Insurance Corporation of British Columbia

2022/23
Annual Service Plan Report

August 2023

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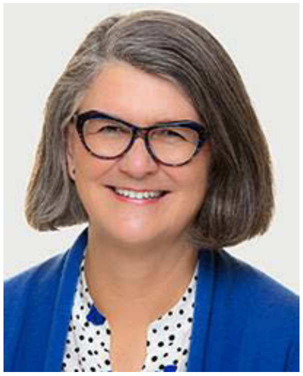
Board Chair's Accountability Statement



The Insurance Corporation of British Columbia (ICBC) 2022/23 Annual Service Plan Report compares the organization's actual results to the expected results identified in the 2022/23 – 2024/25 Service Plan published in 2022. The Board is accountable for those results as reported.

Signed on behalf of the Board by:

Catherine Holt
Chair of the Board of Directors
July 27, 2023

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Letter from the Board Chair & CEO

In 2022/23, ICBC made auto insurance more affordable by maintaining the current Basic rate level for another two years, currently approved by the BCUC on an interim basis. If approved, this will mark five years of no Basic increase, despite the high inflation and other economic pressures. Making Basic rates affordable would not have been possible without the move to Enhanced Care in 2021, which also provided improved care for those injured in a crash.

Financially, the year was tougher than expected for ICBC, resulting in a net loss mainly due to global inflationary and supply chain pressures and a weak investment market. However, the core care and recovery business was solid. Enhanced Care performed well and returned a greater proportion of claims payouts to injured customers than the old system did. The repair side of the business continued to pose challenges for ICBC with the global pressures just mentioned, as well as with a shortage of both parts and labour within the repair industry driving up costs.

When it comes to reconciliation with Indigenous peoples, ICBC has a responsibility to create meaningful and lasting change. While some progress was made in 2022/23, ICBC recognizes it is early in its journey — there is still much work to do and ICBC is committed to taking steps toward reconciliation.

We know our province's strength is rooted in its diverse population yet racialized and marginalized people continue to face barriers in our province. In 2022/23, ICBC undertook initiatives to increase its diversity and the sense of belonging for all of our customers and employees such as the launch of its Diversity, Equity and Inclusion (DEI) strategic action plan, mapping of goals and actions to build a more inclusive workplace, and setting of principles and priorities for ICBC's first accessibility work plan. ICBC's DEI work was recognised in 2023 with a Five-Star Diversity, Equity and Inclusion rating from Insurance Business Canada.

We take climate change, and the impact it has on British Columbians, seriously. When extreme weather hits, such as during the flooding, fires and heat of recent years, we are there for our customers with efficient claims processing, safety information, and often, humanitarian responses by employees and the corporation.

When prices soared in 2022, hitting British Columbians' wallets hard, we provided a Relief Rebate of $110 to each personal insurance customer and $165 to commercial customers. In this way — and by working to keep insurance more affordable — we helped keep expenses lower for British Columbians in 2022/23.

In 2022/23, four new directors joined the board and a new board chair, Catherine Holt, was appointed. ICBC's former CEO stepped down in February 2023 and David Wong began in the role of President and CEO in May.

As part of our commitment to fiscal responsibility and to ensure the best possible use of public resources, ICBC will continue to work with government to meet all mandate letter objectives.

Sincerely,

Catherine Holt
Chair of the Board of Directors, ICBC
July 27, 2023

David Wong
President and Chief Executive Officer, ICBC
July 27, 2023

Purpose of the Annual Service Plan Report

This annual service plan report has been developed to meet the requirements of the Budget Transparency and Accountability Act (BTAA), which sets out the legislative framework for planning, reporting and accountability for Government organizations. Under the BTAA, a Minister Responsible for a government organization is required to make public a report on the actual results of that organization's performance related to the forecasted targets stated in the service plan for the reported year.

Strategic Direction

The strategic direction set by Government in 2020 and expanded upon in the Board Chair's 2021/22 Mandate Letter from the Minister Responsible shaped the goals, objectives, performance measures and financial plan outlined in the ICBC 2022/23 – 2024/25 Service Plan and the actual results reported on in this annual report.

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 B.C., with Basic insurance rates regulated by the British Columbia Utilities Commission. In addition, ICBC provides British Columbians with Optional auto insurance products and driver licensing services. It champions a safe driving culture by working with communities, law enforcement and other stakeholders on various road safety campaigns and initiatives.

ICBC is one of B.C.'s largest corporations and is one of Canada's largest property and casualty insurers. Its insurance products and services are available through a province-wide network of approximately 900 independent brokers. Each year, ICBC processes approximately one million claims through a 24-hour telephone claims handling service and online claims reporting. It works with auto repairers and healthcare professionals throughout the province to help customers after a crash.

ICBC also provides a number of non-insurance services on behalf of the provincial government, including vehicle registration and licensing, driver licensing and fines collection. It also issues the B.C. Services Card at its driver licensing offices. ICBC does not have any active operating subsidiary companies. It has 46 nominee holding companies, which hold or have held investment properties, infrastructure, mortgage and private equity investments for the purpose of generating investment income. ICBC has disclosed a list of all its nominee holding companies in Appendix B.

Operating Environment

Similar to other insurers, ICBC faced many risks last year: the effects of rising inflation and supply chain pressures; changing customer expectations and behaviours; the need to ensure business flexibility to avoid performance shortfalls; the impacts of climate change; talent attraction and retention; and changing workforce expectations, to name a few. Effective responses and mitigations to these and other risks were, and remain, key to ICBC delivering on its 2022/23 Service Plan commitments: to make insurance more affordable; to be customer driven; to be smart and efficient; and to be future focused.

Following two years of positive net income, a net loss in 2022/23 was largely the result of lower investment income, an investment impairment loss, and higher claims costs. Rising interest rates due to high inflation, impacted the global financial market performance. Higher material damage costs and an unfavourable adjustment accounted for higher-than-expected future costs from large and complex bodily injury claims costs under the pre-April 1, 2019 legal-based product. ICBC's investment team worked with its external portfolio manager to stay the course in 2022/23 and ensure its funds were well managed. ICBC's capital reserves ended the year at a healthy level, poised to rebound.

Rising material damage costs were a significant challenge facing ICBC and its customers in 2022/23, as they were in every Canadian jurisdiction. Growing inflation and supply chain pressures, along with more sophisticated vehicle technology, contributed to an increase in the cost of repairing vehicles which, in turn, increased overall material claims costs. In an effort to mitigate increasing automotive repair labour costs, ICBC worked with the B.C. repair industry to help address the labour shortage. In late 2022, ICBC introduced a new pilot program — Labour Attraction/Retention, Education/Training and Safety (LETS) — to provide auto repairers with apprenticeship support and training. To help manage injury claims costs, ICBC developed and implemented predictive analytics models.

Enhanced Care has been a big step forward for British Columbia, providing residents with more affordable insurance and better care after a crash. The model was in its first full year of operation in 2022/23. To ensure the model was working as intended, some opportunities for improvement were identified and addressed, including provision of additional support and training for employees who work in Enhanced Care. New specialized claims specialists were hired in the last year and adjustments to coverages were made.

The ideal way to reduce claims costs is to prevent crashes before they happen. The B.C. Road Safety Strategy 2025 is a provincial program rooted in the vision of realizing zero fatalities and serious injuries on B.C. roads. Last year ICBC was, and remains, a steering committee member and key partner in striving to protect all road users, including pedestrians and cyclists.

ICBC's Road Safety team addressed risks on B.C. roads in 2022/23, as it has each year since its beginning decades ago. Campaigns throughout the year educated the public on the dangers of speeding, distracted driving and impaired driving. Community outreach throughout British Columbia — including in many remote Indigenous communities — promoted safety with events such as car seat clinics that teach the proper use of child restraints. Road Safety worked with community and policing volunteers to help pedestrians stay visible by handing out reflectors and providing safety tips in high pedestrian traffic areas across the province.

ICBC is always responding to changing customer needs and expectations. A major milestone in customer convenience was reached with the 2022 launch of online insurance renewals and the end of the requirement to display an insurance decal. Further, ICBC undertook work in 2022/23 to develop a new insurance product with multi-tiered distance-based discounts for Optional coverages. Additional tiers of usage-based insurance discounts were defined, which when implemented, will give customers more control over the premiums they pay and provide an incentive to drive less.

ICBC operates in communities across the province and serves all British Columbians, each with different backgrounds and experiences. However, Indigenous Peoples have circumstances distinct from other customers that influence their interactions with ICBC, such as systemic colonial policies and geographic location, and that create barriers when accessing services.

In 2022, ICBC began to create an Indigenous Relations and Reconciliation framework. Once finalized, this framework will support alignment of ICBC policies with the United Nations Declaration on the Rights of Indigenous Peoples, Canada's Truth and Reconciliation Commission Calls to Action, and B.C.'s Declaration Act Action Plan, and serve as a basis to create meaningful and significant change. At the same time, ICBC will continue to find opportunities to serve the needs of Indigenous People through our driver licensing and community outreach programs. ICBC continued in 2022/23 to focus on diversity, equity and inclusion (DEI) as an opportunity to strengthen employee engagement and its ability to serve all of its customers. In 2022, ICBC launched a Diversity, Equity and Inclusion Strategic Action Plan, mapped out goals and actions to build a more inclusive workplace, and set principles and priorities for ICBC's first accessibility work plan. The same year, ICBC's network of employee resource groups — voluntary, employee-driven communities that focus on providing a sense of belonging and connection — were reviewed with the goal of helping to sustain their success. These seven groups, which align closely with ICBC's commitments to DEI and to Indigenous reconciliation, held events throughout the year to encourage dialog and promote inclusion.

British Columbia's tight labour market posed a challenge for ICBC in 2022/23, as it did for companies across Canada and beyond. In an effort to build a talented, diverse and engaged workforce, progress on ICBC's multi-year People Strategy was made, such as allocating to non-unionized employees additional wellness days, as well as flexible benefits that provide employees with more choice in how they manage their health and wellness. Also in 2022, ICBC launched an employee referral pilot program to give employees the opportunity to help find the best candidates for job openings.

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

[1]Data 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).
[2]This 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.
[3]PM 1.1 targets for 2023/24 and 2024/25 were stated in the 2022/23 service plan as '≤ Provincial Rate Change Benchmark'.
[4]Data source: Analysis of ICBC-incurred claims; plaintiff counsel contingency fees assumed at 25% of settlement amounts on average for represented claimants.
[5]The 2022/23 Service Plan identified 2023/24 and 2024/25 as 95.7%.
[6]Data source: ICBC claims database.
[7]The 2022/23 Service Plan identified 2023/24 and 2024/25 as $5,634 and $5,989 respectively.
[8]For 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%

[1]Project is complete with the successful delivery of defined digital capabilities required to offer customers the digital option to renew their insurance.
[2]Data source: An independent firm is retained to conduct ongoing surveys of customers for the purposes of monitoring transactional satisfaction.
[3]Effective 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.
[4]Note 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.
[5]Targets for 2023/24 and 2024/25 were stated in the 2022/23 service plan as 86% and 86% respectively.
[6]Targets for 2023/24 and 2024/25 were stated in the 2022/23 service plan as 72% and 73% respectively.
[7]Targets for 2023/24 and 2024/25 were stated in the 2022/23 service plan as 75% and 76% respectively.
[8]For 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.

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

[2]The 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)

[3]Includes 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%.

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

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

[6]For 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%

[1]The 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.
[2]Data source: Employee Opinion Survey (EOS) conducted by an independent firm.
[3]The 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.
[4]There 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.

Financial Summary

The table below provides an overview of ICBC's 2022/23 financial performance relative to its *2022/23—2024/25 Service Plan*.

($ millions)[1,2]	2022/23 Actual	2022/23 Budget	2022/23 Variance Better/ (Worse)	2021/22 Actual
Premiums earned[3]	5,290	5,253	37	4,784
Service fees and other	135	120	15	120
Total earned revenues	**5,425**	**5,373**	**52**	**4,904**
Provision for claims occurring in the current year	3,702	4,129	427	2,922
Change in estimates for losses occurring in prior years	419	(107)	(526)	(430)
Net claims incurred	**4,121**	**4,022**	**(99)**	**2,492**
Claims service and loss management[4]	481	532	51	504
Insurance operations expenses[4]	300	314	14	303
Premium taxes and commissions[4]	630	625	(5)	654
Total expenses	**5,532**	**5,493**	**(39)**	**3,953**
Underwriting (loss) income	**(107)**	**(120)**	**13**	**951**
Investment and other income	401	623	(222)	1,424
Income - insurance operations	**294**	**503**	**(209)**	**2,375**
Non-insurance operations expenses[4]	135	145	11	124
Non-insurance commissions[4]	36	39	2	37
Non-insurance - other income	(9)	(8)	1	(9)
Net income before impairment loss	**132**	**327**	**(195)**	**2,223**
Impairment loss	(327)	-	(327)	(6)
Net (loss) income	**(195)**	**327**	**(522)**	**2,217**
At year end:				
Long-term debt	-	-		-
Total liabilities	18,427	18,552		19,949
Equity:				
Retained earnings	3,150	3,362		3,348
Other components of equity	603	1,160		361
Non-controlling interest	6	6		6
Total equity	**3,759**	**4,528**		**3,715**

	2022/23 Actual	2022/23 Budget	2021/22 Actual
Capital Expenditures ($ millions)	41	60	54
Autoplan policies earned[5]	4,294,000		4,217,000
Average premium ($)[6]	1,200		1,199
Claims reported during the year[7]	1,067,000		972,000

[1] Financial information for all years is prepared based on International Financial Reporting Standards (IFRS).
[2] Rounding may affect totals.
[3] Premiums earned are net of mid-term changes and cancellation refunds.
[4] See Note 19 of the consolidated financial statements for details of Operating Expenses by Nature.
[5] 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.
[6] Average premium is based on Autoplan premiums earned and is not denoted in the millions
[7] Claims reported represent the number of claims reported against purchased insurance coverages.

Basic and Optional Comparative Summary Table

($ millions)[1]	Basic - Actual vs. Prior Year			Optional - Actual vs. Prior Year		
	2022/23 Actual	2021/22 Actual	Better/ (Worse) Variance	2022/23 Actual	2021/22 Actual	Better/ (Worse) Variance
Premiums earned[2]	3,184	2,754	430	2,106	2,030	76
Service fees and other	81	74	7	54	46	8
Total earned revenues	**3,265**	**2,828**	**437**	**2,160**	**2,076**	**84**
Provision for claims occurring in the current year	2,160	1,849	(311)	1,542	1,073	(469)
Change in estimates for losses occurring in prior years	(64)	(156)	(92)	483	(274)	(757)
Net claims incurred	**2,096**	**1,693**	**(403)**	**2,025**	**799**	**(1,226)**
Claims service and loss management	315	331	16	166	173	7
Insurance operations expenses	138	138	-	162	165	3
Premium taxes and commissions	214	194	(20)	416	460	44
Total expenses	**2,763**	**2,356**	**(407)**	**2,769**	**1,597**	**(1,172)**
Underwriting income (loss)	502	472	30	(609)	479	(1,088)
Investment and other income	265	986	(721)	136	438	(302)
Income (loss) - insurance operations	**767**	**1,458**	**(691)**	**(473)**	**917**	**(1,390)**
Non-insurance operations expenses	135	124	(11)	-	-	-

($ millions)[1]	Basic - Actual vs. Prior Year			Optional - Actual vs. Prior Year		
	2022/23 Actual	2021/22 Actual	Better/ (Worse) Variance	2022/23 Actual	2021/22 Actual	Better/ (Worse) Variance
Non-insurance commissions	36	37	1	-	-	-
Non-insurance - other income	(9)	(9)	-	-	-	-
Net income (loss) before impairment loss	**605**	**1,306**	**(701)**	**(473)**	**917**	**(1,390)**
Impairment loss	(216)	(4)	(212)	(111)	(2)	(109)
Net income (loss)	**389**	**1,302**	**(913)**	**(584)**	**915**	**(1,499)**
At year end: [3]						
Liabilities:						
Unearned premiums	1,520	1,488		1,062	955	
Provisions for unpaid claims	8,995	9,748		4,038	3,956	
Equity:						
- Retained earnings	2,409	2,022		741	1,326	
- Other components of equity	408	248		195	113	
- Non-controlling interest	4	4		2	2	
Total equity	**2,821**	**2,274**		**938**	**1,441**	

[1] Rounding may affect totals.
[2] Premiums earned are net of mid-term changes and cancellation refunds.
[3] Balances presented at year end as of March 31, 2023 and March 31, 2022, respectively.

Variance and Trend Analysis

Premiums earned

Premiums earned totalled $5,290 million in 2022/23, which was $506 million higher compared to 2021/22. The year-over-year improvement is primarily due to the Relief Rebate of $396 million paid to customers last fiscal year, as well as increases in rate and penetration on Optional coverages during this fiscal year.

Premiums earned was consistent with budget.

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.

