

Report on Performance: Goals, Objectives, and Results

Goal 1: To Make Insurance Affordable

ICBC is committed to delivering an affordable and sustainable insurance system for British Columbians.

Objective 1.1: Make insurance more affordable by reducing claims costs and legal expenses

Key Results

- ICBC did not increase its Basic rates in 2022/23, an achievement that reflects its commitment to affordability, financial stability, and the benefits of Enhanced Care
- Improved the overall design and delivery of Enhanced Care as we continue to move B.C.'s auto insurance to a system that is more affordable, sustainable and focused on injury recovery.
- Identified opportunities to improve customer recovery outcomes while supporting affordability goals through collaboration with health care providers and advisory groups.
- Improved claims-related methods, processes, people knowledge, skills and tools to enhance the customer recovery journey under Enhanced Care and help customers return to their daily lives faster.

Summary of progress made in 2022/23

Launched in May 2021, Enhanced Care is still taking root and ICBC continued to improve the design and delivery of the new insurance system in 2022/23.

In response to rising costs of vehicle repairs, ICBC updated its Material Damage Strategy in 2022/23 to adapt to external conditions and mitigate cost pressures. Specifically, the multi-year strategy focuses on progressively increasing capacity at collision repair shops and modernizing ICBC's claim management.

Performance measures and related discussion

Performance Measure	2021/22 Actual	2022/23 Target	2022/23 Actual
1.1a ICBC rates are affordable			
Jurisdictional comparison of year-over-year rate changes ^{1,3,8}	ICBC's rate change is 23.6 percentage points less than the Provincial Rate Change Benchmark	≤ Provincial Rate Change Benchmark	2022/23 comparison will be available in 2024 ²
1.1b ICBC helps British Columbians return to their lives after a loss			
Percentage of claims costs that goes to customers ^{4,5,8}	95.0%	95.7%	96.2%
1.1c ICBC repairs vehicles in a cost effective manner			
Average cost for a vehicle-related claim ^{6,7,8}	\$5,080	\$5,300	\$6,314

¹Data source: The private passenger vehicle (PPV) provincial benchmark and ICBC's personal rate change represent the overall rate level change that PPV/personal customers experienced in fiscal year 2021/22. The PPV provincial benchmark is from Canadian jurisdictions that have publicly available rate change information: Alberta, Saskatchewan, Manitoba, Ontario, and New Brunswick. Note that Manitoba includes some commercial vehicles in their private passenger net written premium. To better align with the publicly available jurisdictional data, ICBC's rate change now reflects the change for its personal customers only, rather than all customers (personal plus commercial).

²This result is unavailable now; the 2023/24 Annual Service Plan Report will report this result after a complete year of data. ICBC expects to perform better than the Provincial Rate Change Benchmark based on rate change information as of December 31, 2022.

³PM 1.1 targets for 2023/24 and 2024/25 were stated in the 2022/23 service plan as '≤ Provincial Rate Change Benchmark'.

⁴Data source: Analysis of ICBC-incurred claims; plaintiff counsel contingency fees assumed at 25% of settlement amounts on average for represented claimants.

⁵The 2022/23 Service Plan identified 2023/24 and 2024/25 as 95.7%.

⁶Data source: ICBC claims database.

⁷The 2022/23 Service Plan identified 2023/24 and 2024/25 as \$5,634 and \$5,989 respectively.

⁸For forward-looking planning information, including current targets for 2023/24 – 2025/26, please see the [latest service plan](#) on the ICBC website.

Jurisdictional comparison of year-over-year rate changes: A key measure of affordability is year-over-year changes in insurance rates. ICBC evaluates its rates each year against a Provincial Rate Change Benchmark, using a weighted average of published rate changes implemented in other provinces. For 2022/23, ICBC is on track to meet its target of delivering year-over-year rate changes that are less than or equal to the comparable benchmark. This outcome reflects the impact of holding Basic insurance rates at 2021/22 levels.

