

## Financial Report

For the auditor's report and audited financial statements, see [Appendix C](#). These documents can also be found on [ICBC.com](https://www.icbc.com).

## Discussion of Results

This statement of operations report reflects the new insurance and investments accounting standards. The financial statements are prepared in consistency with International Financial Reporting Standards as issued by the International Accounting Standards Boards ("IFRS") for insurance entities that ICBC began using on April 1, 2023. For comparability, IFRS requires that the new standards be applied to the 2022/23 published results and those results are restated. One of the most notable changes is the inclusion of unrealized investment gains and losses in net income. Under the previous rules, unrealized investment gains and losses were included outside of net income (in other comprehensive income). This change has resulted in a better match of all investment results with claims results as they are both included in net income.

## Highlights

ICBC's net income for the fiscal year ended 2023/24 was \$1,399 million, which was \$1,265 million better than the \$134 million restated net income in 2022/23. The main factors impacting this fiscal year's bottom line were higher investment income and lower claims costs.

The strong performance of the financial markets in the current year resulted in increased market value changes on ICBC's investment portfolio, which led to significantly higher investment income compared to the same period last year.

Claims costs were lower than the same period last year. In 2022/23 there was an unfavourable adjustment to account for the higher-than-expected future costs from large and complex bodily injury claims under the pre-April 1, 2019 legal-based product, as well as higher costs on material damage claims from inflationary pressures on vehicle values and repair costs. These prior year adjustments have not repeated to the same extent in 2023/24.

The 2023/24 year-end net income was \$1,399 million higher than the budgeted net income of \$0 million. This is mainly due to an anticipated market downturn not materialising as expected in this fiscal year, resulting in higher investment income than planned. Claims costs were also lower than budgeted primarily due to the favourable emergence in Enhanced Accident Benefit claims costs, partially offset by higher-than-expected material damage claims and unfavourable adjustments to bodily injury and accident benefit claims under the pre-April 1, 2019 legal-based product.

ICBC's strong financial position enabled it to issue a \$398 million rebate, which resulted in a \$110 rebate to each eligible customer policy.

## Financial Summary

The table below provides an overview of ICBC's 2023/24 financial performance relative to its 2023/24–2025/26 Service Plan.

| (\$ millions) <sup>1,2</sup>   | 2023/24<br>Actual | 2023/24<br>Budget <sup>3</sup> | 2023/24<br>Variance<br>Better/<br>(Worse) | 2022/23<br>Actual <sup>4</sup> |
|--|-------------------|--------------------------------|---|--------------------------------|
| <b>Insurance revenues</b>  |                   |                                |   |                                |
| Premiums earned <sup>5</sup>   | 5,274             | 5,598                          | (324)                                     | 5,304                          |
| Service fees   | 198               | 180                            | 18  | 117                            |
| <b>Total insurance revenues</b>                                      | <b>5,472</b>      | <b>5,778</b>                   | <b>(306)</b>                              | <b>5,421</b>                   |
| <b>Insurance service expenses</b>                                    |                   |                                |   |                                |
| Provision for claims occurring in the current year                   | 4,101             | 4,284                          | 183                                       | 3,626                          |
| Change in estimates for losses occurring in prior years              | (708)             | (551)                          | 157                                       | 278                            |
| <b>Total claims incurred</b>   | <b>3,393</b>      | <b>3,733</b>                   | <b>340</b>                                | <b>3,904</b>                   |
| Claims services and loss management <sup>6</sup>                     | 491               | 490                            | (1)                                       | 481                            |
| <b>Total incurred claims and claims related costs</b>                | <b>3,884</b>      | <b>4,223</b>                   | <b>339</b>                                | <b>4,385</b>                   |
| Insurance operations expenses <sup>6</sup>                           | 126               | 121                            | (5)                                       | 118                            |
| Premium taxes, commissions, and other acquisition costs <sup>6</sup> | 766               | 763                            | (3)                                       | 689                            |
| <b>Total insurance service expenses</b>                              | <b>4,776</b>      | <b>5,107</b>                   | <b>331</b>                                | <b>5,192</b>                   |
| <b>Net expenses from reinsurance contracts</b>                       | <b>10</b>         | <b>17</b>                      | <b>7</b>                                  | <b>13</b>                      |
| <b>Insurance service result</b>                                      | <b>686</b>        | <b>654</b>                     | <b>32</b>                                 | <b>216</b>                     |
| Net investment income  | 1,427             | 134                            | 1,293                                     | 312                            |
| Net insurance finance expenses                                       | 430               | 481                            | 51  | 106                            |
| Net other operating expenses   | 112               | 133                            | 21  | 126                            |
| <b>Net income – insurance operations</b>                             | <b>1,571</b>      | <b>174</b>                     | <b>1,397</b>                              | <b>296</b>                     |
| Non-insurance operations expenses <sup>6</sup>                       | 144               | 142                            | (2)                                       | 135                            |
| Non-insurance commissions <sup>6</sup>                               | 40                | 41                             | 1   | 36                             |
| Non-insurance - other income   | (12)              | (9)                            | 3   | (9)                            |
| <b>Net income</b>  | <b>1,399</b>      | <b>0</b>                       | <b>1,399</b>                              | <b>134</b>                     |
| <b>At year end:</b>  |                   |                                |   |                                |
| Long-term debt   | -                 | -                              |   | -                              |
| Total liabilities  | 13,551            | 15,873                         |   | 16,354                         |
| Equity:  |                   |                                |   |                                |