Service fees and other income totalled $135 million in 2022/23, which was higher than last year and budget by $15 million primarily due to the higher financing fee that followed the increase in interest rates throughout this fiscal year.

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 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.

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.

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.

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.

Early experience shows that Enhanced Care is on track to deliver the expected savings of $1.5 billion annually. However, the majority of claims costs remains unpaid and so there is a high level of uncertainty in the claims cost estimates. One of the key uncertainties is inflation. Inflationary pressures are expected to increase health-care costs, wage loss payments and vehicle repair costs, all of which creates upward impacts on claims costs.

Overall, 2022/23 net claims-incurred costs of $4,121 million were $1,629 million higher than the claims costs incurred in 2021/22. The major contributing factors were higher costs on material damage claims from inflationary pressures on vehicle values and repair costs, and 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. These unfavourable costs were partially offset by an increase in the discount rate.

Net claims-incurred costs were also $99 million higher than the budgeted $4,022 million. The higher claims costs were mainly due to the unfavourable difference of $526 million in prior years' claims adjustments from higher material damage costs, and an unfavourable adjustment to bodily injury claims under the pre-April 1, 2019 legal-based product, as discussed above. Current year claim costs have a favourable difference of $427 million, mainly due to lower claim frequencies and a higher discount rate.

$ millions	**2018/19 Actual**	**2019/20 Actual**	**2020/21 Actual**	**2021/22 Actual**	**2022/23 Actual**
Net Claims-Incurred Costs	**6,529**	**5,908**	**3,341**	**2,492**	**4,121**
Injury	**4,854**	**4,327**	**2,002**	**824**	**1,633**
Current year claims	3,498	2,986	2,110	1,482	1,266
Prior years adjustments	1,225	1,216	(357)	(385)	298
Change in claims handling costs reserves	131	125	249	(273)	69
Material Damage and Other	**1,675**	**1,581**	**1,339**	**1,668**	**2,488**
Current year claims	1,668	1,614	1,346	1,718	2,361
Prior years adjustments	(4)	(36)	(10)	(45)	121
Change in claims handling costs reserves	11	3	3	(5)	6

Data Source: ICBC financial systems

Injury claims

Current year injury claims, comprised of bodily injury claims and accident benefit claims, account for approximately 35 percent of current year claims-incurred costs in 2022/23. 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 decreased in 2022/23 compared to 2021/22 primarily due to a higher discount rate that is applied to future claim payments.

$ millions	2018/19 Actual	2019/20 Actual	2020/21 Actual	2021/22 Actual	2022/23 Actual
Current Year Injury Claims Incurred (major categories)	**3,498**	**2,986**	**2,110**	**1,482**	**1,266**
Bodily Injury	3,162	2,420	1,728	223	116
Accident & Death Benefits	336	566	382	1,259	1,150

Data Source: ICBC financial systems

Material damage (non-injury) claims

Current year material damage claims account for approximately 65 percent of current year claims-incurred costs in 2022/23. 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 2021/22 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	2018/19 Actual	2019/20 Actual	2020/21 Actual	2021/22 Actual	2022/23 Actual
Current Year Material Damage Claims Incurred (major categories)	**1,668**	**1,614**	**1,346**	**1,718**	**2,361**
Basic vehicle damage and property damage	643	611	455	626	863
Collision	612	583	492	677	999
Comprehensive	195	202	196	239	300
Windshield	98	99	101	126	155
Other	120	119	102	50	44

Data Source: ICBC financial systems

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

The provision for unpaid claims as of March 31, 2023 was $13.0 billion. 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 and accident benefits claims account for approximately 93 percent of total unpaid claims costs. 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 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	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
Breakdown of Enhanced Accident Benefits Costs (%) (typical accident year)	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**
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 provision for unpaid claims. As part of the annual audit of the financial results, the external auditor's actuary also reviews the adequacy of the unpaid claims reserves in the context of providing their opinion on the consolidated financial statements.

ICBC earns 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, ICBC reports the 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 (see note 15 to the consolidated financial statements). The discount rate is based on the expected return of ICBC's 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. As of March 31, 2023, the discount rate of 4.7 percent increased by 106 basis points from the prior period's discount rate of 3.7 percent, resulting in a decrease to the unpaid claims balance.

Road safety and loss management

In 2022/23, ICBC invested $49 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. 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 2022/23, ICBC invested approximately $24 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. It combats fraud through deterrence, detection, enforcement and prevention efforts, and continues 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 2022/23, ICBC continued to focus on prudent management of administration costs by seeking to improve and simplify business processes, while ensuring it is adequately staffed to maintain appropriate service levels and manage claims.

In 2022/23, operating expenses decreased to $916 million compared to $931 million in 2021/22. This is mainly due to lower pension and post-retirement benefit expenses from a higher discount rate compared to prior year and to lower project costs related to Enhanced Care. The decrease in operating expenses is partially offset by a provision for a retroactive compensation increase for unionized employees per the 2022-2025 Collective Agreement.

Operating expenses in 2022/23 were lower than budgeted due to lower pension and post-retirement benefit expenses, as explained above, and fewer full-time equivalents (FTEs) and related costs. Fewer overall FTEs were mainly the result of recruitment challenges and delays in hiring. Additionally, projects and related sustainment costs were also lower than budgeted due to cost delays and project deferrals.

Included in total operating expenses is $135 million in non-insurance operating expenses, funded from Basic insurance premiums. These non-insurance operating expenses include driver licensing, vehicle registration and licensing, violation ticket issuance and government fine collections. These services are not typically provided by other insurance carriers in Canada.

$ millions	2021/22 Actual	2022/23 Budget	2022/23 Actual
Operating Expenses	**931**	**991**	**916**
Claims related costs	504	532	481
Insurance	303	314	300
Non-Insurance	124	145	135

$ millions	2021/22 Actual	2022/23 Budget	2022/23 Actual
Operating Expenses by Nature	**931**	**991**	**916**
Employee benefit expense	598	630	586
Professional, administrative and other	206	232	206
Depreciation & amortization	93	96	93
Road improvements and other traffic safety programs	34	33	31

Acquisition costs

Acquisition costs represent the amounts paid to brokers and appointed 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 percent 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 deferred and amortized as expense on a similar basis. When future claims and related expenses, after consideration of investment income, are expected to exceed unearned premiums, the deferred premiums acquisition costs (DPAC) are written down and a premium deficiency liability is recognized. 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. As of March 31, 2023, the corporate DPAC asset was $307 million (see notes 19 and 20 in the accompanying consolidated financial statements).

Acquisition costs (including non-insurance commissions) of $666 million were lower than the prior year. This was mainly due to the higher Optional commission expense in 2021/22 where the Optional revenues generated from the pre-Enhanced Care product were higher during part of the year. Acquisition costs were consistent with budget.

Investments

ICBC has an investment portfolio with a carrying value of $19.5 billion, which represented 88 percent of the corporation's total assets as of March 31, 2023.

Funds available for investment purposes come primarily from the premiums collected and set aside for unpaid claims. ICBC maintains an investment portfolio with significant allocation to high-quality fixed income securities.

As of March 31, 2023, 54 percent of the carrying value of the portfolio took the form of corporate and government bonds, bond funds, money market securities and mortgage instruments, while 46 percent of the portfolio was invested in equity and alternative investments such as real estate, mezzanine debt and private assets.

Investment income and impairment loss

In 2022/23, total investment income was $74 million, which was significantly lower than the investment income in the prior year. Throughout this fiscal year, high inflation continued to pose challenges and the associated rise in interest rates resulted in a sharp decline in both equity and fixed income asset prices. There were bond losses from regular trading activities, and lower than expected dividend income from equities driven by the persistence of weaker financial markets, resulting in some investment funds not being able to provide capital distributions to their investors. In addition, there was a material prolonged impairment loss recognized from the depreciation of bond and equity funds. Overall, these results equated to an accounting investment return of 0.4 percent in 2022/23 (compared to 7.0 percent in 2021/22) based on the average investment balance during the period on a cost basis.

Investment income was lower than budgeted primarily due to reasons discussed previously.

$ millions	2021/22 Actual	2022/23 Budget	2022/23 Actual
Total Investment Income	**1,418**	**623**	**74**
Investment Income	**1,424**	**623**	**401**
Interest, dividends & other income	1,069	498	714
Gains (losses) on investments	355	125	(313)
Impairment Loss	**(6)**	**-**	**(327)**

Equity

As of March 31, 2023, ICBC's total equity was $3,759 million, which is a slight improvement from an equity of $3,715 million as of March 31, 2022. This is primarily due to the change in unrealized gains and losses from our financial investments in other components of equity partially offset by the net loss. Equity has historically helped to absorb significant unexpected increases in claims costs and volatility in the financial markets.

As of March 31, 2023, ICBC had a net unrealized gain of $106 million in other components of equity that comprised of $366 million in unrealized gains and $260 million in unrealized losses. The unrealized gains and losses included in other components of equity reflect the changes in fair value for bonds and equities and the realization of gains and losses during the year.

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, legislation and regulation, prior to fiscal 2021, required ICBC to use the OSFI MCT framework to set capital targets. During fiscal 2021, the government passed legislation to remove ICBC's requirements to set the Optional insurance management target and to transfer excess Optional capital to government, thereby retaining capital for the benefit of customers. As such, ICBC is only required to set the Basic insurance capital target using OSFI's MCT framework.

As of March 31, 2023, ICBC's corporate MCT level of 102 percent was slightly higher than the prior year primarily due to the improvement in equity, as explained previously. However, the MCT level is still lower than the approved management targets mainly due to cumulative net losses from fiscal years prior to 2020/21. For further information on the Basic insurance and Optional insurance capital framework, please refer to notes 10, 22 and 24 in the accompanying consolidated financial statements.

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 British Columbia Utilities Commission (BCUC), is used to allocate costs between these two lines of business. Detailed financial information on Basic and Optional lines of business is included in note 24 in 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 $389 million. The Basic net income was lower than in the prior year mainly due to lower investment income and higher claims costs, which were partially offset by higher premiums earned.

The Optional insurance business this fiscal year recorded a net loss of $584 million, which was lower than the prior year for reasons stated above for the Basic insurance business.

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 by delivering strategic priorities and quality of business operations across the organization. ICBC considers the potential impact of significant risks on its reputation, stakeholder relationships, financial detriment and compliance with legal requirements.

The company employs an Enterprise Risk Management Framework (“the Framework”) to manage significant risk management activities. The Framework includes risk assessment procedures, roles and responsibilities of senior leaders and all employees in assessing and managing risk, as well as effective governance tools for risk information reporting and communication across the organization. To establish a clear and structured framework for proficient risk management, ICBC has implemented an activity-based model known as Three Lines of Defense. The first line of defense includes the company’s operational functions, whereby managers and staff own and manage risks within their respective areas. The second line of defense includes the enterprise risk management function, which develops risk management policies, standards and procedures and supports the first line by reviewing, challenging and providing recommendations to ensure that significant risks are being managed adequately. The third line of defense includes the internal audit function, which provides independent assurance of the entire risk management process.

The Framework is supported by risk and control assessment processes that allow ICBC to focus on risks where the adverse impact on ICBC is determined to be significant. The risk and control assessment activities are comprised of risk identification, risk analysis and risk treatment. Risks are identified through a standard risk taxonomy to ensure a comprehensive review of all potential risk areas. All identified key risks are analyzed utilizing ICBC’s Risk Prioritization Matrix which determines the level of both inherent risk and residual risk, considering impacts from stakeholders, financial, reputational and legal perspectives. The process of risk treatment includes the formulation of risk mitigations and risk escalation or acceptance to ensure appropriate actions are taken to manage risk exposure within approved risk appetite.

The Framework provides risk visibility through various risk management process, including:

- Top 10 & Emerging Risks process, which allows ICBC to proactively monitor the changing landscape of risk themes that are materializing at ICBC often with increasing velocity.

- Significant Incident Management process to detect, analyze and resolve the underlying cause and impact of operational events where a significant impact may have materialized.

The output of our risk management activities are assessed, summarized and reviewed as a quarterly risk report with the Executive Leadership and provided to the Board of Directors.

Appendix A: Progress on Mandate Letter Priorities

The following is a summary of progress made on priorities as stated in the 2021/22 Mandate Letter from the Minister Responsible.

2021/22 Mandate Letter Priority	Status as of March 31, 2023
In cooperation with the Ministry of Public Safety and Solicitor General (PSSG) and the Crown Agencies Secretariat (CAS), and under the direction and guidance of the Shareholder's Committee, implement Enhanced Care Coverage in May 2021 to support affordability and the long-term financial sustainability of ICBC, and improved care for British Columbians involved in vehicle accidents. Work with PSSG and CAS to closely monitor the new insurance model after implementation in May 2021 to resolve emerging issues and ensure that it is achieving expected results. Continue to monitor changes to ICBC's Basic insurance product that came into effect April 1, 2019.	• Enhanced Care was implemented May 1, 2021 and has now been in place for more than two years. ICBC provides quarterly updates to PSSG and CAS to manage emerging issues.
Develop and implement measures to create greater accountability and improve transparency in ICBC's services to its customers, including the new Fairness Office, improved plain language reporting, an enhanced commitment to gain customer perspectives and insights, greater stakeholder engagement and others as agreed upon with the PSSG and CAS.	• Michael Skinner was appointed fairness officer on July 12, 2021. • In 2022, ICBC's Communications team attended plain language writing techniques workshops by an external provider and undertakes to be straightforward in their reporting. • ICBC has made it possible for more demographics, such as cyclists and pedestrians, to join the customer insights panel. • ICBC has increased its presence with stakeholders with a focus on material damage suppliers, working closely with Enhanced Care advisory groups, and engaging with the driver training industry and law enforcement.

2021/22 Mandate Letter Priority	Status as of March 31, 2023
In coordination with PSSG and CAS, continue work toward implementing online insurance renewals by 2022, including assessing potential business, operational and financial requirements and seeking input from stakeholder groups.	• Eligible ICBC customers were able to renew policies online effective on or after May 1, 2022. ICBC has been working to increase functionality and now customers can upload a photo of their odometer when they renew online.
Provide comprehensive quarterly reports to PSSG, and Ministry of Finance including CAS on the status of ICBC finances and multi-year forecasts, as well as the Enhanced Care Coverage project and other initiatives approved by the ICBC Board and the Solicitor General as the minister responsible. As and when appropriate, ensure that the Deputy Solicitor General and Deputy Minister of CAS are apprised of emerging trends and made aware of potential issues as they occur.	• ICBC has been providing financial reports and notification of emerging trends and issues to the Ministry of Public Safety and Solicitor General and Crown Agencies Secretariat on a quarterly basis.

Appendix B: Subsidiaries and Operating Segments

The Corporation does not have any active operating subsidiary companies.

Nominee Holding Companies

All of the nominee holding companies listed below hold or have held investment properties, infrastructure, mortgage and private equity investments for the purpose of generating investment income. All of the nominee holding companies are consolidated into our financial statements, the basis of which is explained in note 2b in the accompanying consolidated financial statements. A consolidated summary of the income from investments held by these holding companies can be found in note 11 in the accompanying consolidated financial statements.

Nominee Holding Companies		
1141268 Alberta Ltd.	1746615 Alberta Ltd.	BCI (IC) Realty LP
1263146 Alberta Ltd.	1796824 Alberta Ltd.	Bolsena IC Inc.
2154855 Ontario Ltd.	1884419 Alberta Ltd.	BCI (IC) US Finance Inc.
1394626 Alberta Ltd.	2468434 Ontario Ltd.	IMCPE IC 2021 Inc.
1467288 Alberta Ltd.	1930933 Alberta Ltd.	IMCPE IC Investment Inc.
2210344 Ontario Ltd.	2496976 Ontario Ltd.	IMC PD IC 2021 Inc.
0866691 B.C. Ltd.	1961735 Alberta Ltd.	
2225888 Ontario Ltd.	2530694 Ontario Ltd.	
0869391 B.C. Ltd.	2542170 Ontario Ltd.	
1535992 Alberta Ltd.	2543053 Ontario Ltd.	
0879948 B.C. Ltd.	2553178 Ontario Ltd.	
2272811 Ontario Ltd.	2599056 Ontario Ltd.	
2272807 Ontario Ltd.	SWBC MEC 1 Ltd.	
1611527 Alberta Ltd.	SWBC MEC 2 Ltd.	
2306519 Ontario Ltd.	SWBC MEC 3 Ltd.	
1648020 Alberta Ltd.	SWBC MEC 4 Ltd.	
1662170 Alberta Ltd.	140 Main Hamilton Ltd.	
1672904 Alberta Ltd.	BCI (IC) Mex Realty LP	
1688141 Alberta Ltd.	BCI (IC) US Realty Inc.	
1685611 Alberta Ltd.	BCI (IC) RPG Investment Corp	

Appendix C: Auditor's Report and Audited Financial Statements

Independent auditor's report

To the Minister Responsible for Insurance Corporation of British Columbia and the Board of Directors of Insurance Corporation of British Columbia

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Insurance Corporation of British Columbia and its subsidiaries (together, the Corporation) as at March 31, 2023 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

What we have audited

The Corporation's consolidated financial statements comprise:

- the consolidated statement of financial position as at March 31, 2023;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

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

Independence

We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Other information

Management is responsible for the other information. The other information obtained prior to the date of this auditor's report comprises the Annual Service Plan Report.