Percentage of claims costs that goes to customers: With legal-related costs being largely eliminated following the introduction of Enhanced Care in May 2021 (partway through 2021/22), the percentage of claims costs that goes directly to the customer (96.2 percent) increased in 2022/23, the first full year of Enhanced Care. The increase in this percentage successfully met ICBC's annual target of 95.7 percent.

Average cost for a vehicle-related claim: The average cost for a vehicle-related claim measures the combined average cost for all material damage claims (excluding glass claims). Vehicle repair and replacement costs continue to increase industry wide as vehicles become more complex due to embedded sensors, cameras and other driver assistance technologies. This measure quantifies the effect of ICBC's effort to moderate these increasing material damage costs. In 2022/23, repair costs rose to a higher level than the target, driven by inflationary pressures, supply chain challenges and repair capacity challenges that have been affecting the entire industry. ICBC's Material Damage Strategy and programs described above is focused on addressing these rising vehicle-related claims costs and the adequacy of repair facilities to ensure that auto insurance remains affordable to British Columbians.

Goal 2: To Be Customer Driven

ICBC aims to be customer driven and more flexible and to have the needs of customers drive improvements in the design and delivery of its products and services.

Objective 2.1: Be more flexible, with customer needs driving improvements in the design and delivery of products and services

Key Results

- In 2022/23, ICBC remained focused on improving the customer experience. ICBC initiated an enterprise-wide customer experience strategy focused on the consistent delivery of positive customer experiences.
- ICBC achieved high successful completion rates for online insurance renewals for personal policies, confirming the effective design and minimal friction points of the online process implemented in late 2021/22.
- ICBC undertook work to develop a new usage-based insurance product with multi-tiered, distance-based discounts for Optional coverages.
- ICBC enhanced processes and controls for odometer submissions from customers applying for discounts, laying the foundation to introduce more usage-based products in the coming years, informed by customer insights.

Summary of progress made in 2022/23

ICBC is committed to improving customer experience in all business areas and is putting the customer first in its planning processes. Customer feedback is providing insights to ensure that products and services address customer needs. In 2022/23 ICBC initiated the development of its Customer Experience (CX) strategy. The target outcome of the CX strategy is a customer-driven organization that ensures customers have interactions with ICBC that are easy, helpful and moves them forward. This means identifying and responding to customer pain points, improving communications regarding ICBC products and services, and improving the support structure. In 2022/23 ICBC continued to build on changes to claims handling

processes to improve the customer experience when working with crash victims, including non-vehicle road users such as pedestrians and cyclists.

In 2022/23 ICBC started implementing changes to enable an incremental introduction of usage-based Optional insurance products with a focus on affordability and putting customers more in control of their insurance premiums. Beginning in 2023, customers will be eligible for additional distance-based discounts on select Optional insurance coverages. In 2022/23, foundations were laid for the upcoming discounts, as well as for additional usage-based insurance products to be added in future.

Performance measures and related discussion

Performance Measure	2021/22 Actual	2022/23 Target	2022/23 Actual
2.1a Customers choose digital options to purchase and renew their insurance			
On-time delivery of defined digital capabilities	Project was delivered on time and included foundational components	Online insurance renewals delivered	Completed ¹
2.1b Customers value their experience with ICBC ^{2,3,4}			
Customer Satisfaction for Insurance Services ^{5,8}	n/a	86%	85%
Customer Satisfaction for Claims Services ^{6,8}	n/a	71%	74%
Customer Satisfaction for Driver Licensing Services ^{7,8}	n/a	74%	77%

¹Project is complete with the successful delivery of defined digital capabilities required to offer customers the digital option to renew their insurance.

²Data source: An independent firm is retained to conduct ongoing surveys of customers for the purposes of monitoring transactional satisfaction.

³Effective 2022/23, ICBC transitioned to using a more calibrated seven-point scale to measure satisfaction, versus the previous four-point scale, as part of its commitment to evolve its customer satisfaction measurement framework. Enlarging the scale has provided customers with more choice and allows them to better distinguish their level of satisfaction. Please refer to the ICBC Service Plan 2022/23 - 2024/25 for a comprehensive description of the new scale. Note that targets for future years have been updated in Service Plan 2023/24-2025/26.