## Insurance Corporation of British Columbia

|  |              |              |              |
|--|--------------|--------------|--------------|
| Retained earnings                            | 4,948        | 2,994        | 3,549        |
| Other components of equity                   | 555          | 500          | 497          |
| Non-controlling interest                     | 5            | 7            | 6            |
| <b>Total equity</b>                          | <b>5,508</b> | <b>3,501</b> | <b>4,052</b> |
| Capital Expenditures (\$ millions)           | 64           | 65           | 41           |
| Autoplan policies earned <sup>7</sup>        | 4,356,000    |              | 4,294,000    |
| Average premium (\$) <sup>8</sup>            | 1,268        |              | 1,200        |
| Claims reported during the year <sup>9</sup> | 1,108,000    |              | 1,067,000    |

<sup>1</sup> Financial information for all years is prepared based on International Financial Reporting Standards (IFRS).

<sup>2</sup> Rounding may affect totals.

<sup>3</sup> Presentation format has been updated from the Financial Summary table in the 2023/24 - 2025/26 Service Plan to comply with the presentation format for the new accounting standards.

<sup>4</sup> 2022/23 Actual is restated, the restated results and presentation are consistent with the new accounting standards, effective April 1, 2023. Refer below for reconciliations of fiscal 2022/23 Actual as reported in ICBC's 2022/23 Annual Service Plan Report, to the restated 2022/23 Actual reflecting the new standard.

<sup>5</sup> 2023/24 actual premiums reflect a \$398 million rebate to eligible ICBC customers.

<sup>6</sup> See Note 17 of the consolidated financial statements for details of Operating Expenses by Nature.

<sup>7</sup> Annualized values have been used for policies with a term of less than 12 months. Autoplan policies earned include Basic, storage and temporary operating permit policies.

<sup>8</sup> Average premium is based on Autoplan premiums earned and is not denoted in the millions.

<sup>9</sup> Claims reported represent the number of claims reported against purchased insurance coverages.

## Basic and Optional Comparative Summary Table

| (\$ millions) <sup>1</sup>                              | Basic - Actual vs. Prior Year |                     |                    | Optional - Actual vs. Prior Year |                     |                    |
|---|-------------------------------|---------------------|--------------------|----------------------------------|---------------------|--------------------|
|   | 2023/24                       | 2022/23             | Better/<br>(Worse) | 2023/24                          | 2022/23             | Better/<br>(Worse) |
|   | Actual                        | Actual <sup>2</sup> | Variance           | Actual                           | Actual <sup>2</sup> | Variance           |
| <b>Insurance revenues</b>                               |                               |                     |                    |                                  |                     |                    |
| Premiums earned <sup>3</sup>                            | 2,848                         | 3,187               | (339)              | 2,426                            | 2,117               | 309                |
| Service fees  | 111                           | 70                  | 41                 | 87                               | 47                  | 40                 |
| <b>Total insurance revenues</b>                         | <b>2,959</b>                  | <b>3,257</b>        | <b>(298)</b>       | <b>2,513</b>                     | <b>2,164</b>        | <b>349</b>         |
| <b>Insurance service expenses</b>                       |                               |                     |                    |                                  |                     |                    |
| Provision for claims occurring in the current year      | 2,262                         | 2,056               | (206)              | 1,839                            | 1,570               | (269)              |
| Change in estimates for losses occurring in prior years | (393)                         | (135)               | 258                | (315)                            | 413                 | 728                |
| <b>Total claims incurred</b>                            | <b>1,869</b>                  | <b>1,921</b>        | <b>52</b>          | <b>1,524</b>                     | <b>1,983</b>        | <b>459</b>         |
| Claims service and loss management                      | 325                           | 315                 | (10)               | 166                              | 166                 | -                  |