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Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, 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.

In preparing the consolidated financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Corporation to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PricewaterhouseCoopers LLP

Chartered Professional Accountants

Vancouver, British Columbia
June 19, 2023

151 West Esplanade, North Vancouver, BC. V7M 3H9

INSURANCE CORPORATION OF BRITISH COLUMBIA

CONSOLIDATED FINANCIAL STATEMENTS

AS AT MARCH 31, 2023

151 West Esplanade, North Vancouver, BC. V7M 3H9

Management's Responsibility for the Consolidated 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 (IFRS). These consolidated financial statements include amounts that are based on management's estimates and judgments, particularly our provision 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 consolidated 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 Audit Committee recommends for approval to the Board of Directors the appointment of the external auditor and the appointed actuary. The Audit Committee meets no less than quarterly with management, our internal auditors and representatives of our external auditor 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 consolidated financial statements prior to recommending approval by the Board of Directors. The Board of Directors has reviewed and approved the consolidated financial statements.

Independent Auditor and Actuary

Our independent auditor, PricewaterhouseCoopers LLP, has audited the consolidated 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 consolidated financial statements prepared by management.

151 West Esplanade, North Vancouver, BC. V7M 3H9

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 in Canada 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.

David Wong
President and Chief Executive Officer

June 19, 2023

Phil Leong
Chief Financial Officer

June 19, 2023

Independent auditor's report

To the Minister Responsible for Insurance Corporation of British Columbia and the Board of Directors of Insurance Corporation of British Columbia

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Insurance Corporation of British Columbia and its subsidiaries (together, the Corporation) as at March 31, 2023 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

What we have audited
The Corporation's consolidated financial statements comprise:

- the consolidated statement of financial position as at March 31, 2023;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

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

Independence
We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Other information

Management is responsible for the other information. The other information obtained prior to the date of this auditor's report comprises the Annual Service Plan Report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, 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.

In preparing the consolidated financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Corporation to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PricewaterhouseCoopers LLP

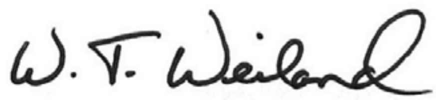
Chartered Professional Accountants

Vancouver, British Columbia
June 19, 2023

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 March 31, 2023 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.



William T. Weiland

Fellow, Canadian Institute of Actuaries
Eckler Ltd.

Vancouver, British Columbia
June 19, 2023

Consolidated Statement of Financial Position

($ THOUSANDS)		March 31 2023		March 31 2022
Assets				
Cash and cash equivalents (note 7)	$	25,957	$	29,654
Accrued interest		46,717		40,024
Assets held for sale (note 6)		41,274		208,420
Financial investments (note 6)		19,159,787		20,001,745
Derivative financial instruments (note 7)		-		24,019
Premiums and other receivables (note 10)		1,649,055		2,066,674
Reinsurance assets (note 10)		34,688		43,596
Investment properties (note 6)		305,791		255,044
Property and equipment (note 12)		107,511		110,586
Intangible assets (note 14)		204,197		252,167
Lease assets (note 13)		54,763		56,206
Accrued pension benefits (note 18)		202,685		245,213
Deferred premium acquisition costs and prepaids (note 20)		353,977		330,856
	$	22,186,402	$	23,664,204
Liabilities and Equity				
Liabilities				
Cheques outstanding (note 7)	$	215,237	$	130,762
Accounts payable and accrued charges		338,649		305,881
Provision for premium rebates/refunds (note 7)		-		396,000
Derivative financial instruments (note 7)		46,702		1,395
Net bond repurchase agreements, investment-related, and other liabilities (note 8)		1,930,036		2,669,037
Premiums and fees received in advance		66,006		58,914
Unearned premiums (note 16)		2,581,738		2,443,055
Lease liabilities (note 9)		52,313		53,670
Pension and post-retirement benefits (note 18)		163,161		186,181
Provision for unpaid claims (note 15)		13,033,375		13,704,154
		18,427,217		19,949,049
Equity				
Retained earnings		3,150,264		3,347,398
Other components of equity		602,713		361,003
Equity attributable to owner of the corporation		3,752,977		3,708,401
Non-controlling interest		6,208		6,754
		3,759,185		3,715,155
	$	22,186,402	$	23,664,204

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

Approved by the Board

Catherine Holt
Chair of the Board of Directors

Len Boggio
Director

Consolidated Statement of Comprehensive Income

($ THOUSANDS)	For the year ended March 31 2023	For the year ended March 31 2022
Premiums written		
Premium revenue – vehicle	$ 5,417,970	$ 5,208,692
Premiums ceded to reinsurers – vehicle	(14,046)	(12,909)
Net premium revenue – vehicle before premium rebates/refunds	5,403,924	5,195,783
Premium revenue – vehicle premium rebates/refunds (note 7)	-	(396,000)
Net premium revenue – vehicle	5,403,924	4,799,783
Premium revenue – driver	24,930	30,327
	$ 5,428,854	$ 4,830,110
Revenues		
Premiums earned		
Premium revenue – vehicle	$ 5,276,557	$ 5,162,644
Premiums ceded to reinsurers – vehicle	(14,046)	(12,909)
Net premium revenue – vehicle before premium rebates/refund	5,262,511	5,149,735
Premium revenue – vehicle premium rebates/refunds (note 7)	-	(396,000)
Net premium revenue - vehicle	5,262,511	4,753,735
Premium revenue – driver	27,660	29,978
	5,290,171	4,783,713
Service fees and other insurance income	135,048	120,059
Total revenues	5,425,219	4,903,772
Claims and operating expenses		
Provision for claims incurred in the current year (note 15)	3,701,763	2,922,081
Change in estimates for losses incurred in prior years (note 15)	419,044	(429,937)
Net claims incurred (note 15)	4,120,807	2,492,144
Claims services (note 19)	431,813	448,885
Road safety and loss management services (note 19)	49,470	55,304
	4,602,090	2,996,333
Operating expenses – insurance (note 19)	300,203	302,425
Premium taxes and commissions – insurance (notes 19 and 20)	629,476	654,393
	5,531,769	3,953,151
Underwriting (loss) income	(106,550)	950,621
Investment income (note 11)	400,674	1,424,225
Income – insurance operations	294,124	2,374,846
Non-insurance operations		
Provincial licences and fines revenue (note 21)	653,810	652,331
Licences and fines transferable to the Province of B.C. (note 21)	653,810	652,331
Operating expenses – non-insurance (note 19)	134,551	124,500
Commissions – non-insurance (notes 19 and 20)	36,869	36,497
Other income – non-insurance	(9,482)	(8,955)
	815,748	804,373
Loss – non-insurance operations	(161,938)	(152,042)
Net income before impairment loss	132,186	2,222,804
Impairment loss (note 11)	(326,931)	(6,195)
Net (loss) income	$ (194,745)	$ 2,216,609
Other comprehensive income		
Items that will not be reclassified to net income		
Pension and post-retirement benefits remeasurements (note 18)	$ 2,809	$ 485,030
Items that will be reclassified to net income		
Net change in available for sale financial assets	238,901	(853,528)
	241,710	(368,498)
Total comprehensive income	$ 46,965	$ 1,848,111
Net (loss) income attributable to:		
Non-controlling interest	$ 2,389	$ 145
Owner of the corporation	(197,134)	2,216,464
	$ (194,745)	$ 2,216,609
Total comprehensive income attributable to:		
Non-controlling interest	$ 2,389	$ 145
Owner of the corporation	44,576	1,847,966
	$ 46,965	$ 1,848,111

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

Consolidated Statement of Changes in Equity

($ THOUSANDS)	Retained Earnings	Other Components of Equity: Net change in available for sale financial assets	Other Components of Equity: Pension and post-retirement benefits remeasurements	Total Other Components of Equity	Total attributable to owner of the corporation	Non-Controlling Interest	Total Equity
	For the year ended March 31, 2023						
Balance, beginning of year	$ 3,347,398	$ (133,372)	$ 494,375	$ 361,003	$ 3,708,401	$ 6,754	$ 3,715,155
Contributions						622	622
Disposition of subsidiary with non-controlling interest						(3,557)	(3,557)
Comprehensive income							
Net (loss) income	(197,134)	-	-	-	(197,134)	2,389	(194,745)
Other comprehensive income							
Net losses reclassified to investment income	-	242,769	-	242,769	242,769	-	242,769
Net losss arising on available for sale financial assets in the year	-	(3,868)	-	(3,868)	(3,868)	-	(3,868)
Pension and post-retirement benefits remeasurements (note 18)	-	-	2,809	2,809	2,809	-	2,809
Total other comprehensive income	-	238,901	2,809	241,710	241,710	-	241,710
Total comprehensive income (loss)	(197,134)	238,901	2,809	241,710	44,576	2,389	46,965
Balance, end of year	$ 3,150,264	$ 105,529	$ 497,184	$ 602,713	$ 3,752,977	$ 6,208	$ 3,759,185

($ THOUSANDS)	Retained Earnings	Other Components of Equity: Net change in available for sale financial assets	Other Components of Equity: Pension and post-retirement benefits remeasurements	Total Other Components of Equity	Total attributable to owner of the corporation	Non-Controlling Interest	Total Equity
	For the year ended March 31, 2022						
Balance, beginning of year	$ 1,130,934	$ 720,156	$ 9,345	$ 729,501	$ 1,860,435	$ 7,044	$ 1,867,479
Contributions						6	6
Disposition of subsidiary with non-controlling interest						(441)	(441)
Comprehensive income (loss)							
Net income	2,216,464	-	-	-	2,216,464	145	2,216,609
Other comprehensive income							
Net gains reclassified to investment income	-	(352,299)	-	(352,299)	(352,299)	-	(352,299)
Net losses arising on available for sale financial assets in the year	-	(501,229)	-	(501,229)	(501,229)	-	(501,229)
Pension and post-retirement benefits remeasurements (note 18)	-	-	485,030	485,030	485,030	-	485,030
Total other comprehensive (loss) income	-	(853,528)	485,030	(368,498)	(368,498)	-	(368,498)
Total comprehensive income (loss)	2,216,464	(853,528)	485,030	(368,498)	1,847,966	145	1,848,111
Balance, end of year	$ 3,347,398	$ (133,372)	$ 494,375	$ 361,003	$ 3,708,401	$ 6,754	$ 3,715,155

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

Consolidated Statement of Cash Flows

($ THOUSANDS)	For the year ended March 31 2023	For the year ended March 31 2022
Cash flow from (used in) operating activities		
Net (loss) income	$ (194,745)	$ 2,216,609
Items not requiring the use of cash (note 25)	646,624	(179,264)
Changes in non-cash working capital (note 25)	(1,050,088)	(2,587,272)
Cash flow (used in) operating activities	(598,209)	(549,927)
Cash flow from (used in) investing activities		
Purchase of financial investments and investment properties	(23,993,057)	(27,862,208)
Proceeds from sales of financial investments and investment properties	24,671,593	28,163,702
Purchase of property, equipment and intangibles, net	(16,982)	(48,996)
Cash flow from investing activities	661,554	252,498
Cash flow from (used in) financing activities		
Net securities sold under repurchase agreements (note 25)	(136,037)	257,708
Principal payments on lease liabilities (note 25)	(15,480)	(14,800)
Cash flow (used in) from financing activities	(151,517)	242,908
Decrease in cash and cash equivalents during the year	(88,172)	(54,521)
Cash and cash equivalents, beginning of year	(101,108)	(46,587)
Cash and cash equivalents, end of year	$ (189,280)	$ (101,108)
Represented by:		
Cash and cash equivalents (note 7)	$ 25,957	$ 29,654
Cheques outstanding (note 7)	(215,237)	(130,762)
Cash and cash equivalents, net	$ (189,280)	$ (101,108)
Supplemental information		
Interest and dividends received	$ 685,059	$ 1,106,393

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

Notes to Consolidated Financial Statements

For the year ended March 31, 2023

1. Corporate Information

The Insurance Corporation of British Columbia (the Corporation or ICBC) is a wholly-owned Crown corporation of the Province of British Columbia (B.C.), not subject to income taxes under the *Income Tax Act (Canada)*, incorporated in 1973 and continued under the *Insurance Corporation Act* (ICA), 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 (Basic) and optional vehicle insurance (Optional) 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. The Corporation is subject to regulation by the British Columbia Utilities Commission (BCUC) with respect to Basic insurance rates and services (note 24).

Prior to May 1, 2021, Basic insurance included the following coverages: $200,000 third party liability protection (higher for some commercial vehicles), access to accident benefits including a maximum of $300,000 (note 3g) for medical and rehabilitation expenses and up to $740 per week for wage loss (note 3g), $1,000,000 underinsured motorist protection, inverse liability protection, and also protection against uninsured and unidentified motorists within and outside the Province of B.C.

As of May 1, 2021, the Corporation implemented a new care-based (Enhanced Care) insurance model and Basic insurance includes the following coverages: access to enhanced accident benefits providing care and recovery benefits with no overall limit, up to $200,000 of basic vehicle damage coverage (BVDC), $200,000 in third party liability protection, inverse liability protection, and $1,000,000 underinsured motorist protection. Under the new insurance model, coverage for hit and run claims for vehicle damage is no longer being provided under Basic insurance, uninsured coverage no longer applies with respect to vehicle damage although BVDC will usually apply, and individuals are generally precluded from suing both with respect to bodily injuries covered by enhanced accident benefits and for vehicle damage in circumstances where BVDC may apply.

The Corporation also offers Optional insurance in a competitive environment, which includes, but is not limited to, the following coverages: extended third party liability, comprehensive, collision, loss of use, hit and run, and income top-up.

The Corporation's Basic and Optional insurance products are distributed by approximately 900 independent brokers located throughout the Province of B.C. 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 vehicle insurer.

On June 8, 2023, the Corporation's Board of Directors authorized these consolidated financial statements for issue.

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.

a) Basis of reporting

The consolidated financial statements of the Corporation have been prepared in accordance with the 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. The Corporation's reporting currency and functional currency for 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 24). The Corporation presents investment income and investment impairment loss 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. The Corporation also provides a number of non-insurance services on behalf of the Province of B.C. 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 presented separately in the consolidated statement of comprehensive income under non-insurance operations for greater transparency (note 21).

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. Control is achieved when the Corporation is exposed to, or has rights to, variable returns from the entity and has the ability to use its power to affect the amount of the returns. Entities are fully consolidated from the date on which control is transferred to the Corporation. All but one of the Corporation's investment properties (note 6b) are held individually in nominee holding companies. The Corporation also invests in financial investments (note 6a) through a number of investment entities, some of which are wholly-owned and therefore consolidated. 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 a subsidiary's profit or loss and net assets that are not attributable to the Corporation. The Corporation attributes total comprehensive income or loss of entities between the parent and the NCI based on their respective ownership interests.

When the Corporation loses control over an entity, it derecognizes the assets and liabilities of the entity, and any related NCI and other components of equity. Any resulting gain or loss is recognized in profit or loss. Any interest retained in the entity is measured at fair value when control is lost.

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 any investments in which the Corporation has 20% or more holdings (note 3b) and accounts for these investments as available for sale.

Joint operation

The Corporation classifies joint arrangement investments based on the Corporation's contractual rights and obligations, rather than the legal structure of the joint arrangement. The Corporation owns a 50% share of each of its three joint operations, one of which is with a Limited Partner. The joint operations are all investment properties in Canada.

The Corporation recognises its direct right to the assets, liabilities, revenues and expenses of the joint operations and its share of assets, liabilities, revenues and expenses.

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 method.

d) Insurance contracts

The Corporation issues insurance contracts, which result in contingent payments of benefits subject to the occurrence of an insured event. The Corporation accounts for insurance contracts as follows:

Premiums earned

The Corporation recognizes vehicle insurance premiums on a straight-line basis over the term of each vehicle policy written. Driver premiums are earned over the term of the policy.

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 of 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, 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 plus development on known case reserves and loss adjustment expenses, and is gross of recoveries from reinsurance. The provision for unpaid claims also includes an estimate of direct expenses to be incurred in settling claims net of the expected salvage and subrogation recoveries. It is carried on a discounted basis and therefore reflects the time value of money. To recognize the uncertainty in establishing best estimates, the Corporation includes a provision for adverse deviations (PfAD).

Reinsurance

Reinsurance balances are presented separately on the consolidated statement of financial position and on the consolidated statement of comprehensive income.