⁴Note that a result of the new, more calibrated customer satisfaction measurement scale, Actual 2021/22 Customer Satisfaction scores (96% Customer Satisfaction for Insurance Services, 89% Customer Satisfaction for Claims, and 91% Customer Satisfaction for Drive Licensing Services) are not comparable to 2022/23 Actual and Target Customer Satisfaction scores.

⁵Targets for 2023/24 and 2024/25 were stated in the 2022/23 service plan as 86% and 86% respectively.

⁶Targets for 2023/24 and 2024/25 were stated in the 2022/23 service plan as 72% and 73% respectively.

⁷Targets for 2023/24 and 2024/25 were stated in the 2022/23 service plan as 75% and 76% respectively.

⁸For forward-looking planning information, including current targets for 2023/24 – 2025/26, please see the [latest service plan](#) on the ICBC website.

Discussion of Measures

ICBC measures customer service based on the percentage of satisfied customers for each major transaction type or service that it provides: insurance product purchase, mid-term changes and renewal, claims service and driver licensing.

Customer Satisfaction for Insurance Services: Independent insurance brokers process more than four million Autoplan policies each year. The insurance services satisfaction measure evaluates customer experience when purchasing a new policy, renewing a policy or making a midterm change to an existing policy.

The 2022/23, the insurance customer satisfaction was missed by one percentage point. This miss can be partly attributable to high global inflationary pressures which have eroded consumer purchasing power, adding to the perception of ICBC's insurance products as not reasonably priced notwithstanding no increase in Basic rates.

Customer Satisfaction for Claims Services: Claims are handled through ICBC's First Notice of Loss contact centre and specialty departments such as claims, material damage and rehabilitation services. Claims surveying covers customers with personal (non-commercial) claims occurs at two points in the claims process: when a customer opens a claim with ICBC or after a claim closes.

Claims customer satisfaction score for 2022/23 is above the target at 74 percent. The improvement was primarily due to shorter call wait times and a faster, more straightforward process for opening new claims. ICBC remains committed to improving and delivering a positive customer experience, despite facing a tight labour market and ongoing supply chain challenges.

Customer Satisfaction for Driver Licensing Services:

ICBC conducts approximately 1.6 million driver-licensing transactions every year, including renewing licences, administering driving tests and issuing identification cards.

Overall Driver Licensing customer satisfaction score remains strong, exceeding the target of 74 percent by 3 percentage points (ppt). The strong results reflect ongoing efforts to improve services, reduce wait times for road tests and mitigate the growing demand for driver licensing services. Overall driver licensing transaction volume continues to grow to record highs, driven in part by population trends.

Goal 3: To Be Smart & Efficient

ICBC will invest in data, analytics and technology to improve efficiency and make better decisions.

Objective 3.1: Invest in data, analytics and technology to improve efficiency and decision-making

Key Results

- Expanded the use of claims predictive analytics models for legal-based, material damage and Enhanced Care claims to help identify opportunities to lower claims costs and create claims efficiencies.
- Further enhanced data governance, including improving data quality, to support more informed decision making.
- Initiated improvements to our claims processes and technology. Those improvements will make claims more convenient, simpler and quicker, for both customers and employees.

Summary of progress made in 2022/23

As part of ICBC's commitment to improve efficiency and make informed decisions using quality data, an important element is to use data, analytics and technology to derive insights, improve efficiencies and manage change. In 2022/23, ICBC developed predictive analytics models for legal-based, material damage and Enhanced Care claims that improved the efficiency and effectiveness of ICBC's claims cost management. Progress was made in building the foundations to support ICBC's Data-Driven Decision Making Strategy with particular progress made in data quality, availability, and accessibility improvements. 2022/23 also saw ICBC complete planning for streamlining claims processes and start deployment of systems and process enhancements, including the intake and organization of work.