Insurance Corporation of British Columbia

|   |              |              |              |              |              |            |
|---|--------------|--------------|--------------|--------------|--------------|------------|
| <b>Total incurred claims and claims related costs</b>   | <b>2,194</b> | <b>2,236</b> | <b>42</b>    | <b>1,690</b> | <b>2,149</b> | <b>459</b> |
| Insurance operations expenses                           | 51           | 46           | (5)          | 75           | 72           | (3)        |
| Premium taxes, commissions, and other acquisition costs | 228          | 238          | 10           | 538          | 451          | (87)       |
| <b>Total insurance service expenses</b>                 | <b>2,473</b> | <b>2,520</b> | <b>47</b>    | <b>2,303</b> | <b>2,672</b> | <b>369</b> |
| <b>Net expenses from reinsurance contracts</b>          | <b>2</b>     | <b>4</b>     | <b>2</b>     | <b>8</b>     | <b>9</b>     | <b>1</b>   |
| <b>Insurance service result</b>                         | <b>484</b>   | <b>733</b>   | <b>(249)</b> | <b>202</b>   | <b>(517)</b> | <b>719</b> |
| Net investment income                                   | 985          | 207          | 778          | 442          | 105          | 337        |
| Net insurance finance expenses                          | 301          | 74           | (227)        | 129          | 32           | (97)       |
| Net other operating expenses                            | 57           | 61           | 4            | 55           | 65           | 10         |
| <b>Net income - insurance operations</b>                | <b>1,111</b> | <b>805</b>   | <b>306</b>   | <b>460</b>   | <b>(509)</b> | <b>969</b> |
| Non-insurance operations expenses                       | 144          | 135          | (9)          | -            | -            | -          |
| Non-insurance commissions                               | 40           | 36           | (4)          | -            | -            | -          |
| Non-insurance - other income                            | (12)         | (9)          | 3            | -            | -            | -          |
| <b>Net income (loss)</b>                                | <b>939</b>   | <b>643</b>   | <b>296</b>   | <b>460</b>   | <b>(509)</b> | <b>969</b> |

**At year end: <sup>4</sup>**

Equity:

|                              |              |              |  |              |            |  |
|------------------------------|--------------|--------------|--|--------------|------------|--|
| - Retained earnings          | 3,689        | 2,749        |  | 1,259        | 800        |  |
| - Other components of equity | 387          | 347          |  | 168          | 150        |  |
| - Non-controlling interest   | 3            | 4            |  | 2            | 2          |  |
| <b>Total equity</b>          | <b>4,079</b> | <b>3,100</b> |  | <b>1,429</b> | <b>952</b> |  |

<sup>1</sup> Rounding may affect totals.

<sup>2</sup> 2022/23 Actual is restated, the restated results and presentation are consistent with the new accounting standards, effective April 1, 2023.

<sup>3</sup> Basic 2023/24 actual premiums reflect a \$398 million rebate to eligible ICBC customers.

<sup>4</sup> Balances presented at year end as of March 31, 2024 and March 31, 2023, respectively.

## International Financial Reporting Standard (IFRS) Transition

In compliance with IFRS, the Financial Summary reflects the new accounting standards, applicable to ICBC's financial statements as of April 1, 2023. IFRS 9 Financial Instruments has changed the accounting and disclosures of ICBC's financial instruments. Net Change in Available for Sale Financial Assets, formerly in Other Comprehensive Income (OCI), is included with Net Investment Income within Net Income.

IFRS 17 Insurance Contracts has changed the accounting and disclosures of ICBC's insurance contracts (primarily premiums, claims costs, broker commissions and premium taxes) and has a significant impact to the financial statements' presentation.

The following two tables illustrate the reconciliation of the fiscal 2022/23 Annual Service Plan Report results to the new accounting standards.

### Net Income Breakdown for the Twelve Months Ended March 31, 2023

| (\$M) <sup>1</sup>   | Actual<br>Increase / (Decrease) |
|--|---------------------------------|
| <b>Reported net loss under the old IFRS standards</b>  | \$(195)                         |
| Reclassification of investment fair value changes from other comprehensive income to net investment income | 239                             |
| Difference in discounting and risk adjustment impact on claims   | 112                             |
| Impact of expensing acquisition costs  | (21)                            |
| Other  | (1)                             |
| <b>Restated net income under new IFRS standards</b>  | <b>\$134</b>                    |

### Equity Breakdown for the Twelve Months Ended March 31, 2023

| (\$M) <sup>1</sup>  | Actual<br>Increase / (Decrease) |
|---|---------------------------------|
|   | <b>Actual</b>                   |
| <b>Balance, beginning of 2022/23 before IFRS 9/17 restatement</b> | \$3,715                         |
| Claims liability – risk adjustment and discounting changes        | 490                             |
| Write-off DPAC and other <sup>2</sup>                             | (287)                           |
| <b>Balance, beginning of 2022/23 after IFRS 9/17 restatement</b>  | <b>\$3,918</b>                  |
| Net income  | 134                             |
| <b>Balance, end of 2022/23 - restated</b>                         | <b>\$4,052</b>                  |

<sup>1</sup> Rounding may affect totals.

