critical to offering customers the best insurance coverage for the lowest possible cost. See Goal 2 (Enable Financial Stability) for more discussion on this topic.

All of the measures ICBC and Government have implemented are not enough to close the ever-increasing gap between the premiums being collected and the cost of the claims being paid out. Additional changes are needed to help create a sustainable auto insurance system, which strikes the balance among increased care for the injured, less spent on legal costs and more affordable and fair rates for British Columbians. Working with Government, ICBC will carry out changes to its Basic insurance product to support the long-term sustainability of the corporation and make changes to improve affordability and rate fairness for British Columbians.

Natural catastrophes, volatility in investment markets and global economic uncertainty continue to be risks to the Property and Casualty industry. Investment income has historically been a strong and consistent contributor to ICBC's financial health, helping to partially offset the pressure of rising claims costs. In the current low-interest rate investment climate, ICBC cannot rely upon investment return to help offset claims costs and benefit insurance rates to the same extent it did in the past.

Performance Plan

Goals, Objectives, Strategies and Performance Measures

This section sets out ICBC's goals, strategies, performance measures and targets for 2018/19-2020/21.

In 2016, ICBC adjusted its fiscal year end date from December 31 to March 31 to align with the B.C. Government's fiscal year end. As a result of this change, the 2016/17 actuals included in this plan reflect a 15-month transitional fiscal period from January 1, 2016 to March 31, 2017. For 2017/18 and thereafter, ICBC's fiscal year will be the 12-month period from April 1 to March 31.

Based on the direction in the mandate letter, we are working closely with government to update our longer term corporate strategy to better reflect government priorities and put ICBC back on a stable financial path. Any updates to the corporate strategy will be reflected in service plans moving forward.

Goal 1: Deliver Value and Service for Customers

ICBC remains committed to delivering value and service for customers by focusing on its customers' needs and what matters most to them.

Objectives

- 1.1a Maintain or improve current Insurance Services satisfaction score
- 1.1b Maintain or improve current Driver Licensing satisfaction score
- 1.1c Maintain or improve current Claims Services satisfaction score

Strategies

The following strategies will help ICBC deliver value and service for customers, as they focus on maintaining current customer satisfaction scores for the key services ICBC provides. These strategies are further expanded in the discussion section below.

- Work with Government and partners to support Government priorities and initiatives;
- Keep rates as low as possible while enhancing fairness in pricing;
- Design and deliver quality products and services in ways that meet customer and business needs; and
- Reduce injury and death on B.C. roads

Performance Measure 1: Deliver Value and Service for Customers

Measuring feedback is how ICBC knows if it is delivering value and service for customers. ICBC measures customer service performance based on the percentage of satisfied customers for each major transaction type or service it provides: insurance product purchase, driver licensing and claims service.

Performance Measure	2016/17 Actual	2017/18 Forecast	2018/19 Target	2019/20 Target	2020/21 Target
1.1a Insurance Services Satisfaction	95%	90%*	94%	95%	95%
1.1b Driver Licensing Satisfaction	93%	92%	93%	93%	93%
1.1c Claims Services Satisfaction	92%	92%	93%	93%	93%

Data Source: An independent firm is retained to conduct ongoing surveys of customers for the purposes of monitoring transactional satisfaction. * The Insurance Customer Satisfaction survey was temporarily suspended in 2016 due to constraints to data access following the implementation of the new insurance system. The survey resumed starting with October 2017 transactions. The preliminary forecast was set at 90% but may be adjusted as more data is collected throughout the second half of fiscal 2017/18.

Linking Performance Measures to Objectives

ICBC continues to meet service measures for its Insurance Services, Driver Licensing and Claims Service to ensure customers are receiving consistent, quality service while interacting with ICBC. ICBC will continue to strive toward maintaining and improving upon the current strong customer satisfaction results in 2018/19.

Insurance Services Satisfaction

Independent insurance brokers process over three million Autoplan policies each year. The insurance services satisfaction measure is typically based on surveys of approximately 5,000 customers over the course of a year. The survey was reinstated in October 2017 after being suspended for 13 months during the stabilization of ICBC’s new insurance system.

Driver Licensing Satisfaction

Each year, ICBC conducts approximately 1.6 million transactions relating to the issuance of driver licences and driver exams, including renewing a licence, taking a knowledge test or undergoing a road test. This measure is weighted by the number of transactions for each type of service and is drawn from a sample of over 3,000 customers surveyed throughout the year.