Performance measure and related discussion

Performance Measure	2021/22 Actual	2022/23 Target	2022/23 Actual
3.1a The cost to run ICBC is below or comparable to industry averages			
Expense Ratio ^{1,2,3,4,6}	23.4%	21.4%	20.8%
Loss Adjustment Expense Ratio ^{3,5,6}	9.0%	10.6%	15.7%

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

¹Performance metric terminology updated from 'Operating Expense Ratio' presented in the 2022/23 – 2024/25 Service Plan

²The auto writers' industry benchmark for 2022 was 32.7%. Source: MSA Research Inc., MSA Benchmark Report, Property and Casualty, Canada, 2022. Benchmark name: Auto Writers (excluding ICBC and Saskatchewan Auto Fund)

³Includes impact of the Relief Rebate (\$396 million); this resulted in lower earned premiums. Excluding the rebate, the 2021/22 expense ratio would be 21.6% and the 2021/22 loss adjustment expense ratio would be 8.3%.

⁴The 2022/23 Service Plan identified 2023/24 and 2024/25 expense ratios as 21.4% and 21.3% respectively.

⁵The 2022/23 Service Plan identified 2023/24 and 2024/25 loss adjustment expense ratios as 10.4% and 10.6% respectively.

⁶For forward-looking planning information, including current targets for 2023/24 – 2025/26, please see the [latest service plan](#) on the ICBC website.

Discussion of Measures

The expense ratio is a standard industry measure to assess the operational efficiency of an insurer. All other things being equal, a lower expense ratio is better. ICBC calculates this as a ratio of insurance expenses and non-insurance expenses (excluding claims and claims-related costs) to premiums earned. This includes both insurance and non-insurance lines of business. ICBC is unique in providing non-insurance services (driver licensing, vehicle registration and licensing, violation ticket issuance and government fine collections) as other insurance carriers in Canada do not typically provide these services. As ICBC continues to be an efficient and low-cost organization, this ratio remains below the industry average.

In 2022/23, ICBC's expense ratio at 20.8 percent has done better than target by 0.6 ppt and prior year by 2.6 ppt.

Lower than anticipated staffing levels because of recruitment challenges and delays in hiring contributed to the lower expense ratio this fiscal year. Like many organizations, ICBC has experienced attraction, recruitment and retention challenges, particularly in contact centres and driver licensing offices.

The loss adjustment expense ratio (LAER) compares the cost to settle claims to premiums earned, which is an indicator of the claims settlement process efficiency. This measure primarily considers loss adjustment expenses on an incurred basis, which means that it represents costs for losses occurring in the current fiscal year. It can also be affected when there are significant changes in estimated costs to settle outstanding claims from prior years.

The higher LAER in 2022/23 compared to target and prior year is mainly from a one-time adjustment in the year, recognizing that higher loss adjustment expenses will be required to fully resolve all of the remaining legal-based claims. With the introduction of the Enhanced Care model and the elimination of most remaining legal costs from the system, ICBC expects that the LAER will remain stable with approximately 10 percent of premiums going towards the cost of settling claims. ICBC has assessed these claims as more complex than previously assumed, with a greater number of large bodily injury claims. As a result, they will entail both higher legal costs and more effort from claims handling staff than previously expected.

Goal 4: To be Future Focused

ICBC will help shape the future of insurance and mobility in B.C. through partnerships and workplace practices.

Objective 4.1: Shape the future of insurance and mobility in B.C. through partnerships and workplace practices

Key Results

- Delivered Employee Opinion Survey and mid-year Pulse Check.
- Advanced multi-year People Strategy to build a talented, diverse and engaged workforce, and remain an employer of choice in British Columbia.
- Progressed multiple road-safety initiatives under ICBC's Crash Prevention Strategy initiatives.

