Insurance Corporation of British Columbia

2015
ANNUAL SERVICE PLAN REPORT

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

Board Chair’s Accountability Statement

The 2015 Annual Service Plan Report of the Insurance Corporation of British Columbia (ICBC) was prepared under my direction in accordance with the *Budget Transparency and Accountability Act* and the B.C. Reporting Principles.

The information presented reflects the actual performance of ICBC for the 12 months ended December 31, 2015, in relation to the 2015-2017 Service Plan. The measures presented are consistent with ICBC’s mandate and corporate strategy, and focus on aspects critical to the organization’s performance.

The ICBC 2015 Annual Service Plan Report compares the Corporation’s actual results to the expected results identified in the 2015-2017 Service Plan. I am accountable for those results as reported.

Sincerely,

Barry Penner, QC
Chair of the Board of Directors

Table of Contents

Chair/CEO Report Letter

ICBC works closely with government to deliver on products, services and initiatives that are important to British Columbians. As a crown corporation, ICBC is bound by overall government expectations included in an annual Mandate Letter and the Taxpayer Accountability Principles, and is required to report out on its performance against those expectations.

It is our pleasure to report that ICBC met its 2015/16 Mandate Letter requirements and complied with government direction regarding the capital management frameworks for Basic and Optional insurance. The organization continues to work with government to ensure all financial targets and reporting requirements are met.

Work continued on the multi-year Transformation Program, specifically focusing on replacing the insurance legacy system with a new policy administration system for brokers to sell and ICBC employees to service Autoplan insurance. Implementation is scheduled for 2016. Once fully implemented, the Transformation Program will allow ICBC to improve its customer service and develop better, quicker and more efficient administrative processes. For example, customers can already file their injury-related claims through icbc.com, a service that is more convenient for customers and staff and a process that is making ICBC more efficient.

Maintaining high customer satisfaction levels for Insurance Services, Claims Services and Driver Licensing remained a strong focus for the Corporation. Work continued on a multi-channel service strategy for customers, including digital initiatives. This year marked the first full year operating the new ClaimCenter system, and it's already delivering benefits, including streamlined processes for customers and providing a foundation for future improvements.

Placing value on business partners, ICBC continued to work with industry to implement changes to business processes that help improve the delivery of products and services for customers. With its government partners, ICBC continued its collaboration with government in implementing a number of shared priority projects, including Off-Road Vehicles registration and Refuse to Issue initiatives for Other Government Debt Programs. ICBC also supported the improvement of the Specialty Vehicle program through changing the process for imported project vehicles.

Throughout the year, ICBC worked with government to develop and implement a Strategic Engagement Plan to ensure accountability for outcomes and measures. In addition to quarterly meetings between the Minister and the ICBC Chair and CEO, representatives from the Corporation participate in regularly scheduled meetings with senior Ministry of Transportation and Infrastructure officials, contribute to the Shared Priorities Management Committee, and attend other operational meetings as scheduled.

Our Board of Directors also received education and evaluation opportunities intended to enhance their understanding of the expectations for their role. These processes included a presentation to the Board of Directors on the Crown Accountability System and an external course offering entitled *Crown Director Effectiveness* taken by the significant majority of Board members.

In addition, an external advisor undertook a detailed Board evaluation and provided recommendations consistent with the expectations contained in the Taxpayer Accountability Principles. The Corporate Secretary department at ICBC also regularly provides Board members and the Executive with articles and education materials related to corporate governance.

As part of our commitment to fiscal responsibility and to ensure the best possible use of government resources, ICBC will continue to work with government to meet all objectives set out by government in the Mandate Letter and Taxpayer Accountability Principles.

Sincerely,

Barry Penner, QC
Chair of the Board of Directors

Mark Blucher
President and Chief Executive Officer

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 British Columbia (B.C.), with rates regulated by the British Columbia Utilities Commission (BCUC).

ICBC is committed to providing customers with the best insurance coverage at the lowest possible cost. Similar to other vehicle owners across Canada, motorists in B.C. are required by law to purchase a minimum level of Basic vehicle insurance. This provides private passenger and certain commercial vehicle owners with third-party liability protection, medical and rehabilitation costs and underinsured motorist protection. B.C.'s coverage is among the most comprehensive in the country.

In addition to providing Basic vehicle insurance, ICBC offers various Optional vehicle insurance coverages, including extended third-party liability, collision, and comprehensive and vehicle storage.

ICBC is one of B.C.'s largest corporations and one of Canada's largest property and casualty insurers. Our insurance products and services are available through a province-wide network of approximately 900 independent brokers, government agents and appointed agents. Each year, ICBC processes approximately 900,000 claims through a 24-hour, seven-days-a-week telephone claims handling facility and online eClaims service. ICBC continues to have a presence in communities across the province and works with material damage suppliers and healthcare professionals to help customers after a crash.

In addition to providing insurance products and services ICBC also provides a number of services on behalf of the provincial government, including vehicle registration and licensing, driver licensing, and fines collection. ICBC also assists with the B.C. Services Card initiative and partnered on various road safety campaigns and initiatives. These are referred to as ICBC's non-insurance services. ICBC operates as an integrated company for the benefit of our customers and partners with businesses and organizations in communities across B.C. to deliver services and programs. Autoplan brokers are key business partners, distributing our insurance products and providing other services such as vehicle registration and licensing. ICBC delivers services in partnership with a broad base of suppliers in the automotive industry. Law enforcement agencies, health services providers, lawyers and community organizations are among ICBC's other key partners.

Strategic Direction and Context

In 2015, ICBC complied with the performance expectations outlined in the 2015/16 Mandate Letter and in the Taxpayer Accountability Principles.

Public sector organizations have a responsibility to operate as efficiently as possible in order to ensure British Columbians are provided with services at the lowest cost possible. As per the priorities identified in the 2015/16 Mandate Letter, ICBC continues to find efficiencies through operational excellence and operates with a corporate strategy focused on being a low-cost company that provides consistent, quality service to its customers, ensuring high customer satisfaction levels.

Managing increasing claims costs remained a key priority. In particular, rising bodily injury claims costs continue to be a key challenge for vehicle insurers in 2015, putting pressure on rates for customers. The trend is being driven by the increasing frequency and cost of injury claims, higher legal and medical costs, more lawyer-represented claims and an increase in the number of catastrophic claims which typically results in larger settlements.

Mitigation efforts to address the rising claims costs included an increased focus on reducing the exaggerated and fraudulent claims and working with government and law enforcement to raise awareness about the risk, consequences and choices regarding high-risk driving behaviours.

ICBC continued to hold controllable operating expenses flat to 2013 levels, with inflationary increases fully absorbed through 2018/19. ICBC achieved this by being a low cost organization, with a focus on continuous improvement, prudent management of administration costs, and realizing efficiencies from Transformation Program investments and other initiatives.

ICBC is working to better respond to changing needs and provide customers better service where they are and in ways that they value. This includes increasing access to online services and improving the quality, consistency and timeliness of claims handling.

As part of the effort to keep any rate change as low as possible, government approved a $450 million transfer of capital from ICBC’s Optional account to its Basic account. This transfer brings the requested rate application filed with the BCUC to 5.5 per cent. BCUC has approved this rate increase on an interim basis effective November 1, 2015. The transfer occurred in January 2016 and is disclosed in the financial statements as a subsequent event.

Investment returns have historically been a strong and consistent contributor to ICBC’s financial health, helping to offset the pressure of rising claims costs. In recent years, lower interest rates in Canada have been putting additional pressure on insurance rates across the country. In the current low-interest rate investment climate, we cannot rely upon investment return to help offset claims costs to the same extent as we did in the past.

Typical of other property and casualty insurance companies, ICBC faces other financial and non-financial risks such as changing demographics, increase in sophistication of cyber security threats, natural catastrophes, volatility in investment markets and global uncertainty, all of which we continue to monitor.

Report on Performance

As a Crown corporation, ICBC is continually working to align with government goals and objectives. ICBC fulfilled the expectations outlined in the 2015/16 Mandate Letter (see Appendix C) to which the Corporation must adhere and ensured alignment to the Taxpayer Accountability Principles, and its embedded action plan.

ICBC is committed to providing customers with the best insurance coverage at the lowest possible cost. To support this, the corporate strategy focuses on four key goals: improve value and service for customers, maintain financial stability, focused operational excellence and aligned people and business capabilities.

In alignment with government direction, ICBC recognizes the Taxpayer Accountability Principles, and its embedded action plan, as an overarching government priority and has included the values of cost consciousness (efficiency), accountability, appropriate compensation, service, respect and integrity into the corporate strategy.

The value of cost consciousness (efficiency) can be seen in ICBC's commitment to Operational Excellence. Last year, Operational Excellence tactics delivered benefit to the organization in the form of cost avoidance and revenue generation. Localized improvement events helped employees identify redundancies and address operational optimization. An improvement event at the Surrey Driver Licence Office resulted in a 25 per cent reduction in customer wait times. Through these improvement events, ICBC has reclaimed approximately 39,000 hours of capacity time, which has been repurposed into more meaningful ways to deliver value to customers.

In 2015, ICBC began work with the Ministry of Transportation and Infrastructure to develop an Evaluation Plan which will allow the Corporation to better report its performance against the Taxpayer Accountability Principles. When finalized, the Evaluation Plan will identify specific efficiency and performance measures on which to report.

Goals, Strategies, Measures and Targets

To assess progress against our goals, we rely on a number of financial and non-financial corporate performance measures. We use both International Financial Reporting Standards (IFRS) and non-IFRS measures to assess performance. Non-IFRS measures do not have standardized meanings prescribed by IFRS and therefore may not be comparable to similar measures used by other companies in our industry. Where possible, we use standard industry measures that enable benchmarking with other insurers. Where external sources of data are used, the most current available information is included in this report. In other cases, because of our unique business model, we develop distinct measures relevant to the area of performance.

In January 2016, the ICBC Board of Directors approved a change to the ICBC fiscal year-end to align with government's March fiscal year-end date. To transition to the fiscal year of April 1 to March 31, ICBC's 2016/17 reporting period will be 15 months in duration, from January 1, 2016 to March 31, 2017. Subsequently, ICBC will have a fiscal year of April 1 to March 31. Unless otherwise noted, the forward-looking corporate performance metrics reflect this change.

The data used in the calculation of performance results are derived from the company's financial and operating systems. Management is responsible for ensuring appropriate controls over the financial systems and are regularly reviewing these to ensure they are operating effectively.

Goal 1: Improve Value and Service for Customers

In 2015, ICBC focused on holding controllable operating expenses flat to 2013 levels and delivering consistent, quality service to customers, in ways that customers have told us are important to them. ICBC improved quality, consistency and timeliness of claims handling, while enabling more online and mobility services to help reduce costs, in order to provide the best insurance coverage at the lowest possible cost. ICBC's goal of improving customer service is consistent with the 2015/16 Mandate Letter requirements.

A key priority for ICBC is to help reduce injury and death on B.C. roads, which is why we invest in road safety initiatives and partner with the B.C. government and police on various awareness and enforcement campaigns each year. Fewer crashes and injuries also means lower claims costs which help keep rates as low as possible. This clear focus on positive outcomes for British Columbians aligns with the Taxpayer Accountability Principles of service and respect.

Strategies

- Keep rates as low as possible while moderating rate fluctuations.
- Improve quality, consistency, and timeliness of claims handling.
- Increase online services.

We measure customer service performance based on the percentage of satisfied customers for each major transaction type across our lines of business. The design of our measures and targets reflects the inherent differences of these key transactions. Two independent research firms conduct customer survey interviews throughout the year to monitor transactional satisfaction.

Performance Measure 1.1: Insurance Services Satisfaction

Performance Measure	2012 Actual	2013 Actual	2014 Actual	2015 Target	2015 Actual	2016/17 Target	2017/18 Target
Insurance Services Satisfaction (higher is better)	97%	96%	96%	≥ 95%	93%	≥ 95%	≥ 95%

Data Source: Survey research conducted by independent firm

Discussion

- Our network of independent insurance brokers process more than three million policies each year. This measure represents the percentage of customers satisfied with their recent ICBC insurance transaction, and is based on a survey of approximately 5,000 customers throughout the year.
- While the insurance satisfaction result remains high, the 2015 result (93%) is lower than in prior years and did not achieve the target (95%). ICBC anticipates there could be a further short term drop in the satisfaction score as implementation of its new policy management system goes live later in 2016 and insurance brokers adapt to the new system. The 2016/17 and 2017/18 targets have been set to a customer satisfaction level of 95% or higher.

Performance Measure 1.2: Claims Services Satisfaction

Performance Measure	2012 Actual	2013 Actual	2014 Actual [1]	2015 Target	2015 Actual	2016/17 Target	2017/18 Target
Claims Services Satisfaction (higher is better)	90%	89%	87%	≥ 90%	n/a	≥ 91%	≥ 91%

[1] Claims Services Satisfaction reporting was suspended at the end of May 2014 as we transitioned to our new Claims system. Delivery of the technology to allow for Claims Services Satisfaction measurement took longer than expected. Measurement will resume in 2016.

Data Source: Survey research conducted by independent firm

Discussion

- ICBC processes approximately 900,000 claims each year through our Claims call centre, claims centres and specialty departments such as commercial claims and rehabilitation services. A random sampling of customers whose claim has been recently closed are surveyed to measure satisfaction with the service they received during the claim process.
- As part of ICBC’s commitment to modernizing our company and aging technology, the claims management system was replaced in May 2014. ICBC then transitioned into an 18-month stabilization period. During the stabilization period, the technological requirements for collecting data required for customer surveying was not available. As such, claims customer satisfaction reporting was suspended at the end of May 2014 but will be resumed in 2016.
- The target for 2016/17 and 2017/18 is set at 91% or above and to reflect the anticipated benefits of our new claims management system.

Performance Measure 1.3: Driver Licensing Satisfaction

Performance Measure	2012 Actual	2013 Actual	2014 Actual	2015 Target	2015 Actual	2016/17 Target	2017/18 Target
Driver Licensing Satisfaction (higher is better)	95%	94%	94%	≥ 95%	94%	≥ 95%	≥ 95%

Data Source: Survey research conducted by independent firm

Discussion

- We conduct approximately 1.6 million driver licence related transactions each year. This measure is based on a sample of over 3,000 customers surveyed throughout the year and represents the percentage of customers satisfied with a recent driver licensing transaction.
- The 2015 result (94%) is close to the target (95%) and is consistent with prior years' results, due partly to continued service improvements to optimize staffing levels to meet peak service periods. ICBC also increased the number of road test hours available for our customers. The target for 2016/17 and 2017/18 has again been set at 95% or higher.

Goal 2: Maintain Financial Stability

ICBC adheres to the Taxpayer Accountability Principles of efficiency, respect and accountability and has a responsibility to provide customers with the best insurance coverage for the lowest possible cost. To do this, ICBC must adapt to the challenges that face all property and casualty insurance companies, including increased bodily injury and material damage costs as well as a low interest rate environment.

Claims costs are the majority of ICBC's costs – accounting for approximately 98 cents of every premium dollar collected. The most significant pressure on Basic rates continues to be the rising cost of bodily injury claims, resulting from an increase in the average cost of claims (severity), and an increase in the number of injury claims (frequency). Material damage cost pressures, while not as high as the bodily injury cost pressures, are also impacting overall claims costs. In 2015, ICBC continued efforts to mitigate bodily injury claims severity by addressing customers' needs as early as possible and offering fair settlements on a timely basis. ICBC is working with government to develop short and long term strategies to moderate the growth in claims costs. This includes the implementation of fraud analytics tools to augment existing processes and proactively combat fraud. ICBC's mitigation strategies are consistent with the 2014/15 Mandate Letter.

Starting in late 2014, ICBC began to observe a higher-than-anticipated increase in overall claims frequency that continued through 2015. Increased driving by customers, as suggested by higher fuel sales per vehicle and distracted driving could be some of the factors contributing to the higher-than-anticipated frequency. Managing the frequency trend is challenging as it is subject to driver behaviour, weather and other factors beyond ICBC's control. Material damage severity has also increased as a result of the higher cost of labour and parts. Material damage frequency has also increased.

Investment income has historically been a strong and consistent contributor to ICBC's financial health, helping to offset the pressure of rising claims costs. The ongoing decline in interest rates, however, continued to put pressure on ICBC rates because the premiums paid by our customers are now invested at a lower interest rate. In the current low-interest environment, we cannot rely as heavily upon our investment income to help offset claims costs as we did in the past.

Strategies

- Manage increasing bodily injury claims costs.