Claims Service Satisfaction

Claims are processed through ICBC’s Claims call centre, claims centres and specialty departments such as commercial claims and rehabilitation services. Claims surveying draws upon personal claims only and is based on the average of First Notice of Loss and closed claims. In a typical year, there are over 15,000 completed surveys.

Discussion

Strategy 1: Work with Government and partners to support Government priorities and initiatives
 ICBC will continue to partner with government on priorities such as Enhanced Road Assessment and law enforcement initiatives that combat distracted driving and improve intersection safety. (See more details below in Strategy 4: Reducing injury and death on BC roads).

Strategy 2: Keep rates as low as possible while enhancing fairness in pricing

A key part of delivering value to customers is to keep insurance rates as low as possible while enhancing fairness in pricing. Insurance rates in B.C. have experienced ongoing pressure from

the number and cost of claims in recent years – with the pressure continuing in 2018/19 and the foreseeable future. In addition to existing efforts, ICBC continues to look for ways to mitigate increasing claims costs so that it can continue to provide insurance coverage at the lowest possible cost. Working with Government, ICBC will carry out changes to its Basic insurance product to support the long-term sustainability of the corporation and make changes to improve affordability and rate fairness for British Columbians.

Strategy 3: Design and deliver quality products and services in ways that meet customer and business needs

Government has committed to delivering services that British Columbians can count on. Similarly, ICBC is focused on consistently providing products and services to our customers in ways that they value and in a cost-effective manner. Over the coming years, ICBC will continue to leverage online services for customers to help reduce costs, increase customer convenience and enable the organization to operate more efficiently.

In addition, ICBC will continue to provide services across the province through its business partners, including Express Repair facilities, Autoplan brokers, and government agents that offer driver licensing services.

Strategy 4: Reduce injury and death on B.C. roads

Distracted driving is the second leading contributing factor in traffic fatalities in B.C., behind speed and ahead of impaired driving. Smartphone usage and distracted driving-related crashes also continue to add pressure on claims costs. In B.C., more than 90 per cent of drivers have mobile phones, and 88 per cent of those are smartphones. A study by the Insurance Institute of Highway Safety in 2015 determined that hand-held phone use makes drivers roughly five times more likely to be involved in a crash. Distracted driving is now responsible for approximately one quarter of all fatal crashes in B.C. On average, 78 people in our province die every year in crashes where distracted driving is a contributing factor.

ICBC is committed to reducing injury and death on B.C. roads and will continue to partner with law enforcement and government to raise awareness about the risks, consequences and penalties associated with distracted driving. ICBC will continue its efforts to put a high priority on addressing distracted driving, which currently includes public awareness campaigns, community outreach activities and other initiatives to help reduce crashes. In 2018, ICBC will pilot technology to disrupt distracted driving, helping drivers to avoid hand-held phone use behind the wheel. As well, beginning in March 2018, drivers who receive two or more tickets for using their hand-held electronic devices while driving will be required to pay the greater of the Driver Risk Premium and Driver Penalty Points Premium. This may result in as much as \$740 in additional costs to a driver who, for example, receives two tickets in one year.

ICBC is also placing a high priority on intersection safety, given the increase in crashes in 2016 and the fact that the majority of crashes occur at intersections. Increased efforts will be addressed through intersection safety cameras, road improvements and other initiatives. ICBC and the provincial government are currently working towards increasing activation levels of the intersection safety cameras. ICBC is also partnering with the Ministry of Transportation and Infrastructure on an intersection safety improvement initiative to reduce collisions at

intersections across the province. Investments in road safety will help to improve the safety of all communities across B.C. and will also help to manage claims costs.

Meanwhile, ICBC continues to partner with police and other stakeholders with education and awareness campaigns and other tactics related to the other top contributing factors in fatal collisions; speed and impaired driving.

Goal 2: Enable Financial Stability

ICBC aims to create value for customers by operating in a disciplined and focused manner. At the same time, ICBC strives to manage operating expenses in a low-cost manner, in line with government's 2017/18 mandate to make life more affordable for British Columbians, while focusing on accountability, service and cost consciousness.