Reinsurance assets, including both reinsurance recoverable on unpaid claims and reinsurance receivable on paid claims, 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, 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 directly held 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. The Corporation classifies an asset as held for sale when the following conditions are met:

- Management is committed to a plan to sell;
- The asset is available for immediate sale;
- An active programme to locate a buyer is initiated;
- The sale is highly probable, within 12 months of classification for sale;
- The asset is being actively marketed for sale at a reasonable purchase price; and
- Actions required to complete the plan indicate that it is unlikely the plan will significantly change or be withdrawn.

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 (note 6).

g) Financial assets

The Corporation categorizes its financial instruments as fair value through profit or loss (FVTPL), loans and receivables (Loans) or available for sale (AFS) depending on 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 fixed-income investments except mortgage funds and bond funds. Non-monetary financial assets include mortgage funds, bond funds, equities, and other financial investments.

Purchases and sales of financial assets are recognized on trade date, which is the date on which the Corporation commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred along with substantially all the risks and rewards of ownership.

The Corporation's financial assets are accounted for based on their classification as follows:

Fair value through profit or loss

A financial asset is 'classified' as FVTPL if it is acquired or originated principally for the purpose of selling in the short-term. A financial asset can be 'designated' in this category if doing so results in more relevant information.

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 on the consolidated statement of comprehensive 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 directly held mortgages, mortgage bond, premiums and other receivables as Loans.

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 in addition to the fair value. 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 Loans or classified as FVTPL are accounted for as AFS. AFS assets include the bond portfolio, bond funds, mortgage funds, money market securities, other financial investments and equity portfolios except for one global mezzanine pooled fund, which is designated as FVTPL.

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

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 or impairment loss. 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 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.

h) Translation of foreign currencies

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

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

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 inputs to the fair value measurement are 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.

An asset's or liability's classification within the fair value hierarchy is based on the lowest level of significant input to its valuation.

Specific valuation techniques used to determine the fair value of financial instruments include:

- For AFS and FVTPL – the use of quoted prices where available, other observable market information, where available or valuation models and techniques that are based on non-observable market data.
- For Loans – 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 at each reporting date by management.

j) Derivative financial instruments

The Corporation uses derivative financial instruments such as foreign currency forward contracts and foreign exchange swaps to manage foreign exchange risks and interest rate swaps to manage interest rate risks (note 7).

Derivative financial instruments are measured on the consolidated statement of financial position at fair value and are accounted for at FVTPL with all changes in fair value recorded immediately in investment income on the consolidated statement of comprehensive income. The Corporation does not apply hedge accounting.

k) 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 using the income approach to estimate fair value through the direct capitalization method and/or the discounted cash flow analysis as determined by an external investment manager.

The Corporation has certain properties that serve dual purposes: investment and own-use. 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 accounted for as an 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 the property is treated as property and equipment. The Corporation has two properties that serve a dual purpose and are classified as investment properties.

Investment properties 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% of initial carrying value annually over the investment properties' useful life.

l) Investment-related liabilities

Investment-related liabilities include mortgage debt associated with investment properties (note 2k) and are initially recognized at fair value, net of transaction costs incurred, and subsequently measured at amortized cost.

m) Net 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. These sale and repurchase arrangements are accounted for as financial liabilities and are initially recognized at fair value and subsequently measured at amortized cost. The interest rate at the time of the sale is the cost of borrowing the funds and is recognized as interest expense.

The Corporation also participates in the purchase and sale of Government of Canada and Provincial bonds, which are purchased and simultaneously agreed to be resold, to the same counterparty, at a future date with the market repurchase rate determining the forward contract price. These agreements are initially recognized at fair value and subsequently measured using effective interest method. These reverse repurchase arrangements have an offsetting effect to enhance performance by reducing interest expenses on the repurchase agreements and by economically hedging the interest rate, counterparty and collateral risks.

Assets transferred under repurchase or reverse repurchase agreements are not derecognized or recognized as substantially all the risks and rewards of ownership are retained by the Corporation or the counterparty in the case of the reverse repurchase agreements. The Corporation records a liability equal to the consideration received in repurchase agreements and offsets the liability equal to the purchase price in reverse repurchase agreements.

n) 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 measured at amortized cost.

o) 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 provisions are included in the accounts payable and accrued charges and provision for premium rebates/refunds as presented on the consolidated statement of financial position. Future operating losses are not recognized.

Where the provision 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.

p) Pension and post-retirement benefits

The amounts recognized in net income (loss) 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 year.

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

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

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

Past service costs arise from plan amendments that increase or decrease the obligation. Past service costs are recognized immediately in net income (loss).

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 reporting year are recognized in net income (loss).

A plan's surplus is equal to the excess, if any, of the plan's assets over its obligations. 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 year 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 (i.e., gains or losses) in the reporting year in which they arise, through OCI on 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, and are split equally between all participating employers and all contributing active plan members.

q) 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 are depreciated when they are 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. Land is not depreciated, as it is deemed to have an indefinite life.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and recorded in net income (loss).

r) Lease assets and liabilities

At inception of a contract that conveys rights to the Corporation to use an identified asset, the Corporation assesses whether the contract is or contains a lease. This assessment involves exercising judgment to determine whether the Corporation has the right to control the use of an identified asset for a period of time in exchange for considerations. If the arrangement is, or contains a lease, the Corporation recognizes a lease asset and a lease liability at the commencement of the lease. Lease assets include both tangible and intangible assets.

The lease asset is initially measured based on the present value of future lease payments plus directly attributable cost, less any lease incentive received. Directly attributable costs are incremental costs of obtaining a lease that would not have otherwise been incurred and that are directly attributable to negotiating and securing a lease. The lease asset is amortized on a straight-line basis over the lesser of the lease term or the asset's useful life. The lease asset is subject to testing for impairment if there is an indicator for impairment.

Lease liability consists of fixed payments less incentive receivable, variable lease payments that depend on an index or a rate, residual value guarantee, and purchase options price less termination costs. Lease liability is measured at the present value of the remaining lease payments using the implicit rate or the incremental borrowing rate implicit in the lease.

When the lease contains an extension or purchase option that the Corporation considers reasonably certain to be exercised, the exercise price of the option is included in the lease liability.

s) 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 projects expected to be of continuing benefit to the Corporation, or expensed where the potential future benefits are uncertain or not quantifiable. Where software in development is not available for its intended use, the software development costs are classified as an asset under construction. Once the asset is available for intended use, it will be classified as an intangible asset.

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 20%, 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.

The assets' residual value and useful lives are reviewed annually and adjusted, if appropriate, at each reporting date.

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

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

Impairment of non-financial assets

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

u) Current and non-current classification of assets and liabilities

Assets are considered current when expected to be realized within one year of the reporting date. Liabilities are considered current when expected to be settled within one year of the reporting date.

The Corporation presents the statement of financial position on basis of liquidity. The classification of current and non-current assets and liabilities is disclosed in the notes to the financial statements.

v) Reclassification of prior year balances

In the year ended March 31, 2023, the impairment loss on financial investments and investment properties is classified as a separate item in the consolidated statement of comprehensive income. This is to present separately the significant impairment loss from the underwriting results and insurance operations of the Corporation, in order to provide more relevant, reliable and understandable financial information to the users of the consolidated financial statements. Subtotal of net income before impairment loss and total net income (loss) are provided. For comparative purposes, impairment loss for the year ended March 31, 2022, previously aggregated with investment income, is also presented in a separate line item in the consolidated statement of comprehensive income.

3. Critical Accounting Estimates and Judgments

In preparation of the consolidated financial statements, the Corporation makes judgments in applying the Corporation's accounting policies. The judgments that have the most significant effect on the amounts recognized in the consolidated financial statements include the assessment of impairment indicators in determining the impairment, if any, in the financial investment portfolio and non-financial investments. In addition, management makes assumptions in developing estimates in preparing the consolidated financial statements. Estimates subject to uncertainty include the provision for unpaid claims, the valuation of Level 3 investments, and the valuation of pension and post-retirement benefit obligations. Management believes its estimates and judgments to be appropriate; however, due to estimation uncertainty the actual results may be materially different. Particular sources of estimation uncertainty include the impacts of product reform and Enhanced Care and the related costs and savings on the provision for unpaid claims and deferred premium acquisition costs. Other sources of economic uncertainty include the effects of market economic conditions, including inflation, impacts of the ongoing Russian invasion of Ukraine, and the abiding effect of the COVID-19 pandemic on the future development of the Corporation's assets and liabilities. These areas of judgment and critical accounting estimates are described below.

Significant accounting estimates and judgments include:

Areas of Judgment

a) Impairment of financial assets

Judgment is required to determine if there is objective evidence of impairment of financial assets classified as available for sale and amortized cost. 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 and other investments, a prolonged decline is considered objective evidence of impairment (note 11).

b) Significant influence

The Corporation owns more than 20% of various investment entities. However, the Corporation does not have significant influence in any of these entities. In determining whether the Corporation has significant influence over an entity, judgment is applied considering all the facts such as whether or not it has the power or only protective rights to exert influence over investment activities.

Estimates Subject to Uncertainty

c) Provision for unpaid claims

The provision for unpaid claims is established according to accepted actuarial practice in Canada. An unbiased estimate (best estimate) of claims costs is produced and discounted to determine a present value as of the reporting date, and a PfAD is included based on the uncertainty associated with the estimate. Methods of estimation have been used which the Corporation believes produce reasonable results given current information (note 15).

The Corporation's 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 incurred claims, taking into consideration changes to the insurance product, as well as the closure rates, payment patterns, consistency of the Corporation's claims handling procedures, the legal representation status of claims, historical delays in reporting of claims, and the historical and forecasted levels of inflation. In general, the more time required for the settlement of a group of claims, the more uncertain the estimates will be. Variability can be caused by receipt of additional information, significant changes in the average cost or complexity of claims over time, significant changes in the Corporation's claims operations, the timing of claims payments, product and legal reforms with limited or no experience, and future rates of investment return and inflation.

The ultimate cost of claims that settle over a long period of time is particularly challenging to forecast for several reasons, which include changes in the legal environment, case law or legislative amendments, and periods of time between the occurrence date of a claim and the date it is reported to the Corporation. 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 to reflect ultimate loss expectations based upon historical experience patterns, current socio-economic trends and for certain claims, structured settlements that are provided in the form of consistent periodic payments as opposed to lump-sum payments.

To recognize the uncertainty in establishing a best estimate of the provision for unpaid claims, and consistent with the requirements of 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 capture expected future cash outflows. 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' in the consolidated statement of comprehensive income.

The Corporation has considered the impacts of tort reform and the new Enhanced Care insurance model in the estimation of the provision for unpaid claims. The impact of these changes creates additional source of estimation uncertainty, as there is limited historical experience under the tort reform and the Enhanced Care insurance model.

d) Valuation of 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 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 18.

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 historical data, 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 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 18).

e) COVID-19 economic uncertainty

In March 2020, the World Health Organization declared a global pandemic related to COVID-19. The magnitude of the impact of the COVID-19 pandemic on local and global commerce continues to evolve as it depends on future development of measures taken by government and central banks to stabilize the economy. Hence, there continues to be ongoing uncertainty surrounding the extent and duration of the impact that COVID-19 might have on the investment portfolio of the Corporation, claims costs (frequency and severity), premium revenues and receivables, and post-retirement benefit obligations (fair value of investments and the obligation for pension benefits and the related funding requirements).

The Corporation has considered the impact of COVID-19 in the estimation of the provision for unpaid claims. The impact of COVID-19 creates additional sources of estimation uncertainty as the estimation of claim frequency and severity may be affected by changes in vehicle usage, delays in vehicle repair services, and inflation of vehicle costs; and as the discount rate may be affected by changes in investment values and cash flows.

The long-term impact of COVID-19 on the pension and post-retirement benefits assumptions is also uncertain and introduces additional estimation uncertainty. As a result of the uncertainty, actual results may differ materially from the Corporation's estimates. The valuation of pension assets and the discount rate were determined at the reporting date based upon the best available information. The Corporation has considered if COVID-19 would have an impact on any of the other assumptions and has concluded, based on the information currently available, that the long-term assumptions remain appropriate. As new information emerges, assumptions will be updated as necessary and the consequential impact will be recorded in future reporting periods.

f) Russian invasion of Ukraine

As a result of the Russian invasion of Ukraine, beginning on February 28, 2022, sanctions were put in place to halt trading of Russian securities in major stock exchanges and major index providers have removed Russian equities from their indexes. As a result, the Corporation's investment manager has fully written off investments with Russian exposure. The Corporation has determined that there is minimal residual impact on its financial investments. However, there is ongoing uncertainty surrounding the extent of the potential macroeconomic impact on the Corporation's investment portfolio, pension assumptions, and business activities as the war continues to evolve. The Corporation continues to review business practices to ensure compliance with the sanctions related to Russia via the *Special Economic Measures (Russia) Regulations*.

g) 2019 legal-based product reform

Legislation was enacted on May 17, 2018 to reform the Basic insurance product to limit pain and suffering payouts for minor injuries and create an independent dispute resolution process for injury claims effective April 1, 2019 (note 23). The product reform significantly decreased claims costs associated with accidents occurred on or after April 1, 2019. Key factors that contributed to the overall reduction in claims cost pressures include: a) the limit on general damages of $5,500 apply to minor injuries, b) the enhancements in accident benefits coverage, c) other insurance (collateral benefits) are primary for most medical and wage loss amounts when it is available and, d) bodily injury claims disputes valued up to $50,000 are resolved by the Civil Resolution Tribunal (CRT) instead of the Supreme Court of B.C.

The impact of the product reform has been favourable and contributed to improvement in the Corporation's financial stability. Given the limited history of the product reform, there is material estimation uncertainty in the measurement of these costs. Any recognition of additional impact has been reflected in the change in estimates for losses occurring in prior years.

h) Enhanced Care

On May 1, 2021, the Corporation implemented a new care-based insurance model (note 1). The impact of the new insurance model has been reflected in the estimate of current year and prior year claims costs, and affects the estimate of claims costs used in determining the asset associated with the deferred premium acquisition costs (note 20). Given the limited historical experience under this model, there is estimation uncertainty in the measurement of these costs.

i) Inflation

Since the beginning of the fiscal year, there has been unusually high inflation, causing significant deterioration in the global financial markets and unprecedented repricing of interest rate expectations resulting in significant declines in both equity and fixed income asset prices to date. Higher inflation has also impacted the cost of claims, and will continue to affect the cost of open claims. Significant uncertainty remains surrounding the extent and duration of the unusual high inflation, adding uncertainty due to potential impacts on the Corporation's investment portfolio, pension assumptions, and current and prior year claims costs.

j) Material damage supply chain and labour shortage

The COVID-19 pandemic has triggered a global shortage of vehicle parts and computer chips resulting in extensive delay in vehicle repairs. The delay is further exacerbated by the shortage of skilled labour in the car repair industry in British Columbia. The situation is not expected to resolve in the next few years. Delays in vehicle repairs, particularly when combined with the current high inflation environment, result in estimation uncertainty in the measurement of costs associated with vehicle damage claims.

k) Valuation of level 3 investments

The fair value of financial instruments where no active market exists or where quoted prices are not otherwise available are determined by using valuation techniques and relying on significant unobservable inputs. In these cases, the fair values are estimated from observable data in respect of similar financial instruments, unobservable data using models or both. Where market observable inputs are not available, they are estimated based on appropriate assumptions. Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed by an external qualified personnel independent of those that sourced them (note 2i).

Inherently there is significant estimation uncertainty arising from the judgments and assumptions in determining fair value of these investments.

4. New Accounting Pronouncements

a) Standards and interpretations effective for the year ended March 31, 2023

The Corporation has adopted the standards and interpretations that are relevant to the operations of the Corporation and effective for the year ended March 31, 2023. There were no material impacts to the Corporation's consolidated financial statements from the adoption of new 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. The Corporation has deferred the implementation of IFRS 9 until its fiscal year beginning April 1, 2023, as allowed under the amendments to IFRS 4 *Insurance Contracts* and will be reflected in the Corporation's consolidated financial statements for the year ending March 31, 2024. 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 generally based on an entity's business model and the nature of the cash flows of the asset. All financial assets are measured at FVTPL, fair value through OCI (FVOCI) or amortized cost if certain conditions are met. In addition, on initial recognition, an entity may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost, at FVOCI as measured at FVTPL if doing so eliminates, or significantly reduces an accounting mismatch that would otherwise arise. An entity may also elect certain investments as FVOCI on an instrument-by-instrument basis.

  IFRS 9 also replaces the incurred loss model in IAS 39 for the recognition of impairment with a forward-looking expected credit loss (ECL) model. This will require considerable judgment about how changes in economic factors affect the expect credit loss, which will be determined on a probability-weighted basis. The new impairment model will not have a significant impact on the Corporation since most financial assets will be valued in FVTPL. For financial assets that are measured at amortised cost and FVOCI, IFRS 9 requires a loss allowance to be recognised at an amount equal to either 12-month ECL or lifetime ECL. Lifetime ECL are the ECL that result from all possible default events over the expected life of the financial instrument; 12-month ECL are the portion of lifetime ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

For financial liabilities, IFRS 9 includes the requirements for classification and measurement previously included in IAS 39.