Summary of progress made in 2022/23

ICBC will help shape the future of insurance and mobility in B.C. through partnerships and workplace practices. As the mobility landscape evolves, proactive planning and implementation of road safety programs to reduce crashes now as well as respond to emerging safety risks becomes even more critical. In 2022/23, ICBC made advancements in planning for road safety interventions as part of its Crash Prevention Strategy. These advancements include enhancements to ICBC's Road Improvement Program, which helps provide and support road authorities to implement engineering solutions which prevent crashes. An initiative to strategically target specific locations where crashes frequently occur, such as parking lots, was developed and will be rolled out over the next few years. Discussions with external partners continued to explore future mobility partnerships. ICBC also continued to monitor driver behaviour, shifts in the use of vehicle technology and evolving mobility. Changes in cyclist and pedestrian safety were closely monitored in order to anticipate and plan for trends that may influence future crash rates and better inform future initiatives.

In 2022/23, ICBC continued to advance its multi-year People Strategy with a focus on core areas that will make the greatest impact to employees and build a talented, diverse and engaged workforce. ICBC continues to offer a flexible hybrid work model that gives most employees remote work options. This achieves several aims: to remain an employer of choice, lessen commute times, help to reduce congestion and crashes on B.C. roads and reduce the corporation's carbon footprint.

ICBC is committed to being an inclusive employer — one that reflects the diversity of the people and communities of British Columbia. Recruitment and retention has a specific focus on increasing representation of people with disabilities and Indigenous Peoples, providing support through the employment lifecycle. A multi-year diversity, equity and inclusion action plan was launched at ICBC to advance an inclusive and representative culture to support British Columbians.

Performance measure and related discussion

Performance Measure	2021/22 Actual	2022/23 Target	2022/23 Actual
4.1a ICBC's workplace practices attract and retain a talented, diverse and engaged workforce to deliver service to our customers			
Employee Engagement Index ^{1,2}	62% ³	n/a ⁴	62%

¹The current Employee Engagement Index is a measure of employee engagement conducted by Employee Opinion Survey (EOS). The methodology underlying the EOS and accompanying performance targets were under development at the time of publishing the 2022/23 Service Plan. 2021/22 and 2022/23 actuals are EOS scores under the new methodology.

²Data source: Employee Opinion Survey (EOS) conducted by an independent firm.

³The 2021/22 Actual Employee Engagement Index score was reported in ICBC's 2021/22 Annual Service Plan as 63%. The third-party partner responsible for calculating the score has revised the 2021/22 actual to 62%. This adjustment is attributable to a rounding interpretation.

⁴There was no target set in the 2022/23 - 2025/26 Service Plan as the new methodology for the EOS was under development at that time.

Discussion of Measures

2022/23 saw advancements in the implementation of ICBC's People Strategy and strong participation in the FY23 Employee Opinion Survey (81%) and mid-year Pulse Check (80%). 2022/23 Employee Opinion Survey results showed eight of nine engagement dimensions improved over the prior year.

Survey results indicate we are moving in the right direction with divisional action plans and the People Strategy continuing to focus on the right areas; employees are being heard and they trust ICBC is taking action.

Financial Report

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

Discussion of Results

Highlights

ICBC's net loss for the fiscal year ended 2022/23 was \$195 million, which was \$2,412 million lower than the \$2,217 million net income in 2021/22. The main factors impacting this fiscal year's bottom line were higher claims costs, lower investment income and an investment impairment loss.

Claims costs were higher mainly due to higher material damage claims costs resulting from inflationary pressures on vehicle values and repair costs, as well as from an unfavourable adjustment to account for higher expected future costs from large and complex bodily injury claims costs under the pre-April 1, 2019 legal-based product. These negative impacts were partially offset by a higher discount rate, which is the result of higher interest rates. A higher discount rate reduces the present value of the unpaid claims balance.

Throughout the fiscal year, challenges such as persistent high inflation and the rise in interest rates resulted in a sharp decline in both equity and fixed income asset prices. The decline has contributed to a lower investment income this year, with bond losses from trading activities and lower dividend income from equities. The prolonged weaker financial markets during the fiscal year also resulted in a material impairment loss on financial investments.

The net loss this fiscal year was \$522 million lower than the budgeted net income of \$327 million mainly due to the aforementioned lower-than-anticipated investment income and the impairment loss.