Objectives

- 1.1a Stable Minimum Capital Test (MCT) ratio
- 1.1b Stable or lower combined ratio
- 1.1c Investment return to match the policy benchmark return

Strategies

- Manage increasing bodily injury and material damage claims costs;
- Manage operating expenses in a low-cost manner;
- Balance risk and return within the investment portfolio.

Performance Measure 2: Enable Financial Stability

The following measures will be used to evaluate the goal of Enable Financial Stability.

Performance Measure	2016/17 Actual	2017/18 Forecast	2018/19 Target	2019/20 Target	2020/21 Target
1.1a MCT ¹	112%	34%	TBD	TBD	TBD
1.1b Combined Ratio	128%	136%	124%	112%	111%
1.1c Investment Return (Market Return)	Benchmark +0.31%	Policy Market Benchmark Return	Policy Market Benchmark Return	Policy Market Benchmark Return	Policy Market Benchmark Return

Data Source: Financial performance measures are derived from actual financial information, forecasted trends, management targets, and assumptions.¹ In light of the anticipated changes to the Basic insurance product, Corporate MCT targets for 2018/19 to 2020/21 are subject to review.

Linking performance measures to objectives

ICBC will continue to manage the costs of bodily injury and material damage claims, and develop ways to better manage and reduce the risks and growth in costs associated with claims.

These include focused claims analytics and hassle-free process initiatives, and an increased focus on investigating potentially fraudulent and exaggerated claims.

To date, the measures ICBC and government have implemented are not enough to close the gap between the premiums being collected and the cost of the claims being paid out. Working with Government, ICBC is making changes to its Basic insurance product to support the long-term sustainability of the corporation and make changes to improve affordability and rate fairness for British Columbians.

Minimum Capital Test

MCT is a best practice property and casualty industry measurement framework established by the Office of the Superintendent of Financial Institutions (OSFI). It provides a framework for measuring the capital adequacy of an insurer to protect policyholders from financial risk and to provide long-term financial stability. It is the ratio of ICBC's capital available to capital required as calculated for specific risks, and is expressed as a percentage.

Combined Ratio

The combined ratio is a key measure of overall profitability from operations within the insurance industry determined as a ratio of all costs and expenses over premiums (excluding investment income). A ratio below 100 per cent indicates an underwriting profit while a ratio above 100 per cent indicates an underwriting loss.

Investment Return

ICBC collects premiums, which are invested prior to being paid-out in claims. These funds are invested in accordance with ICBC's investment policy. Investment income is important and is used to reduce the cost of insurance to policyholders. Investment performance is evaluated against a benchmark return calculated using the strategic asset mix which is set in the investment policy.

Discussion

Minimum Capital Test

While ICBC is not federally regulated by OSFI, Special Direction IC2 requires ICBC to have a minimum of 100 per cent MCT ratio for Basic insurance. ICBC has established separate MCT targets for the Basic and Optional lines of business, based on the risk profile of the separate businesses. The MCT target shown represents a combination of the Basic and Optional MCT targets. In anticipation of changes to the Basic insurance product, MCT targets are subject to review.

Combined Ratio

ICBC's combined ratio is typically higher than the industry average. This is partially due to the unique nature of ICBC's business model where premiums are not set to generate large underwriting profits and, together with investment income, are set to recover costs and to achieve and maintain capital targets. ICBC also delivers non-insurance services on behalf of Government and these costs are reflected in the combined ratio.

Investment Return

ICBC collects premiums, which are invested prior to being paid-out in claims. These funds are invested in accordance with ICBC's investment policy. Investment income is important and is used to reduce the cost of insurance to policyholders. Investment performance is evaluated against a benchmark return. The benchmark return is calculated as the average of individual asset class benchmark returns, weighted according to the portfolio's strategic asset mix. Individual asset class benchmarks are market indexes designed to track the performance of a representative asset class. Consequently, the benchmark return provides an indication of the performance that can be expected from a diversified portfolio of assets. The benchmark contributes to ICBC's financial stability by measuring management's ability to achieve the returns that are available in the market.

Strategy 1: Manage increasing bodily injury and material damage claims costs

Claims costs are the vast majority of ICBC's costs and can be divided into injury costs, and material damage costs. Frequency (how many claims are made each year per a given number of policies) and severity (the average pay-out for a claim) are the two main elements that impact claims costs. ICBC is seeing a continued increase in crash frequency along with an accelerating number of injury claims being reported.

