



INSURANCE CORPORATION OF BRITISH COLUMBIA

Statement of Executive Compensation

Reporting Period: Fiscal Year 2012

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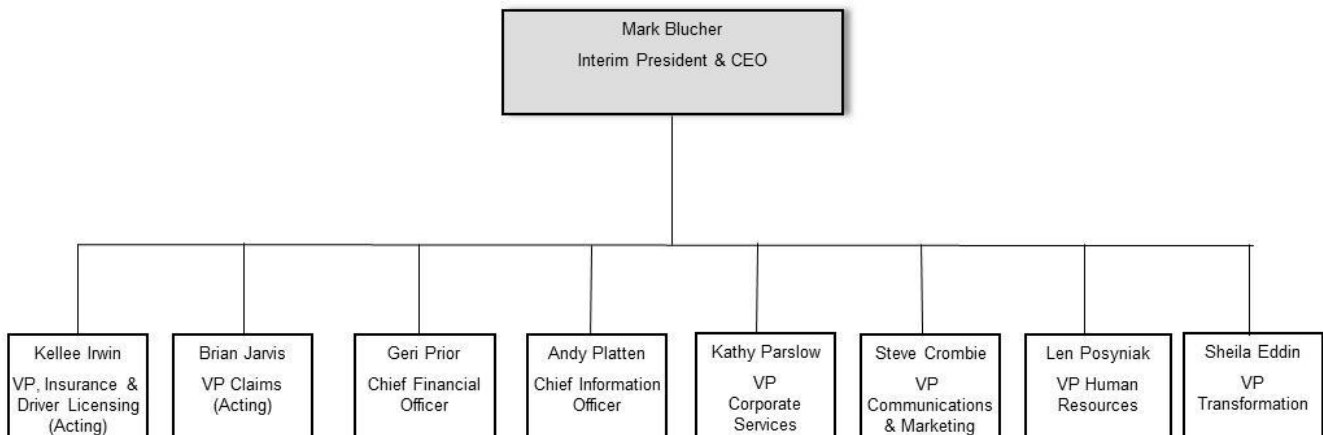
2012 STATEMENT OF EXECUTIVE COMPENSATION

1. INTRODUCTION

ICBC is a provincial Crown corporation established in 1973 to provide universal auto insurance, driver licensing, and vehicle licensing and registration to BC motorists. ICBC's vision is to be BC's preferred auto insurer, providing protection and peace of mind. ICBC is a complex, multi-billion dollar company that requires capable and experienced insurance executives to be successful. To attract, motivate and retain executives, ICBC seeks to provide competitive compensation and benefits.

Executives of ICBC are responsible for the management of the business and the implementation of corporate strategy. ICBC is a large-scale enterprise with approximately 5,000 full-time equivalent employees and \$4.5 billion in annual revenue, about half of which is subject to competitive challenge from other optional insurance providers. The company is a complex business with approximately 3.4 million policyholders, and it is undergoing a \$400 million five year major business systems overhaul. This requires high caliber leadership and the retention of critical talent and knowledgeable executive level leaders capable of guiding the company through a period of transformational change.

In 2012, ICBC committed to implementing the August 2012 Government Review recommendations including reducing staff, primarily in management. As a result, ICBC has reduced more than 250 positions primarily in the management group. These also included reductions in the executive (direct reports to the CEO) from 11 to 8 positions. Mark Blucher was appointed by the board to be the interim President & CEO in October 2012.



In accordance with the guidelines provided by the Public Sector Employer's Council (PSEC), ICBC must disclose all compensation provided to the President and Chief Executive Officer (CEO) and the next four highest paid "Named Executive Officers" (NEOs). The following outlines the compensation philosophy, design, governance and total value of executive compensation for services during the 12 months of the fiscal year ended December 31, 2012.

2. COMPENSATION DISCUSSION AND ANALYSIS

ICBC compensates its executives within a policy that is linked to its strategic business interests and objectives. Annual salary increases and incentive compensation are variable and are based on corporate, divisional and individual performance. The policy is intended to sustain a competitive position in the labour market, allowing the Corporation to attract and retain key talent while rewarding performance. The policy applies to all executives and management group employees, except the CEO. The board of directors sets the CEO's compensation program within the guidelines determined by PSEC.

2.1 Total Compensation Philosophy

ICBC's total compensation programs are designed to be market competitive and to reward performance, ensuring that there's a clear link between what employee's bring to their role, their contribution to results and their total compensation.

ICBC's total Compensation program for management group employees is designed to better differentiate performance and compete in the market for management and confidential employees. The program supports our move to becoming a more-performance driven organization.