Performance Measure 2.1: Combined Ratio

Performance Measure	2012 Actual	2013 Actual	2014 Actual	2014 Benchmark	2015 Target	2015 Actual	2016/17 Target	2017/18 Target
Combined Ratio (lower is better)	**107.0%**	**109.2%**	**113.8%**[1]	**97.2%**	**107.1%**	**120.0%**	**109.7%**	**106.9%**
Claims, claims-related and insurance expenses	103.8%	106.2%	110.8%	97.2%	104.0%	117.1%	106.9%	104.2%
Non-insurance expense	3.2%	3.0%	3.0%	0.0%	3.1%	2.9%	2.8%	2.7%

[1] The combined ratio for 2014 has been restated to reflect the revenue and expense reclassification in compliance with International Financial Reporting Standards.
Data Source: ICBC financial systems

Discussion

- The combined ratio is a key industry measure for overall profitability and is the ratio of all costs to premium dollars earned. A ratio below 100% indicates an underwriting profit (i.e., premiums are sufficient to cover costs) while a ratio above 100% indicates an underwriting loss (i.e., premiums are not sufficient and investment income is needed to help cover costs). Costs included in the combined ratio are claims-related, operating and acquisition costs.
- Our ratio is higher than typical for the property and casualty industry and reflects the unique nature of our business model. The property and casualty industry benchmark for 2014 was 97.2%[1]. Our Basic premiums are not set to generate underwriting profits; rather, together with investment income, they are set to recover all costs and achieve and maintain capital targets. We deliver non-insurance services on behalf of government; and, in 2015 non-insurance costs represented approximately three percentage points of the combined ratio.
- The 2015 combined ratio result was higher than expected and did not achieve our target (107.1%) A higher than expected claims frequency and a continuing trend of more injury claims per crash resulted in a higher-than expected frequency of bodily injury claims. This was the main driver behind the higher than expected combined ratio. More of these claims are being represented by legal counsel with a shift towards more complex claims, both of which increase total claims costs and severity. There was also an increase in material damage repair costs.
- The combined ratio target for 2016/17 and 2017/18 reflects expected claims cost trends as a result of mitigation initiatives, controllable operating costs that have remained flat and expected increases in premiums earned.

[1] *MSA Research Inc., MSA Benchmark Report, Property and Casualty, Canada, 2015. Total Canadian Property Casualty Industry (including Lloyds, excluding ICBC and Saskatchewan Auto Fund).*

Performance Measure 2.2: Minimum Capital Test

Performance Measure	2012 Actual	2013 Actual	2014 Actual	2015 Target	2015 Actual	2016/17 [1] Target	2017/18 [1] Target
Minimum Capital Test (Corporate) (higher is better)	**200%**	**204%**	**193%**	**185%**	**157%**	**143%**	**142%**

[1] 2016/17 and 2017/18 MCT targets are estimated based on revised Basic and Optional MCT targets and the phase-in requirement in transitioning to the new MCT Guidelines, effective January 1, 2015. These targets are on a calendar year base and have not been recast to the fiscal year ending March 31.

Data Source: ICBC financial systems

Discussion

- Minimum capital test ratio is an industry measure set by the Office of the Superintendent of Financial Institutions (OSFI) for federally regulated insurance companies across Canada. It is calculated as the ratio of capital available to capital required, and is used to assess whether a company has sufficient capital to protect policyholders from financial risk and provide long-term financial stability. Appropriate levels of capital can help protect customers in the event of significant, externally-driven negative impacts to the business.
- Effective January 1, 2015 OSFI amended the guideline for calculating the minimum capital test ratio. The most significant change from this amendment is to reduce the capital required, the denominator for the minimum capital test calculation. This results in a higher minimum capital test ratio than in previous years. The new OSFI guideline requires this amendment to be phased in over three years on a straight-line basis.
- Our 2015 corporate minimum capital test ratio was 157% (see note 20 in the accompanying consolidated financial statements) and is lower than the management target of 185% primarily due to the increase in claims costs.
- ICBC continued its focus on managing the cost of bodily injury and material damage claims, fine tuning the claims business model and developing ways to better manage and reduce the risks associated with claims. These include focused claims analytics, performance management and hassle-free process initiatives, plus an increased focus on investigating potentially fraudulent and exaggerated claims.

Performance Measure 2.3: Investment Return

Performance Measure	2012 Actual	2013 Actual	2014 Actual	2015 Target	2015 Actual	2016/17 Target	2017/18 Target
Investment Return (four year annualized)				Policy Market Benchmark Return		Policy Market Benchmark Return	Policy Market Benchmark Return
ICBC Portfolio	**5.16%**	**5.00%**	**4.85%**		**5.26%**		
Policy benchmark	**4.95%**	**4.66%**	**4.64%**		**4.83%**		
Excess	**0.21%**	**0.34%**	**0.21%**		**0.43%**		

Investment return is measured gross of management fees.
Data Source: ICBC financial systems

Discussion

- ICBC manages an investment portfolio with a carrying value of $14.7 billion at the end of 2015. The portfolio is conservatively invested with the majority of assets held in investment grade bonds, primarily to provide for future claims payments, unearned premiums and total equity. The income earned on these investments also helps to reduce the amount of premiums paid by policyholders. Equities, mortgages, real estate and high yield bonds are held in the investment portfolio to generate an added return over bonds.

- Investment returns, which incorporate both changes in market value of assets and income generated, are closely monitored. Individual asset class returns are measured relative to the performance of standard market benchmarks. In addition, the return of the overall portfolio is measured against a policy market benchmark calculated as the average of individual asset class market benchmark returns weighted according to the portfolio's strategic asset mix.
- Investment returns over the last four years have benefited from small allocations to equity, real estate and mortgages, all of which have provided an added return over bonds.
- ICBC's investment returns continue to compare favourably to market returns. The 2016/17 – 2018/19 investment portfolio performance targets are set at the policy market benchmark four year annualized return. For performance measurement purposes, ICBC does not forecast the policy market benchmark return as it is the result of market forces beyond the company's control.
- For 2015, ICBC's four year annualized return at 5.26% was 0.43 percentage points higher than the comparable policy market benchmark of 4.83%[2]. Based on average portfolio values over this period, the estimated impact of this is about $58 million annually or about $231 million over the 4 years. Comparatively, the four year annualized return for 2014 was 4.85%, or 0.21 percentage points higher than the policy market benchmark.

Goal 3: Focused Operational Excellence

Providing customers with the best insurance at the lowest possible cost requires us to operate in an efficient, low cost manner, while continuously improving our business practices. In 2015, Operational Excellence tactics delivered benefit to the organization in the form of cost avoidance, revenue generation and operational efficiency. To date, building more internal capacity for ongoing improvement has been a key goal of Operational Excellence. Moving forward, the business will leverage Operational Excellence and make continuous efforts to streamline processes, focus on value added work, remove duplication and redundancy and deliver sustained cost transformations. Operational Excellence is consistent with the Taxpayer Accountability Principles of cost consciousness (efficiency), service and respect.

With the Transformation Program nearing completion, ICBC will be looking for ways to leverage the new technology from the program in order to streamline business processes while improving value and service for customers.

Strategies

- Operate the Corporation in a low-cost manner.
- Focus our ability to make continuous business improvements more efficiently.

[2] *Sources: FTSE TMX Debt Market Indices; Bank of America Merrill Lynch BB/B High Yield Index;S&P/TSX Capped Composite Index; Morgan Stanley Capital International (MSCI) EAFE Index & World Index ex Canada S&P 500; Customized REAL/pac IPD Canadian Property Index; (REAL/pac IPD = Real Property Association of Canada Investment Property Databank) & Canadian Consumer Price Index.*

Performance Measure 3.1: Gross Expense (Insurance Business) Per Policy

Performance Measure	2012 Actual	2013 Actual	2014[1] Actual	2014 Benchmark	2015 Target	2015 Actual	2016/17 Target	2017/18 Target
Gross Expense per Policy [2] (lower is better)	$ 343	$ 339	$ 349	$ 388	$ 354	$ 345	$ 365	n/a

[1] 2014 measure reflects the revenue and expense reclassifications.

[2] Operating cost targets are not planned in detail for 2017/18 and beyond, therefore no target available.

Data Source: ICBC financial systems

Discussion

- This measure provides the average cost per policy to run ICBC's insurance business and is calculated as the insurance costs divided by the number of Basic policies. Gross expenses include costs to service claims (staffing and external costs), administrative costs, broker commission and fees, premium taxes, and investment in new systems and investment management fees. It excludes costs incurred to deliver non-insurance services.
- The 2015 result of $345 was lower than the industry benchmark of $388[3] due to our ability to achieve economies of scale, the benefits of integrated operations and lower marketing, underwriting, acquisition and general administration costs.
- The 2015 result decreased from 2014 and plan due to our continued focus on the prudent management of operating costs, which is dispersed over a greater number of Basic policies written in 2015.
- The 2016/17 plan number is $20 higher than the 2015 actual of $345 primarily due to anticipated increases in commission and premium taxes, an increase in claims related costs and a return to plan levels for operating costs in 2016/17.

Goal 4: Aligned People and Business Capabilities

Developing and sustaining accountable, aligned, enabled and motivated leaders and employees and leveraging business value from technology investments are critical to the achievement of our strategic objectives. In 2015, ICBC continued to build people capabilities through the implementation of human resource initiatives, including leadership development and succession planning.

ICBC is in the final stages of the Transformation Program, a major business renewal which lays the foundation for ICBC to leverage new technology and increase use of online services so we can be more nimble and provide more convenient service options for customers in communities across British Columbia. This year marked the first full year operating the new ClaimCenter system – and it's already delivering benefits, including streamlined processes.

ICBC continued to work with the Ministry to support government's non-insurance priorities within the context of government's overall strategic priorities. See Appendix C for additional information.

[3] *Source: Ward Group - 2014 Property-Casualty Benchmarking Report, Canadian Personal Auto Group*

Strategies

- Develop accountable, aligned, enabled and motivated leaders and employees.
- Leverage business value from technology investments.
- Align with our shareholder to support government priorities.

Performance Measure 4.1: Employee Engagement

Performance Measures	2012 Actual	2013 Actual	2014 Actual	2015 Target	2015 Actual	2016/17 Target	2017/18 [1] Target	2018/19 [1] Target
Employee Opinion Indices								
Aligned	· n/a	· n/a	· 77	Indices ≤79 to increase a minimum of 3 points	· 76	· ≥80	Indices ≤79 to increase a minimum of 3 points	Indices ≤79 to increase a minimum of 3 points
Enabled	· n/a	· n/a	· 63		· 63	· ≥66		
Motivated	· n/a	· n/a	· 60	Indices ≥80 to maintain ≥80 or increase	· 59	· ≥63	Indices ≥80 to maintain ≥80 or increase	Indices ≥80 to maintain ≥80 or increase
Accountable	· n/a	· n/a	· 87		· 82	· ≥87		
Leadership	· n/a	· n/a	· 67		· n/a [2]	· ≥70		

[1] Targets will be reviewed once the 2016/17 results are in and may be revised.

[2] 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

Data Source: Survey research conducted by independent firm

Discussion

- In 2014, ICBC adopted a new customized Employee Opinion Survey framework aligned with our corporate objectives. Overall, the 2014 results were good, with all dimensions scoring in the "moderately positive" to "extremely positive" range.
- ICBC’s current approach to the Employee Opinion Survey calls for a biennial running of the full Survey and a shortened and focused “Pulse Check” survey in the intervening years. As a full survey was run in 2014, a Pulse Check was conducted in September 2015 with a representative sample of approximately 20% of ICBC employees.
- Overall scores in the four key Employee Opinion Survey dimensions (aligned, enabled, motivated and accountable) were down slightly from our 2014 results. Despite the downward trend, three indices remain in the moderately positive to extremely positive range of our Employee Opinion index.
- In light of ongoing changes to ICBC’s operational structure in 2015, it’s understandable and even expected that leaders and employees are still adapting to changes in individual roles and reporting structures. These changes are a key driver of the moderate decline in Employee Opinion Survey index scores.
- The organization will continue to focus its efforts on executing on its annual Employee Opinion Survey action plans. The 2016/17 Employee Opinion Survey corporate priorities are unchanged from 2015: improving understanding of the corporate strategy and building a culture of recognition.

Financial Report

Discussion of Results

Financial Resource Summary Table

This report contains statements regarding the business of the company. The table below provides an overview of ICBC's 2015 financial performance relative to its 2015 – 2017 Service Plan

($ millions)[1]	2011 Actual	2012 Actual	2013 Actual	2014 Actual	2015 Budget	2015 Actual	2015 Variance	2014/15 Variance
Premiums earned [2]	3,674	3,811	3,928	4,159	4,371	4,448	77	289
Service fees and other	50	54	56	88	91	94	3	6
Total earned revenues	**3,724**	**3,865**	**3,984**	**4,247**	**4,462**	**4,542**	80	295
Provision for claims occurring in the current year	2,880	3,022	3,167	3,379	3,454	3,798	(344)	(419)
Change in estimates for losses occurring in prior years [3]	(14)	(69)	(54)	181	(8)	244	(252)	(63)
Net claims incurred	**2,866**	**2,953**	**3,113**	**3,560**	**3,446**	**4,042**	(596)	(482)
Claims service and loss management [4]	320	323	321	335	337	321	16	14
Insurance operations expenses [4]	189	181	173	218	226	217	9	1
Transformation Program [4]	20	13	23	24	29	27	2	(3)
Premium taxes and commissions [4, 5]	517	463	541	468	508	601	(93)	(133)
Total expenses	**3,912**	**3,933**	**4,171**	**4,605**	**4,546**	**5,208**	(662)	(603)
Underwriting loss	**(188)**	**(68)**	**(187)**	**(358)**	**(84)**	**(666)**	(582)	(308)
Investment income	441	443	671	852	425	920	495	68
Restructuring [3]	-	25	(3)	-	-	-	-	-
Income - insurance operations	**253**	**350**	**487**	**494**	**341**	**254**	(87)	(240)
Non-insurance operations expenses [4]	87	93	91	99	106	100	6	(1)
Non-insurance commissions [4]	26	28	28	28	30	30	-	(2)
Non-insurance - other income	-	-	-	(5)	(5)	(7)	2	2
Net income	**140**	**229**	**368**	**372**	**210**	**131**	(79)	(241)
Excess Optional capital transfer to the Province of British Columbia	101	-	237	139	160	138		
At year end:								
Long-term debt	Nil	Nil	Nil	Nil	Nil	Nil		
Total liabilities	10,002	10,608	11,507	12,267	12,850	13,552		
Equity:								
- Retained earnings	2,654	3,014	3,146	3,380	3,439	3,372		
- Other components of equity	272	233	497	236	243	(262)		
- Non-controlling interest	-	-	-	-	-	36		
Total equity	**2,926**	**3,247**	**3,643**	**3,616**	**3,682**	**3,146**		
Capital Expenditures								
Transformation Program	34	56	62	50	55	54		
Non-Transformation Program	52	18	17	31	60	40		
Total Capital Expenditures	86	74	79	81	115	94		
Autoplan policies earned [6]	3,321,000	3,372,000	3,429,000	3,493,000		3,596,000		
Average premium ($) [7]	1,079	1,100	1,130	1,153		1,196		
Claims reported during the year [8]	900,000	915,000	917,000	900,000		858,000		

1 Financial information for all years is prepared based on International Financial Reporting Standards (IFRS). The 2012 numbers were restated for comparative purposes to reflect the adoption of IAS 19 (Amendment) Employee Benefits and other adjustments in 2013. The 2014 numbers reflect revenue and expense reclassifications, which had no impact on net income.

2 Premiums earned are net of mid-term changes and cancellation refunds.

3 ( ) denotes a favourable adjustment, i.e., a reduction in expense.

4 See Note 17 of the consolidated financial statements for details of Operating Costs by Nature.

5 Premium taxes and commissions include deferred premium acquisition cost adjustments.

6 Annualized values have been used for policies with a term of less than 12 months.

7 Average premium is based on premiums earned.

8 Claims reported represent the number of claims reported against purchased insurance coverages.

Our 2015 net income of $131 million was $241 million lower than the 2014 net income of $372 million and $79 million lower than plan. These decreases are primarily due to higher claims costs partially offset by higher investment income and higher premiums earned.

Premiums earned

Premiums earned increased to $4,448 million in 2015 from $4,159 million in 2014, and increased by $77 million over plan. This is due to the impact of the Basic rate increase of 5.2%, effective November 1, 2014 and a greater than expected growth in the number of insured vehicles.

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. In 2015, service fees increased by $6 million from 2014 mainly due to higher premiums earned. Service fees and other in 2015 were consistent with plan.

Claims costs

Cost of claims incurred account for approximately three-quarters of our total expenditures. They are comprised of the expected costs to settle claims for all crashes that have occurred during the calendar year, regardless of when the crash is reported to us, and the change in estimates for losses occurring in prior years. Claims incurred costs include payments made to settle claims, case adjusters' reserves, actuarial estimates of the additional costs that will be paid out on known claims and claims not yet reported.

Claims incurred costs are affected by the growth in the number of policies, the chance of having a claim (frequency) and the average expected costs to settle those claims (severity). Frequency is influenced by factors that include driving and claimant behaviour, driver experience, weather and the effectiveness of road safety and loss management programs. Severity is influenced by factors that include settlement awards, legal fees, medical inflation, vehicle parts/repair inflation and independent adjusting costs.

In 2015, ICBC has observed higher-than-expected claims frequency and a continuing trend of more injury claims per crash. More of these claims are being represented by legal counsel and there has also been a shift in claims mix towards more complex claims, which increases total claims costs and severity. An increase in material damage repair costs has also been observed.

Overall 2015 net claims incurred costs of $4,042 million were $482 million higher compared to 2014. This increase was driven by current year claims costs increasing by $419 million, and an unfavourable adjustment of $63 million to the estimation of prior years' claims costs compared to 2014. The increases in net claims incurred costs are primarily due to increasing bodily injury costs as discussed above.