Despite the fact that vehicles and roads today are much safer, the frequency of bodily injury claims and the number of injury claims per crash continues to steadily increase. Bodily injury severity has also followed an upward trend, with minor or soft tissue injuries and associated claims costs accounting for the majority of injury claim costs. More people are also claiming bodily injury with a shift toward more complex claims that cost more to settle.

The increasing number of crashes has also led to more vehicle damage claims being reported to ICBC and the costs of vehicle repairs are driving increases in material damage claim severity above what was expected. Vehicles today are more reliant on technology and expensive materials than ever before, while the hours of labour required to repair vehicles and the cost of replacement parts are also increasing, particularly for newer vehicles. Implementing a material damage strategy to manage claim costs and ensure appropriate controls and governance are in place will be a key priority for ICBC in 2018/19.

To address the growth in injury claims, ICBC has further increased its claims staff which includes additional injury adjusters, support staff, in-house legal and Special Investigation Unit employees. The additional injury staff provide a significant net benefit by improving capacity to help settle the rapidly increasing number of claim files being received every day. In addition, ICBC has improved customers' access to benefits, including timely access to the medical treatments they need immediately after they report their claim. Working with Government, ICBC will carry out changes to its Basic insurance product that strike the balance between increased care for the injured, while managing claims costs and making rates more affordable. Tools to proactively combat exaggerated and fraudulent claims will continue to be an important focus, as will optimizing strategic sourcing and supplier management initiatives to contain costs. ICBC is committed to managing bodily injury and material damage claims costs and working with government to develop and implement short and long term strategies to help alleviate the pressure claims costs continue to put on insurance rates. One area of continued focus is fraud

prevention. A new high-tech fraud analytics tool implemented in November 2017 will help ICBC's Special Investigation Unit (SIU) to better detect and investigate suspicious claims early in the claims process.

Strategy 2: Manage operating expenses in a low-cost manner

Keeping controllable operating expenses as low as possible is one of ICBC's goals. Between 2013-2015, ICBC was successful in keeping controllable costs flat, absorbing inflationary pressures by managing staffing vacancies, prudent management of spending and developing efficiencies. In the 15-month transitional period 2016/17 and fiscal 2017/18, ICBC hired additional claims and claims related staff to manage growing claims volume and complexity, while continuing to absorb inflationary pressures in the rest of its operations. Similarly, ICBC anticipates hiring additional claims and claims-related staff in 2018/19.

Strategy 3: Balance risk and return within the investment portfolio

ICBC earns investment income that partially offsets the cost of rising insurance rates to policyholders and aims to balance risk and return within its investment portfolio, specifically the ability to generate an investment return against a need to control risk. Historically, investment income has been a strong contributor to ICBC's financial health. The current investment portfolio continues to perform well, exceeding industry benchmark returns. However, ICBC cannot rely upon investment return to help offset claims costs to the same extent it did in the past due to the current low level of interest rates.

Goal 3: Deliver Operational Excellence

Providing customers with the best insurance coverage at the lowest possible cost requires operating ICBC in a low-cost manner. This means actively controlling spending, avoiding unnecessary costs and delivering a consistent, quality experience and value for customers.

Objectives

- 1.1a Stable Loss Adjustment Ratio; and
- 1.1b Stable Insurance Expense Ratio

Strategies

To have a focused operation and maintain excellence, ICBC has developed the following key strategies:

- Continuously improve the business by leveraging operational excellence principles
- Develop organizational flexibility to be responsive to a changing environment

Performance Measure 3: Deliver Operational Excellence

The following measures will be used to evaluate the "Deliver Operational Excellence" goal.

Performance Measure	2016/17 Actual	2017/18 Forecast	2018/19 Target	2019/20 Target	2020/21 Target
1.1a Loss Adjustment Ratio	16.6%	16.1%	TBD ¹	TBD ¹	TBD ¹
1.1b Insurance Expense Ratio	17.3%	17.1%	17.0%	16.8%	16.4%

Data Source: Financial performance measures are derived from actual financial information, forecasted trends and assumptions.

¹ In light of the anticipated changes to the Basic insurance product, targets for 2018/19 to 2020/21 are subject to review.