<sup>2</sup> Other includes financial investments - fair value vs amortized cost adjustment and change in reinsurance contract assets.

## Variance and Trend Analysis

### Premiums earned

Premiums earned totalled \$5,274 million in 2023/24, which was \$30 million lower compared to 2022/23, mainly due to a \$398 million rebate. Without the rebate, premiums earned would have been higher, resulting from higher Optional penetration growth and Optional rates.

Premiums earned was \$324 million lower compared to budget due to reasons stated above.

### Service fees

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

Service fees totalled \$198 million in 2023/24, which was higher than last year and budget due to higher financing fees collected following the increase in interest rates throughout this fiscal year, as the financing fee is tied to the Bank of Canada prime rate.

### Claims costs

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

The cost of claims incurred accounts for about two-thirds of ICBC's total costs. Claims-incurred costs are comprised of the expected costs to settle claims for all crashes that have occurred during the fiscal period, regardless of when the crash was reported to ICBC, and the change in estimates for losses that occurred in prior periods. Claims-incurred costs include payments made to settle claims, adjusters' case reserves and actuarial estimates of the additional costs that will be paid on current claims and future claims. Under IFRS, ICBC reports claims-incurred costs on a discounted basis to reflect the time value of money and includes adjustments to account for risks associated with the expected future cash flows.

Estimating how much claims will cost in the future involves predicting the future behaviour of incurred claims, taking into consideration the following: changes to the insurance product, closure rates, payment patterns and inflation, consistency of ICBC's claims-handling procedures, the legal representation status of claims and historical delays in claims reporting. Determining the present value of future claims payments further relies on prevailing interest rates at a point in time.

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

The provision for claims occurring in the current year, or current-year claims costs, is reflective of claims under Enhanced Care. Estimated changes for losses that occurred in prior periods reflect a combination of claims under Enhanced Care from May 1, 2021 onward, claims under the minor injury cap product from April 1, 2019 to April 30, 2021, and claims under the pre-April 1, 2019 legal-based product.

The corporation has applied IFRS 17 Insurance Contracts effective April 1, 2023. As a result, the corporation restated certain comparative amounts as at April 1, 2022. The discussion on 2022/23 is based on the restated amounts as at April 1, 2022.

Overall, 2023/24 claims-incurred costs of \$3,823 million were \$187 million lower than the claims costs incurred in 2022/23. In 2022/23 there were unfavourable prior years adjustments to account for the higher-than-expected future costs from large and complex bodily injury claims under the pre-April 1, 2019 legal-based product, as well as higher costs on material damage claims from inflationary pressures on vehicle values and repair costs. These prior year adjustments have not repeated to the same extent in 2023/24.

Claims-incurred costs were also \$391 million lower than the budgeted \$4,214 million. The lower claims costs were mainly due to \$473 million lower-than-expected losses from Enhanced Accident Benefit claims. These favourable changes are partially offset by higher-than-expected material damage claims and unfavourable adjustments to bodily injury and accident benefit claims under the pre-April 1, 2019 legal-based product.

| \$ millions <sup>1</sup>                 | 2019/20<br>Actual | 2020/21<br>Actual | 2021/22<br>Actual | 2022/23<br>Actual | 2022/23<br>Restated<br>Actual | 2023/24<br>Actual        |
|--|-------------------|-------------------|-------------------|-------------------|-------------------------------|--------------------------|
| <b>Claims-Incurred Costs</b>             | <b>5,908</b>      | <b>3,341</b>      | <b>2,492</b>      | <b>4,121</b>      | <b>4,010<sup>2</sup></b>      | <b>3,823<sup>2</sup></b> |
| <b>Injury</b>                            | <b>4,327</b>      | <b>2,002</b>      | <b>824</b>        | <b>1,633</b>      | <b>1,514</b>                  | <b>1,015</b>             |
| Current year claims                      | 2,986             | 2,110             | 1,482             | 1,266             | 1,144                         | 1,241                    |
| Prior years adjustments                  | 1,216             | (357)             | (385)             | 298               | 307                           | (89)                     |
| Change in claims handling costs reserves | 125               | 249               | (273)             | 69                | 63                            | (137)                    |
| <b>Material Damage and Other</b>         | <b>1,581</b>      | <b>1,339</b>      | <b>1,668</b>      | <b>2,488</b>      | <b>2,496</b>                  | <b>2,808</b>             |
| Current year claims                      | 1,614             | 1,346             | 1,718             | 2,361             | 2,374                         | 2,749                    |
| Prior years adjustments                  | (36)              | (10)              | (45)              | 121               | 116                           | 36                       |