Net claims incurred costs in 2015 were $596 million higher than plan, with an increase of $344 million in current year claims costs and $252 million in prior years' adjustments.

ICBC's management has been working with government to develop strategies including various claims and financial mitigation initiatives that will assist in keeping Basic rate changes as low as possible.

The overall average cost of current year claims that occurred in 2015 increased by approximately 7% over 2014 from the increases in both average costs of injury and material damage claims.

($ millions)	2011 Actual	2012 Actual	2013 Actual	2014 Actual	2015 Actual
Net Claims Incurred Costs	**2,866**	**2,953**	**3,113**	**3,560**	**4,042**
Injury	1,823	1,944	2,039	2,438	2,748
Material Damage and Other	1,043	1,009	1,074	1,122	1,294

Data Source: ICBC financial systems

Injury claims

Current year injury claims account for over 65% of current year claims incurred costs in 2015, and include bodily injury claims and accident and death benefit claims. Injury claims include amounts for pain and suffering, future care, past and future wage loss, medical expenses and external claims handling expenses.

Overall, the total cost of current year injury claims increased by 12% in 2015 compared to 2014. This reflects an increased frequency of injury claims as well as higher severity for bodily injury costs as discussed above.

Bodily injury claims costs accounted for over 90% of all injury claims costs and increased by $250 million to $2,380 million in 2015 compared to 2014.

($ millions)	2011 Actual	2012 Actual	2013 Actual	2014 Actual	2015 Actual
Current Year Injury Claims Incurred (major categories)	**1,817**	**2,001**	**2,089**	**2,295**	**2,563**
Bodily Injury	1,692	1,857	1,930	2,130	2,380
Accident & Death Benefits	125	144	159	165	183

Data Source: ICBC financial systems

Material damage (non-injury) claims

Material damage claims can mostly be categorized into property damage, collision, comprehensive and windshield claims. Overall, the total cost of current year material damage claims increased approximately 11% in 2015 compared to 2014. This reflects an increase of 7% in the average cost of material damage claims, and increased claims frequency.

($ millions)	2011 Actual	2012 Actual	2013 Actual	2014 Actual	2015 Actual
Current Year Material Damage Claims Incurred (major categories)	**972**	**967**	**980**	**1,038**	**1,156**
Property damage	381	370	382	401	433
Collision	406	403	416	427	491
Comprehensive	133	138	126	150	166
Windshield	52	56	56	60	66

Data Source: ICBC financial systems

Change in estimates for losses occurring in prior years

Adjustments to the prior years' claims reserves are due to the re-estimation of future payments for claims incurred in prior years that are in progress and for those that are not yet reported. As time passes, more claims are paid and more information becomes available, enabling the estimate of the remaining future claims payments to be refined.

In 2015, the change in estimates for losses occurring in prior years was unfavourable as compared to 2014. This is a result of a shift towards more complex injury claims, as discussed previously. Complex claims take longer to settle and, in general, cost more; therefore, additional reserves have been set aside to reflect this shift. Material damage claims from prior years have also cost more than anticipated.

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 year based on revised actuarial estimates, which include a provision for adverse deviation (see note 2d of the consolidated financial statements).

The provision for unpaid claims at the end of 2015 was $9,093 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 claims accounts for approximately 90% of total unpaid claims costs. As illustrated in the following table, only a small percentage of bodily injury 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	4	14	28	45	65	81
Unpaid	96	86	72	55	35	19

Data Source: ICBC financial systems

We commission the services of an external actuary to provide an independent assessment of the provision for unpaid claims and, as part of the annual audit of the financial results, the external auditor's actuary also reviews the adequacy of the unpaid claims reserves.

We earn 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, we report our 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. The discount rate is based on the expected return of our 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. In 2015, the discount rate decreased by 13 basis points from prior year, which increased the balance in unpaid claims.

Road safety and loss management

In 2015, ICBC invested $50 million in road safety initiatives and loss management programs, which include auto crime and fraud prevention, investigation and detection to help reduce claims costs, giving customers the best insurance coverage for the lowest possible costs.

Using a safe systems approach, we target our road safety investments on the major risks that impact customers and costs in our business, including distractions, high-risk driving, vulnerable road users and commercial vehicle safety. We work with a network of partners across 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.

This year, ICBC completed an evaluation of our Road Improvement Program which examined over 100 locations that were subjected to road safety engineering improvements over a two year period. The results indicated that there were significant crash reductions after the implementation of the road improvements. ICBC's partnership in road improvement projects has led to a 24 per cent reduction, on average, in severe crashes – those resulting in serious injuries and fatalities – and a 15 per cent reduction in property damage claims after an improvement is completed.

ICBC renewed its Memorandum of Understanding with the Ministry of Justice and Attorney General for another two years. The Memorandum of Understanding supports the Enhanced Traffic and Road Safety Enforcement Program, which includes allowing additional traffic enforcement officers to be hired to focus on reducing the risk on the road. This typically includes distracted driving, speed, impaired driving and intersection behavior.

Distracted driving related crashes continue be one of the leading causes of car crash fatalities in B.C. In 2015, we continued our partnerships with law enforcement and government to raise awareness of the consequences and penalties associated with distracted driving to reduce injury and death on B.C. roads. In 2015, ICBC supported the Ministry of Transportation and Infrastructure and the Ministry of Justice and Attorney General in developing recommendations for additional fines and penalty points for distracted driving offences.

We continued to invest in auto crime programs like Bait Car, Stolen Auto Recovery, Auto Crime Enforcement Month, and community partnerships that work towards reducing auto crime in B.C. Initiatives such as Lock Out Auto Crime notices and awareness signage help educate vehicle owners on ways to prevent auto crime.

ICBC has been fighting fraud for decades and is taking steps to detect and deter even more cases of fraud. ICBC’s Cyber Unit leverages the internet and social media to combat exaggerated and fraudulent claims. As the number of social networking sites has expanded in recent years, so has ICBC’s use of them as a means to combat fraud. In 2015, ICBC’s Special Investigations Unit opened approximately 5,000 claims investigations.

Operating costs

Operating costs include compensation and other costs required to operate the insurance and non-insurance businesses with the exception of claims payments, commissions and premium taxes.

In 2015, ICBC continued to focus on managing operating costs prudently. Insurance operating costs of $538 million were lower than the 2014 operating costs, primarily due to lower compensation costs from the continued effort to manage workload and resources. Insurance operating costs in 2015 were $25 million lower than plan.

The Transformation Program is a multi-year initiative where 2015 project operating expenses totaled $27 million including operational costs and depreciation expenses. The spending levels in

2015 were within plan.

Included in total operating costs are non-insurance costs of $100 million, which consist of costs for administering driver licensing, vehicle registration and licensing and government fines collection. Non-insurance costs are funded from Basic insurance premiums.

($ millions)	2011 Actual	2012 Actual	2013 Actual	2014 Actual	2015 Target	2015 Actual
Operating Costs	**616**	**635**	**606**	**676**	**698**	**665**
Insurance	509	504	494	553	563	538
Transformation Program [1]	20	13	23	24	29	27
Non-Insurance	87	93	92	99	106	100
Restructuring costs	-	25	(3)	-	-	-

[1] Transformation Program operating costs in table include depreciation.

Below is a table of total operating costs by nature, including the Transformation Program.

($ millions)	2014 Actual	2015 Actual
Operating Costs by Nature		
Employee benefit expense	433	423
Professional, administrative and other	174	172
Road improvements and other traffic safety programs	32	33
Depreciation & amortization	37	37
	676	**665**

Re-allocation of Transformation Program costs

As with any multi-year business transformation, it is common to review scope, cost and budget allocation and timing for individual projects as they progress.

In 2014 and 2015, ICBC reviewed the Transformation Program which involved ICBC's independent external advisors and focused on ensuring the program costs were tightly aligned with the original scope of Order in Council (OIC) 222/2010 and aligned with principles developed with an independent external business advisor that are consistent with best practices for large transformational projects.

As a result of these reviews in March 2015, ICBC's Board of Directors approved the reallocation or elimination of $50.4M from Transformation Program current and future costs; and in December 2015, the Board approved the reallocation of an additional $55.7M in mostly historical costs to general operating expenses.

All of the non-project related historical costs have moved from the Transformation Program into ICBC's general business operating expenses. There has been no impact to net income or basic insurance rates.

The Transformation Program's overall $400M budget remains unchanged. The Program is expected to achieve approximately $90-100 million annual savings and improve customer experience by streamlining how ICBC conducts its business and making it easier and more convenient for British Columbians to access ICBC services.

Acquisition costs

Acquisition costs represent the amounts paid to brokers for the sale of our insurance products and the administration of driver and vehicle licensing transactions. Acquisition costs also include premium taxes (4.4% 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 expensed on a similar basis. At year-end, the unexpended portion of these costs are deferred and reflected as deferred premium acquisition costs. When future claims and related expenses, after consideration of investment income, are expected to exceed unearned premiums, deferred premium acquisition costs are written down and recognized as a premium deficiency. 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. At 2015 year-end, the Optional line of business has deferred premium acquisition costs of $163 million, while the Basic line of business has a premium deficiency of $76 million (see note 18 of accompanying consolidated financial statements).

Acquisition costs (including non-insurance commissions) of $631 million were $135 million higher than 2014. This is mainly due to an unfavourable deferred premium acquisition cost adjustment from higher than expected claims costs resulting in decreased profitability in the Basic business. Broker commissions and premium taxes are also higher by $21 million and $11 million respectively due to higher premiums earned.

Acquisition costs were $93 million higher than plan due to an unfavourable deferred premium acquisition costs adjustment as a result of higher claims costs.

Investments

We have an investment portfolio with a carrying value of $14.7 billion, which represents 88% of the company’s total assets at the end of 2015.

Funds available for investment purposes come primarily from the premiums collected and set aside for unpaid claims, unearned premiums and retained earnings. We maintain a conservative investment portfolio which has a significant allocation to high-quality fixed income securities.

At December 31, 2015, 73% of the carrying value of the portfolio took the form of high-grade corporate and government bonds, money market securities and mortgage instruments, while 22% of the portfolio was invested in equity and real estate investments. A further 5% of the portfolio has been allocated to high yield bonds.

Investment income

In 2015, our investment income was $920 million. The increase of $68 million from 2014 reflects gains realized when US, European, Australasia and Far East equities were sold to transition to a portfolio of Global equities. Interest income on US high yield bonds also increased from prior year, as a full year of interest income was earned. Investment income also benefited from US dollar exposure within the bond portfolio as the US dollar appreciated in relation to the weakened Canadian dollar. Increases in investment income were offset by fewer dividends received. Overall, these results equate to an accounting investment return of 6.5% in 2015, compared to 6.4% in 2014, based on the average investment balance during the year on a cost basis. The higher accounting return is reflective of strong investment income in 2015.

($ millions)	2011 Actual	2012 Actual	2013 Actual	2014 Actual	2015 Target	2015 Actual
Investment Income	**441**	**443**	**671**	**852**	**425**	**920**
Interest, dividends & other income	249	309	338	418	370	333
Gains	192	134	333	434	55	587

Investment income was $495 million higher than plan due equity gains associated with the transition from US and European, Australasia and Far East equities to a Global equity portfolio, foreign exchange gains on high yield US bonds due to the weakened Canadian dollar, and unplanned bond gains.

Equity

Our equity includes retained earnings of $3,371 million and a net loss in other components of equity of $262 million as at December 31, 2015. Retained earnings help to absorb significant unexpected increases in claims costs and volatility in the financial markets. We have a strong capital base enabling us to withstand adverse claims experience and unfavourable financial market situations which have been volatile in recent years, protect our policyholders and continue to provide our customers with the best coverage at the lowest possible price.

Bonds and equities are measured at fair value on the consolidated statement of financial position, with changes in fair value (unrealized gains and losses) included in other components of equity, which decreased to an unrealized loss position of $51 million at December 31, 2015. This decrease primarily reflected the recognition of gains from the sale of equity and bond investments to net income and the decrease in the fair market value of our equity portfolio due to the weakening performance of the equity markets at the end of the year.

Similar to the private insurance industry, the adequacy of equity or capital base is an important factor in assessing the financial stability of a company and is closely monitored by regulators.

The common industry method used to measure financial stability is the minimum capital test ratio, an OSFI risk-based capital adequacy framework which assesses assets, policy liabilities and other potential liabilities to determine appropriate capital levels. OSFI requires its regulated property and casualty insurers to meet minimum capital test targets.

Although not regulated by OSFI, we have established management targets for minimum capital test ratio in excess of ICBC’s regulatory targets to take into consideration relevant factors such as business risks and requirements, and the volatility inherent in the insurance business such as changes to claims costs and in the investment markets. The 2015 internal management target level for corporate minimum capital test was a target of 185%, which is consistent with 2014. At December 31, 2015, our total corporate minimum capital test level of 157% fell short of the management target due to the increase in claims costs. For further information on the Basic insurance and Optional insurance capital framework, please refer to notes 20 and 22 of the accompanying consolidated financial statements.

Excess Optional capital transfer

The excess Optional capital transfer to the Province of B.C. of $138 million is $22 million lower than plan, primarily due to higher claims costs.

Basic and Optional operations

We operate as an integrated company providing Basic and Optional insurance products and services. Integrated operations provide benefits to our 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 BCUC, is used to allocate costs between these two lines of business. ICBC manages and reports the financial results of its operations on an integrated basis. Detailed financial information on the Basic and Optional lines of business is included in note 22 of the accompanying consolidated financial statements. The following paragraph provides a high-level summary of results for both the Basic and Optional lines of business, while the balance of the annual report discusses results based on integrated operations.

The Basic insurance business incurred a net loss of $257 million, which was $344 million worse than the 2014 net income of $87 million. The Basic net income decreased from the prior year due to higher claims costs as discussed above. This increase in claims costs is offset by higher premium revenue from the Basic rate increase of 5.2% effective November 1, 2014 and higher investment income from equity gains.

The Optional insurance business generated net income of $388 million in 2015. Optional net income increased $102 million from 2014 mainly due to higher revenues from increased new vehicle sales and higher investment income, and partially offset by higher claims costs as noted above.

Subsidiaries

The Corporation does not have any active operating subsidiary companies.

The Corporation has 44 nominee holding companies, which hold investment properties for the purpose of generating investment income. ICBC owns 100% of the controlling interest for all of its nominee companies except one, for which ICBC has 90% controlling interest. ICBC has disclosed a listing of all of its nominee holding companies in Appendix A.

All of the nominee holding companies are consolidated in our financial statements. The basis of consolidation is explained in note 2b and a summary of the income from investment properties is provided in note 10 of the accompanying consolidated financial statements.

Major Capital Projects

Major Capital Projects* $ millions	Targeted Completion Date (Year)	Approved Anticipated Total Cost of Project	Actual Cost to Dec 31, 2015
<u>Transformation Program</u> ICBC's modernization of the company through the Transformation Program is in the final year of this multi-year program and most of the projects have been completed. The largest of these remaining projects is the Insurance Sales and Administration System (ISAS) project, which is the new policy administration, vehicle licensing and registration system for brokers. To mitigate any risks associated with not completing the Transformation Program, a comprehensive governance model with a strict approval process that provides oversight on scope, timelines, and budget. ICBC's internal and external oversight bodies (for example, Board of Directors, Executive Committee, a third-party independent risk advisor to the Board) ensure decisions align to corporate strategy to support the business transformation underway and other corporate projects.	2016	318	269

* This table reflects projects with capital expenditures over $50 million. The capital expenditures in this table are a subset of the capital expenditures reported in the Financial Resource Summary Table on page 19.

Management's Responsibility for 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. These consolidated financial statements include amounts that are based on management's estimates and judgements, particularly our reserves 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 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 Committee recommends for approval to the Board of Directors the appointment of the external auditors and the external actuaries. The Committee meets no less than quarterly with management, our internal auditors and representatives of our external auditors 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 financial statements prior to recommending approval by the Board of Directors. The Board of Directors has reviewed and approved the financial statements.

Independent Auditor and Actuary

Our independent auditor, PricewaterhouseCoopers LLP, have audited the 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 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 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.