Linking performance measures to objectives

To monitor and measure how ICBC is leveraging operational excellence to manage these trends, ICBC is using the following two measures: Loss Adjustment Ratio and Insurance Expense Ratio.

Loss Adjustment Ratio

The Loss Adjustment Ratio is the percentage of claims handling costs per dollar of claims paid. It is calculated as the sum of claims services costs, external expenses and loss management expenses divided by claims paid net of external expenses.

Insurance Expense Ratio

The Insurance Expense ratio is a standard industry measure to assess operational efficiency of an insurer. The Insurance Expense Ratio is calculated as a ratio of insurance operating expenses (excluding claims, claims related costs, and non-insurance expenses) to insurance premium dollars earned.

Discussion

To ensure that ICBC can continue to effectively manage the increasing frequency and complexity of claims, additional claims and claims related staff continue to be added. Other operating costs such as corporate support costs are expected to be relatively stable regardless of claims volume and complexity.

Loss Adjustment Ratio

Claims services costs consist of salaries, benefits and operating expenses while external expenses consist primarily of costs for outside legal counsel, medical and dental reports, private investigators, independent adjusters and towing services. Loss management expenses include ICBC's Special Investigation Unit, which covers fraud prevention, investigation and detection to help reduce claims costs. ICBC anticipates the Loss Adjustment Ratio to be stable in the current environment of increasing crashes and bodily injury claims. Increased claims handling costs, due to related staffing increases to manage the increase in claims volume, are expected to be essentially offset by an increase in the number of claims being closed at the appropriate cost.

Insurance Expense Ratio

ICBC anticipates the Insurance Expense Ratio to be stable.

Strategy 1: Continuously improve the business by leveraging operational excellence principles

ICBC will maintain a strong focus on managing costs and continue its momentum towards achieving operationally excellent service delivery. ICBC is committed to continuously improve the business by leveraging operational excellence principles and methodologies introduced in

2014. ICBC continues to train and encourage its employees in these principles and is reviewing its business processes to find and remove operational inefficiencies, ensure processes add value for the customer, and build internal capacity and capability for continuous improvement. In 2017/18, operational excellence tactics delivered benefits to the organization in the form of cost avoidance, revenue generation and operational efficiency.

Strategy 2: Develop organizational flexibility to be responsive to a changing environment

A key area has been developing skills and processes that enable organizational flexibility to respond to a changing environment. This includes streamlining processes in claims handling and implementing management practices that facilitate performance focus and problem solving, such as root cause analysis. For example, in 2018/19 ICBC will be focused on bringing improvements to how material damage claims are handled. Leveraging a new estimating platform, ICBC will work with industry and employees to continue to look for further opportunities to improve efficiency and provide consistent service. There will also be a focus on improving the process for hiring, training and the development of new ICBC claims employees to ensure they are performing at their full potential in the shortest time possible to serve customers.

Goal 4: Align People and Business Capabilities

Critical to achieving the corporate strategy is having the right people with the right business capabilities in place to provide more information, improved services and better access for customers. ICBC will continue to build its people capabilities through implementation of human resource initiatives and workforce plans, which will include leadership development, succession planning and various employee experience programs.

Objectives

1.1a Maintain or improve scores across all employee opinion indices

Strategies

To improve business capabilities and better align people, ICBC has developed the following strategies:

- Develop accountable, aligned, enabled, and motivated leaders and employees; and
- Leverage people, technology, and practices to build business value.

Performance Measure 4: Align People and Business Capabilities

The following measures will be used to evaluate the Align People and Business Capabilities goal.

Performance Measure	2016/17 Actual	2017/18 Actual	2018/19 Target	2019/20 Target	2020/21 Target
Employee Opinion Indices					
<i>Aligned</i>	78	81	≥81	Index scores will be maintained or increased.	Index scores will be maintained or increased.
<i>Enabled</i>	66	70	≥70		
<i>Motivated</i>	64	67	≥67		
<i>Accountable</i>	87	86	≥86		
<i>Leadership¹</i>	70	N/A	≥70		

Data Source: Employee Opinion Survey conducted by an independent firm. ¹ The leadership index can only be updated in a full survey year. **Score Legend:** 80-100 = extremely positive. 60-79 = moderately positive. 40-59 = moderately negative. 0-39 extremely negative.