|  |   |   |     |   |   |    |
|--|---|---|-----|---|---|----|
| Change in claims handling costs reserves | 3 | 3 | (5) | 6 | 6 | 23 |
|--|---|---|-----|---|---|----|

**Data Source:** ICBC financial systems

<sup>1</sup> 2019/20 Actual, 2020/21 Actual, 2021/22 Actual, and 2022/23 Actual are as reported in past Annual Service Plan Reports and have not been restated under the new accounting standards. 2022/23 Restated Actual and 2023/24 Actual are consistent with the new accounting standards, effective April 1, 2023.

<sup>2</sup> For 2022/23 Restated Actual and 2023/24 Actual, claims-incurred costs are the sum of *Total claims incurred* \$3,904M and \$3,393M respectively, and *Net insurance finance expenses* \$106M and \$430M respectively as stated on the Financial Summary table on page 21. Claims-incurred costs for restated and current year actuals exclude claims recovery from reinsurance contracts.

## Injury claims

Current year injury claims, comprised of bodily injury claims and accident benefit claims, account for approximately 30 per cent of current year claims-incurred costs in 2023/24. Injury claims include amounts for medical costs and future care, past and future wage loss, and external claims handling expenses. Injury claims in the Enhanced Care system include compensation for permanent impairments. Overall, the total cost of current-year injury claims has increased in 2023/24 compared to 2022/23 due to inflationary increases to the cost of Enhanced Care claims and increases in bodily injury claims from increased out-of-province travelling.

| \$ millions <sup>1</sup>   | 2019/20 Actual | 2020/21 Actual | 2021/22 Actual | 2022/23 Actual | 2022/23 Restated Actual | 2023/24 Actual |
|--|----------------|----------------|----------------|----------------|-------------------------|----------------|
| <b>Current Year Injury Claims Incurred</b><br>(major categories) | <b>2,986</b>   | <b>2,110</b>   | <b>1,482</b>   | <b>1,266</b>   | <b>1,144</b>            | <b>1,241</b>   |
| Bodily Injury  | 2,420          | 1,728          | 223            | 116            | 106                     | 177            |
| Accident & Death Benefits  | 566            | 382            | 1,259          | 1,150          | 1,038                   | 1,064          |

**Data Source:** ICBC financial systems

<sup>1</sup> 2019/20 Actual, 2020/21 Actual, 2021/22 Actual, and 2022/23 Actual are as reported in past Annual Service Plan Reports and have not been restated under the new accounting standards. 2022/23 Restated Actual and 2023/24 Actual are consistent with the new accounting standards, effective April 1, 2023.

## Material damage (non-injury claims)

Current year material damage claims account for approximately 70 per cent of current year claims-incurred costs in 2023/24. Material damage claims are largely categorized into Basic vehicle damage and property damage, collision, comprehensive and windshield claims. Overall, the total cost of current-year material damage claims was higher than 2022/23 as a result of increasing costs to repair or replace damaged vehicles, as well as an increase in claim frequency which continues to return to a more normal level from the low in 2020/21.

| \$ millions <sup>1</sup>  | 2019/20<br>Actual | 2020/21<br>Actual | 2021/22<br>Actual | 2022/23<br>Actual | 2022/23<br>Restated<br>Actual | 2023/24<br>Actual |
|---|-------------------|-------------------|-------------------|-------------------|-------------------------------|-------------------|
| <b>Current Year Material Damage Claims Incurred</b><br>(major categories) | <b>1,614</b>      | <b>1,346</b>      | <b>1,718</b>      | <b>2,361</b>      | <b>2,374</b>                  | <b>2,749</b>      |
| Basic vehicle damage and property damage                                  | 611               | 455               | 626               | 863               | 869                           | 1,007             |
| Collision   | 583               | 492               | 677               | 999               | 1,003                         | 1,165             |
| Comprehensive   | 202               | 196               | 239               | 300               | 301                           | 345               |
| Windshield  | 99                | 101               | 126               | 155               | 157                           | 177               |
| Other   | 119               | 102               | 50                | 44                | 44                            | 55                |

**Data Source:** ICBC financial systems

<sup>1</sup> 2019/20 Actual, 2020/21 Actual, 2021/22 Actual, and 2022/23 Actual are as reported in past Annual Service Plan Reports and have not been restated under the new accounting standards. 2022/23 Restated Actual and 2023/24 Actual are consistent with the new accounting standards, effective April 1, 2023.