In addition, 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.

The following summarizes the Corporation's accounting policies including key judgments and estimates made under IFRS 9 that will become effective as at April 1, 2023:

Financial assets – Classification and measurements

- The Corporation elected to designate debt instruments as FVTPL. These are debt instruments that otherwise meet the criteria to be measured as amortized cost or FVOCI based on the Corporation's business model objective of managing these debt instruments and the characteristics of their cash flows. However, the irrevocable election to designate these debt instruments as FVTPL was made to eliminate or significantly reduce an accounting mismatch that would otherwise arise from measuring assets and insurance liabilities on different basis.
- The Corporation will classify all other financial investments as FVTPL as they do not meet the criteria to be measured at amortised cost or FVOCI based on the characteristics of their cash flows.
- All fair value changes of financial investments will be recorded in investment income on the consolidated statement of comprehensive income.

Financial assets – Impairment

- The Corporation will use the ECL impairment model to recognize a loss allowance up-front for either expected 12-months credit losses or expected lifetime credit losses for all instruments carried at amortized cost and FVOCI.
- The financial asset subject to the ECL model is other receivables.
- Based on the Corporation's financial investments classification upon transition, none of the Corporation's financial investments will be subject to the ECL model since they are measured at FVTPL.

Financial liabilities – Classification and measurements

- IFRS 9 largely retains the existing requirements for the classification and measurement of financial liabilities as compared to IAS 39 except for financial liabilities designated as FVTPL.
- The Corporation will continue to measure all financial liabilities at amortized cost, except for the derivatives that are measured at FVTPL, which is the same as the current classification under IAS 39.

Transition approach

- The Corporation will apply IFRS 9 retrospectively on a look-back basis at the date of the initial application on April 1, 2023 and will restate prior period from April 1, 2022 to March 31, 2023 as if IFRS 9 had always applied, which includes restating opening balances as at April 1, 2022.
- The Corporation will elect to apply the classification overlay in IFRS 17 to financial assets derecognized in fiscal year 2022 to present comparative information as if the classification and measurement (including impairment) requirements of IFRS 9 has been applied to such financial assets.

Impact assessment

The following summarizes the key changes in the standard that will impact the Corporation on transition date, April 1, 2022:

Changes from IAS 39	**Impact of IFRS 9 on equity on transition date**
Under IFRS 9, the Corporation's accounting policy to recognize most financial assets as FVTPL and any fair value changes during the period will be recorded as investment income/losses instead of OCI. Currently, the Corporation measures directly held mortgages only at amortized cost.	Increase

- IFRS 17 *Insurance Contracts.* Effective for annual periods beginning on or after January 1, 2023. Early adoption is permitted for entities that apply IFRS 9 and IFRS 15 on or before the initial application of IFRS 17. The standard establishes the principles of recognition, measurement, presentation and disclosure of insurance and reinsurance contracts and supersedes IFRS 4. The standard will be effective for the Corporation on April 1, 2023, and reflected in the Corporation's consolidated financial statements for the year ending March 31, 2024.

  IFRS 17 requires an entity to identify and assess whether a set or series of contracts under the scope of IFRS 17 are classified as a single contract and whether embedded derivatives, investment components, and goods and services components have to be separated and accounted for under another standard. For insurance and reinsurance contracts, the Corporation does not expect significant changes arising from the application of these requirements as the Corporation only offers single insurance contracts with Basic and Optional coverages.

  Under IFRS 17, insurance contracts are aggregated into groups for measurement purposes. Groups of contracts are determined by first identifying portfolio of contracts, each comprising of contracts subject to similar risks and managed together. Each portfolio is then divided into annual cohort (i.e. by year of issue) and each annual cohort into three groups:

- contracts that are onerous at initial recognition;
- contracts that at initial recognition have no significant possibility of becoming onerous subsequently; and
- remaining contracts in the portfolio.

The level of aggregation requirements in IFRS 17 limit the offsetting of profitable contracts against onerous ones, having regard how insurers manage and evaluate the performance of their business. However, contracts that would fall into different groups only because law or regulation specifically constrains the Corporation's ability to set a different price, may be grouped in the same group. Compared with the level at which the liability adequacy test is performed under IFRS 4 (i.e. at an overall entity level rather than group of contracts level), the level of aggregation under IFRS 17 is more granular and may result in more contracts being identified as onerous and losses on onerous contracts being recognized sooner.

IFRS 17 also introduces a measurement model based on the estimates of the present value of future cash flow that are expected to arise as the entity fulfills the contract and an explicit risk adjustment for non-financial risk. The Premium Allocation Approach (PAA) is an optional simplified measurement model that is also available for insurance and reinsurance contracts that meet the eligibility criteria.

The carrying amount of a group of insurance contracts issued at the end of each reporting period is the sum of the liability of remaining coverage (LRC) and the liability for incurred claims (LIC)

Under PAA, on initial recognition of a group of contracts, the carrying amount of the LRC is measured at the premium received to date less any insurance acquisition cash flows paid and any amounts arising from the derecognition of the prepaid acquisition cash flow asset. Subsequently, the carrying amount of LRC is increased by any further premium received , decreased for insurance acquisition flows paid in the period, increased for the amortization of insurance acquisition cash flows in the period recognized as insurance service expenses and decreased by the amount recognized as insurance revenue for insurance services provided.

If at any time before and during the coverage period, facts and circumstances indicate that a group of contract is onerous, the entity will recognize a loss in profit or loss and increase LRC to the extent that the current estimates of the fulfillment cash flow that relate to remaining coverage exceed the carrying amount of the LRC.

Liability for incurred claims (LIC) of a group of contracts are recognized at the amount of the fulfillment cash flow related to incurred claims. The fulfillment cash flows, which comprise:

- probability-weighted estimates of future cash flows;

- an adjustment to reflect the time value of money and the financial risks associated with those future cash flows; and
- a risk adjustment for non-financial risk

Significant judgments and estimates are required in estimating the above components.

In addition, IFRS 17 requires extensive new disclosures about amounts recognised in the financial statements including detailed reconciliations of contracts as well as disclosures about significant judgments made when applying IFRS 17. Disclosures will generally be made at a more granular level than under IFRS 4, providing more transparent information for assessing the effects of contracts on the financial statements.

The following summarizes the Corporation's accounting policies including key judgments and estimates made under IFRS 17:

Contract boundary and measurement model

- The Corporation will elect to apply the PAA to all groups of insurance and reinsurance contracts based on the coverage period being one year or less.
- For all insurance contracts issued by the Corporation, the contract boundary aligns with the policy term of each contract and is always one year or less. For all reinsurance contracts held by the Corporation, the contract boundary aligns with the reinsurance contracts coverage term of 12 months.

Contract separation

- Before the Corporation accounts for an insurance contract based on the guidance in IFRS 17, it analyses whether the contract contains components that should be separated. The Basic and Optional coverage contracts cannot be further broken down due to interdependency of risk between Basic and Optional coverage as well as the fact that Optional coverage cannot be sold independently.

Level of aggregation and onerous contracts

- IFRS 17 requires insurance contracts to be aggregated into portfolios of contracts that are managed together and share similar risks. The Corporation will include both the Basic only and Basic and Optional contracts in one portfolio, as these contracts share similar risks and are managed together. The Basic coverage only or Basic and Optional coverage contracts cannot be further broken down due to interdependency of risk between Basic and Optional coverage as well as the fact that Optional coverage cannot be sold independently.
- Contracts are then further disaggregated based on profitability, and each group must not include contracts issued more than one year apart. The Corporation will group contracts together in annual cohorts aligning with the Corporation's fiscal period and assume that no contracts in the portfolio are potentially onerous at initial recognition unless facts and circumstances indicate otherwise, in line with PAA requirements.

Insurance acquisition cash flows

- The Corporation will elect to expense, as incurred, all the insurance acquisition cash flows. Insurance acquisition cash flow arises from the activities of selling, underwriting and starting a group of contracts that are directly attributable to the portfolio of contracts, including commissions, premium taxes, and underwriting expenses.

Risk adjustment for non-financial risk

- The Corporation will be using the confidence level approach for adjusting the estimate of the present value of the future cash flow to reflect the compensation that the Corporation requires for bearing the uncertainty about the amount and timing of the cash flows that arises from non-financial risk.
- The confidence level approach is in accordance with International Actuarial Association (IAA) and best assigned with other risk measurement currently used by the Corporation and most readily enables the disclosure requirements under IFRS 17.
- Management will select a confidence level based on the Corporation's risk appetite on unexpected adverse claims emergence. After initial implementation, the confidence level may change from time to time if there is a business justification or based on the risk appetite of the Corporation.

Discount rate

- The Corporation will determine the discount rate using the bottom-up approach to reflect the characteristics of insurance contract liabilities. The bottom-up approach adds illiquidity premium to the risk free rate. This approach also uses a reference portfolio to derive an illiquidity premium curve.
- As permitted under IFRS 17, the Corporation will not adjust the liability for remaining coverage to reflect the time value of money and the effect of financial risk.
- The future cash flows within the LIC are discounted (at current rates) since the insurance contracts issued by the Corporation typically have a settlement period of over one year.
- The effect of discounting will be recognized through the net (loss) income on the consolidated statement of comprehensive income.

Transition approach

- The Corporation will apply the full retrospective approach in transition to IFRS 17 and restate the comparative period from April 1, 2022 to March 31, 2023 as if IFRS 17 had always applied, which includes restating opening balances as at April 1, 2022.

Impact assessment

The following summarizes the key changes in the standard that will impact the Corporation on transition date, April 1, 2022:

Changes from IFRS 4	**Impact of IFRS 17 on equity on transition date**
Under IFRS 17, the Corporation will use a discount rate that reflects the characteristics of the insurance liability instead of its investment portfolio to discount the future cash flow when measuring LIC.	Increase
IFRS 17 requires the fulfillment cash flow to include a risk adjustment for non-financial risk. Currently, the Corporation includes a PfAD to recognize the uncertainty in establishing best estimate of amounts required to settle all unpaid claims.	Increase
Under IFRS 17, the Corporation's accounting policy to expense eligible insurance acquisition cash flow when incurred differs from current practice to recognize these amounts as deferred premium acquisition costs.	Decrease

- IAS 1 *Presentation of Financial Statements, Classification of Liabilities as Current or Non-current*. Effective for annual periods beginning on or after January 1, 2023; early adoption is permitted. Amended to clarify that the classification of liabilities as current or non-current should be based on the rights that are in existence at the end of the reporting period, the classification is unaffected by expectations of the entity or events after the reporting date, and the definition of settlement. The standard will be effective for the Corporation on April 1, 2023, and reflected in the Corporation's consolidated financial statements for the year ending March 31, 2024. The adoption of this amendment is not expected to have a material impact to the Corporation's consolidated financial statements.

- IAS 1 *Presentation of Financial Statements, Disclosure of Accounting Policies* (Amendment). Effective for the annual periods beginning on or after January 1, 2023; early adoption is permitted. Amended to require entities to disclose their material accounting policies rather than their significant accounting policies. The standard will be effective for the Corporation on April 1, 2023, and reflected in the Corporation's consolidated financial statements for the year ended March 31, 2024. The adoption is not expected to have a material impact to the Corporation's consolidated financial statements.

- IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Accounting Estimates* (Amendment). Effective for the annual periods beginning on or after January 1, 2023; early adoption is permitted. Amended to clarify the definition of "accounting policies" and "accounting estimates" by making those two definitions more distinct and concise. The standard will be effective for the Corporation on April 1, 2023, and reflected in the Corporation's consolidated financial statements for the year ended March 31, 2024. The adoption is not expected to have a material impact to the Corporation's consolidated financial statements.

- IFRS 10 *Consolidated Financial Statements* and IAS 28 *Long term Interests in Associates and Joint Ventures* (Amendment). Effective for the annual periods beginning on or after a date to be determined by IASB; early adoption is permitted. Changes to these standards amend the accounting for sales or contribution of assets between an investor and its associate or joint ventures, and accounting guidance for a parent in the loss of control of a subsidiary. The adoption is not expected to have a material impact on the Corporation's consolidated financial statements.

5. IFRS 9 deferral disclosure

The Corporation has elected to defer implementation of IFRS 9 to the fiscal year commencing April 1, 2023, based on an assessment of the Corporation's consolidated financial statements as at December 31, 2015, as permitted by the amendments to IFRS 4 issued on June 25, 2020.

The Corporation qualifies for this deferral as IFRS 9 has not previously been applied and the carrying amount of its liabilities arising from insurance contracts was significant (greater than 90%) when compared to the total amount of liabilities of the Corporation as at December 31, 2015. The Corporation's predominant business activity therefore continues to be in connection with insurance contracts and the eligibility to defer IFRS 9 implementation remains.

The following table distinguishes the Corporation's financial assets that give contractual rise to cash flows that are solely payments of principal and interest (SPPI), excluding those held for trading, and all other financial assets. The assets are presented at fair value for the year ended March 31, 2023.

($ THOUSANDS)	2023	2022
	Fair Value	Fair Value
Financial assets		
SPPI (excluding held for trading)		
Cash and cash equivalents	$ 25,957	$ 29,654
Accrued interest	46,717	40,024
Other receivable[1]	19,687	528,545
Type 2 structured settlements	14,964	16,099
Money market securities	-	6,019
Bonds	6,830,217	7,293,745
Mortgages	61,247	420,743
	$ 6,998,789	$ 8,334,829
Other financial assets		
Non-SPPI bonds	49,856	146,284
Pooled funds classified as debt instruments	10,228,084	10,850,343
Investments held through investment entities	1,988,877	1,055,085
Equities	-	238,144
	$ 12,266,817	$ 12,289,856

[1] *Given the short-term nature of other receivable, the carrying amount has been used as a reasonable approximation of fair value.*

Credit risk

IFRS 9 will require the Corporation to recognize a loss allowance for expected credit losses on financial assets that meet the SPPI conditions and are held for the purpose of collecting contractual cash flows. The credit risk rating for money market securities and bonds in the above table that meet these conditions (SPPI, excluding held for trading) can be found in note 10b. Mortgages and other receivables (including type 2 structured settlements) are assessed for significant increases to credit risk based on past due analyses. All directly held mortgages are current as at March 31, 2023. See note 10b for an aging table for other receivables.

6. Investments

a) Financial investments

($ THOUSANDS)		Financial Investments			
	Classification	Investments In Pooled Funds	Investments Held Directly	Investments Held Through Investment Entities	Total Carrying Value
March 31, 2023					
Fixed-income investments					
Money market securities	AFS	$ 976,655	$ -	$ -	$ 976,655
Mortgages	Loans	-	62,753	-	62,753
Mortgage funds	AFS	558,705	-	187,962	746,667
Bond funds	AFS	1,888,703	-	-	1,888,703
Bonds					
Federal	AFS	-	2,985,409	-	2,985,409
Provincial	AFS	-	1,179,487	-	1,179,487
Corporate	AFS	-	2,715,177	-	2,715,177
Total bonds		-	6,880,073	-	6,880,073
Total fixed-income investments		3,424,063	6,942,826	187,962	10,554,851
Equity investments					
Global	AFS	4,590,725	-	-	4,590,725
Total equity investments		4,590,725	-	-	4,590,725
Other financial investments					
Domestic real estate	AFS	967,175	-	-	967,175
Global real estate	AFS	1,788	-	596,180	597,968
Global infrastructure	AFS	83,208	-	750,772	833,980
Global mezzanine debt	FVTPL	119,283	-	-	119,283
Global mezzanine debt	AFS	73,923	-	-	73,923
Private assets	AFS	967,919	-	453,963	1,421,882
Total other financial investments		2,213,296	-	1,800,915	4,014,211
Total financial investments		$ 10,228,084	$ 6,942,826	$ 1,988,877	$ 19,159,787
March 31, 2022					
Fixed-income investments					
Money market securities	AFS	$ 830,283	$ 6,019	$ -	$ 836,302
Mortgages	Loans	-	412,125	-	412,125
Mortgage funds	AFS	748,063	-	89,986	838,049
Bond funds	AFS	2,216,886	-	-	2,216,886
Bonds					
Federal	AFS	-	2,694,798	-	2,694,798
Provincial	AFS	-	1,817,543	-	1,817,543
Corporate	AFS	-	2,927,688	-	2,927,688
Total bonds		-	7,440,029	-	7,440,029
Total fixed-income investments		3,795,232	7,858,173	89,986	11,743,391
Equity investments					
Domestic	AFS	326,618	238,144	-	564,762
Global	AFS	4,973,595	-	-	4,973,595
Total equity investments		5,300,213	238,144	-	5,538,357
Other financial investments					
Domestic real estate	AFS	855,841	-	-	855,841
Global real estate	AFS	2,113	-	453,666	455,779
Global infrastructure	AFS	36,182	-	338,145	374,327
Global mezzanine debt	FVTPL	221,300	-	-	221,300
Global mezzanine debt	AFS	89,220	-	-	89,220
Private assets	AFS	550,242	-	173,288	723,530
Total other financial investments		1,754,898	-	965,099	2,719,997
Total financial investments		$ 10,850,343	$ 8,096,317	$ 1,055,085	$ 20,001,745

The Corporation's investment in pooled funds are denominated 95.8% (2022 – 96.1%) in Canadian dollars. The Corporation's investment held through investment entities are denominated 100.0% (2022 – 100.0%) in Canadian dollars. The above equity and other financial investment disclosure presents the Corporation's interest in pooled funds and investments held through investment entities by looking through the funds, and classifying by the type of the underlying investments, which is consistent with how the Corporation manages risk and monitors performance.