Linking Performance Measures to Objectives

ICBC’s Employee Opinion Survey (EOS) scores have progressively increased over the years. The organization will maintain its focus upon continuous improvement of employee experience but has adjusted its EOS targets to reflect that either a score increase or maintenance of existing scores is a satisfactory outcome.

Discussion

Employee Opinion Survey (EOS)

Over the past three years, the period covering the introduction of ICBC’s new employee opinion survey format, the percentage of employees who have participated in the survey (response rate) has remained consistently high, from 70 per cent in 2014 to 77 per cent in 2016. Fundamentally, the strength of these response rates mean that these EOS results are truly representative of the opinions of ICBC employees.

ICBC successfully achieved its response rate target for the 2017/18 Pulse Check survey, which was a representative sample of 20 per cent. Survey results indicated that ICBC reached or exceeded its index targets in 3 out of 4 indices: Aligned, Enabled and Motivated, with the Accountable index remaining in the “Extremely Positive” category. The survey results further identify areas for improvement and indicate that ICBC can place greater attention on creating a more motivating work environment by building a greater sense of belonging and enabling employees through processes, training and tools. Management is addressing this through tactics such as the Diversity and Inclusion program, leadership development initiatives and job-related training programs.

Strategy 1: Develop accountable, aligned, enabled, and motivated leaders and employees

One of the key strategies within this goal is to develop accountable, aligned, enabled and motivated leaders and employees. ICBC’s Employee Opinion Survey captures employees’

opinions regarding the tools and processes through which they execute their work, their understanding of how their efforts align to the corporate strategy, their personal motivation and their individual accountability for delivering business results. All ICBC employees are invited to participate in a full Employee Opinion Survey every two years; in the intervening years, a shorter ‘pulse’-style survey is provided to a representative sample of employees. The Pulse Check helps leadership understand if corporate, divisional and departmental action plans are addressing the feedback provided by employees in full surveys. A full survey using ICBC’s updated employee opinion survey approach was last conducted in the fall of 2016 and a pulse survey was held in the fall of 2017.

Strategy 2: Leverage people, technology, and practices to build business value.

Another key strategy within this goal is to leverage our people, technology, and practices to build business value. In 2016/17, ICBC completed the final stages of its multi-year business transformation efforts, which greatly modernized the business. Moving forward, ICBC will be leveraging the technical investments made to continuously improve and enhance business operations in the claims and insurance business areas. ICBC is also working towards providing greater access to data in the claims and insurance systems, equipping employees with the right information to make data driven decisions.

Financial Plan

Summary Financial Outlook

(\$m)	15 months 2016/17 Actual ¹	2017/18 Forecast ²	2018/19 Budget ²	2019/20 Budget ²	2020/21 Budget ²
Premiums earned	6,051	5,335	5,858	6,374	6,980
Service fees and other	130	115	119	125	134
Total earned revenues	6,181	5,450	5,977	6,499	7,114
Provision for claims occurring in the current period	5,660	5,064	6,038	5,479	6,031
Change in estimates for losses occurring in prior periods	306	591	(76)	(31)	(55)
Net claims incurred	5,966	5,655	5,962	5,448	5,976
Claims service and loss management	445	395	440	450	451
Insurance operations expenses	284	237	260	258	256
Transformation Program	38	30	28	28	27
Premium taxes and commissions	819	801	456	827	894
Total expenses	7,552	7,118	7,146	7,011	7,604
Underwriting loss	(1,371)	(1,668)	(1,169)	(512)	(490)
Investment and other income	615	498	616	625	707
Income (loss) - insurance operations	(756)	(1,170)	(553)	113	217
Non-insurance operations expenses	126	101	105	107	109
Non-insurance commissions	38	32	32	33	34
Non-insurance - other income	(7)	(7)	(6)	(6)	(6)
Net income (loss)	(913)	(1,296)	(684)	(21)	80
Other comprehensive income					
Pension and post-retirement benefits remeasurements	79	60	-	-	-
Net change in available for sale financial assets and change in non controlling interest	152	(157)	70	31	30
Total comprehensive income (loss)	(682)	(1,393)	(614)	10	110
Total liabilities	15,098	16,863	18,594	19,520	20,644
Retained earnings	2,459	1,163	479	458	538
Other components of equity	(32)	(129)	(59)	(28)	2
Non-controlling interest	19	19	19	19	19
Total equity	2,446	1,053	439	449	559
Capital Expenditures³	81	60	105	65	40

Impact of Changes to the Basic Insurance Product					
Net income (loss) before changes to the Basic insurance product	(913)	(1,296)	(1,076)	(801)	(920)
Impact of changes to the Basic insurance product	-	-	392	780	1,000
Net income (loss)	(913)	(1,296)	(684)	(21)	80

¹ Fiscal period 2016/17 is a 15 month transitional fiscal period from January 1, 2016 to March 31, 2017.