## Liability for incurred claims

The liability for incurred claims, making up the majority of insurance contract liabilities, is the largest liability on the consolidated statement of financial position. It is an estimate of the fulfillment cash flows related to incurred claims that have already occurred. The adequacy of this liability is reviewed and adjusted periodically throughout the fiscal year based on revised actuarial estimates, which include a risk adjustment for non-financial risk (see note 2d to the consolidated financial statements).

The liability for incurred claims as of March 31, 2024 was \$11.0 billion. However, estimates for fulfillment cash flows 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 liability for incurred claims related to bodily injury and accident benefits claims account for approximately 88 per cent of total liability for incurred claims. As illustrated in the tables below for claims occurring under the Enhanced Care model, only a small percentage of bodily injury and accident benefits claims costs are known and paid 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<br>Year 1 | End of<br>Year 2 | End of<br>Year 3 | End of<br>Year 4 | End of<br>Year 5 | End of<br>Year 6 |
|--|------------------|------------------|------------------|------------------|------------------|------------------|
| <b>Breakdown of Bodily Injury Costs (%)</b><br>(typical accident year) | <b>100%</b>      | <b>100%</b>      | <b>100%</b>      | <b>100%</b>      | <b>100%</b>      | <b>100%</b>      |
| Paid   | 3%               | 17%              | 33%              | 47%              | 65%              | 77%              |
| Unpaid   | 97%              | 83%              | 67%              | 53%              | 35%              | 23%              |

**Data Source:** ICBC financial systems

|   | End of Year 1 | End of Year 2 | End of Year 3 | End of Year 4 | End of Year 5 | End of Year 6 |
|---|---------------|---------------|---------------|---------------|---------------|---------------|
| <b>Breakdown of Enhanced Accident Benefits Costs (%)</b><br>(typical accident year) | <b>100%</b>   | <b>100%</b>   | <b>100%</b>   | <b>100%</b>   | <b>100%</b>   | <b>100%</b>   |
| Paid  | 15%           | 31%           | 38%           | 43%           | 47%           | 50%           |
| Unpaid  | 85%           | 69%           | 62%           | 57%           | 53%           | 50%           |

**Data Source:** ICBC financial systems

ICBC commissions an external actuary to provide an independent assessment of the liability for incurred claims. As part of the annual audit of the financial results, the external auditor's actuary also reviews the adequacy of the liability for incurred claims in the context of providing their opinion on the consolidated financial statements.

Under IFRS 17 Insurance Contracts, ICBC reports the liability for incurred claims on a discounted basis to reflect the time value of money and financial risk associated with those future cash flows. The discounted amount takes into account the expected timing of future payments related to unpaid claims (see note 14 to the consolidated financial statements). The corporation uses discount yield curves that reflect prevailing risk-free rates and account for the characteristics of insurance contract liabilities. An increase in the discount yield curve applied to claims costs will reduce the unpaid claims balance while a decrease in the discount yield curve will increase the unpaid claims balance.

## Road safety and loss management

In 2023/24, ICBC invested \$51 million in road safety initiatives and loss management programs, which include auto crime and fraud prevention, investigation, and detection to help reduce claims costs.

Using a safe systems approach, ICBC targets its road safety investments on the major risks that impact customers and costs, including distractions, high-risk driving, impaired driving, and vulnerable road users. The safe systems approach seeks to prevent or minimize the impact of crashes by influencing safe road user behaviour, improving the road network, and encouraging safer vehicles and safer speeds. Over the past year, ICBC worked with partners throughout the province to deliver road safety programs that help protect customers from risks on the road by reducing the frequency and impact of crashes and crime. ICBC continued to support enhanced enforcement initiatives through a funding agreement with the Ministry of Public Safety and Solicitor General. In 2023/24, ICBC invested approximately \$26 million in enhanced enforcement such as CounterAttack, distracted driving, speed enforcement and seat belt checks. ICBC also invested in public education, awareness, and community initiatives to help change problematic driver behaviours.

Loss management programs combat fraud through deterrence, detection, enforcement, and prevention efforts, and continue work to ensure fraudulent claims are detected in a timely

manner and managed appropriately. ICBC works collaboratively between all business areas that identify and investigate fraudulent claims to reduce overall claims costs.