ICBC's total compensation philosophy is based on the principles of:

- Recognizing and rewarding performance.
- Targeting total compensation to ICBC's comparison group of companies.
- Using a total compensation approach to establish compensation levels (base pay, short term incentive pay, benefits, pension and paid time off).

ICBC's total compensation programs are designed to:

- Attract and retain the talent required to meet ICBC's goals and objectives.
- Motivate individuals to perform at their highest levels.
- Reward performance when merited.
- Reward and recognize those with strong leadership skills.

ICBC is a large scale enterprise, and ranks second in size amongst Canadian property and casualty insurers. ICBC benchmarks its total compensation levels at the median (P50) for similar positions within the markets in which ICBC competes for talent. In 2012, ICBC's comparator market included Canadian public and casualty insurance companies (including SGI and MPI), Canadian public sector and general industry companies. ICBC recruits the majority of its leadership and subject matter expertise from these sectors. In particular, about 80% of all management personnel have been recruited from the either general industry or from the financial services sub-sector.

2.2 Governance

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

Board of Directors

- Approve the CEO’s compensation package and performance against pre-determined annual objectives.
- Approve total compensation strategy and philosophy applied to all employees.
- Review and approve all compensation matters acting upon the advice of the CEO and upon recommendation of the Committee.
- Review and amend the payment level of the corporate component of the annual Short-Term Incentive Pay to better reflect the actual performance of the Corporation.

Human Resources and Compensation Committee

- Assist the board of directors in fulfilling its obligations relating to human resources and compensation policy and related matters and to establish a plan of continuity and development of executives for ICBC.
- Guide executives and assist the board of directors in determining appropriate human capital practices and compensation strategies that support corporate objectives.
- Review and recommend ICBC’s total compensation philosophy, strategy, and guidelines and review their compliance with laws and any applicable guidelines established by PSEC.
- Review executive succession planning and leadership development.
- Review and recommend to the board of directors ICBC’s strategy respecting human capital planning, employee development, performance management and related matters and to report to the board of directors on the implementation of these strategies at least once a year.
- Review and recommend to the board of directors ICBC’s strategy respecting labour relations as required.

2.3 Forms of Executive Compensation

Base Salary

The Committee annually reviews, for recommendation to the board, adjustments to the salary range structure, if any, for management group by referencing a number of compensation outlook surveys to determine current compensation trends. The salary range adjustment allows ICBC to maintain its desired position in a competitive labour market.

The Committee also annually reviews, for recommendation to the board, an annual salary budget, if any, for performance-based salary increases. This budget is based on salary increase trends in the comparable labour market. Salary increases for executives and management group employees are based on individual employee performance and salary position in the range. At the beginning of the year, a performance plan is developed for each employee, which outlines their responsibilities and objectives for the year. At the end of the year, the employee is rated against the targets. Movement within the salary range is predicated on the employee’s performance.

Short-Term Incentive Pay (STIP)

Short-Term Incentive Pay (STIP) is a variable component of the CEO's and the NEO's total annual compensation. It is awarded to the CEO based on corporate and individual performance with a maximum target of 35%. For the NEOs, STIP is awarded based on corporate, divisional, and individual performance with a target percentage of either 30% or 35% depending on the Executive portfolio.

Mark Blucher, Interim President & CEO, received 2012 STIP based on his position of Senior Vice President, Insurance as per his employment agreement. Jon Schubert, former President & CEO, was entitled to receive the full STIP target in 2012 in accordance with the agreement ending his employment with ICBC.

Corporate performance for 2012 was measured against four components:

- **Improve customer perception:** provide customers with a positive perception of ICBC which includes the measures of:
 - *Customer Experience:* a measure of how customers perceive ICBC after an interaction. It includes satisfaction with service and how customer feels about overall experience and is compiled through the results of externally administered surveys conducted after five moment of truth interactions between customers and ICBC.
 - *Customer Advocacy:* a measure of customers' willingness to speak positively about ICBC. It is compiled through the results of externally administered surveys asking whether customers would be willing to speak positively about ICBC after five moment of truth interactions between customers and ICBC, and a public perception survey of randomly chosen customers.
- **Improve Employee Experience:**
 - *Employee Engagement,* as measured from an annual employee opinion survey. Employee Engagement is a corporate measure for the VP level and above and a measure at a divisional level for directors and managers with staff.
 - *Strategy Index,* a measure of awareness and alignment of employees to the 2014 Strategy. The index is comprised of four questions posed to employees as part of the annual employee opinion survey.
- **Maintain Financial Stability:** In 2012, this was based on the Combined Ratio. The Combined Ratio is a key measure of overall profitability in the insurance industry and is calculated as the ratio of all costs (claims and claims-related costs, administrative costs, acquisition costs and non-insurance costs) to all insurance premium dollars earned.
- **Achieve Goals of Transformational Change:** achievement of key 2012 milestones on the Transformation Program.