Money market securities, bonds, bond funds, mortgage funds, equity and other financial investments are carried at their fair value. The fair value of directly held mortgages is determined to be consistent with Level 3 investments based on the inputs to the valuation technique used (note 2i). Directly held mortgages are measured at amortized cost and have an estimated fair value of $61.2 million (2022 – $420.7 million). The fair value of the directly held mortgages is determined by applying a discount rate ranging from 1.9% to 2.4% (2022 – 1.3% to 4.0%).

Pooled funds and investments held through investment entities

The Corporation invests in pooled funds and investments held through investment entities; the investment strategies of some of these funds and investments include the use of leverage. As at March 31, 2023, the Corporation's interest in pooled funds range from 0.1% to 37.3% (2022 – 1.9% to 36.2%) and investments held through investment entities range from 7.0 % to 100.0% (2022 – 7.0% to 100%) of the net assets of the respective funds and investments. The funds and investments are managed by external asset managers. The Corporation has a percentage ownership in each of the pooled funds and investments that entitle the Corporation to a proportional share in the respective fund's net assets. The carrying value of the Corporation's investments in pooled funds and investments held through investment entities as at March 31, 2023 is $12.22 billion (2022 – $11.91 billion).

The change in fair value of each AFS pooled fund is included in the OCI section within the consolidated statement of comprehensive income in 'Net change in available for sale financial assets'. One of the pooled fund investments is designated as FVTPL and as a result, the change in fair value is recorded in investment income on the consolidated statement of comprehensive income.

The Corporation's maximum loss exposure from its interests in the pooled funds and investments held through investment entities is equal to the total fair value of these 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 corporate entities and are secured by credit card, auto, or equipment receivables. Also, the Corporation invests in AAA rated senior securities issued by securitization trusts that have a first lien on assets. The weighted-average duration of the asset-backed securities in the Corporation's portfolio is 3.0 years (2022 – 1.3 years) and the coupon interest rates range from 3.8% to 5.0% (2022 – 2.3% to 2.6%).

As at March 31, 2023, the carrying value of asset-backed securities included in financial investments in the consolidated statement of financial position is $64.0 million (2022 – $22.4 million). This amount also represents the maximum exposure to losses at that date.

As at March 31, 2022, the Corporation held one mortgage-backed security with a carrying value of $16.9 million and an estimated fair value of $17.3 million. The mortgage-backed security was sold in the current fiscal year.

b) Investment properties

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

($ THOUSANDS)		2023		2022
Cost				
Balance, beginning of year	$	354,705	$	695,017
Capital improvements		12,122		8,347
Reclassification to assets held for sale		(62,185)		(252,446)
Reverted from assets held for sale to investment properties		182,697		-
Disposals		(62,641)		(95,107)
Impairment loss		(5,477)		(1,106)
Balance, end of year		419,221		354,705
Accumulated depreciation				
Balance, beginning of year		99,661		136,684
Depreciation		21,802		19,191
Reverted from assets held for sale to investment properties		31,584		-
Disposals		(18,043)		(12,188)
Reclassification to assets held for sale		(21,574)		(44,026)
Balance, end of year		113,430		99,661
Carrying value, end of year	$	305,791	$	255,044

The fair value of investment properties is $0.43 billion (2022 – $0.40 billion) and based on the inputs to the valuation technique used, the valuation of these investment properties is Level 3. As at March 31, 2023 and March 31, 2022, the estimated fair value is based on independent appraisals, by professionally qualified external valuators or using the income approach to estimate fair value through the direct capitalization method and/or the discounted cash flow analysis as determined by an external investment manager.

As at March 31, 2023, four (2022 – four) investment properties remain in assets held for sale.

c) Lease income

The Corporation leases out its investment properties. As of March 31, 2023, the future minimum lease cash receipts under non-cancellable leases over the next five years and beyond are as follows:

($ THOUSANDS)	2023		2022	
	Lease Income	Net Present Value	Lease Income	Net Present Value
Up to 1 year	$ 21,849	$ 20,860	$ 22,403	$ 21,608
Greater than 1 year, up to 5 years	53,646	46,282	55,518	49,398
Greater than 5 years	22,212	16,824	24,999	20,126
	$ 97,707	$ 83,966	$ 102,920	$ 91,132

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 fiscal years 2023 and 2022, 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)
March 31, 2023				
Cash and cash equivalents	$ 25,957	$ -	$ 25,957	$ -
Fixed-income investments, excluding directly held mortgages	10,492,098	-	9,745,431	746,667
Equity investments	4,590,725	-	4,590,725	-
Other financial investments	4,014,211	-	-	4,014,211
Total financial assets	$ 19,122,991	$ -	$ 14,362,113	$ 4,760,878
March 31, 2022				
Cash and cash equivalents	$ 29,654	$ -	$ 29,654	$ -
Fixed-income investments, excluding directly held mortgages	11,331,266	-	10,493,217	838,049
Equity investments	5,538,357	238,144	5,300,213	-
Other financial investments	2,719,997	-	-	2,719,997
Total financial assets	$ 19,619,274	$ 238,144	$ 15,823,084	$ 3,558,046

Cash and cash equivalents (Level 2) is valued using the end of day exchange rates. Level 2 money market securities within fixed-income investments and equity investments (pooled funds) are valued using net asset value or pricing matrices derived from yield quotations, or if one does not exist, cost plus accrued interest. Bonds and money market pooled fund within Level 2 fixed-income investments are valued using the quoted market price or dealer quotes for similar instruments exchanged in active markets.

The table below shows the movement of financial assets where fair value has been determined based upon significant unobservable inputs (Level 3). Level 3 investments consist of the other financial investments and the mortgage funds.

The fair values of the real estate pooled investments are provided by the investment managers and are based on the appraised or calculated market value plus the net assets and liabilities combined with any cash flows. The global mezzanine debt fund's valuations are provided by the investment managers and are based on the discounted cash flow method using yields of assets with similar characteristics combined with cash flows. The global infrastructure valuations are provided by the investment manager and are based on various methods such as the discounted cash flows, appraisals and audited financial statements. The private fixed-income funds and private equity funds valuations are provided by the investment manager and are based on the observed external price, if one exists, or if one does not exist, discounted cash flows using the yields of externally priced comparable private or public fixed-income assets. The consolidated mortgage fund's value is provided by the investment manager and is based on a discounted cash flow that uses a risk-free rate of return and a mortgage credit spread for fixed term mortgages. For variable mortgages, valuations are based on the principal balance plus accrued interest and for other mortgage investments, valuations may be based on audited financial statements and discounted cash flows.

($ THOUSANDS)	**Fair Value Measurements using Level 3 Inputs**	
	Equities and Other Financial Investments	
March 31, 2023		
Balance, beginning of year	$	3,558,046
Additions		2,124,628
Disposals		(1,055,763)
Market value adjustment		133,967
Balance, end of year	$	4,760,878
March 31, 2022		
Balance, beginning of year	$	2,598,059
Additions		2,504,708
Disposals		(1,635,871)
Market value adjustment		91,150
Balance, end of year	$	3,558,046

The fair value of derivative instruments not designated as accounting hedges is as follows:

($ THOUSANDS)	2023		2022	
	Notional Amount	Fair Value	Notional Amount	Fair Value
Non-designated derivative instruments				
Assets				
Forward contracts	$ -	$ -	$ 2,187,494	$ 24,019
	$ -	$ -	$ 2,187,494	$ 24,019
Liabilities				
Forward contracts	$ 2,387,682	$ 45,598	$ -	$ -
Foreign exchange swaps	260,000	357	154,579	1,395
Interest rate swap - investment properties	91,850	747	-	-
	$ 2,739,532	$ 46,702	$ 154,579	$ 1,395

The Corporation uses foreign exchange forward contracts and swaps to hedge the foreign exchange risks associated with its foreign currency financial investments. The Corporation entered into an interest rate swap to naturally hedge the interest rate of one of the investment properties' mortgages. Other than the interest rate swap associated with one of the investment properties' mortgages, all forward contracts and swaps have settlement dates within one year.

The non-designated derivative financial instruments are classified as Level 2. Forward contracts are valued based on the difference between the forward rate at the contract initiation date and the remaining forward term rate on the reporting date. Swap contracts are valued at the present value of their expected cash flows on the reporting date.

Other financial assets

Other financial assets include accrued interest, premiums and other receivables, and reinsurance assets. The fair values of the other financial assets excluding structured settlements and reinsurance recoverables approximate their carrying values due to their short-term nature. The fair value of the structured settlements and reinsurance recoverable are based on present value of future cash flows. The non-current portion of the other financial assets is $51.8 million (2022 – $65.4 million).

Financial liabilities

Financial liabilities include cheques outstanding, accounts payable and accrued charges, provision for premium rebates/refunds, net bond repurchase agreements, investment-related and other liabilities, and lease liabilities. All financial liabilities are carried at cost or amortized cost. Except for lease liabilities, investment-related and other liabilities, the fair values of financial liabilities approximate their carrying values due to their short-term nature. The estimation of fair value of investment-related and other liabilities is discussed in note 8, and for lease liabilities in note 9.

As at March 31, 2023, the general ledger bank balances representing deposits in transit were $159.9 million (2022 – $122.6 million) and the general ledger bank balances representing outstanding cheques were $375.1 million (2022 – $253.4 million), netting to a cheques outstanding balance of $215.2 million (2022 – $130.8 million) on the consolidated statement of financial position.

During fiscal year 2022, the Corporation approved the issuance of a Relief Rebate totalling $396.0 million to policyholders who had an active eligible Basic insurance certificate that was in effect at any time during the month of February 2022. As at March 31, 2022, the Relief Rebate payable of $396.0 million was presented as a provision for premium rebates/refunds in the consolidated statement of financial position. As at March 31, 2023, the Relief Rebate had been paid in full.

8. Net Bond Repurchase Agreements, Investment Related and Other Liabilities

($ THOUSANDS)	2023	2022
	Carrying Value	Carrying Value
Net bond repurchase agreements	$ 1,772,205	$ 1,947,260
Investment-related liabilities	105,728	121,328
Other liabilities	52,103	600,449
Total net bond repurchase agreements, investment-related, and other liabilities	$ 1,930,036	$ 2,669,037
Non-current portion	$ 97,047	$ 5,371

Investment-related liabilities are comprised of mortgage payable of $105.7 million (2022 – $121.3 million) with repayment terms ranging from within one year to six years (2022 – one year to seven years) and interest rates ranging from 4.6% to 7.3% (2022 – 2.9% to 4.6%). The fair value of investment-related liabilities approximates carrying value. Other liabilities consist of accrued interest payable and unsettled trades. All of these liabilities are classified as Level 3 under the fair value hierarchy.

Estimated principal repayments for investment-related and other liabilities are as follows:

($ THOUSANDS)	2023	2022
Up to 1 year	$ 60,784	$ 716,406
Greater than 1 year, up to 5 years	92,477	616
Greater than 5 years	4,570	4,755
	$ 157,831	$ 721,777

9. Lease Liabilities

Lease liabilities are as follows:

($ THOUSANDS)	2023	2022
Up to 1 year	$ 11,406	$ 13,924
Greater than 1 year, up to 5 years	34,805	33,312
Greater than 5 years	12,593	12,225
Total undiscounted lease liabilities balance, end of year	$ 58,804	$ 59,461
Total discounted lease liabilities balance, end of year	$ 52,313	$ 53,670
Current	$ 10,784	$ 13,445
Non-current	$ 41,529	$ 40,225

The fair value of lease liabilities is the present value of cash flows over the remaining term of the leases.

As at March 31, 2023, the Corporation did not have any leases committed to but not yet commenced. As at March 31, 2023, the Corporation had committed to facilities-related expenses associated with leased properties, over the next five years and beyond, at a net present value of $31.6 million (2022 – $36.1 million).

10. 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 including risks of uncertainty resulting from COVID-19, the Russian/Ukrainian invasion and other economic uncertainties (note 3).

a) Insurance risk

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.

The introduction of the new care-based insurance model has increased the insurance risk as the insurance liabilities for new injury claims under the care model must be established with only limited direct historical experience. The Corporation has considered relevant experience from other jurisdictions with similar products in determining the appropriate amount of the insurance liabilities. Actual results may be materially different and take many years to emerge.

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. There are a number of factors that influence the frequency and severity of claims.

Some factors are affected by the actions of the Corporation and a number of strategies are used to try and reduce 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.

There are other factors that the Corporation has little or no control over, including weather, demographics, court issued settlement awards, plaintiff legal fees, pandemic events, and economic changes, including vehicle parts/repair inflation, supply chain issues 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 estimation of the provision for unpaid claims is determined in accordance with accepted actuarial practice in Canada and is based on reasonable assumptions and appropriate methods that are consistently applied (note 3c), giving appropriate consideration to relevant changes in circumstances such as the COVID-19 pandemic (note 3e), 2019 legal-based product reform (note 3g) and the new care-based insurance model (note 3h), high inflation (note 3i) and material damage supply chain issues and labour shortage (note 3j).

There is an 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 insurance 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 enhanced accident benefits, which account for approximately 40% (2022 – 49%) of current year claims costs, and 93% (2022 – 97%) of the provision for unpaid claims. The timing of payments of injury claims can be extended due to delayed reporting, as well as extended recovery time required for severe injuries, and the timing and amount of injury payments can exhibit considerable uncertainty because of the complex bodily injury claims environment, including the legal environment.

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 notes 3 and 15.

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

The impact of the concentration of insurance risk is quantified through Catastrophe modeling that the Corporation's reinsurance broker updates annually. This testing allows the Corporation to assess, monitor and manage these risks effectively. The concentration of insurance risk is also managed through an Automobile property damage catastrophe reinsurance treaty, a casualty catastrophe reinsurance treaty, and road safety programs such as road improvement strategies, the graduated licensing program, and the distracted driving campaign. 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 competitive risk for its Basic insurance product. Basic insurance rates are set to cover costs after considering investment returns. Because the insurance rates are determined based on forward-looking estimates of costs, the unfavourable variance in costs, in particular claims costs, may result in Basic insurance premiums not being sufficient to cover costs.

The Corporation is subject to legislative requirements with respect to Basic insurance and applies to the BCUC for approval to change its Basic insurance rate. The Corporation is required to make Basic insurance rate applications and the BCUC is required to approve rates set according to accepted actuarial practice. These legislated requirements mitigate the underwriting risk associated with pricing for the Basic insurance product.

For the 2023 policy year, the Corporation has applied to the BCUC for a Basic rate change of 0.0%. The Basic rate application includes a government-directed capital provision equal to an amount of 7.0% of required premium, which is expected to allow the Corporation to continue to rebuild its depleted capital over the 24-month term of policy year 2023 (note 24).

The Corporation's Optional insurance products compete with other insurers and are subject to underwriting risk and competitive 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 reviews investment positions and risk exposures for concentration risk.

As at March 31, 2023, the equity and other financial investments portfolios were 28.6% (2022 – 22.1%) invested in the real estate sector, 12.9% (2022 – 4.8%) in the information technology sector, 10.4% (2022 – 13.6%) in the financial sector. The bond portfolio was 50.2% (2022 – 49.8%) invested in the government sector and 24.1% (2022 – 23.7%) invested in the financial sector. See credit risk for a discussion of the government bonds.

Concentration of geographical risk

Geographical concentration risk arises when the investments are located in the same geographical region. The Corporation reduces geographical concentration risk by dispersing the investments in more than one geographical region. The Corporation is invested in diversified global pooled funds. As at March 31, 2023, the investment portfolio was 62.1% (2022 – 79.7%) invested in Canada, 26.0% (2022 – 16.1%) invested in the United States, and 11.9% (2022 – 4.2%) was invested elsewhere around the world.

Price risk

General economic conditions, political conditions, and other factors affect the equity markets, thereby also affecting the fair value of the equity securities, fixed income funds, and other financial investments (including all pooled funds) held by the Corporation. Fluctuations in the value of these securities impact the recognition of both unrealized and realized gains and losses on equity securities and on the units of funds held. As at March 31, 2023, the impact of a 10% change in prices, with all other variables held constant, would result in an estimated corresponding change to OCI for AFS equities, fixed income funds and other financial investments of approximately $1.21 billion (2022 – $1.19 billion) and to profit or loss for FVTPL equities of approximately $11.9 million (2021 – $22.1 million).