## Operating expenses

Operating expenses include employee compensation and other expenses required to operate the insurance and non-insurance businesses (which consist of expenses for administering driver licenses, vehicle registration and licensing) with the exception of claims payments, commissions and premium taxes. In 2023/24, ICBC continued to focus on prudent management of administration costs and sought to improve and simplify business processes, while ensuring it is adequately staffed to maintain appropriate service levels and manage claims.

In 2023/24, operating expenses increased to \$944 million compared to \$916 million in 2022/23. This is mainly due to compensation increases for unionized employees as negotiated under the collective agreement. In addition, there were higher staffing levels to maintain adequate service levels in contact centres, driver licensing offices to address backlogged tests and to keep up with the increase in demand for driving exams, and higher demand in corporate initiatives. These are partially offset by gradually reducing legal-based claims-related staff as ICBC continues to manage and progressively wind down legal-based claims.

In 2023/24 there were higher-than-budgeted Full Time Equivalents (“FTEs”) and related costs. ICBC was able to recruit and fill positions faster than budgeted because of an improved job market. Attrition was also lower than budgeted as fewer staff left ICBC. These higher costs were offset by savings generated due to lower project-related expenses and non-compensation expenses. Furthermore, there was a gain on the sale of its Langley Claims Centre, which made the total operating expenses in 2023/24 consistent with budget.

Included in total operating expenses are non-insurance operating expenses of \$144 million, funded from Basic insurance premiums.

| \$ millions                              | 2022/23<br>Actual | 2023/24<br>Budget | 2023/24<br>Actual |
|--|-------------------|-------------------|-------------------|
| <b>Operating Expenses</b>                | <b>916</b>        | <b>945</b>        | <b>944</b>        |
| Claims services                          | 432               | 439               | 440               |
| Road safety and loss management services | 49                | 51                | 51                |
| Insurance operations <sup>1</sup>        | 300               | 313               | 309               |
| Non-insurance operations                 | 135               | 142               | 144               |

<sup>1</sup> Insurance operation includes operating expenses that are allocated to other acquisition costs in Note 17 of the accompanying consolidated financial statements to be consistent with the new accounting standards, effective April 1, 2023.

| \$ millions   | 2022/23<br>Actual | 2023/24<br>Budget | 2023/24<br>Actual |
|---|-------------------|-------------------|-------------------|
| <b>Operating Expenses by Nature</b>                 | <b>916</b>        | <b>945</b>        | <b>944</b>        |
| Employee benefit expense                            | 586               | 594               | 607               |
| Professional, administrative and other              | 206               | 228               | 213               |
| Depreciation & amortization                         | 93                | 86                | 90                |
| Road improvements and other traffic safety programs | 31                | 37                | 34                |

## Acquisition costs

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

Acquisition costs (including non-insurance commissions) of \$764 million were higher than the prior year. This was mainly due to higher gross premiums, which is before deducting the May 2024 announced rebate. Acquisition costs were consistent with budget.

## Investments

ICBC has an investment portfolio with a carrying value of \$18.1 billion, which represented 95 per cent of the corporation's total assets as of March 31, 2024. Funds available for investment purposes come primarily from the premiums collected and set aside for unpaid claims. As of March 31, 2024, 51 per cent of the carrying value of the portfolio was invested in equity and alternative investments such as real estate, mezzanine debt and private assets, while 49 per cent of the portfolio took the form of corporate and government bonds, bond funds, money market funds and mortgage instruments.

## Investment income

In 2023/24, total investment income was \$1,427 million, which was significantly higher than the investment income in the prior year. The financial market was much stronger in the current year resulting in better market value changes on investments. The strong equity market also resulted in an increased amount of income and capital dividends. Overall, these results equated to an accounting investment return of 8.0 per cent in 2023/24 (compared to 1.6 per cent in 2022/23) based on the average investment balance during the period on a cost basis.

Investment income was higher than budget primarily due to ICBC's expectation of a market downturn that did not materialize as expected in fiscal year 2023/24.

| \$ millions   | 2022/23<br>Actual <sup>1</sup> | 2023/24<br>Budget | 2023/24<br>Actual |
|---|--------------------------------|-------------------|-------------------|
| <b>Investment Income</b>                                    | <b>312</b>                     | <b>134</b>        | <b>1,427</b>      |
| Realized gain (losses) on financial and other investments   | 466                            | 719               | 742               |
| Unrealized gain (losses) on financial investments and other | (154)                          | (585)             | 685               |

<sup>1</sup> 2022/23 Actual has been restated to be consistent with the new accounting standards, effective April 1, 2023.