Mark Blucher
President and Chief Executive Officer

May 17, 2016

Geri Prior
Chief Financial Officer

May 17, 2016

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 December 31, 2015 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
May 17, 2016

Independent Auditor's Report

Minister Responsible for the Insurance Corporation of British Columbia
Members of the Board of Directors for the Insurance Corporation of British Columbia
Province of British Columbia

We have audited the accompanying consolidated financial statements of Insurance Corporation of British Columbia and its subsidiaries, which comprise the consolidated statement of financial position as at December 31, 2015 and the consolidated statement of comprehensive income, changes in equity, and cash flows for the year then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, 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.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Insurance Corporation of British Columbia and its subsidiaries as at December 31, 2015 and their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP

Chartered Professional Accountants
Vancouver, British Columbia
May 17, 2016

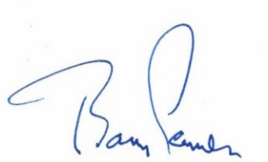
Consolidated Statement of Financial Position

As at December 31

($ THOUSANDS)	2015	2014
Assets		
Cash and cash equivalents	$ 45,815	$ 56,435
Accrued interest	55,327	52,377
Asset held for sale	-	5,800
Financial investments (note 5)	13,946,347	13,458,702
Premiums and other receivables (note 9)	1,301,648	1,182,468
Reinsurance assets (note 9)	10,447	8,766
Investment properties (note 5)	772,183	618,821
Property and equipment (note 11)	103,433	105,581
Intangible assets (note 12)	279,555	222,302
Deferred premium acquisition costs and prepaids (note 18)	182,780	171,450
	$ 16,697,535	$ 15,882,702
Liabilities and Equity		
Liabilities		
Cheques outstanding	$ 64,762	$ 54,152
Accounts payable and accrued charges	265,021	288,377
Excess Optional capital payable to Province of BC (notes 19 and 20)	138,118	138,781
Bond repurchase agreements and other liabilities (note 8)	1,180,744	1,096,903
Premium deficiency (note 18)	75,822	15,794
Premiums and fees received in advance	44,499	37,927
Unearned premiums (note 14)	2,210,364	2,021,458
Pension and post-retirement benefits (note 16)	479,034	408,201
Provision for unpaid claims (note 13)	9,093,140	8,205,432
	13,551,504	12,267,025
Equity		
Retained earnings	3,371,371	3,379,301
Other components of equity	(261,800)	236,376
Equity attributable to parent corporation	3,109,571	3,615,677
Non-controlling interest (note 6)	36,460	-
	3,146,031	3,615,677
	$ 16,697,535	$ 15,882,702
Contingent liabilities and commitments (note 21)		

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

Approved by the Board



Barry Penner, QC
Chair of the Board of Directors

William Davidson
Director

Consolidated Statement of Comprehensive Income

For the year ended December 31

($ THOUSANDS)		2015		2014
Premiums written				
Premium revenue – vehicle	$	4,625,555	$	4,241,882
Premiums ceded to reinsurers – vehicle		(9,020)		(9,233)
Net premium revenue – vehicle		4,616,535		4,232,649
Premium revenue – driver		20,302		21,500
	$	4,636,837	$	4,254,149
Revenues				
Premiums earned				
Premium revenue – vehicle	$	4,436,289	$	4,145,647
Premiums ceded to reinsurers – vehicle		(9,020)		(9,233)
Net premium revenue – vehicle		4,427,269		4,136,414
Premium revenue – driver		20,662		22,281
		4,447,931		4,158,695
Service fees and other income		94,510		88,118
Total earned revenues		4,542,441		4,246,813
Claims and operating costs				
Provision for claims occurring in the current year (note 13)		3,798,193		3,378,576
Change in estimates for losses occurring in prior years (note 13)		244,054		181,426
Net claims incurred (note 13)		4,042,247		3,560,002
Claims services (note 17)		271,068		283,527
Road safety and loss management services (note 17)		50,180		51,304
		4,363,495		3,894,833
Operating costs – insurance (note 17)		244,371		242,382
Premium taxes and commissions – insurance (notes 17 and 18)		600,625		467,879
		5,208,491		4,605,094
Underwriting loss		(666,050)		(358,281)
Investment income (note 10)		919,869		852,080
Income – insurance operations		253,819		493,799
Non-insurance operations				
Provincial licences and fines revenue (note 19)		572,427		566,508
Licences and fines transferable to the Province of BC (note 19)		572,427		566,508
Operating costs – non-insurance (note 17)		99,407		98,520
Commissions – non-insurance (notes 17 and 18)		30,335		28,360
Other income – non-insurance		(6,464)		(5,566)
		695,705		687,822
Loss – non-insurance operations		(123,278)		(121,314)
Net income	$	130,541	$	372,485
Other comprehensive (loss) income				
Items that will not be reclassified to net income				
Pension and post-retirement benefits remeasurements (note 16)	$	(29,831)	$	(81,336)
Items that will be reclassified to net income				
Net change in available for sale financial assets		(469,222)		(179,467)
		(499,053)		(260,803)
Total comprehensive (loss) income	$	(368,512)	$	111,682
Net income attributable to:				
Non-controlling interest (note 6)	$	353	$	-
Parent corporation		130,188		372,485
	$	130,541	$	372,485
Total comprehensive (loss) income attributable to:				
Non-controlling interest (note 6)	$	(524)	$	-
Parent corporation		(367,988)		111,682
	$	(368,512)	$	111,682

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

Consolidated Statement of Changes in Equity

For the year ended December 31

	2015						
		Other Components of Equity					
($ THOUSANDS)	**Retained Earnings**	Net change in available for sale financial assets	Pension and post-retirement benefits remeasurements	**Total Other Components of Equity**	**Total attributable to parent corporation**	**Non-Controlling Interest**	**Total Equity**
Balance, beginning of year	$ 3,379,301	$ 417,112	$ (180,736)	$ 236,376	$ 3,615,677	$ -	$ 3,615,677
Acquisition of entities with non-controlling interest (note 6)						37,069	37,069
Distributions						(85)	(85)
Comprehensive (loss) income							
Net income	130,188	-	-	-	130,188	353	130,541
Other comprehensive (loss) income							
Net gains reclassified to investment income	-	(488,286)	-	(488,286)	(488,286)	-	(488,286)
Net gains arising on available for sale financial assets in the year	-	19,941	-	19,941	19,941	(877)	19,064
Pension and post-retirement benefits remeasurements (note 16)	-	-	(29,831)	(29,831)	(29,831)	-	(29,831)
Total other comprehensive loss	-	(468,345)	(29,831)	(498,176)	(498,176)	(877)	(499,053)
Total comprehensive income (loss)	130,188	(468,345)	(29,831)	(498,176)	(367,988)	(524)	(368,512)
Excess Optional capital transfer to Province of BC (notes 19 and 20)	(138,118)	-	-	-	(138,118)	-	(138,118)
Balance, end of year	$ 3,371,371	$ (51,233)	$ (210,567)	$ (261,800)	$ 3,109,571	$ 36,460	$ 3,146,031

	2014						
		Other Components of Equity					
($ THOUSANDS)	**Retained Earnings**	Net change in available for sale financial assets	Pension and post-retirement benefits remeasurements	**Total Other Components of Equity**	**Total attributable to parent corporation**	**Non-Controlling Interest**	**Total Equity**
Balance, beginning of year	$ 3,145,597	$ 596,579	$ (99,400)	$ 497,179	$ 3,642,776	$ -	$ 3,642,776
Comprehensive (loss) income							
Net income	372,485	-	-	-	372,485	-	372,485
Other comprehensive (loss) income							
Net gains reclassified to investment income	-	(388,629)	-	(388,629)	(388,629)	-	(388,629)
Net gains arising on available for sale financial assets in the year	-	209,162	-	209,162	209,162	-	209,162
Pension and post-retirement benefits remeasurements (note 16)	-	-	(81,336)	(81,336)	(81,336)	-	(81,336)
Total other comprehensive loss	-	(179,467)	(81,336)	(260,803)	(260,803)	-	(260,803)
Total comprehensive income (loss)	372,485	(179,467)	(81,336)	(260,803)	111,682	-	111,682
Excess Optional capital transfer to Province of BC (notes 19 and 20)	(138,781)	-	-	-	(138,781)	-	(138,781)
Balance, end of year	$ 3,379,301	$ 417,112	$ (180,736)	$ 236,376	$ 3,615,677	$ -	$ 3,615,677

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

Consolidated Statement of Cash Flows

For the year ended December 31

($ THOUSANDS)	2015	2014
Cash flow from operating activities		
Cash received for:		
Vehicle premiums and others	$ 4,542,592	$ 4,165,477
Licence fees (note 19)	552,916	548,352
Taxes on vehicle sales and rebates	205,708	191,460
	5,301,216	4,905,289
Collection for receivables, subrogation, and driver penalty point premiums	171,269	165,912
Reinsurance recoveries	396	4,031
Salvage sales	65,366	62,668
Interest	251,831	244,211
Dividends and other investment income	57,938	43,797
Other	6	128
	5,848,022	5,426,036
Cash paid to:		
Claimants or third parties on behalf of claimants	(3,303,029)	(3,002,550)
Federal Government and the Province of BC for licence fees, fines, and taxes collected (note 19)	(772,064)	(762,723)
Reinsurers for reinsurance premiums	(8,946)	(9,478)
Suppliers of goods and services	(215,900)	(184,742)
Employees for salaries and benefits	(395,901)	(424,901)
Agents for commissions	(381,052)	(354,204)
Province of BC for premium taxes	(191,301)	(184,200)
	(5,268,193)	(4,922,798)
Cash flow from operating activities	579,829	503,238
Cash flow used in investing activities		
Purchase of financial investments and investment properties	(8,096,393)	(9,710,562)
Proceeds from sales of financial investments and investment properties	7,631,705	9,480,311
Purchase of property, equipment and intangibles	(92,654)	(75,680)
Proceeds from sales of property, equipment and intangibles	-	3,487
Cash flow used in investing activities	(557,342)	(302,444)
Cash flow used in financing activities		
Net securities sold under repurchase agreements	95,064	55,633
Excess Optional capital transfer to Province of BC (notes 19 and 20)	(138,781)	(237,000)
Cash flow used in financing activities	(43,717)	(181,367)
(Decrease) Increase in cash and cash equivalents during the year	(21,230)	19,427
Cash and cash equivalents, beginning of year	2,283	(17,144)
Cash and cash equivalents, end of year	$ (18,947)	$ 2,283
Represented by:		
Cash and cash equivalents (note 7)	$ 45,815	$ 56,435
Cheques outstanding	(64,762)	(54,152)
Cash and cash equivalents, net	$ (18,947)	$ 2,283

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

Notes to Consolidated Financial Statements

For the year ended December 31, 2015

1. Corporate Information

The Insurance Corporation of British Columbia (the Corporation) is a Crown corporation, not subject to income taxes under the *Income Tax Act (Canada)*, incorporated in 1973 and continued under the *Insurance Corporation Act*, 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 and optional vehicle insurance 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. As a result of amendments to the *Insurance Corporation Act* in 2003, the Corporation is subject to regulation by the British Columbia Utilities Commission (BCUC) with respect to universal compulsory vehicle insurance rates and services (note 22).

Universal compulsory vehicle insurance (Basic) includes the following coverages: $200,000 third party liability protection (higher for some commercial vehicles), access to accident benefits including a maximum of $150,000 for medical and rehabilitation expenses and up to $300 per week for wage loss, $1,000,000 underinsured motorist protection, and also protection against uninsured and unidentified motorists within and outside the Province of BC. The Corporation also offers insurance in a competitive environment (Optional), which includes, but is not limited to, the following coverages: extended third party liability, comprehensive, collision, and loss of use. The Corporation's Basic and Optional insurance products are distributed by approximately 900 independent brokers located throughout the Province of BC. 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 primary vehicle insurer.

These consolidated financial statements have been authorized for issue by the Board of Directors on March 3, 2016.

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. These policies have been consistently applied to all years presented, unless otherwise stated.

a) Basis of reporting

The consolidated financial statements of the Corporation have been prepared in accordance with the International Financial Reporting Standards (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 and equity investment. The Corporation's reporting currency and functional currency of 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 22). 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 and reflects the Corporation's results from underwriting activities and investment activities. The Corporation also provides a number of non-insurance services on behalf of the Province of BC. 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 disclosed separately in the consolidated statement of comprehensive income under non-insurance operations for greater transparency (note 19).

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. 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 and an equity investment over which it has control. Control is achieved when the Corporation has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Entities are fully consolidated from the date on which control is transferred to the Corporation. All but one of the Corporation's investment properties are held individually in fully-owned nominee holding companies. 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 an entities' profit or loss and net assets that are not held by the Corporation. The Corporation attributes total comprehensive income or loss of entities between the parent and the NCI based on their respective ownership interests. All subsidiaries are wholly-owned except for one, which is a Canadian limited partnership (note 6).

The Corporation also has control of one Canadian pooled equity fund investment. The fund is fully consolidated, with the NCI portion attributed to NCI within equity (notes 5 and 6).

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 an investment in a limited partnership for real estate (note 3d), thus the investment is not classified as an associate.

Joint operation

The Corporation accounts for its interest in joint operations by recognizing its share of assets, liabilities, revenues and expenses in accordance with its contractually conferred rights and obligations. The Corporation has one joint operation.

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 rate.

d) Insurance contracts

The Corporation issues insurance contracts that transfer insurance risk which results in the possibility of having to pay benefits on the occurrence of an insured event. The Corporation accounts for insurance contracts as follows:

Premiums earned

The Corporation recognizes vehicle premiums on a straight-line basis over the term of each vehicle policy written. The driver premiums are earned over 12 months. 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 derived from each of the Basic and Optional coverages, 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 (IBNR) plus development on known case reserves and loss adjustment expenses, and is gross of the recovery from reinsurance. The provision for unpaid claims is established according to accepted actuarial practice in Canada. It is carried on a discounted basis and therefore reflects the time value of money, and includes a provision for adverse deviations (PFAD).

As with any insurance company, the 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 claims, taking into consideration the consistency of the Corporation's claims handling procedures, the amount of information available, and historical delays in reporting claims. In general, the more time required for the settlement of a group of claims, the more variable the estimates will be. Variability can be caused by receipt of additional information, significant changes in the average cost or frequency of claims over time, significant changes in the Corporation's claims operations, the timing of claims payments, and future rates of investment return.

The ultimate cost of long settlement term claims is particularly challenging to predict for several reasons, which include some claims not being reported until many years after a policy term, or changes in the legal environment, case law or legislative amendments. 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 for ultimate loss expectations based upon historical experience patterns, current socio-economic trends and structured settlements provided in the form of consistent periodic payments as opposed to lump-sum payments.

To recognize the uncertainty in establishing best estimates, as set out in 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 cover expected future cash flows. 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'. Methods of estimation have been used which the Corporation believes produce reasonable results given current information.

Reinsurance

Reinsurance balances are presented separately on the consolidated statement of financial position to indicate the extent of credit risk related to reinsurance and its obligations to policyholders, and on the consolidated statement of comprehensive income to indicate the results of its retention of premiums written.

Reinsurance assets, including both reinsurance recoverable and reinsurance receivable, 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, highly 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 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. 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.

g) Financial assets

The Corporation designates its financial instruments as fair value through profit or loss (FVTPL), available for sale (AFS), or loans and receivables (Loans), depending upon 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 bonds and non-monetary financial assets include equities. The Corporation’s financial assets are accounted for based on their classification as follows:

Fair value through profit or loss

The Corporation’s cash and cash equivalents (note 2e) are accounted for as FVTPL. A financial asset is classified in this category if it is acquired principally for the purpose of selling in the short-term.

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.

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 mortgage portfolio, loan, and premiums and other receivables as Loans. The mortgage portfolio consists of mortgages and mortgage bonds. The Corporation currently has one loan to a Canadian operation to acquire non-controlling interest shares in a Canadian limited partnership.

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. 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 designated its money market securities with a term greater than 90 days from the date of acquisition, and its bond and equity portfolios as AFS. The Corporation does not currently hold any derivative financial assets.

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

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. 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 rate 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.

Financial assets are derecognized when the rights to receive cash flows have expired or have been transferred along with substantially all the risks and rewards of ownership.

h) Translation of foreign currencies

Foreign currency transactions are translated at exchange rates at the date of the sale or purchase. Foreign currency assets and liabilities considered as monetary items 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 at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in investment income.

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

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 fair value is 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.

Where an active market does not exist, and quoted prices are unavailable, fair values are determined using valuation techniques that refer to observable market data. Where observable market data is unavailable, the estimated fair value is determined using valuation techniques.

The estimated fair value of money market securities greater than 90 days, which are not considered cash and cash equivalents, is approximated by cost. The estimated fair value for bonds and equities is based on quoted prices or on other observable market information, where available. The estimated fair value for mortgages is determined by referencing 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 each reporting date by management.

j) 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 on a combination of discounted cash flows using current market capitalization rates and the direct capitalization method. The estimated fair value as calculated using the direct capitalization method is determined by dividing the net operating income by the capitalization rate.

The Corporation has certain properties that serve dual purposes, investment and own-use portions. 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 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 it would be treated as property and equipment. The Corporation has two properties that serve dual purposes, both of which are classified as investment properties.

Investment properties comprise of land and buildings and 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% annually over the investment properties' useful life.

k) Investment-related liabilities

Investment-related liabilities include mortgage debt associated with investment properties (note 2j) and are initially recognized at fair value and subsequently measured at amortized cost.

l) 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 with the market repurchase rate determining the forward contract price. These sale and repurchase arrangements are accounted for as financial liabilities and are initially recognized at fair value and subsequently measured at cost. The difference between the sale price and the agreed repurchase price on a repurchase contract is recognized as interest expense. Assets transferred under repurchase agreements are not derecognized as substantially all the risks and rewards of ownership are retained by the Corporation and a liability equal to the consideration received has been recorded.

m) 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 recognized initially at fair value and subsequently measured at cost.

n) 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 costs are included in the accounts payable and accrued charges presented on the consolidated statement of financial position. Future operating losses are not recognized.

Where these 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.

o) 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 period.

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

The non-investment costs are equal to expenses paid from the plans in the year relating to the administration of the plans.

The interest costs are calculated using the discount rate at the beginning of the period and applied to the beginning of year net liability.

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 period are recognized in net income.

A plan’s surplus is equal to the excess, if any, of the plan’s assets over its obligation. 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 period 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 in the year in which they arise, through OCI in 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.

p) 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 is depreciated when it is 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 33%
- 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.

q) 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 infrastructure projects expected to be of continuing benefit to the Corporation, or expensed where the potential future benefits are uncertain or not quantifiable.