² Represents fiscal 12 month period April 1 to March 31.

³ Major categories of capital expenditure include: facilities (land, building, leasehold), furniture and equipment, IT systems (computer equipment and software). Looking ahead, ICBC expects capital expenditures will change in the planning period as the company

⁴ The table represents a summary impact of the changes to the Basic insurance product. These savings are reflected in the Income Statements for 2018/19 to 2020/21 above.

Operating Costs by Nature

(\$m)	2016/17 Actual ¹	2017/18 Forecast ²	2018/19 Budget ²	2019/20 Budget ²	2020/21 Budget ²
Premium taxes and commission expense	763	677	739	815	896
Premium deficiency adjustments	93	156	(251)	45	32
Compensation and other employee benefits	466	405	445	843	843
Pension and post-retirement benefits	104	88	85		
Professional and other services	53	41	29		
Road improvements and other traffic safety programs	42	31	31		
Building operating expenses	36	29	31		
Merchant and bank fees	48	40	43		
Office supplies and postage	26	22	21		
Computer costs	37	29	29		
Depreciation and amortization	55	55	55		
Other	27	23	64		
Total operating costs	1,750	1,596	1,321	1,703	1,771

¹ Fiscal period 2016/17 is a 15 month transitional fiscal period from January 1, 2016 to March 31, 2017.

² Forecast and Budget are on a fiscal year basis (12 months April 1 - March 31). Operating cost targets are not planned in detail beyond the current year.

Key Forecast Assumptions, Risks and Sensitivities

Financial forecasts take into consideration ICBC's plans to address the key strategic risks facing the organization and changes in the external environment. Typical of other property and casualty insurance companies, ICBC faces material risks in the execution of its strategy and conduct of operations. The Board of Directors, the Board Committees and the Executive Leadership Team review these material risks, including financial market risk, as part of their governance and oversight function. ICBC will continuously addresses material risks. This includes strengthening information security system controls to protect against evolving cybersecurity threats and continuing to leverage the use of core operational systems as part of evolving ICBC's business model. Leadership development and succession planning also continue to support the business model. Finally, like other B.C. Crown corporations, ICBC will ensure it has the appropriate business continuity plans for earthquake preparedness, should this crisis scenario materialize.

Based on these plans, the following assumptions were developed and incorporated into the financial forecasts on page 18.

- The summary financial outlook reflects the overall operations of the business, including Basic and Optional insurance and non-insurance activities. It has been prepared based on current legislative, regulatory, accounting and judicial frameworks, and where required, subject to the assumption that legislative changes to the Basic insurance product will be enacted to support the long-term sustainability of the corporation.
- The forecast reflects a number of financial and behavioural assumptions relating to the implementation of changes to the Basic insurance product, and could vary from these

projections, depending on actual implementation, actual behavioural changes and associated impacts.

- For the 2017/18 – 2020/21 period, rate changes are assumed for both the Basic and Optional insurance businesses. Any proposed changes to Basic insurance rates are subject to BCUC regulatory approval.
- Investment income, as shown, includes the expected interest, dividends, and other income and realized gains/losses from the investment portfolio
- Claims incurred reflect current claims trends, vehicle population growth and inflation; and the impact of estimated savings from changes to the Basic insurance product and road safety initiatives beginning in 2019/20.
- Prior years' claims reflect changes in the discounted value of unpaid claims
- Changes in unrealized gains and losses continue to impact Other Components of Equity in 2017/18 – 2020/21 until upcoming changes in accounting standards are in effect

Sensitivity Analysis

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

Premiums

- 1 per cent fluctuation means \$53 - \$70 million in net premiums (Basic and Optional combined)