The Corporation holds 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 directly held fixed-income portfolio. The Corporation is also indirectly exposed to interest rate risk through its investments in fixed-income pooled funds and fixed-income investments held through investment entities. The Corporation's investment yields, which include fixed-income portfolio, are used to derive the discount rate for the provision for unpaid claims (note 10a); therefore, the change in interest rate will also have an impact to the provision for unpaid claims.

The Corporation has policies in place to limit and monitor its exposure to interest rate risk in relation to the duration of its claims liabilities.

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

In fiscal years 2023 and 2022, the Corporation did not use material derivative financial instruments to hedge interest rate risk on its investment portfolio.

	2023		2022	
	Average Yield (%)	Duration (Years)	Average Yield (%)	Duration (Years)
Bonds				
Canadian				
Federal	3.5	2.8	2.3	2.7
Provincial	3.7	2.8	2.6	2.8
Corporate	4.7	2.6	3.0	3.0
Total bonds	4.1	2.6	2.7	2.7
Mortgages	3.7	1.3	4.0	1.2
Total bonds and mortgages	4.1	2.6	2.8	2.6

As at March 31, 2023, a 100 basis point change in interest rates would result in a change of approximately $178.9 million (2022 – $198.6 million) in fair value of the Corporation's bond portfolio and a corresponding impact of approximately $178.9 million (2022 – $198.6 million) to OCI. A 100 basis point change in interest rates would result in a change of approximately $0.8 million (2022 – $5.0 million) in fair value of the Corporation's directly owned mortgages, however there would be no impact to OCI or net income as the directly owned mortgages are measured at amortized cost. Interest rate changes would also result in a partial inverse change to the provision for unpaid claims and the corresponding claims costs (note 10a). With the increase in uncertainty given the current economic environment, there may be volatility in investment yields in the future, and any interest rate changes will have an impact on discount rates used by the Corporation.

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. The Corporation is also indirectly exposed to credit risk through its investments in fixed-income pooled funds and fixed-income investments held through investment entities. The total direct credit risk exposure is $5.67 billion (2022 – $7.30 billion).

Fixed-income securities

Fixed-income securities are comprised of investment grade bonds and corporate bonds, private debt and mortgages, which are directly held, or in pooled funds. 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 fixed income credit investments to a maximum of 28.0% (2022 – 23.0%) of total investment assets. Credit risk in mortgages is mitigated by the security of the underlying mortgaged property.

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 directly held bond investments and to directly held mortgage investments; however, the Corporation considers Canadian government bonds to be risk-free. Therefore, the total carrying amount is $3.96 billion (2022 – $5.16 billion). There is minimal credit risk exposure to cash.

The counterparty risk associated with repurchase agreements for 2023 and 2022 is not material.

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

($ THOUSANDS)	2023	2022
Money market securities		
AAA	$ -	$ 6,019
Bonds		
AAA	$ 3,049,389	$ 2,717,248
AA	677,047	730,958
A	2,226,728	2,989,255
BBB	926,909	1,002,568
	$ 6,880,073	$ 7,440,029

Premiums and other receivables

The Corporation has a diverse customer base as it is the sole provider of 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.

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 March 31, 2023, the Corporation considered $138.0 million (2022 – $125.4 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 six years of collection experience by receivable type to the total of current and prior periods' customer billings.

The following table outlines the aging of premiums and other receivables as at March 31, 2023 and at March 31, 2022:

($ THOUSANDS)	Current	Past Due 1 – 30 days	Past Due 31 – 60 days	Over 60 days	Total
March 31, 2023					
Premiums and other receivables	$ 1,589,904	$ 4,826	$ 3,176	$ 189,163	$ 1,787,069
Provision	(3,689)	(3,755)	(3,066)	(127,504)	(138,014)
Total premiums and other receivables	$ 1,586,215	$ 1,071	$ 110	$ 61,659	$ 1,649,055
March 31, 2022					
Premiums and other receivables	$ 2,009,317	$ 5,050	$ 5,452	$ 172,228	$ 2,192,047
Provision	(2,885)	(2,699)	(2,730)	(117,059)	(125,373)
Total premiums and other receivables	$ 2,006,432	$ 2,351	$ 2,722	$ 55,169	$ 2,066,674

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

($ THOUSANDS)	2023	2022
Balance, beginning of year	$ (125,373)	$ (108,797)
Charges for the year	(42,577)	(37,709)
Recoveries	6,416	6,531
Amounts written off	23,520	14,602
Balance, end of year	$ (138,014)	$ (125,373)

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 $34.7 million (2022 – $43.6 million). The Corporation has policies that require reinsurers to have a minimum credit rating of A-. No single reinsurer represents more than 25% 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 was considered impaired as at March 31, 2023 or March 31, 2022.

($ THOUSANDS)	2023	2022
Reinsurance recoverable (note 15)	$ 32,383	$ 41,544
Reinsurance receivable	2,305	2,052
Reinsurance assets	$ 34,688	$ 43,596

Liquidity risk

A significant business risk of the insurance industry is the uncertain 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, 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, lease liabilities, and investment-related, are 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 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
March 31, 2023				
Bonds				
Canadian				
Federal	$ -	$ 2,985,409	$ -	$ 2,985,409
Provincial	-	1,179,487	-	1,179,487
Corporate	355,473	2,236,805	122,899	2,715,177
Total bonds	355,473	6,401,701	122,899	6,880,073
Mortgages	7,944	54,809	-	62,753
	$ 363,417	$ 6,456,510	$ 122,899	$ 6,942,826
March 31, 2022				
Bonds				
Canadian				
Federal	$ 81,962	$ 2,612,836	$ -	$ 2,694,798
Provincial	2	1,817,541	-	1,817,543
Corporate	182,566	2,334,186	410,936	2,927,688
Total bonds	264,530	6,764,563	410,936	7,440,029
Mortgages	174,835	237,290	-	412,125
	$ 439,365	$ 7,001,853	$ 410,936	$ 7,852,154

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 has direct foreign exchange risk on its US pooled fund investments. A 10% change in the US exchange rate as at March 31, 2023 would change the fair value of the US pooled fund investments and result in a change to OCI of approximately $31.4 million (2022 – $20.1 million) and to profit or loss of $11.9 million (2022 – $22.1 million). However, this is mitigated by the use of forward contracts and swaps (note 7a). The Corporation does not have direct foreign exchange risk on its global equity, global real estate, mortgage funds, and infrastructure & renewable resources investments; 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.

11. Investment Income and Impairment Loss

($ THOUSANDS)		2023		2022
Interest				
Fixed-income investments	$	368,350	$	231,792
Equity investments		16,002		9,049
		384,352		240,841
Gains (losses) on investments				
Fixed-income investments		(280,513)		(82,862)
Equity investments		89,749		401,379
Other financial investments		(52,005)		37,015
Net unrealized fair value changes[1]		(70,934)		(449)
		(313,703)		355,083
Dividends, distributions and other income				
Equity investments		126,580		681,084
Other financial investments		205,603		107,208
Income from investment properties		7,876		17,411
Investment management fees		(33,683)		(28,582)
Other		23,649		51,180
		330,025		828,301
Total investment income	$	400,674	$	1,424,225

[1] *Includes changes in unrealized foreign exchange gains and losses on FVTPL assets*

($ THOUSANDS)		2023		2022
Amounts recognized in investment income for investment properties				
Rental income	$	54,309	$	67,380
Direct operating expenses that generated rental income		(45,541)		(47,696)
Direct operating expenses that did not generate rental income		(892)		(2,273)
Income from investment properties		7,876		17,411
Gain on sale of investment properties		69,567		67,259
Total amount recognized in investment income	$	77,443	$	84,670

($ THOUSANDS)		2023		2022
Impairment loss - financial investments	$	321,454	$	5,089
Impairment loss - investment properties		5,477		1,106
Total impairment loss	$	326,931	$	6,195

As at March 31, 2023, the ‘Net change in available for sale financial assets’ portion of other components of equity is comprised of $365.6 million (2022 – $387.5 million) in unrealized gains and $260.1 million (2022 – $520.9 million) in unrealized losses.

12. Property and Equipment

($ THOUSANDS)	Land	Buildings	Furniture & Equipment	Leasehold Improvements	Total
March 31, 2023					
Cost					
Balance, beginning of year	$ 30,699	$ 182,518	$ 135,901	$ 28,001	$ 377,119
Additions	-	923	10,004	2,058	12,985
Disposals	(251)	(4,719)	(22,581)	(8)	(27,559)
Balance, end of year	30,448	178,722	123,324	30,051	362,545
Accumulated depreciation					
Balance, beginning of year	-	156,141	94,155	16,237	266,533
Disposals	-	(4,311)	(22,579)	(5)	(26,895)
Depreciation charge for the year	-	2,304	10,356	2,736	15,396
Balance, end of year	-	154,134	81,932	18,968	255,034
Net book value, end of year	$ 30,448	$ 24,588	$ 41,392	$ 11,083	$ 107,511
March 31, 2022					
Cost					
Balance, beginning of year	$ 30,699	$ 181,614	$ 119,186	$ 27,678	$ 359,177
Additions	-	904	22,465	735	24,104
Disposals	-	-	(5,750)	(412)	(6,162)
Balance, end of year	30,699	182,518	135,901	28,001	377,119
Accumulated depreciation					
Balance, beginning of year	-	153,514	89,307	13,818	256,639
Disposals	-	-	(5,750)	(352)	(6,102)
Depreciation charge for the year	-	2,627	10,598	2,771	15,996
Balance, end of year	-	156,141	94,155	16,237	266,533
Net book value, end of year	$ 30,699	$ 26,377	$ 41,746	$ 11,764	$ 110,586

The balances in property and equipment include $7.2 million (2022 – $21.6 million) in assets under development.

13. Lease Assets

($ THOUSANDS)	Leased Facilities	Leased Equipment	Leased Computer Hardware	Leased Computer Software Intangibles	Total
March 31, 2023					
Cost					
Balance, beginning of year	$ 62,812	$ 2,805	$ 4,051	$ 28,796	$ 98,464
Additions	10,882	65	1,824	-	12,771
Disposals	(205)	(68)	-	-	(273)
Balance, end of year	73,489	2,802	5,875	28,796	110,962
Accumulated depreciation					
Balance, beginning of year	23,953	2,739	1,232	14,334	42,258
Disposals	(205)	(43)	-	-	(248)
Depreciation charge for the year	7,809	26	889	5,465	14,189
Balance, end of year	31,557	2,722	2,121	19,799	56,199
Net book value, end of year	$ 41,932	$ 80	$ 3,754	$ 8,997	$ 54,763
March 31, 2022					
Cost					
Balance, beginning of year	$ 60,393	$ 2,805	$ 1,179	$ 28,176	$ 92,553
Additions	2,512	-	2,872	1,197	6,581
Disposals	(93)	-	-	(577)	(670)
Balance, end of year	62,812	2,805	4,051	28,796	98,464
Accumulated depreciation					
Balance, beginning of year	15,822	2,669	614	9,164	28,269
Disposals	(32)	-	-	(247)	(279)
Depreciation charge for the year	8,163	70	618	5,417	14,268
Balance, end of year	23,953	2,739	1,232	14,334	42,258
Net book value, end of year	$ 38,859	$ 66	$ 2,819	$ 14,462	$ 56,206

14. Intangible Assets

($ THOUSANDS)	2023	2022
Cost		
Balance, beginning of year	$ 562,455	$ 548,278
Additions	15,475	23,553
Disposals	(6,568)	(9,376)
Balance, end of year	571,362	562,455
Accumulated amortization		
Balance, beginning of year	310,288	255,501
Disposals	(6,568)	(8,482)
Amortization charge for the year	63,445	63,269
Balance, end of year	367,165	310,288
Net book value, end of year	$ 204,197	$ 252,167

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 of intangible assets includes $10.1 million (2022 – $9.4 million) in assets under development.

There were no indefinite life intangible assets as at March 31, 2023 and March 31, 2022.

15. Provision for Unpaid Claims

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 period-to-period changes in a given loss 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.

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

Because of the change in insurance coverages provided following the introduction of Enhanced Care on May 1, 2021, there is limited direct historical information available for some of the coverages currently provided. Where possible, appropriate historical claims data has been selected to supplement the data for each coverage, for example by separating claims that occurred within and outside of British Columbia, and accounting for hit-and-run and non-vehicle damage liability claims.

An additional method is employed to address the particularly complex injury claims environment, which includes shifts in the legal representation rate, the frequency mix of claims by severity of injury, and the settlement rate of claims. This additional method uses legal status and claim severity 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. Within this segmented analysis, the approach taken to estimate the number of large bodily injury claims was changed, in order to account for shifts in the emergence of these claims and an increase in the number of pending claims from older years. The new approach makes use of assumptions relating to the number of large bodily injury claims that will emerge as a proportion of the pending legal-based claims at each age. This represents a change from last year, where the number of large bodily injury claims was estimated based on a development approach.

The cost of injury claims associated with accidents occurring on or after April 1, 2019 but before May 1, 2021, are estimated from the methods described above. Severity estimates for bodily injury represented claims and accident benefits claims also make use of assumptions consistent with the pricing model used to establish the premium rate for policies in effect at the time, which includes assumptions about classification of injuries as minor or non-minor, classification of costs by heads (categories) of damages, and classification of claims by size and legal complexity.

An additional method is used to estimate the severity of enhanced accident benefits claims, associated with accidents occurring on or after May 1, 2021. These claims fall under a new insurance model (note 3h), and are therefore expected to follow different patterns from the historical loss and count development patterns on which the three standard methods rely. The additional method uses assumptions for the severity of these claims that are consistent with the pricing model used to establish the premium rate for policies effective May 1, 2021, and with additional relevant information regarding inflation expectations and claim severity from other jurisdictions with similar products.

An additional method has been applied to estimate the cost of basic vehicle damage claims and optional collision and comprehensive claims. The Corporation has observed a high rate of growth in the average cost of repair and total loss claims in the current fiscal year, concurrent with some delay in the ability of repair facilities to complete repairs, which affects the timing and development of losses. The additional method is based on the development of paid severities.

The timing of when the unpaid ultimate claims costs will be paid depends on the line of business. Injury claims generally take longer to settle than 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 upon the expected return on the Corporation's current investment portfolio, the expected asset default risk of its investment portfolio, and assumptions for interest rates relating to reinvestment of maturing 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 3c). The PfAD is calculated according to accepted actuarial practice in Canada.

Changes in Assumptions

Discount rate

The Corporation discounts its provision for unpaid claims using a discount rate of 4.7% (2022 – 3.7%). As a result of the increase in the discount rate, there was a favourable adjustment to both current and prior years' unpaid claims provision of $359.8 million (2022 – favourable adjustment of $403.2 million).

Change in loss development assumptions

Actuarial assumptions pertaining to loss and count development for all coverages were reviewed and revised in light of an additional year of actual experience. There were several material changes in development assumptions.

The Corporation has observed an increase in the average time from when a vehicle damage claim is reported to when the vehicle is repaired, or a total loss settlement is made. A significant factor in this increase is the disruption in supply chains related to the economic impacts of the COVID-19 global pandemic. In response, claims development assumptions for vehicle damage claims have been adjusted to reflect that these claims are expected to be paid out over a longer time period than has been the case over the baseline period. This represents a change from fiscal year 2022, where the corresponding development assumptions relied primarily on baseline assumptions. The change in assumptions to reflect the increased time to pay vehicle damage claims has increased the provision for unpaid claims by $263.8 million, holding all other assumptions constant.

The number of large bodily injury claims within the bodily injury segmented analysis is now based on assumptions relating to the number of large bodily injury claims that will emerge as a proportion of the pending legal-based claims at each age. The initial assumptions established under this approach reflect that relatively more large claims remain to be recognized in the future, from the higher level of pending claims from older years. This change in approach for large bodily injury claims has the effect of increasing the provision for unpaid claims by $782.2 million.

The Corporation continues to gain experience on enhanced accident benefits claims and to assess to what extent British Columbia claims data may be appropriately used in the loss development process. In fiscal year 2023, the Corporation has made two significant changes in relation to the estimation of claims costs under the Enhanced Disability sub-coverage.

The development of Enhanced Disability claim counts occurring in fiscal year 2022 (the first year under Enhanced Care) was observed to be significantly lower than originally assumed in the period beyond the end of the year. For current year claims, the development assumption has been revised to rely on the fiscal year 2022 experience. This change has reduced the provision for unpaid claims by $61.9 million, holding all other assumptions constant.

The development of Enhanced Disability claim costs relies on an assumption for the amount of claimants' benefits that will be paid by other insurers. This assumption was originally estimated from external information, but has now been established based on recorded claims data. This change has resulted in lower Enhanced Accident Benefit – Enhanced Disability severities with the effect of lowering the provision for unpaid claims by $79.7 million, holding all other assumptions constant.