The following table provides a summary of the corporate measures for the 2012 STIP plan.

Corporate Measure	2012 Target	2012 Actual	Weighting %
IMPROVE CUSTOMER PERCEPTION			
Customer Experience	63.0%	60.9%	20%
Customer Advocacy	49.7%	46.2%	10%
IMPROVE EMPLOYEE EXPERIENCE (VP and above only)			
Employee Engagement	57.0%	33.0% (below threshold)	10%
Strategy Index	61.0%	45.0% (below threshold)	5%
MAINTAIN FINANCIAL STABILITY			
Combined Ratio	107.8%	106.5%	30%
ACHIEVE 2014 STRATEGY			
Achieve 2012 goals of Transformation Program		Partially met	25%

On an annual basis, the board of directors approves the corporate performance targets to be used for determining STIP for all management group employees.

ICBC's STIP program is tied to meeting corporate, divisional and individual performance objectives. STIP payments are determined by mapping the performance levels onto a calibrated scale ranging from 0% to 150%. Payment for performance below threshold is 0%, at threshold is 50%, between threshold and target is 51-99%, at target is 100%, and between and maximum is 101-150%. Beyond threshold performance, escalation between payment levels is determined on a straight line progression.

Divisional and individual performance for NEOs is measured against targets approved by the CEO. STIP awards are made in recognition of performance in the fiscal year specified, but paid in the fiscal year following once all corporate, divisional and individual performance results are approved.

A financial trigger is also built in within the Plan to ensure a minimum level of corporate performance occurs and that this funds ICBC's ability to pay a performance-based incentive. The financial trigger is determined by the outcome of net income for a Plan Year and is reviewed on an annual basis to ensure its relativity to ICBC's financial forecast in a given plan year.

The final STIP payment for all eligible management group employees including executives is subject to the outcome of net income for a plan year. If net income is below target, different portions of the STIP components by employee group may be reduced or eliminated to better reflect the level of influence on corporate, divisional and individual measures as well as to further support performance-based compensation program.

In general, the 2012 STIP payout for the NEOs is lower than that of 2011. This is due to lower achievement levels on corporate measures and the Board's deliberation to exercise its discretion to reduce the payout of the corporate component of the 2012 STIP plan by 40% of year-end results.

Perquisite Allowance

The perquisite allowance is a taxable cash allowance paid to the NEOs and is primarily used as vehicle allowance and a health spending account. The CEO does not receive a perquisite allowance. For the Chief Actuary, the perquisite allowance is \$17,000 per year. For the remaining NEOs, the perquisite allowance is \$18,500 per year.

Vacation

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

Pension

ICBC provides a contributory defined benefit pension plan, which is the basic plan for all executive and management group employees. The basic plan provided is 2% of the best 5-year average earnings multiplied by years of plan participation and is integrated with the Canada Pension Plan and provides guaranteed indexing, capped at 3%.

In addition to the basic pension plan, management group employees are also eligible for the Supplemental Employee Retirement Plan (SERP). The SERP plan compensates for *Income Tax Act* maximums that apply to the basic pension plan, thus preserving the income replacement objective for higher income employees. Such SERPs are common in both the private and public sectors.

Both the basic pension plan and the SERP are valued at the average current service cost for senior executives, less the average member contributions. All or a portion of STIP is treated as pensionable income for senior executive members based on their position.

Health and Wellness Benefits

ICBC provides a comprehensive benefit program for executive employees. Programs include provincial medical, extended health, dental, group life, short and long term disability, travel accident insurance, executive health assessment, and an Employee and Family Assistance Program. All programs are paid by ICBC. Voluntary, employee funded programs are available for life insurance, accidental death and dismemberment insurance and group RRSP.

3. SUMMARY COMPENSATION TABLE

The grids below provide a summary of total compensation for ICBC's CEO and next four highest paid NEO's for 2012.

"Named Executive Officers" or "NEOs" are the CEO and four highest paid executive officers in charge of the management of the corporation. As there was a change in the NEOs during the year, both NEOs' compensation amounts (previous and new) need be included. As such, Jon Schubert and Mark Blucher are listed, as are Craig Horton and Brian Jarvis.