Claims

- 1 per cent fluctuation means \$51 - \$60 million in claims costs
- 1 per cent increase in the proportion of legal represented claims means approximately \$30 million of additional claims costs
- 1 per cent fluctuation in the unpaid claims balance means \$105 - \$144 million in claims costs
- 1 per cent fluctuation in the rate used to discount claims means approximately \$290 - \$300 million in claims costs

Investments

- 1 per cent fluctuation in return means \$155 - \$185 million in investment income
- 1 per cent change in investment balance means \$5 - \$7 million in investment income
- 1 per cent change in interest rate would result in a change of approximately \$420 million in the fair value in ICBC's fixed income portfolio and a corresponding impact of \$420 million to Other Comprehensive Income (OCI)
- A 10 per cent change in equity prices would result in an estimated corresponding change to OCI of approximately \$325 million

Market Share

- 1 per cent change in market share represents a \$6 - \$8 million impact on net income

Pension

- 1 per cent change in discount rate represents approximately \$470 million impact to the defined benefit obligation
- 1 per cent change in discount rate represents approximately \$35 million impact to pension expense

Management's Perspective on the Financial Outlook

The net loss for fiscal 2017/18 is forecast to be \$1,296 million as compared to a net loss of \$612 million for fiscal 2016/17 on a comparative 12-month basis. The net loss for 2017/18 is significantly higher than expected primarily due to higher claims costs from a continued acceleration in the emergence of large and complex bodily injury claims, an extension in the time required to resolve injury claims, and an increase in material damage claim severity. Claims that remain open longer will cost ICBC more, on average, than claims that are resolved sooner. A net loss is also expected in 2018/19 as claims costs continue to outpace premium revenues and investment income.

The fiscal years 2019/20 and 2020/21 reflect an improvement to the forecast primarily as a result of anticipated changes to the Basic insurance product. These improvements reflect a number of financial and behavioural assumptions relating to the implementation of changes to the Basic insurance product and could vary from these projections, depending on actual implementation, actual behavioural changes and associated impacts.

ICBC continues ongoing efforts to identify and moderate the drivers of higher claims costs within its control. ICBC, with the support of government staff, continues developing and implementing short and long-term strategies to help moderate increases in claims costs and the impact of higher claims costs on future Basic insurance rates. ICBC's initiatives emphasize continuous operational improvement and consistent quality and fair handling of claims. ICBC is focused on reducing the increase in claims costs by managing higher claims volumes and limiting the amount of claims pending, to the degree this is within its control. This is being done by ensuring an appropriate complement of claims and claims-related staff to address claims volumes, pending bodily injury and represented claims files. In addition, ICBC continues its focus on improving management of procurement processes and initiatives to combat exaggerated and fraudulent claims. The EY review identified potential cost saving opportunities and initiatives in a number of areas, including claims costs management and road safety initiatives. A number of endorsed initiatives have been included in the current forecast beginning in 2018/19. Further savings from additional initiatives will be included in future budgets.

ICBC earns investment income that partially offsets the cost of rising insurance rates to policyholders and aims to balance risk and return within its investment portfolio. ICBC continues to be challenged by the very low interest rate environment due to the significant short term bond holdings within its investment portfolio.

Despite the financial benefits of changes to the Basic insurance product, the corporation's capital levels are still forecast to be well below regulatory and management targets. ICBC is working with Government on solutions to support the sustainability of ICBC.

Appendix A: Hyperlinks to Additional Information

Corporate Governance

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

The Board of Directors guides ICBC in fulfilling its mandate and sets the corporate direction. The Board, with input from the Executive Team, approves the vision and values that guide ICBC, and the goals and strategies upon which accountability and performance are evaluated. Information on the role and membership of the Board members and Board committees is available on ICBC's website, <http://www.icbc.com/about-icbc/company-info/Pages/Corporate-governance.aspx>. Also available via this link is information regarding ICBC's Executive Committee and Governance Principles.

ICBC's Board complies with the Crown Agencies and Board Resourcing Office Guidelines (<https://www2.gov.bc.ca/assets/gov/british-columbians-our-governments/services-policies-for-government/public-sector-management/cabro/best-practice-guidelines-for-board-appointees-bc.pdf>).

Organizational Overview

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

Appendix B: Nominee Companies

Nominee Companies

ICBC does not have any active operating subsidiary companies.

A portion of ICBC's investment portfolio is held in real estate. All of the fully-owned nominee holding companies hold investment properties for the purpose of generating investment income.