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 33%, 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.

r) 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 deterioration in the fair value of the asset below cost. In addition, for equity investments, a prolonged decline is also considered objective evidence of impairment. Where objective evidence of impairment exists and where material, an impairment loss will be recognized as follows:

- For AFS financial assets, the related unrealized loss charged to OCI is reclassified to investment income.
- 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 instruments are not reversed.

Impairment of non-financial assets

The Corporation's non-financial assets consist primarily of investment properties, property and equipment, and intangible assets. An impairment review is carried out at the end of each reporting period 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. 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 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.

s) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to net income on the consolidated statement of comprehensive income on a straight-line basis over the period of the lease. Where substantially all of the risks and rewards have been transferred to the lessee, the lease is classified as a finance lease. In these cases, an obligation and an asset are recognized based on the present value of the future minimum lease payments and balances are amortized over the lease term or useful life as applicable.

t) Current and non-current

Assets are classified as current when expected to be realized within one year of the reporting date. Liabilities are classified as current when expected to be settled within one year of the reporting date. All other assets and liabilities are classified as non-current.

3. Critical Accounting Estimates and Judgments

The Corporation makes estimates and judgments that affect the reported amounts of assets and liabilities. These are continually evaluated and based on historical experience and other facts, including expectations of future events that are believed to be reasonable under the circumstances. Management believes its estimates and judgments to be appropriate; however, actual results may be materially different and would be reflected in future periods.

Significant accounting estimates and judgments include:

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 year-to-year changes in a given accident 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.

The loss and count development factors rely on a selected baseline. The baseline for the majority of the coverages is the average of the most recent four accident 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 claims settlement environment, a change in the handling or reserving of claims, or an emerging trend in the statistical data used in the analysis.

In 2014, an additional method was employed to address the increasingly complex bodily injury claims environment, which includes a growing legal representation rate, a shifting frequency mix of bodily injury claims by severity of injury, and a slowdown in the settlement of claims. This additional method used legal status and severity of injury 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 timing of when the unpaid ultimate claims costs will be paid depends on both the line of business and historical data. Bodily injury lines of business generally take longer to settle than the 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 on the Corporation's current portfolio yields for fixed income investments and investment properties and a long-term yield assumption for equity 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 2d). The PFAD is calculated according to accepted actuarial practice in Canada (note 13).

b) Impairment of financial assets

Judgment is required to determine if there is objective evidence of impairment for 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 investments a prolonged decline is also considered objective evidence of impairment (note 10).

c) 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, Medical Services Plan trends, 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 16.

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 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 Medical Services Plan trend rate is based on expected increases reflected in the provincial budget.

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 16).

d) Significant influence

The Corporation owns more than 20% of the nominal voting interests in an investment in a limited partnership for real estate. The factors the Corporation considered in making the determination that the Corporation does not have significant influence include the following:

- Each limited partner does not have control or power over the operations of this investment;
- The Corporation does not have voting power in the investment;
- The Investment Committee of this investment is responsible for overseeing the investing activities. The Corporation does not have any influence over the Investment Committee; and
- Although the Corporation has one of five seats on the Governance Committee, the Governance Committee itself has no power over the Investment Committee. The role of the Governance Committee is to provide protective rights and is to ensure the investments are compliant with the Statement of Investment Policy. Further, the Governance Committee does not have any influence over the investing activities or over the management and operation of the partnership.

4. New Accounting Pronouncements

a) Standards and interpretations effective in 2015

The Corporation has adopted the standards and interpretations that are relevant to the operations of the Corporation and effective for the year ended December 31, 2015. There were no material impacts from the adoption of 2015 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. 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, including hybrid contracts, are measured as 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 not as at FVTPL. 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.

- IFRS 11 (Amendment) *Joint Arrangements*. Effective for annual periods beginning on or after January 1, 2016. The amendments require business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business, defined as a set of activities and assets conducted for the purpose of providing economic benefits to the owners. Business combination accounting also applies to the acquisition of additional interests in a joint operation while the joint operator retains control. The additional interest acquired will be measured at fair value. The previously held interests in the joint operation will not be remeasured. The adoption of this amendment is not expected to have a material impact to the Corporation's consolidated financial statements.

- IFRS 15 *Revenue Recognition*. Effective for annual periods beginning on or after January 1, 2018; early adoption is permitted. The standard establishes a comprehensive framework for determining how much and when revenue is recognized. It replaces existing revenue recognition guidance. IFRS 15 contains a scope exception which excludes insurance contracts within the scope of IFRS 4 *Insurance Contracts*; therefore, this standard will have a limited impact on the Corporation. The Corporation will be evaluating the impact of this standard on its consolidated financial statements.

- IFRS 16 *Leases*. Effective for annual periods beginning on or after January 1, 2019; early adoption permitted. IFRS 16 was issued in January 2016 and is intended to replace IAS 17 *Leases*, and related IFRICs. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. The Corporation will be evaluating the impact of this standard on its consolidated financial statements.

- IAS 1 (Amendment) *Presentation of Financial Statements*. Effective for annual periods beginning on or after January 1, 2016. In December 2014, IAS 1 was amended to clarify that materiality applies to all parts of the financial statements, that an entity's share of other comprehensive income of equity-accounted associates and joint ventures should be presented in aggregate, and provides examples of how to clarify understandability and comparability in the ordering of note disclosures. The adoption of these amendments is not expected to have a material impact to the Corporation's consolidated financial statements.

- IAS 19 (Amendment) *Employee Benefits*. Effective for annual periods beginning on or after January 1, 2016. The amendment clarifies which market rates to use on high quality corporate bonds in currencies where there is no deep market, for post-employment benefit obligations. The adoption of this amendment is not expected to have a material impact to the Corporation's consolidated financial statements.

- IAS 16 and 38 (Amendment) *Property, Plant and Equipment and Intangible Assets*. Effective for annual periods beginning on or after January 1, 2016. The amendments to IAS 16 explicitly state revenue-based methods of depreciation cannot be used for property, plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that the use of revenue-based amortization methods for intangible assets is inappropriate. This presumption can be overcome only when revenue and the consumption of the economic benefits of the intangible assets are highly correlated, or when the intangible asset is expressed as a measure of revenue. The adoption of these amendments is not expected to have a material impact to the Corporation's consolidated financial statements.

The Corporation has not early adopted these standards.

5. Investments

a) Financial investments

($ THOUSANDS)		2015	2014
	Classification	Carrying Value	Carrying Value
Financial investments			
Money market securities	AFS	$ 177,339	$ 103,203
Bonds			
Canadian			
Federal	AFS	3,601,508	4,160,930
Provincial	AFS	1,486,631	1,114,982
Municipal	AFS	93,403	56,480
Corporate	AFS	3,557,448	3,230,425
Total Canadian bonds		8,738,990	8,562,817
United States			
High yield corporate	AFS	761,733	714,719
Total bonds		9,500,723	9,277,536
Mortgages and other loan	Loans	1,736,482	1,548,613
Equities			
Canadian	AFS	1,759,505	1,810,444
Global	AFS	772,298	-
United States	AFS	-	363,117
Europe, Australia, Far East	AFS	-	355,789
Total equities		2,531,803	2,529,350
Total financial investments		$ 13,946,347	$ 13,458,702
Non-current portion		$ 12,978,381	$ 12,853,113

The Corporation's investment in pooled funds are denominated 100% (2014 – 83.8%) in Canadian dollars and 0% (2014 – 16.2%) in US dollars. The above disclosure presents the Corporation's interest in pooled funds by looking through the fund, and classifying by the location of issue of the underlying investments.

Money market securities, bonds, and equities are carried at their fair value. Mortgages and other loan are measured at amortized cost and have an estimated fair value of $1.78 billion (2014 – $1.58 billion). The fair value of mortgages is determined to be consistent with Level 3 investments based on the inputs to the valuation technique used (note 2i). The fair value of the mortgages is determined by applying a discount rate ranging from 2.1% to 3.9% (2014 – 2.5% to 4.3%).

Pooled funds

The Corporation invests in four pooled funds; the investment strategies of these funds do not include the use of leverage. As at December 31, 2015, the Corporation's interests range from 20.4% to 95.7% (2014 – 0.2% to 25.6%) of the net assets of the respective funds. The funds are managed by unrelated asset managers. The Corporation holds redeemable units in each of its pooled funds that entitle the holder to a proportional share in the respective fund's net assets. The carrying value of the Corporation's investments in the pooled funds as at December 31, 2015 is $2.33 billion (2014 – $2.22 billion).

For the pooled fund in which the Corporation holds 95.7%, the Corporation has control of the fund and has therefore consolidated the fund balance in the financial statements, and recorded the related NCI (notes 2 and 6).

Both the underlying securities of the consolidated fund and the other pooled fund investments are included in financial investments as equities. The change in fair value of each pooled fund is included in the consolidated statement of comprehensive income in 'Net change in available for sale financial assets'.

The Corporation's maximum loss exposure from its interests in the pooled funds is equal to the total fair value of its 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 bank sponsored securitization trusts and are secured by credit card receivables. The remaining bonds are issued by other Canadian corporate entities and are secured by credit card, auto, or equipment receivables. The Corporation invests mainly in securitization trusts with AAA rated securities that have a first lien on assets and have no exposure to junior or subordinate tranches. The weighted-average duration of the asset-backed securities in the Corporation's portfolio is 2.5 years (2014 – 2.6 years) and the coupon interest rates range from 1.1% to 3.5% (2014 – 1.4% to 3.5%).

As at December 31, 2015, the carrying value of asset-backed securities included in financial investments in the consolidated statement of financial position is $495.2 million (2014 – $425.8 million). This amount also represents the maximum exposure to losses at that date.

The Corporation also has mortgage backed securities with a carrying value of $74.3 million (2014 – $75.8 million) with an estimated fair value of $79.0 million (2014 – $79.7 million). These mortgage bonds are included in financial investments as mortgages and each bond is secured by a first priority mortgage charge on a high-quality real estate asset. The fixed interest rates on the mortgage backed securities range from 3.0% to 4.9% (2014 – 3.0% to 4.9%) and will mature between two to eight years.

b) Investment properties

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

($ THOUSANDS)	2015	2014
Cost		
Balance, beginning of year	$ 703,786	$ 669,152
Additions	159,255	36,534
Capital improvements	5,660	4,883
Reclassification	-	(6,000)
Acquisitions in progress	3,092	-
Impairment reversal (loss)	2,564	(783)
Balance, end of year	874,357	703,786
Accumulated depreciation		
Balance, beginning of year	84,965	68,377
Depreciation	17,209	16,588
Balance, end of year	102,174	84,965
Carrying value, end of year	$ 772,183	$ 618,821

The fair value of investment properties is $1.03 billion (2014 – $0.84 billion) and has been categorized as a Level 3 investment based on the inputs to the valuation technique used.

In 2015 and 2014, the estimated fair value is based on independent appraisals by professionally qualified external valuators.

c) Lease income

The Corporation leases out its investment properties. As of December 31, 2015, the future minimum lease income under non-cancellable leases over the next five years and beyond is as follows:

($ THOUSANDS)	2015		2014	
	Lease Income	Net Present Value	Lease Income	Net Present Value
Up to 1 year	$ 49,785	$ 48,354	$ 48,506	$ 47,052
Greater than 1 year, up to 5 years	136,376	124,285	142,154	129,016
Greater than 5 years	73,921	58,737	70,386	56,817
	$ 260,082	$ 231,376	$ 261,046	$ 232,885

6. Entities with Non-Controlling Interest (NCI)

The following table presents the summarized financial information for the NCI in the Corporation's Canadian limited partnership subsidiary and the consolidated equity pooled fund. The amounts disclosed are based on those amounts included in the consolidated financial statements before inter-company eliminations.

($ THOUSANDS)	Canadian Limited Partnership 2015	Canadian Pooled Fund 2015	Total 2015
NCI percentage	**10.0%**	**4.3%**	
Revenue	$ 3,426	$ 10,927	$ 14,353
Expenses	2,632	4,558	7,190
Net income	794	6,369	7,163
Other comprehensive loss	-	(20,402)	(20,402)
Total other comprehensive loss	$ 794	$ (14,033)	$ (13,239)
Net income attributable to NCI	**$ 79**	**$ 274**	**$ 353**
Other comprehensive loss attributable to NCI	**$ -**	**$ (877)**	**$ (877)**
Current assets	$ 1,252	$ -	$ 1,252
Non-current assets	114,545	580,777	695,322
Current liabilities	(934)	-	(934)
Net assets	$ 114,863	$ 580,777	$ 695,640
Net assets attributable to NCI	**$ 11,486**	**$ 24,974**	**$ 36,460**

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 2015 and 2014, 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)
December 31, 2015				
Cash	$ 45,815	$ -	$ 45,815	$ -
Money market securities	177,339	-	177,339	-
Bonds	9,500,723	-	9,484,950	15,773
Equities	2,531,803	741,371	1,771,515	18,917
Total financial assets	$ 12,255,680	$ 741,371	$ 11,479,619	$ 34,690
December 31, 2014				
Cash	$ 56,435	$ -	$ 56,435	$ -
Money market securities	103,203	-	103,203	-
Bonds	9,277,536	-	9,275,898	1,638
Equities	2,529,350	656,632	1,856,618	16,100
Total financial assets	$ 11,966,524	$ 656,632	$ 11,292,154	$ 17,738

Level 2 cash is valued using the end of day exchange rates. Level 2 money market securities are valued using the cost plus accrued interest. Level 2 bonds are valued using the quoted market price or dealer quotes for similar instruments exchanged in active markets. Level 2 equities (pooled funds) are valued using the transactional net asset value.

The following table shows the movement of financial assets where fair value has been determined based upon significant unobservable inputs (Level 3).

($ THOUSANDS)	Fair Value Measurements using Level 3 Inputs	
	Bonds	Equities
December 31, 2015		
Balance, beginning of year	$ 1,638	$ 16,100
Additions	25,000	2,817
Principle repayments	(10,865)	-
Balance, end of year	$ 15,773	$ 18,917
December 31, 2014		
Balance, beginning of year	$ 1,653	$ -
Additions	-	16,100
Principle repayments	(15)	-
Balance, end of year	$ 1,638	$ 16,100

b) Other financial assets

Other financial assets include accrued interest, premiums and other receivables, and reinsurance assets. The non-current portion of these other financial assets is $40.0 million (2014 – $31.5 million). The fair values of other financial assets approximate their carrying values due to their short-term nature.

c) Financial liabilities

Financial liabilities include cheques outstanding, accounts payable and accrued charges, bond repurchase agreements, other liabilities, and amounts payable to the Province of BC. All financial liabilities are carried at cost or amortized cost. Except for other liabilities, the fair values of the remaining financial liabilities approximate their carrying values due to their short-term nature. The assumptions used in estimating the fair value of other liabilities are discussed in note 8.

8. Bond Repurchase Agreements and Other Liabilities

($ THOUSANDS)	2015		2014	
	Carrying Value		Carrying Value	
Bond repurchase agreements	$	1,153,733	$	1,058,668
Other liabilities		27,011		38,235
Total bond repurchase agreements and other liabilities	$	1,180,744	$	1,096,903
Non-current portion	$	23,842	$	23,161

Other liabilities consist of investment-related liabilities, a finance lease obligation, and accrued interest payable. Investment-related liabilities are comprised of mortgages payable of $15.5 million (2014 – $30.6 million) with repayment terms ranging from two to seven years and interest rates ranging from 5.3% to 6.6% (2014 – 5.2% to 6.6%). These liabilities are classified as Level 2 under the fair value hierarchy.

Estimated principal repayments for other liabilities are as follows:

($ THOUSANDS)	2015		2014	
Up to 1 year	$	3,169	$	15,074
Greater than 1 year, up to 5 years		16,868		15,402
Greater than 5 years		6,974		7,759
	$	27,011	$	38,235

9. 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.

a) Insurance risk

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable.

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.

Frequency and severity of claims

There are a number of factors that influence the frequency and severity of claims, some of which the Corporation has some control over. 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. A number of strategies are used to control 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.

Factors outside of the Corporation's control include weather, demographics, settlement awards, legal fees, and economic changes, including vehicle parts/repair inflation 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 Corporation's provision for unpaid claims estimate is determined in accordance with accepted actuarial practice in Canada and is based on reasonable assumptions and appropriate methods that are consistently applied (note 3a).

There is 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 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 death benefits, which account for approximately 67% (2014 – 66%) of total claims costs. The timing of injury claims can be extended due to delayed reporting, and the timing and amount of injury payments can exhibit considerable uncertainty because of the complex bodily injury claims environment, the subjective nature of pain and suffering damages, internal claims operational changes, the judicial environment, and settlement awards.

The provision for unpaid claims also includes having to estimate direct expenses to be incurred in settling claims net of the expected salvage and subrogation recoveries. The Corporation takes all reasonable steps to ensure that it has appropriate information regarding its individual claims. However, given the uncertainty during the early stages of a claim, it is likely that the final outcome will be different from the original estimate. The provision for unpaid claims includes a provision for reported claims not yet paid and an amount estimated for IBNR claims (note 2d).

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 note 3.