Jon Schubert and Craig Horton's employment ended in 2012, and their severance compensation is being paid by way of salary continuance. These monies are therefore noted in column (k) other rather than column (f) severance in accordance with reporting requirements.

Name and Position (a)	Salary (b)	Bonus and / or Incentive Plan Compensation (c)	Benefits (d)	Pension (e)	All Other Compensation (expanded below)	Total	Previous Two Years Totals	
						2012/2013	2011 / 12	2010 / 11
Jon Schubert, Former President & CEO	\$ 297,000	\$ 115,500	\$ 14,425	\$ 56,925	\$ 60,976	\$ 544,827	\$ 486,541	\$ 522,178
Mark Blucher, Interim President & CEO	\$ 272,159	\$ 63,336	\$ 14,398	\$ 46,298	\$ 16,431	\$ 412,624	N/A	N/A
Geri Prior, Chief Financial Officer	\$ 294,800	\$ 68,800	\$ 17,216	\$ 50,177	\$ 30,652	\$ 461,645	\$ 464,971	\$ 522,777
Craig Horton, Former Senior Vice President Claims	\$ 236,665	\$ 63,561	\$ 11,769	\$ 41,431	\$ 98,432	\$ 451,858	\$ 423,954	\$ 475,524
Brian Jarvis, Vice President Claims (acting)	\$ 222,150	\$ 42,801	\$ 14,050	\$ 35,255	\$ 20,269	\$ 334,526	N/A	N/A
Sheila Eddin, Vice President Transformation	\$ 248,561	\$ 57,044	\$ 15,495	\$ 42,173	\$ 38,428	\$ 401,702	\$ 410,799	\$ 435,693
Camille Minogue, Chief Actuary	\$ 259,475	\$ 60,356	\$ 12,830	\$ 41,179	\$ 17,259	\$ 391,099	\$ 414,388	\$ 421,896

ATTENTION - Crown Agency Policy changes are being implemented. They may not be reflected in the 2012/13 executive compensation disclosure.

Notes:

Mark Blucher, Interim President & CEO, was not an NEO in previous years, his earnings is inclusive of \$72,851 as interim President & CEO
 Brian Jarvis, acting Vice President Claims, was not an NEO in previous years, his earnings is inclusive of \$54,835 as acting VP Claims.

- (b) Dollar Value of the base salary earned during the year.
- (c) Dollar Value of all amounts paid under the Short Term Incentive Plan (STIP) in recognition of performance in the reported fiscal year but paid in the following fiscal year.
- (d) The dollar value of employer contributions to statutory benefits (WorkSafe, CPP, EI, etc.) and non-statutory benefits for each NEO such as: Extended Health, Dental, Group Life, Accidental Death and Dismemberment, Long-term disability, MSP Premiums and other life insurance policy.
- (e) Pension cost based on average current service cost for Senior Executives, VP & Equivalent and Directors, as determined by Aon Hewitt.

Name and Position ^(a)	All Other Compensation	Severance (f)	Vacation payout (g)	Leave payout (h)	Vehicle / Transportation Allowance (i)	Perquisites / other Allowances (j)	Other (k)
Jon Schubert, Former President & CEO	\$ 60,976	\$ -	\$ 27,246	\$ -	\$ -	\$ -	\$ 33,730
Mark Blucher, Interim President & CEO	\$ 16,431	\$ -	\$ -	\$ -	\$ -	\$ 15,654	\$ 777
Geri Prior, Chief Financial Officer	\$ 30,652	\$ -	\$ 11,339	\$ -	\$ -	\$ 18,500	\$ 813
Craig Horton, Former Senior Vice President Claims	\$ 98,432	\$ -	\$ 41,204	\$ -	\$ -	\$ 18,500	\$ 38,728
Brian Jarvis, Vice President Claims (acting)	\$ 20,269	\$ -	\$ -	\$ -	\$ -	\$ 17,214	\$ 3,056
Sheila Eddin, Vice President Transformation	\$ 38,428	\$ -	\$ 19,131	\$ -	\$ -	\$ 18,500	\$ 797
Camille Minogue, Chief Actuary	\$ 17,259	\$ -	\$ 259	\$ -	\$ -	\$ 17,000	\$ -

All other compensation not reported elsewhere, including:

- (g) Vacation or leave payouts
- (j) Perquisite allowance
- (k) Dollar value of salary continuance and corporate paid parking

This disclosure statement has been reviewed and approved by ICBC's board of directors. The payments described are consistent with ICBC's board-approved compensation philosophy.



Paul Taylor
Chair, ICBC Board of Directors