## Equity

As of March 31, 2024, ICBC's total equity was \$5,508 million, which is an improvement from a restated equity of \$4,052 million as of March 31, 2023. This is primarily due to the positive net income.

Equity has historically helped to absorb significant unexpected increases in claims costs and volatility in the financial markets. The adequacy of equity or capital base is an important factor in assessing the financial stability of an insurance company and is closely monitored by regulators. For federally regulated insurance companies, the common industry method used to measure financial stability is the Minimum Capital Test (MCT) ratio, an Office of the Superintendent of Financial Institutions (OSFI) risk-based capital adequacy framework, which assesses assets, policy liabilities and other potential liabilities to determine appropriate capital levels. Although ICBC is not federally regulated, the MCT ratio is also used to provide a measure of its financial stability.

As of March 31, 2024, ICBC's corporate MCT level of 155 per cent was higher than the prior year primarily due to the improvement in equity driven by the higher net income, as explained previously. For further information on the Basic insurance and Optional insurance capital framework, please refer to notes 9, 19 and 21 in the accompanying consolidated financial statements, as well as the supplemental information.

## Basic and Optional insurance operations

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

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

The Basic insurance business this fiscal year recorded a net income of \$939 million. The Basic net income was higher than in the prior year mainly due to higher investment income partially offset by lower premiums earned resulting from the rebate described in the premiums earned section.

The Optional insurance business this fiscal year recorded a net income of \$460 million, which was higher than the prior year mainly due to higher investment income, lower claims costs, and higher premiums earned.

## Risks and Uncertainties

ICBC has adopted an enterprise risk management approach to properly oversee its risk exposure, reduce possible negative outcomes, and contribute to the sound execution of its mandate. The corporation employs an Enterprise Risk Management Framework (“the Framework”) to manage significant corporate risks that could potentially impact its stakeholder relationships, financial health, reputation, and compliance with legal and regulatory requirements.

The Framework includes clarification of the roles and responsibilities of all employees in managing risk, procedures for assessing risks, and effective reporting and communication across the organization. The corporation employs an activity-based model known as the “Three Lines of Defense” to establish a clear and structured framework for managing risks. The first line of defense includes the corporation’s operational functions, whereby senior leaders, managers, and staff are all responsible for identifying and managing risks within their respective areas. The second line of defense includes the Enterprise Risk Management function, which supports the first line by developing risk management policies, standards and procedures, and providing recommendations to ensure significant risks are managed appropriately. The third line of defense includes the internal audit function, which provides independent assurance of the entire risk management process, including management’s system of internal controls to mitigate risks.

The Framework is supported by risk and control assessment processes that allow the corporation to focus on risks where the adverse impacts may be significant, such as cyber threats or uncontrollable increases in claims costs. Risks are first identified using a standard risk taxonomy to ensure all potential risk areas are covered.

All identified key risks are then analyzed using a Risk Prioritization Matrix that determines the potential severity of each risk, considering their impacts to stakeholders, legal or regulatory obligations, and the corporation’s financial position. Its control measures, mitigations, escalation processes are considered for each risk, based on established risk tolerances and management’s risk appetite, and reputation.

These risks are continually monitored, reviewed, and assessed by the executive leadership team and reported to the Board of Directors on a quarterly basis, and new risks are added to the risk registry as they emerge. There is also a process to review significant incidents for potential control vulnerabilities or potential new risks. A summary of these incidents is also

reported to the corporation’s executive leadership team and Board of Directors on a quarterly basis.

## Capital Expenditures

| Major Capital Projects<br>(over \$50 million in total)   | Targeted<br>Year of<br>Completion | Project Cost<br>to Mar 31,<br>2024<br>(\$m) | Estimated<br>Cost to<br>Complete<br>(\$m) | Anticipated<br>Total Cost<br>(\$m) |
|--|-----------------------------------|---|---|------------------------------------|
| <b>ICBC Head Office Relocation</b>   | 2028                              | -   | \$164                                     | \$164                              |
| <ul style="list-style-type: none"> <li>• Only projects that have been approved by ICBC’s Board of Directors are included in this table. Capital costs reflect current ICBC accounting policy.</li> <li>• Head Office Relocation is a 15-year capital lease (\$111M) commencing April 1, 2025. Full cost of lease and leasehold improvements is estimated to be \$164M with leasehold improvements spanning 2024/25 – 2027/28. Timing and amount of expenditure is subject to change and Board approval.</li> </ul> |                                   |   |   |                                    |