A one percentage point increase in the discount rate will have a favourable impact on the provision for unpaid claims, net income, and equity of $214.1 million (2014 – $190.2 million), and a one percentage point decrease in the discount rate will have an unfavourable impact on the provision for unpaid claims, net income, and equity of $225.7 million (2014 – $200.4 million). A one per cent change in the cost of unpaid claims, with all other variables held constant, would result in an estimated change to the provision for unpaid claims of $90.8 million (2014 – $82.0 million). The changes in selected loss and count development factors and actuarial assumptions in 2015 had an estimated 1.0% unfavourable impact (2014 – 4.0% favourable) on the 2015 provision for unpaid claims. The 2014 impact included an actuarial assumption change on the unallocated loss adjustment expense (ULAE) reserve (note 13).

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 jurisdiction and provides vehicle insurance only, so there is a concentration of insurance risk with respect to geography, jurisdiction, demographics, and product type.

The impact of the concentration of insurance risk is quantified through CAT (catastrophe) modeling that the Corporation's reinsurance broker updates annually. This testing allows the Corporation to assess and manage these risks effectively. The concentration of insurance risk is also managed through a CAT reinsurance treaty, a casualty reinsurance treaty, and road safety programs such as road improvement strategies, the graduated licensing program, and the distracted driving campaign because 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 competition risk for its Basic insurance product. However, the Basic insurance rate level is sensitive to investment market conditions and claims experience, which can result in premiums being insufficient to cover costs. The Corporation is subject to regulations over its Basic insurance and applies to BCUC for approval to change its Basic insurance rate level. The Corporation is required to make Basic rate applications on an annual basis, and BCUC is required to set rates according to accepted actuarial practice. These aspects of regulation mitigate the underwriting risk associated with pricing for the Basic insurance product (note 22).

The Corporation's underwriting risk associated with pricing for its Basic insurance product is subject to regulation that allows for the use of capital to promote more stable and predictable rates to remove adverse rate volatility. Stable and more predictable rates occur when rate changes are in a range similar to the previous rate change where significant upward or downward changes, as compared to the previous rate change, are smoothed out. As a result, BCUC may deliberately set rates below cost for a time in order to bring rate levels up gradually over a period of a couple years, to the level necessary to cover costs. If rates are not allowed to increase to eventually cover costs and rebuild capital, with all other factors being held equal, there is a risk that the Corporation's capital will fall below the legislative minimum. Under these scenarios, the Corporation's capital faces added risk (note 22).

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

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 monitors actual investment positions and risk exposures for concentration risk.

As at December 31, 2015, the equity portfolio was 31.2% (2014 – 30.4%) invested in the financial sector, 13.7% (2014 – 16.2%) in the energy sector, 10.4% (2014 – 11.2%) in the industrial sector, and 9.8% (2014 – 8.4%) in the consumer discretionary sector; the bond portfolio was 54.5% (2014 – 57.5%) invested in the government sector and 20.3% (2014 – 20.2%) invested in the financial sector. See credit risk for a discussion of the government bonds.

Price risk

General economic conditions, political conditions, and other factors affect the equity markets, thereby also affecting the fair value of the securities and the pooled funds held by the Corporation. Fluctuations in the value of these securities impact the recognition of unrealized gains and losses on equity securities and on the units of funds held. As at December 31, 2015, the impact of a 10 per cent change in prices, with all other variables held constant, would result in an estimated corresponding change to OCI of approximately $253.2 million (2014 – $252.9 million).

The Corporation manages 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 fixed income portfolio. A natural hedge exists between the Corporation's fixed income portfolio and the provision for unpaid claims, as the Corporation's investment yields are used to derive the discount rate for the provision for unpaid claims (note 9a).

The Corporation has policies in place to limit and monitor its exposure to interest rate risk to allow for duration matching of claim liabilities to bond assets.

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

In 2015 and 2014, the Corporation did not use derivative financial instruments to hedge interest rate risk on its investment portfolio.

	2015		2014	
	Average Yield (%)	Duration (Years)	Average Yield (%)	Duration (Years)
Bonds				
Canadian				
Federal	0.9	2.5	1.4	2.2
Provincial	1.7	2.9	2.0	3.1
Municipal	1.8	3.0	2.0	3.5
Corporate	2.1	2.2	2.3	2.4
United States				
High yield corporate	8.2	4.5	6.3	4.1
Total bonds	2.1	2.6	2.2	2.5
Mortgages and other loan	3.7	2.7	4.0	3.1
Total bonds, mortgages and other loan	2.3	2.6	2.4	2.6

As at December 31, 2015, a 100 basis point change in interest rates would result in a change of approximately $294.8 million (2014 – $280.0 million) in fair value of the Corporation's fixed income portfolio and a corresponding impact of approximately $294.8 million (2014 – $280.0 million) to OCI. Interest rate changes would also result in an inverse change to the provision for unpaid claims and the corresponding claims costs (note 9a).

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 (note 21a). The total credit risk exposure is $9.05 billion (2014 – $8.00 billion).

Fixed income securities

Fixed income securities are comprised of Canadian investment grade bonds, US high yield corporate bonds, mortgages, and other loan. 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 its exposure to US high yield bonds to 6% of total investment assets and mortgages to 12% of total investment assets. The Corporation further limits the risk in its high yield corporate bonds by holding bonds that are rated B or better for at least 95% of the high yield bond portfolio. All high yield bonds are analyzed by external investment professionals who manage the portfolio for the Corporation. Credit risk in mortgages is mitigated by the security of the underlying mortgaged property. Mortgages are subject to an independent review annually. The risk is also addressed through a stringent underwriting process that incorporates an internal credit scoring mechanism.

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 all bond investments and to mortgage investments; however the Corporation considers Canadian government bonds to be risk-free. Therefore, the total carrying amount is $7.64 billion (2014 – $6.67 billion). There is minimal credit risk exposure to cash.

The counterparty risk associated with repurchase agreements for 2015 and 2014 is not material.

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

($ THOUSANDS)		2015		2014
Money market securities				
AAA	$	177,339	$	103,203
Bonds				
AAA	$	4,448,306	$	4,834,738
AA		923,511		1,366,170
A		2,566,890		1,874,589
BBB		817,586		498,968
Below BBB		744,430		703,071
	$	9,500,723	$	9,277,536

Premiums and other receivables

The Corporation has a diverse customer base as it provides 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. Subrogation and other recoveries from customers are fully provided for due to the uncertainty of collection.

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 December 31, 2015, the Corporation considered $60.2 million (2014 – $64.5 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 four to five years of collection experience by receivable type to the total of current and prior years' gross billings.

The following table outlines the aging of premiums and other receivables as at December 31, 2015:

($ THOUSANDS)	Current	Past Due 1 – 30 days	Past Due 31 – 60 days	Over 60 days	Total
December 31, 2015					
Premiums and other receivables	$ 1,277,446	$ 2,635	$ 2,389	$ 79,353	$ 1,361,823
Provision	(1,304)	(1,365)	(1,370)	(56,136)	(60,175)
Total premiums and other receivables	$ 1,276,142	$ 1,270	$ 1,019	$ 23,217	$ 1,301,648
December 31, 2014					
Premiums and other receivables	$ 1,162,915	$ 2,596	$ 2,302	$ 79,161	$ 1,246,974
Provision	(1,358)	(1,295)	(1,360)	(60,493)	(64,506)
Total premiums and other receivables	$ 1,161,557	$ 1,301	$ 942	$ 18,668	$ 1,182,468

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

($ THOUSANDS)	2015	2014
Balance, beginning of year	$ (64,506)	$ (64,468)
Charges for the year	(19,982)	(19,664)
Recoveries	5,186	5,129
Amounts written off	19,127	14,497
Balance, end of year	$ (60,175)	$ (64,506)

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 $10.5 million (2014 – $8.8 million). The Corporation has policies which require reinsurers to have a minimum credit rating of A-. No single reinsurer represents more than 15% 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 has been considered impaired as at December 31, 2015.

($ THOUSANDS)		2015		2014
Reinsurance recoverable (note 13)	$	10,407	$	8,655
Reinsurance receivable		40		111
Reinsurance assets	$	10,447	$	8,766

Liquidity risk

A significant business risk of the insurance industry is the 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, and 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, and other liabilities, are short-term in nature and 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) 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
December 31, 2015				
Bonds				
Canadian				
Federal	$ 29,999	$ 3,506,305	$ 65,204	$ 3,601,508
Provincial	19,771	1,449,972	16,888	1,486,631
Municipal	-	93,403	-	93,403
Corporate	531,988	3,006,300	19,160	3,557,448
United States				
High yield corporate	1,883	179,338	580,512	761,733
Total bonds	583,641	8,235,318	681,764	9,500,723
Mortgages and other loan	206,986	1,398,444	131,052	1,736,482
	$ 790,627	$ 9,633,762	$ 812,816	$ 11,237,205
December 31, 2014				
Bonds				
Canadian				
Federal	$ 15,008	$ 3,973,863	$ 172,059	$ 4,160,930
Provincial	45,723	1,069,259	-	1,114,982
Municipal	-	56,480	-	56,480
Corporate	270,150	2,932,111	28,164	3,230,425
United States				
High yield corporate	-	150,354	564,365	714,719
Total bonds	330,881	8,182,067	764,588	9,277,536
Mortgages	138,735	1,190,053	219,825	1,548,613
	$ 469,616	$ 9,372,120	$ 984,413	$ 10,826,149

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 is exposed to direct foreign exchange risk on its US fixed income portfolios. A 10% change in the US exchange rate as at December 31, 2015 would change the fair value of these investments and result in a change to net income of approximately $76.2 million (2014 – $71.5 million) related to the monetary AFS financial assets.

The Corporation does not have any direct foreign exchange risk on its global equity portfolio in the current year (2014 – $36.3 million on directly held US equities). 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.

10. Investment Income

($ THOUSANDS)	Classification	2015	2014
Interest			
Money market	AFS	$ 1,228	$ 2,403
Bonds	AFS	194,219	182,196
Mortgages and other loan	Loans	62,878	59,893
Equities	AFS	-	94
		258,325	244,586
Gains on investments			
Equities	AFS	391,316	339,874
Bonds	AFS	96,970	48,344
Unrealized fair value changes [1]	AFS	98,531	46,217
		586,817	434,435
Dividends and other income (expenses)			
Equities	AFS	93,386	173,788
Income from investment properties	Other	33,737	29,283
Investment management fees [2]	Other	(11,665)	(9,811)
Impairment loss	AFS	(36,874)	(6,539)
Other	Other	(3,857)	(13,662)
		74,727	173,059
Total investment income		$ 919,869	$ 852,080

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

[2] *includes internal and external fees*

($ THOUSANDS)	2015	2014
Amounts recognized in investment income for investment properties		
Rental income	$ 82,277	$ 74,329
Direct operating expenses that generated rental income	(46,215)	(43,421)
Direct operating expenses that did not generate rental income	(2,325)	(1,625)
Income from investment properties	33,737	29,283
Impairment reversal (loss)	2,564	(783)
Loss on sale of investment property	(300)	-
Total amount recognized in investment income	$ 36,001	$ 28,500

The Corporation participates in a securities lending program managed by a federally regulated financial institution whereby it lends securities it owns to other financial institutions. The Corporation receives securities of equal or superior credit quality as collateral for securities loaned and records commission on transactions as earned. As at December 31, 2015 and December 31, 2014, there were no securities loaned or received as collateral.

As at December 31, 2015, the 'Net change in available for sale financial assets' portion of other components of equity (OCE) is comprised of $115.3 million (2014 – $460.7 million) in unrealized gains and $167.4 million (2014 – $43.6 million) in unrealized losses.

11. Property and Equipment

($ THOUSANDS)	Land	Buildings	Furniture & Equipment	Leasehold Improvements	Total
December 31, 2015					
Cost					
Balance, beginning of year	$ 30,885	$ 164,973	$ 99,722	$ 8,987	$ 304,567
Additions	27	2,504	13,659	885	17,075
Disposals	(178)	(2,287)	(1,014)	-	(3,479)
Balance, end of year	30,734	165,190	112,367	9,872	318,163
Accumulated depreciation					
Balance, beginning of year	-	136,627	58,820	3,539	198,986
Disposals	-	(1,488)	(658)	-	(2,146)
Depreciation charge for the year	-	3,004	13,456	1,430	17,890
Balance, end of year	-	138,143	71,618	4,969	214,730
Net book value, end of year	$ 30,734	$ 27,047	$ 40,749	$ 4,903	$ 103,433
December 31, 2014					
Cost					
Balance, beginning of year	$ 31,709	$ 164,494	$ 103,760	$ 7,890	$ 307,853
Additions	26	1,387	2,153	1,556	5,122
Disposals	(850)	(908)	(6,191)	(459)	(8,408)
Balance, end of year	30,885	164,973	99,722	8,987	304,567
Accumulated depreciation					
Balance, beginning of year	-	133,425	51,006	2,691	187,122
Disposals	-	(1)	(5,592)	(458)	(6,051)
Depreciation charge for the year	-	3,203	13,406	1,306	17,915
Balance, end of year	-	136,627	58,820	3,539	198,986
Net book value, end of year	$ 30,885	$ 28,346	$ 40,902	$ 5,448	$ 105,581

The balances in property and equipment include $13.9 million (2014 – $2.7 million) in assets under development.

Property and equipment includes a disposal of $0.2 million (2014 – $0.4 million) related to the Transformation Program (note 20).

12. Intangible Assets

($ THOUSANDS)	2015	2014
Cost		
Balance, beginning of year	$ 280,233	$ 208,059
Additions	76,777	76,515
Disposals	(335)	(4,341)
Balance, end of year	356,675	280,233
Accumulated amortization		
Balance, beginning of year	57,931	43,545
Disposals	(335)	(4,631)
Amortization charge for the year	19,524	19,017
Balance, end of year	77,120	57,931
Net book value, end of year	$ 279,555	$ 222,302

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 in intangible assets include $156.6 million (2014 – $97.2 million) in assets under development.

The additions in intangible assets include $52.7 million (2014 – $50.5 million) related to the Transformation Program (note 20) and a disposal of $0.1 million (2014 – addition of $0.2 million) for leased computer software (note 8). There were no indefinite life intangible assets as at December 31, 2015 and December 31, 2014.

13. Provision for Unpaid Claims

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

($ THOUSANDS)	2015 Gross	2015 Reinsurance Recoverable	2015 Net	2014 Gross	2014 Reinsurance Recoverable	2014 Net
Notified claims	$ 4,661,581	$ (8,655)	$ 4,652,926	$ 3,951,549	$ (8,763)	$ 3,942,786
Incurred but not reported	3,543,851	-	3,543,851	3,561,183	-	3,561,183
Balance, beginning of year	8,205,432	(8,655)	8,196,777	7,512,732	(8,763)	7,503,969
Change in liabilities (assets):						
Provision for claims occurring in the current year	3,798,193	-	3,798,193	3,384,614	(6,038)	3,378,576
Change in estimates for losses occurring in prior years:						
Prior years' claims adjustments	229,276	(1,682)	227,594	133,728	2,167	135,895
Prior years' changes in discounting provision	16,871	(411)	16,460	45,617	(86)	45,531
	246,147	(2,093)	244,054	179,345	2,081	181,426
Net claims incurred per consolidated statement of comprehensive income	4,044,340	(2,093)	4,042,247	3,563,959	(3,957)	3,560,002
Cash (paid) recovered for claims settled in the year for:						
Claims incurred in current year	(1,199,596)	-	(1,199,596)	(1,077,073)	-	(1,077,073)
Recoveries received on current year claims	66,401	-	66,401	66,950	-	66,950
	(1,133,195)	-	(1,133,195)	(1,010,123)	-	(1,010,123)
Claims incurred in prior years	(2,089,324)	-	(2,089,324)	(1,916,836)	-	(1,916,836)
Recoveries received on prior years' claims	65,887	341	66,228	55,700	4,065	59,765
	(2,023,437)	341	(2,023,096)	(1,861,136)	4,065	(1,857,071)
Total net payments	(3,156,632)	341	(3,156,291)	(2,871,259)	4,065	(2,867,194)
Balance, end of year	$ 9,093,140	$ (10,407)	$ 9,082,733	$ 8,205,432	$ (8,655)	$ 8,196,777
Notified claims	$ 5,343,964	$ (10,407)	$ 5,333,557	$ 4,661,581	$ (8,655)	$ 4,652,926
Incurred but not reported	3,749,176	-	$ 3,749,176	3,543,851	-	3,543,851
Balance, end of year	$ 9,093,140	$ (10,407)	$ 9,082,733	$ 8,205,432	$ (8,655)	$ 8,196,777

In 2014, the Corporation refined its ULAE reserve methodology to reflect more efficient claims handling expected from the implementation of claims transformation. The impact of this change to the 2014 net provision for unpaid claims was favourable, but not material.

The Corporation discounts its provision for unpaid claims using a discount rate of 3.0% (2014 – 3.1%). The Corporation determines the discount rate based upon the expected return on its investment portfolio, the expected asset default risk of its investment portfolio, and uses assumptions for interest rates relating to reinvestment of maturing investments. As a result of the slight decrease in the discount rate, there was an unfavourable adjustment to both current and prior years' provision of $22.5 million (2014 – $57.7 million unfavourable).

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

($ THOUSANDS)	Undiscounted	Effect of Present Value	PFADs	Discounted
December 31, 2015				
Provision for unpaid claims, net	$ 8,754,248	$ (623,805)	$ 952,290	$ 9,082,733
Reinsurance recoverable	9,984	(921)	1,344	10,407
Provision for unpaid claims, gross	$ 8,764,232	$ (624,726)	$ 953,634	$ 9,093,140
December 31, 2014				
Provision for unpaid claims, net	$ 7,926,596	$ (581,299)	$ 851,480	$ 8,196,777
Reinsurance recoverable	8,644	(969)	980	8,655
Provision for unpaid claims, gross	$ 7,935,240	$ (582,268)	$ 852,460	$ 8,205,432

Claims development table

A review of the historical development of the Corporation's insurance estimates provides a measure of the Corporation's ability to estimate the ultimate value of claims. The top half of the following table illustrates how the Corporation's estimate of total undiscounted claims costs for each accident 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.

($ THOUSANDS)	Insurance Claims - Gross of Reinsurance										
Accident Year	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**Total**
Estimate of undiscounted ultimate claims costs:											
- At end of accident year	$ 2,578,431	$ 2,709,658	$ 2,676,918	$ 2,657,831	$ 2,743,503	$ 2,866,833	$ 3,030,779	$ 3,146,388	$ 3,372,304	$ 3,765,040	
- One year later	2,598,087	2,647,830	2,682,830	2,640,001	2,732,070	2,863,942	3,065,562	3,194,080	3,518,858		
- Two years later	2,517,961	2,651,655	2,692,277	2,626,760	2,730,183	2,830,063	2,985,690	3,200,324			
- Three years later	2,513,261	2,632,885	2,654,416	2,587,367	2,699,473	2,815,440	3,024,045				
- Four years later	2,508,005	2,633,582	2,621,457	2,594,054	2,779,267	2,841,115					
- Five years later	2,498,790	2,623,784	2,641,489	2,656,694	2,778,347						
- Six years later	2,496,837	2,612,371	2,676,603	2,639,312							
- Seven years later	2,491,614	2,614,214	2,712,010								
- Eight years later	2,499,350	2,613,146									
- Nine years later	2,502,510										
Current estimate of cumulative claims	2,502,510	2,613,146	2,712,010	2,639,312	2,778,347	2,841,115	3,024,045	3,200,324	3,518,858	$ 3,765,040	29,594,707
Cumulative payments to date	(2,471,704)	(2,572,228)	(2,608,751)	(2,494,717)	(2,456,903)	(2,224,008)	(1,981,022)	(1,717,805)	(1,524,464)	(1,133,195)	(21,184,797)
Undiscounted provision for unpaid claims	$ 30,806	$ 40,918	$ 103,259	$ 144,595	$ 321,444	$ 617,107	$ 1,043,023	$ 1,482,519	$ 1,994,394	$ 2,631,845	$ 8,409,910
Undiscounted provision for unpaid claims in respect of 2005 and prior years											125,350
Undiscounted unallocated loss adjustment expense reserve											228,972
Total undiscounted provision for unpaid claims											**$ 8,764,232**
Discounting adjustment											328,908
Total discounted provision for unpaid claims (gross)											**$ 9,093,140**

The table above reflects the total discounted provision for unpaid claims of $9.09 billion (2014 – $8.21 billion) before the amount for reinsurance recoverable. The total discounted provision for unpaid claims after the amount for reinsurance recoverable of $0.01 billion (2014 – $0.01 billion) would be $9.08 billion (2014 – $8.20 billion).

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
December 31, 2015	$ 2,349,180	$ 1,895,885	$ 1,616,192	$ 1,227,851	$ 730,170	$ 944,954	$ 8,764,232
December 31, 2014	$ 2,150,582	$ 1,756,923	$ 1,473,784	$ 1,109,456	$ 644,143	$ 800,352	$ 7,935,240

The non-current portion of the undiscounted provision for unpaid claims is $6.42 billion (2014 – $5.78 billion).

The weighted-average term to settlement of the discounted provision for unpaid claims as at December 31, 2015 is 2.5 years (2014 – 2.4 years).

14. 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)		2015		2014
Balance, beginning of year	$	2,021,458	$	1,927,918
Premiums written during the year		4,636,837		4,254,149
Premiums earned in the year		(4,447,931)		(4,158,695)
Premium adjustment		-		(1,914)
Balance, end of year	$	2,210,364	$	2,021,458

15. Reinsurance

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

The Corporation entered into one year casualty and catastrophe reinsurance contracts beginning January 1, 2015 and 2014 as follows:

a) For catastrophic occurrences, portions of losses up to $225.0 million (2014 – $225.0 million) in excess of $25.0 million (2014 – $25.0 million); and
b) For individual casualty loss occurrences, portions of losses up to $45.0 million (2014 – $45.0 million) in excess of $5.0 million (2014 – $5.0 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.

16. 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). In addition, it 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. These plans provide benefits to members based on their length of service and salary in the final years leading up to retirement. Subject to the terms of the plans, pensions are indexed in line with increases in the Consumer Price Index (CPI). Employees are required to contribute to the Management and Confidential Plan.

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 Canadian Office & Professional Employees Union (COPE) Local 378 are members of the COPE 378/ICBC Pension Plan (COPE Plan). Half of the Trustees of the COPE Plan are appointed by the Corporation and the other half by COPE Local 378. The Board of Trustees of the COPE Plan is the legal plan administrator. The COPE Plan provides benefits to members based on their length of service and salary in the final years leading up to retirement. 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 COPE Plan or the BC Public Service Pension Plan.

The Management and Confidential Plan, COPE 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 Medical Services Plan premiums, 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 as at December 31 of each 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 post-retirement benefits actuarial valuations are as of December 31, 2012 and the COPE Plan is as of December 31, 2014. Updated actuarial valuations for each plan will be as of no later than three years from their most recent actuarial valuation date.

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

An additional liability may be recognized in respect of future surplus created by minimum funding requirements. For this purpose, these minimum funding requirements include going concern current service costs and minimum payments toward going concern unfunded liabilities. The Corporation has determined that no additional liability is required to be recognized in respect of solvency funding payments because the British Columbia *PBSA* permits the Corporation to secure these payments with a letter of credit in lieu of cash solvency payments.

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**	
	2015	**2014**	**2015**	**2014**
Weighted-average duration	20 years	20 years	17 years	18 years
Proportion of obligation in respect of:				
- Active members	65.5%	69.4%	67.7%	67.7%
- Deferred members	4.3%	3.4%	0.0%	0.0%
- Retired members	30.2%	27.2%	32.3%	32.3%

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 2015, 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 $35.9 million (2014 – $39.1 million). Estimated employer contributions for the year ending December 31, 2016 are $40.6 million. The estimate is based on the plans' most recent actuarial funding valuations.

As permitted by legislation, the Corporation secured certain solvency funding requirements using an unsecured letter of credit. As at December 31, 2015, the Corporation had one letter of credit secured for the Management and Confidential Plan for $56.2 million (2014 – $31.4 million) with step increases to $74.6 million by October 2016.

Financial information

The net total liability for all pension plans and post-retirement benefits as at December 31, 2015 is $479.0 million (2014 – $408.2 million), which is reflected in the consolidated statement of financial position. Information regarding the pension plans and post-retirement benefits is as follows:

($ THOUSANDS)	Pension Plans		Post-Retirement Benefits	
	2015	2014	2015	2014
Plan assets				
Fair value, beginning of year	$ 1,799,375	$ 1,600,083	$ -	$ -
Interest on plan assets	71,957	77,745	-	-
Actuarial gain on assets	27,852	122,480	-	-
Employer contributions	28,497	32,526	6,672	5,716
Employee contributions	21,314	24,267	-	-
Benefits paid	(64,271)	(57,076)	(6,672)	(5,716)
Non-investment expenses	(900)	(650)	-	-
Fair value, end of year	1,883,824	1,799,375	-	-
Defined benefit obligation				
Balance, beginning of year	1,876,248	1,554,435	320,166	269,226
Current service cost	67,082	56,512	11,182	9,112
Interest cost	76,712	76,227	13,120	13,224
Remeasurements on obligation				
- due to changes in financial assumptions	-	247,066	-	36,861
- due to changes in demographic assumptions	4,394	(810)	-	(2,541)
- due to participant experience	64,897	(106)	-	-
Benefits paid	(64,271)	(57,076)	(6,672)	(5,716)
Balance, end of year	2,025,062	1,876,248	337,796	320,166
Funded status – plan deficit	(141,238)	(76,873)	(337,796)	(320,166)
Impact of surplus derecognition	-	(11,162)	-	-
Net liability recognized in the consolidated statement of financial position	$ (141,238)	$ (88,035)	$ (337,796)	$ (320,166)
Impact of surplus derecognition				
Impact, beginning of year	$ (11,162)	$ (83,794)	$ -	$ -
Interest on surplus derecognition	(446)	(4,022)	-	-
Remeasurements on surplus derecognition	11,608	76,654	-	-
Impact, end of year	$ -	$ (11,162)	$ -	$ -

The net total expense for the pension plans and post-retirement benefits is $76.2 million (2014 – $57.7 million). In addition, the Corporation contributed $0.7 million in 2015 (2014 – $0.9 million) to the BC Public Service Pension Plan.

Assets

The pension plans' assets consist of:

	Percentage of Plan Assets	
	2015	**2014**
Cash and accrued interest	0.2%	0.6%
Equities		
Canadian	27.9%	28.1%
Foreign	29.3%	27.6%
Fixed income		
Government	29.5%	29.7%
Corporate	11.8%	12.6%
Mortgages	1.3%	1.4%
	100.0%	100.0%

All equity securities and bonds have quoted prices in active markets. All bonds are rated from BBB to AAA, based on rating agency ratings.

Pension plan assets generated a return of 5.6% for the year ended December 31, 2015 (2014 – 12.6%).

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 COPE 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 review the fund managers' performance on a quarterly basis.

As at December 31, 2015 and December 31, 2014, 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	
	2015	2014	2015	2014
Discount rate	4.0%	4.0%	4.0%	4.0%
Rate of compensation increase	2.8%	3.1%	n/a	n/a
Pension inflation rate	2.0%	2.0%	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:

December 31, 2015				December 31, 2014			
Life expectancy at 65 for a member currently				Life expectancy at 65 for a member currently			
Age 65		Age 45		Age 65		Age 45	
Male	Female	Male	Female	Male	Female	Male	Female
21.5	24.3	22.6	25.2	21.2	24.2	22.4	25.2

As at December 31, 2015, the Medical Services Plan trend rate is assumed to be six per cent per annum for four years, decreasing to three per cent per annum thereafter. At December 31, 2014, the Medical Services Plan trend rate was assumed to be six per cent per annum for the first five years, decreasing to three per cent per annum thereafter.

As at December 31, 2015, the extended healthcare trend rate is assumed to be six and a half per cent per annum for the first year, decreasing linearly over four years to five per cent per annum thereafter. At December 31, 2014, the extended healthcare trend rate was assumed to be seven per cent per annum for the first year, decreasing linearly over five years to five per cent per annum thereafter.

The Plans' sensitivity to significant assumptions is shown below:

($ THOUSANDS)	Pension Plans		Post-Retirement Benefits	
	2015	2014	2015	2014
Estimated increase in defined benefit obligation - end of year due to:				
1% decrease in discount rate	$ 397,036	$ 367,764	$ 58,173	$ 56,667
1% increase in salary increase rate	$ 89,469	$ 91,166	n/a	n/a
1% increase in pension inflation rate	$ 298,799	$ 289,383	n/a	n/a
1% increase in healthcare trend rate	n/a	n/a	$ 9,199	$ 8,719
1% increase in medical services premium increase rate	n/a	n/a	$ 29,226	$ 27,700
1 year increase in life expectancy	$ 55,753	$ 51,559	$ 6,334	$ 6,086

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.

17. Operating Costs by Nature

($ THOUSANDS)	2015	2014
Operating costs – by nature		
Premium taxes and commission expense	$ 564,061	$ 532,684
Premium deficiency adjustments	66,899	(36,445)
Employee benefit expense:		
Compensation and other employee benefits	346,340	374,548
Pension and post-retirement benefits (note 16)	76,874	58,588
Professional and other services	40,457	44,726
Road improvements and other traffic safety programs	32,981	32,283
Building operating expenses	27,493	30,178
Merchant and bank fees	37,180	34,458
Office supplies and postage	20,430	19,956
Computer costs	25,776	30,752
Depreciation and amortization	37,414	36,932
Other	20,081	13,312
	$ 1,295,986	$ 1,171,972
Operating costs – consolidated statement of comprehensive income		
Premium taxes and commissions – insurance	$ 600,625	$ 467,879
Claims services	271,068	283,527
Operating costs – insurance	244,371	242,382
Operating costs – non-insurance	99,407	98,520
Road safety and loss management services	50,180	51,304
Commissions – non-insurance	30,335	28,360
	$ 1,295,986	$ 1,171,972

18. Deferred Premium Acquisition Costs and Prepaids and Premium Deficiency

The deferred premium acquisition costs for the Optional line of business are as follows:

($ THOUSANDS)		2015		2014
Deferred premium acquisition costs, beginning of year	$	151,996	$	147,300
Acquisition costs related to future periods		162,598		151,996
Amortization of prior year acquisition costs		(151,996)		(147,300)
Deferred premium acquisition costs, end of year	$	162,598	$	151,996
Deferred premium acquisition costs	$	162,598	$	151,996
Prepaid expenses		20,182		19,454
Deferred premium acquisition costs and prepaids	$	182,780	$	171,450

The premium deficiency for the Basic line of business is as follows:

($ THOUSANDS)		2015		2014
Premium deficiency, beginning of year	$	(15,794)	$	(56,662)
Acquisition costs related to future periods		95,932		89,061
Amortization of prior year deficiency		15,794		56,662
Actuarial valuation adjustment		(171,754)		(104,855)
Premium deficiency, end of year	$	(75,822)	$	(15,794)

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

($ THOUSANDS)	Commissions	Premium Taxes	Total
December 31, 2015			
Amount payable	$ 378,287	$ 203,247	$ 581,534
Amortization of prior year deferred premium acquisition costs	109,469	26,733	136,202
Deferred premium acquisition costs	(123,232)	(39,366)	(162,598)
Premium deficiency	30,067	45,755	75,822
Premium taxes, commission expense and deferred premium acquisition costs	$ 394,591	$ 236,369	$ 630,960
Represented as:			
Insurance	$ 364,256	$ 236,369	$ 600,625
Non-insurance	30,335	-	30,335
	$ 394,591	$ 236,369	$ 630,960
December 31, 2014			
Amount payable	$ 353,874	$ 187,929	$ 541,803
Amortization of prior year deferred premium acquisition costs	88,370	2,268	90,638
Deferred premium acquisition costs	(115,892)	(36,104)	(151,996)
Premium deficiency	6,423	9,371	15,794
Premium taxes, commission expense and deferred premium acquisition costs	$ 332,775	$ 163,464	$ 496,239
Represented as:			
Insurance	$ 304,415	$ 163,464	$ 467,879
Non-insurance	28,360	-	28,360
	$ 332,775	$ 163,464	$ 496,239

19. Related Party Transactions

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

All transactions with the Province of BC ministries, agencies, and Crown corporations occurred in the normal course of providing insurance, registration, and licensing for motor vehicles and are at arm’s length, 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 2).

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 vehicle insurance (note 1) in the province and, therefore, insures, at market rates, vehicles owned or leased by the Province of BC 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 BC all 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 BC are borne by the Corporation. These collections on behalf of and payments to the Province of BC are disclosed in the consolidated statement of comprehensive income under non-insurance operations.

Excess Optional capital to be transferred to the Province of BC (note 20) as at December 31, 2015 totaled $138.1 million (2014 – $138.8 million), which has been accrued as a payable.

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

($ THOUSANDS)	2015	2014
Key management compensation		
Compensation and other employee benefits including restructuring costs	$ 4,631	$ 7,161
Pension and post-retirement benefits	480	643
	$ 5,111	$ 7,804

As at December 31, 2015, $0.5 million (2014 – $2.3 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 16. During the year ended December 31, 2015, the Corporation incurred $3.4 million (2014 – $3.3 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. As at December 31, 2015, $1.7 million (2014 – $1.0 million) was payable to these plans for employer contributions.

Other related party transactions have been disclosed elsewhere in the notes to the consolidated financial statements.

20. Capital Management

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

As prescribed in the British Columbia Government's *Special Direction IC2* (IC2) for Basic and the *Insurance Corporation Act* (ICA) for Optional, the Corporation is guided by the capital management framework of the Office of the Superintendent of Financial Institutions Canada (OSFI), adopting

OSFI's minimum capital test (MCT) as a means to measure and monitor the Corporation's capital levels. The MCT utilizes a risk-based formula to assess the solvency of an insurance company by defining the capital available that is required to meet the minimum standards. Effective January 1, 2015, OSFI revised the MCT guideline and introduced a phase-in transitional requirement. The Corporation assessed the impact of the revised guidelines and has set for itself an internal corporate management target MCT ratio of a minimum of 185%. The Corporation was not in compliance with this internal management target throughout 2015. As at December 31, 2015, the Corporation's MCT was 156.8% (2014 – 193.0%), which includes the Transformation Program reserve as discussed below.

The corporate management target for MCT is comprised of two components being the Basic and Optional insurance business MCT targets. For the Basic insurance business, the IC2 requires the Corporation, through BCUC oversight, to maintain capital available equal to at least 100% of MCT. BCUC has approved a Capital Management Plan for Basic insurance that includes a Basic management target MCT ratio at a higher level, sufficient to prevent capital falling below the 100% minimum threshold in most years (note 22) and an additional margin for relatively smooth and predictable rates.

For the Optional insurance business, the *Insurance Corporation Act* requires the Corporation to maintain a management target, comprised of the supervisory target and the margin, calculated by the Corporation's Chief Actuary and validated by the independent actuary appointed by the Board of the Corporation that reflects the Corporation's risk profile and its ability to respond to adverse events that arise from those risks. These calculations are based on the MCT guideline and the Guideline on Stress Testing issued by OSFI.

Excess Optional capital at year-end, less any other deductions as approved by the Treasury Board, is to be transferred to the Province of BC by July 1 of the following year, unless otherwise directed by the Province (notes 19 and 22).

The Corporation is currently implementing a business renewal program known as the Transformation Program (TP) to address key business issues, including increased customer expectations regarding products, service, and price along with replacing aging technology systems. TP includes multiple projects to collectively help the Corporation achieve its strategy and future objectives. The funding required for this project is obtained from Optional capital. The TP reserve represents a component of retained earnings internally set aside for this program.

The reserve, net of costs expensed, is a Treasury Board approved deduction from the excess Optional capital transfer and is as follows:

($ THOUSANDS)	2015	2014
Transformation Program Reserve		
Balance, beginning of year	$ 256,200	$ 280,161
Reserve reallocation	53,798	-
Costs including depreciation expensed during the year	(27,275)	(23,961)
Balance, end of year	$ 282,723	$ 256,200

The Corporation has determined that certain costs previously deducted from the reserve are not within the scope of TP. Therefore, the TP reserve has been adjusted for an amount of $53.8 million. As a result, a reallocation of $27.7 million of expenses from Optional to Basic has been made in note 22.

During 2015, there were $52.5 million (2014 – $50.1 million) of Transformation Program costs capitalized in property, equipment and intangible assets (notes 11 and 12).

21. 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's injury claims are primarily settled through the use of structured settlements.

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 endorsed by the Federal Government. 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 approved for use 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 December 31, 2015 is approximately $1.19 billion (2014 – $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 December 31, 2015, 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) Lease payments

The Corporation has entered into operating leases of certain rental properties for varying terms. The annual rental payments pursuant to these leases over the next five years and beyond and the net present value are as follows:

($ THOUSANDS)	2015		2014	
	Lease Payments	Net Present Value	Lease Payments	Net Present Value
Up to 1 year	$ 9,914	$ 9,629	$ 9,957	$ 9,659
Greater than 1 year, up to 5 years	19,017	17,386	17,707	16,197
Greater than 5 years	4,460	3,744	3,675	3,062
	$ 33,391	$ 30,759	$ 31,339	$ 28,918

The operating lease payments recognized as an expense during the year were $14.7 million (2014 – $16.5 million).

c) Other

As at December 31, 2015, the Corporation is committed to seven (2014 – five) mortgage funding agreements totaling $44.1 million (2014 – $22.7 million).

The Corporation entered into an annually managed mainframe hosting services contract until 2022, with a total contract value of $34.5 million.

In 2011, the Corporation entered into a commitment for annual telecommunication services until 2021, with a total contract value of $50.6 million.

The Corporation has an investment in a limited partnership for real estate in which a commitment of $75.0 million was made. As at December 31, 2015, $20.9 million (2014 – $16.5 million) of the commitment was funded.

The Corporation entered into a commitment to purchase a real estate investment for $55.1 million.

22. Regulation over Basic Insurance

As discussed in note 1, the Corporation is subject to regulation by BCUC. 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.

In addition, BCUC sets rates for Basic insurance that allow it to achieve the regulated capital targets. Effective November 2012, in any case where the estimates or outlook for the quarterly and/or year-end Basic MCT level is below 100%, BCUC has directed the Corporation to file a plan, within 60 days, for the restoration of MCT to be at or above the 100% minimum. ICBC filed such a plan with BCUC on November 26, 2015, as the outlook for the year-end Basic MCT level as of the third quarter was below 100%. The plan stated that the Corporation will transfer $450 million from Optional insurance to Basic insurance in January 2016 (note 23) in order to restore the Basic MCT level to above the minimum of 100%.

For the regulation of the Corporation's Basic insurance rates, BCUC is also required to ensure that the rates are just, reasonable, not unduly discriminatory, and not unduly preferential. BCUC is required to fix rates on the basis of accepted actuarial practice, to pay for certain specified costs, to ensure the Corporation maintains the required Basic capital, to 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.

In 2013, the government established in legislation a framework for promoting greater rate stability and predictability in Basic rates, while continuing to maintain Basic insurance on a strong financial footing. The rate smoothing framework limits the range of allowable Basic insurance rate changes for 2014 and beyond, and uses Basic capital to smooth through volatility in Basic insurance rates. A capital management plan, as required by the framework, was approved in May 2014 and included the existing capital management solvency target and an additional margin of capital for rate smoothing. It also required the loss costs forecast variance not be reflected in 2013 or 2015 Basic rates. For 2014, and

2016 and beyond, BCUC may exclude some or all of that rate year's loss costs forecast variance in accordance with the capital management plan approved by BCUC.

The above framework also requires that, if circumstances should arise where, despite the implementation of a capital management plan, Basic capital is projected to fall below the regulatory minimum requirement of 100% MCT, then, in addition to filing with BCUC, the Corporation is also directed to report to the Treasury Board immediately and develop an appropriate plan to address Basic capital levels in conjunction with Treasury Board.

BCUC requires the Corporation to follow the financial allocation methodology it has approved with respect to allocating costs between Basic and Optional insurance business, and non-insurance business.

BCUC initiates regulatory processes on its own initiative or upon application by the Corporation. It uses oral hearing, written hearing, or negotiated settlement processes to review applications and subsequently issue legally binding decisions.

The Corporation is required to incur a portion of BCUC's general operating expenses as well as its costs associated with each ICBC proceeding. BCUC can also order the Corporation to reimburse other proceeding participants for specified costs such as legal and expert witness fees.

Allocation of Basic and Optional amounts

The Corporation operates its business using an integrated business model. Although the majority of premium revenues and costs are specifically identifiable as Basic or Optional (note 1), certain costs are not tracked separately. For those revenues and costs that are not specifically identified as Basic or Optional, a pro-rata method of allocation has been used to allocate the revenues and costs between the two lines of business. This method allocates revenues and costs 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.

Included in Basic are non-insurance costs, as the Corporation is required to provide non-insurance services such as driver and vehicle licensing and vehicle registration.

($ THOUSANDS)	Basic Coverage		Optional Coverage		Total	
	2015	2014	2015	2014	2015	2014
Net premiums written	$ 2,770,742	$ 2,532,241	$ 1,866,095	$ 1,721,908	$ 4,636,837	$ 4,254,149
Revenues						
Net premiums earned	$ 2,655,979	$ 2,457,847	$ 1,791,952	$ 1,700,848	$ 4,447,931	$ 4,158,695
Service fees and other income	57,375	49,834	37,135	38,284	94,510	88,118
Total earned revenues	2,713,354	2,507,681	1,829,087	1,739,132	4,542,441	4,246,813
Claims and operating costs						
Provision for claims occurring in the current year (note 13)	2,620,257	2,297,675	1,177,936	1,080,901	3,798,193	3,378,576
Change in estimates for losses occurring in prior years (note 13)	237,652	97,238	6,402	84,188	244,054	181,426
Claim services, road safety and loss management services	212,795	221,683	108,453	113,148	321,248	334,831
	3,070,704	2,616,596	1,292,791	1,278,237	4,363,495	3,894,833
Operating costs – insurance (note 17)	114,807	114,480	129,564	127,902	244,371	242,382
Premium taxes and commissions – insurance (notes 17 and 18)	241,362	126,825	359,263	341,054	600,625	467,879
Transformation program reallocation	27,720	-	(27,720)	-	-	-
	3,454,593	2,857,901	1,753,898	1,747,193	5,208,491	4,605,094
Underwriting (loss) income	(741,239)	(350,220)	75,189	(8,061)	(666,050)	(358,281)
Investment income (note 10)	607,711	558,645	312,158	293,435	919,869	852,080
(Loss) Income – insurance operations	(133,528)	208,425	387,347	285,374	253,819	493,799
Loss – non-insurance operations	(123,278)	(121,314)	-	-	(123,278)	(121,314)
Net (loss) income for the year	$ (256,806)	$ 87,111	$ 387,347	$ 285,374	$ 130,541	$ 372,485
Net (loss) income attributable to:						
Non-controlling interest	$ 233	$ -	$ 120	$ -	$ 353	$ -
Parent corporation	(257,039)	87,111	387,227	285,374	130,188	372,485
	$ (256,806)	$ 87,111	$ 387,347	$ 285,374	$ 130,541	$ 372,485
Equity						
Retained earnings, beginning of year	$ 1,475,464	$ 1,388,353	$ 1,903,837	$ 1,757,244	$ 3,379,301	$ 3,145,597
Net (loss) income for the year, parent corporation	(257,039)	87,111	387,227	285,374	130,188	372,485
Excess Optional Capital Transfer to Province of BC (notes 19 and 20)	-	-	(138,118)	(138,781)	(138,118)	(138,781)
Retained earnings, end of year	1,218,425	1,475,464	2,152,946	1,903,837	3,371,371	3,379,301
Other components of equity, beginning of year	157,250	327,783	79,126	169,396	236,376	497,179
Net change in available for sale assets	(309,413)	(117,502)	(158,932)	(61,965)	(468,345)	(179,467)
Pension and post-retirement benefits remeasurements (note 16)	(19,450)	(53,031)	(10,381)	(28,305)	(29,831)	(81,336)
Other components of equity, end of year	(171,613)	157,250	(90,187)	79,126	(261,800)	236,376
Total equity attributable to parent corporation	1,046,812	1,632,714	2,062,759	1,982,963	3,109,571	3,615,677
Non-controlling interest, beginning of year	-	-	-	-	-	-
Acquisition of entities with non-controlling interest (note 6)	24,550	-	12,434	-	36,984	-
Net income for the year, non-controlling interest (note 6)	233	-	120	-	353	-
Net change in available for sale assets, non-controlling interest (note 6)	(579)	-	(298)	-	(877)	-
Total equity attributable to non-controlling interest, end of year (note 6)	24,204	-	12,256	-	36,460	-
Total Equity	$ 1,071,016	$ 1,632,714	$ 2,075,015	$ 1,982,963	$ 3,146,031	$ 3,615,677

($ THOUSANDS)	Basic Coverage		Optional Coverage		Total	
	2015	2014	2015	2014	2015	2014
Liabilities						
Unearned premiums (note 14)	$ 1,311,016	$ 1,196,252	$ 899,348	$ 825,206	$ 2,210,364	$ 2,021,458
Provision for unpaid claims (note 13)	$ 6,947,499	$ 6,245,421	$ 2,145,641	$ 1,960,011	$ 9,093,140	$ 8,205,432

23. Subsequent Events

On January 1, 2016, the Corporation transferred $450.0 million of Optional capital to its Basic insurance as directed by the Province of BC.

On January 6, 2016, the Corporation acquired 50% interest in a real estate investment for $13.3 million.

On January 21, 2016, the Board of Directors approved a change in the Corporation's fiscal year end from December 31 to March 31. This will be effective immediately after the last fiscal calendar year ending December 31, 2015, starting with a 15-month transition fiscal period from January 1, 2016 to March 31, 2017; thereafter, future fiscal years will be from April 1 to March 31.

Between January 1, 2016 and May 17, 2016, the Corporation entered into eight agreements to provide mortgage funding totaling $58.4 million. In addition, the Corporation's Investment Committee approved one agreement to provide mortgage funding totaling $80.0 million.

Appendix A: Nominee Companies

(Unaudited)

Nominee Holding Companies	Notes
596961 B.C. Ltd	
2050376 Ontario Ltd.	
1141268 Alberta Ltd.	
2091053 Ontario Ltd.	
1263146 Alberta Ltd.	
2134529 Ontario Ltd.	
2140940 Ontario Ltd.	
2154855 Ontario Ltd.	
2159355 Ontario Ltd.	
2166025 Ontario Ltd.	
1394626 Alberta Ltd.	
2176758 Ontario Ltd.	
1467288 Alberta Ltd.	
2209079 Ontario Ltd.	
1476459 Alberta Ltd.	
2210344 Ontario Ltd.	
1486186 Alberta Ltd.	Property sold in 2015; company still active
0866691 B.C. Ltd.	
2225888 Ontario Ltd.	
2232027 Ontario Ltd.	
0869391 B.C. Ltd.	
1535992 Alberta Ltd.	
0879948 B.C. Ltd.	
2228366 Ontario Ltd.	
0881157 B.C. Ltd.	
1575160 Alberta Ltd.	
2272811 Ontario Ltd.	
2272807 Ontario Ltd.	
2277479 Ontario Ltd.	
1611527 Alberta Ltd.	
2306519 Ontario Ltd.	
1648020 Alberta Ltd.	
2309092 Ontario Ltd.	
1662170 Alberta Ltd.	
1672904 Alberta Ltd.	
2329075 Ontario Ltd.	
1688141 Alberta Ltd.	
1685611 Alberta Ltd.	
2353777 Ontario Ltd.	
1746615 Alberta Ltd.	
1796824 Alberta Ltd.	
1884419 Alberta Ltd.	Company incorporated on March 20, 2015
2468434 Ontario Ltd.	Company incorporated on May 28, 2015
1930933 Alberta Ltd.	Company incorporated on November 4, 2015

Appendix B: Additional Information

(Unaudited)

Organizational Overview

The Insurance Corporation of British Columbia is a provincial Crown corporation that provides universal compulsory auto insurance (Basic insurance) to drivers in B.C. with rates regulated by the BC Utilities Commission. ICBC also sells Optional auto insurance in a competitive marketplace.

Our insurance products are available across B.C. through a network of independent brokers and claims services are provided at claims handling facilities located throughout the province. We also invest in road safety and loss management programs to reduce traffic-related deaths, injuries and crashes, auto crimes, and fraud. In addition, we provide driver licensing, vehicle registration and licensing services, and fine collection on behalf of the provincial government at locations across the province.

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 and the Motor Vehicle Act , and other legislation applicable to ICBC.

Changes to ICBC's Basic insurance rates are regulated by the BC Utilities Commission. They ensure that Basic insurance rates are justified and reasonable.

For additional information, please refer to the Corporate Governance section of our website.

This includes links to information regarding:

- Executive Committee
- Board of Directors
- ICBC Board of Directors Committees
- ICBC Code of Ethics
- Mandate Letter and Taxpayer Accountability Principles

Contact Information

See page 2 for full contact information or visit our website at icbc.com.

Appendix C: Crown Corporation Action Summary

(Unaudited)

In the 2015/16 Mandate Letter from the minister responsible, ICBC received direction on strategic priorities for the 2015 fiscal year. These priorities and the Crown Corporation's resulting actions are summarized below:

Mandate Letter direction	**Crown Corporation's actions**
1. Continue to find efficiencies and ensure that the Corporation returns to a solid financial footing, including a continued focus on completing its ongoing Transformation Program within defined budgets and time targets.	• As part of ICBC's multi-year Transformation Program, ICBC made continued progress in replacing its insurance legacy system with a new policy administration system for brokers to sell and ICBC employees to service Autoplan insurance. • Implementation scheduled for 2016.

2. Maintain or improve high customer satisfaction levels for Insurance Services, Claims Services, and Driver Licensing; and maintain positive industry relationships.	• Achieved high customer satisfaction levels for Insurance Services and Driver Licensing. ICBC suspended its Claims Services surveying during the stabilization period of the new claims management system as data was not available but will resume the survey in 2016.
	• Continued work on a multi-channel service strategy for customers, including digital.
	    o Launched an enhanced eClaims form to allow customers to report injury-related claims online.
	• Worked with industry partners update business processes that improve the delivery of products and services for customers.
	    o Launched a new Chinese interpretation line to allow Cantonese and Mandarin speaking customers to work with ICBC in their own language when discussing a claim, insurance or driver licensing needs.

3. Work with the Ministry to ensure financial targets and reporting requirements, as identified in the Ministry budget letter to ICBC are met. Inform the Ministry in a timely manner of any pressures in meeting these financial targets and the related mitigation strategy.	• Complied with government direction regarding the capital management frameworks for Basic and Optional insurance. • Worked with the Ministry of Transportation and Infrastructure on managing any risks to achieving financial targets.

Mandate Letter direction	Crown Corporation's actions
4. Continue to work with the Ministry to support provincial shared priority projects, including Specialty Vehicle Enhancements to ICBC's systems, leveraging ICBC systems to strengthen service outcomes for citizens.	• Collaborated with government on shared priority projects including Off-Road Vehicles registration and Refuse to Issue for Other Government Debt Programs. • Assisted with B.C. Services Card initiative and partnered on road safety campaigns and initiatives. • Supported improvement of the Specialty Vehicle program, which came into effect on April 9, 2015.