A civil claim was filed in April 2019 against the Province of B.C. regarding legislation amendments over the Corporation's Basic insurance product that became effective on April 1, 2019 (note 3g). Early on, the plaintiffs bifurcated the challenge of the CRT's jurisdiction and the challenge to the minor injury legislation. The legislation providing jurisdiction to the CRT to hear minor injury claims was ruled unconstitutional in March 2021 but the decision was appealed successfully in May 2022 which resulted in a favourable impact on the Corporation's provision of unpaid claims and recorded in fiscal year 2022. In July 2022, the plaintiffs filed leave to appeal to the Supreme Court of Canada (SCC). On December 22, 2022, the SCC denied the plaintiff's leave to appeal and the Court of Appeal's decision is final. This means that the CRT is able to determine whether an injury is a minor injury and, if so, determine liability and damages for minor injury claims. The dismissal of the appeal by the SCC put an end to the challenge of the CRT's jurisdiction. Although the challenge to the minor injury legislation was not resolved, the Corporation have assessed the likelihood of a remaining challenge to the minor injury legislation as remote.

b) Sensitivity Analysis

The sensitivity to significant assumptions is outlined below. The analysis is performed for possible changes in the assumptions with all other assumptions held constant, showing the impact on the provision for unpaid claims and net income in the table below. Movements in these assumptions may be non-linear and may be correlated with one another.

($ THOUSANDS)			2023		2022
Assumption	**Sensitivity**				
Discount rate	+ 1ppt[1]	$	(354,400)	$	(370,000)
Discount rate	- 1ppt	$	394,100	$	405,600
Inflation impact on unpaid claims	+ 1 ppt	$	184,300	$	191,900
Future emergence of large bodily injury claims	+ 10%	$	401,300	$	419,400
Severity of unpaid bodily injury claims	+ 10%	$	936,900	$	1,071,600
Severity of unpaid Enhanced Accident Benefit claims	+ 10%	$	223,300	$	128,500
Severity of unpaid Material Damages claims	+ 10%	$	85,000	$	41,600

[1] *ppt = percentage point*

c) Provision for Unpaid Claims

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

($ THOUSANDS)	2023 Gross	2023 Reinsurance Recoverable	2023 Net	2022 Gross	2022 Reinsurance Recoverable	2022 Net
Notified claims	$ 7,689,689	$ (41,544)	$ 7,648,145	$ 9,138,114	$ (25,963)	$ 9,112,151
Incurred but not reported[1]	6,014,465	-	6,014,465	6,382,140	-	6,382,140
Balance, beginning of year	13,704,154	(41,544)	13,662,610	15,520,254	(25,963)	15,494,291
Change in liabilities (assets):						
Provision for claims incurred in the current year	3,701,763	-	3,701,763	2,931,474	(9,393)	2,922,081
Change in estimates for losses incurred in prior years:						
Prior years' claims adjustments	646,166	(3,821)	642,345	(28,952)	(8,064)	(37,016)
Prior years' changes in discounting provision	(224,134)	833	(223,301)	(393,320)	399	(392,921)
	422,032	(2,988)	419,044	(422,272)	(7,665)	(429,937)
Net claims incurred per consolidated statement of comprehensive income	4,123,795	(2,988)	4,120,807	2,509,202	(17,058)	2,492,144
Cash (paid) recovered for claims settled in the year for:						
Claims incurred in current year	(1,858,518)	-	(1,858,518)	(1,625,583)	-	(1,625,583)
Recoveries received on current year claims	148,127	-	148,127	145,999	-	145,999
	(1,710,391)	-	(1,710,391)	(1,479,584)	-	(1,479,584)
Claims incurred in prior years	(3,146,258)	-	(3,146,258)	(2,888,132)	-	(2,888,132)
Recoveries received on prior years' claims	62,075	12,149	74,224	42,414	1,477	43,891
	(3,084,183)	12,149	(3,072,034)	(2,845,718)	1,477	(2,844,241)
Total net payments	(4,794,574)	12,149	(4,782,425)	(4,325,302)	1,477	(4,323,825)
Balance, end of year	$ 13,033,375	$ (32,383)	$ 13,000,992	$ 13,704,154	$ (41,544)	$ 13,662,610
Notified claims	$ 6,917,567	$ (32,383)	$ 6,885,184	$ 7,689,689	$ (41,544)	$ 7,648,145
Incurred but not reported[1]	6,115,808	-	6,115,808	6,014,465	-	6,014,465
Balance, end of year	$ 13,033,375	$ (32,383)	$ 13,000,992	$ 13,704,154	$ (41,544)	$ 13,662,610

[1] *Includes future development on known claims and loss adjustment expenses*

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

($ THOUSANDS)	Undiscounted	Effect of Present Value	PfADs	Discounted
March 31, 2023				
Provision for unpaid claims, net	$ 13,205,534	$ (1,904,245)	$ 1,699,703	$ 13,000,992
Reinsurance recoverable	31,593	(3,636)	4,426	32,383
Provision for unpaid claims, gross	$ 13,237,127	$ (1,907,881)	$ 1,704,129	$ 13,033,375
March 31, 2022				
Provision for unpaid claims, net	$ 13,386,331	$ (1,421,594)	$ 1,697,873	$ 13,662,610
Reinsurance recoverable	39,924	(2,905)	4,525	41,544
Provision for unpaid claims, gross	$ 13,426,255	$ (1,424,499)	$ 1,702,398	$ 13,704,154

d) Claims development table

The top half of the table illustrates how the Corporation's estimate of total undiscounted claims costs for each loss 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.

As a result of the change in year-end in fiscal 2017, there are two claims development tables: one as at March 31, 2023 and one as at December 31, 2015. The Corporation changed from a December 31 to a March 31 year end in fiscal 2017, and therefore there are seven years of historical data in the first table as at March 31, 2023.

Claims development table as at March 31, 2023:

($ THOUSANDS) Fiscal Loss Year*	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Total
Estimate of undiscounted ultimate claims costs:											
- At end of fiscal loss year	-	-	-	$ 4,372,966	$ 4,968,820	$ 5,208,101	$ 4,524,433	$ 3,376,605	$ 3,382,219	$ 3,865,616	
- One year later	-	-	$ 4,037,775	4,529,126	5,229,618	5,312,311	4,155,162	3,169,382	3,298,887	-	
- Two years later	-	$ 3,695,574	4,184,489	4,762,695	5,490,881	5,326,839	4,118,627	2,895,013	-	-	
- Three years later	$ 3,313,949	3,757,390	4,450,883	5,015,000	5,483,201	5,410,875	3,864,190	-	-	-	
- Four years later	3,432,710	3,960,331	4,595,394	4,948,037	5,516,400	5,771,575	-	-	-	-	
- Five years later	3,591,481	4,072,014	4,581,417	4,964,606	5,905,928	-	-	-	-	-	
- Six years later	3,633,106	4,047,419	4,627,181	5,213,142	-	-	-	-	-	-	
- Seven years later	3,625,490	4,045,981	4,734,545	-	-	-	-	-	-	-	
- Eight years later	3,647,116	4,094,782	-	-	-	-	-	-	-	-	
- Nine years later	3,688,575	-	-	-	-	-	-	-	-	-	
Current estimate of cumulative claims	3,688,575	4,094,782	4,734,545	5,213,142	5,905,928	5,771,575	3,864,190	2,895,013	3,298,887	3,865,616	43,332,253
Cumulative payments to date	(3,550,997)	(3,799,777)	(4,223,514)	(4,251,505)	(4,056,127)	(3,262,903)	(2,373,237)	(1,808,775)	(2,130,825)	(1,710,391)	(31,168,051)
Undiscounted provision for unpaid claims	$ 137,578	$ 295,005	$ 511,031	$ 961,637	$ 1,849,801	$ 2,508,672	$ 1,490,953	$ 1,086,238	$ 1,168,062	$ 2,155,225	$ 12,164,202
Undiscounted provision for unpaid claims in respect of 2013 and prior years											$ 258,482
Undiscounted unallocated loss adjustment expense reserve											814,443
Total undiscounted provision for unpaid claims											**$ 13,237,127**
Discounting and PfAD adjustment											(203,752)
Total discounted provision for unpaid claims (gross)											**$ 13,033,375**

*Fiscal Loss Year refers to the year ended March 31

The table above reflects the total discounted provision for unpaid claims of $13.03 billion (2022 – $13.7 billion) before the amount for reinsurance recoverable. The total discounted provision for unpaid claims after the amount for reinsurance recoverable of $0.03 billion (2022 – $0.04 billion) would be $13.00 billion (2022 – $13.66 billion). The cumulative payments of fiscal loss year 2023 for the year ended March 31, 2023 are $1.71 billion (2022 – $1.48 billion).

The history for three prior periods ending December 31 is shown in the below claims development table as at December 31, 2015 due to the Corporation's change in year end in fiscal 2017:

($ THOUSANDS)			
Accident Year	**2013**	**2014**	**2015**
Estimate of undiscounted ultimate claims costs:			
- At end of accident year	$ 3,146,388	$ 3,372,304	$ 3,765,040
- One year later	3,194,080	3,518,858	-
- Two years later	3,200,324	-	-

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
March 31, 2023	$ 4,298,305	$ 2,632,441	$ 1,821,372	$ 1,157,010	$ 701,802	$ 2,626,197	$ 13,237,127
March 31, 2022	$ 3,804,457	$ 2,852,081	$ 2,186,462	$ 1,508,783	$ 929,311	$ 2,145,161	$ 13,426,255

The unpaid claims for future payment years except for the current year is $8.94 billion (2022 – $9.62 billion).

The weighted-average term to settlement of the discounted provision for unpaid claims as at March 31, 2023 is 2.8 years (2022 – 2.8 years).

16. 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)	2023	2022
Balance, beginning of year	$ 2,443,055	$ 2,396,658
Premiums written net of premium rebates/refunds during the year	5,428,854	4,830,110
Premiums earned net of premium rebates/refunds during the year	(5,290,171)	(4,783,713)
Balance, end of year	$ 2,581,738	$ 2,443,055

Net premium written before rebates/refunds (note 7) includes $10.0 million (2022 – $10.7 million) of temporary operation permit policy, $37.6 million (2022 – $36.9 million) of garage policy and $647.8 million (2022 – $586.0 million) of fleet policy.

17. 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, 2023 and 2022 as follows:

a) For individual catastrophic occurrences, portions of losses up to $275.0 million (2022 – $275.0 million) in excess of $50.0 million (2022 – $25.0 million); and
b) For individual casualty loss occurrences, portions of losses up to $44.0 million (2022 – $44.0 million) in excess of $6.0 million (2022 – $6.0 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.

18. 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). Subject to the terms of the plan, the Management and Confidential Plan provides benefits to members based on their length of service and eligible earnings in the best five years of plan membership. Employees are required to contribute to the Management and Confidential Plan. Effective January 1, 2019, all Management and Confidential employees contribute 50% of the current cost benefits.

In addition, the Corporation 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. Subject to the terms of the plans, pensions are indexed in line with increases in the Consumer Price Index (CPI) up to fixed or sustainable maximums for certain periods of service.

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 Movement of United Professionals are members of the MoveUP/Insurance Corporation of British Columbia Pension Plan (MoveUP Plan). Half of the Trustees of the MoveUP Plan are appointed by the Corporation and the other half by MoveUP. The Board of Trustees of the MoveUP Plan is the legal plan administrator. The MoveUP Plan provides benefits to members based on their length of service and eligible earnings in the best five years of plan membership. MoveUP employees are required to contribute 50% of the cost of benefits to the MoveUP Plan. 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 MoveUP Plan or the BC Public Service Pension Plan.

The Management and Confidential Plan, MoveUP 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 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 at the end of the Corporation's fiscal 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 MoveUP Plan actuarial valuations are as at December 31, 2021 and the post-retirement benefits actuarial valuation is as at January 1, 2022. Updated actuarial valuations for the Management and Confidential Plan and the MoveUP Plan are expected to be no later than December 31, 2024. These results will be reflected in the financial statements in the year immediately following their preparation.

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

An additional liability may be recognized in some instances if minimum future funding requirements are expected to generate a future surplus. These instances are ones where the Corporation would not be able to access or realize a future economic benefit from the future surplus. The Corporation has determined that no additional liability is required to be recognized in respect of solvency funding payments made to the Management and Confidential Plan. This is because the British Columbia PBSA permits the Corporation to secure these payments with a letter of credit in lieu of cash solvency payments or to deposit them in the Plan's Solvency Reserve Account (SRA), for which any surpluses in this account would ultimately be refundable to the Corporation. Furthermore, the Corporation may realize an economic benefit related to future current service cost, in respect of the Corporation, exceeding minimum funding requirements.

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	
	2023	2022	2023	2022
Weighted-average duration	18 years	20 years	13 years	14 years
Proportion of obligation in respect of:				
- Active members	44.2%	48.3%	40.8%	38.4%
- Deferred members	6.9%	7.5%	0.0%	0.0%
- Retired members	48.9%	44.2%	59.2%	61.6%

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 2023, 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 $44.1 million (2022 – $43.3 million). Estimated employer contributions for the year ending March 31, 2024 are $48.1 million. The estimate is based on the plans' most recent actuarial funding valuations.

As at March 31, 2023, the Corporation secured certain solvency funding requirements through payments made into the SRA totalling $0.2 million (2022 – $ 0.5 million). The SRA is a separate account, established to hold solvency and transfer deficiency payments made under a defined benefit component of a pension plan. The only funds that may be deposited to the SRA are payments made in respect of a solvency deficiency.

Financial information

These consolidated financial statements include the assets and liabilities of all plans, excluding the BC Public Service Pension Plan, sponsored by the Corporation. The amounts recorded on the statement of financial position are as follows:

($ THOUSANDS)	Pension Plans		Post-Retirement Benefits		Total	
	2023	2022	2023	2022	2023	2022
Assets						
Accrued pension benefits	$ 202,685	$ 245,213	$ -	$ -	$ 202,685	$ 245,213
Liabilities						
Pension and post-retirement benefits	(24,977)	(37,958)	(138,184)	(148,223)	(163,161)	(186,181)
Net total asset (liability)	$ 177,708	$ 207,255	$ (138,184)	$ (148,223)	$ 39,524	$ 59,032

One of the pension plans is in a net asset position and, as a result, that plan is required to be reported as an asset on the consolidated statement of financial position. The net total asset for all of the Corporation's pension plans and post-retirement benefits as at March 31, 2023 is $39.5 million (2022 – $59.0 million asset), which is reflected in the consolidated statement of financial position as a $202.7 million asset and a $163.2 million liability as illustrated in the table above.

Information regarding the pension plans and post-retirement benefits is as follows:

($ THOUSANDS)	Pension Plans		Post-Retirement Benefits	
	2023	2022	2023	2022
Plan assets				
Fair value, beginning of year	$ 2,847,487	$ 2,736,804	$ -	$ -
Interest on plan assets	116,606	90,200	-	-
Actuarial (loss) gain on assets	(124,188)	41,403	-	-
Employer contributions	38,175	37,838	5,922	5,432
Employee contributions	36,687	36,249	-	-
Benefits paid	(103,414)	(94,407)	(5,922)	(5,432)
Non-investment expenses	(900)	(600)	-	-
Fair value, end of year	2,810,453	2,847,487	-	-
Defined benefit obligation				
Balance, beginning of year	2,640,232	2,922,394	148,223	182,612
Current service cost	94,679	115,569	7,428	6,268
Interest cost	110,486	98,935	6,214	6,143
Remeasurements on obligation				
- due to changes in financial assumptions	(228,890)	(402,341)	(20,058)	(41,368)
- due to changes in demographic assumptions	-	-	(1,343)	-
- due to participant experience	28,743	82	3,642	-
Benefits paid	(103,414)	(94,407)	(5,922)	(5,432)
Balance, end of year	2,541,836	2,640,232	138,184	148,223
Funded status – plans in deficit	(24,977)	(37,958)	(138,184)	(148,223)
Funded status – plan in surplus	293,594	245,213	-	-
Funding surplus (deficit)	268,617	207,255	(138,184)	(148,223)
Impact of surplus derecognition	(90,909)	-	-	-
Net total asset (liability)	$ 177,708	$ 207,255	$ (138,184)	$ (148,223)

The net total expense for the pension plans and post-retirement benefits is $66.4 million (2022 – $101.1 million). In addition, the Corporation contributed $0.3 million in 2023 (2022 – $0.3 million) to the BC Public Service Pension Plan.

Assets

The pension plans' assets consist of:

	Percentage of Plan Assets	
	2023	2022
Cash, cash equivalent and accrued interest	1.5%	0.3%
Fixed-income investments		
Money market securities	1.0%	0.8%
Bond funds	7.5%	6.7%
Government bonds	10.7%	11.4%
Corporate bonds	6.5%	7.6%
Mortgage funds	0.2%	0.0%
Mortgages	0.3%	0.3%
Equity investments		
Domestic	5.3%	7.5%
Global	36.0%	38.5%
Other financial investments		
Domestic real estate	8.6%	8.6%
Global real estate	7.7%	7.3%
Global infrastructure	4.7%	4.0%
Global Mezzanine debt	1.0%	1.5%
Private assets	9.0%	5.5%
	100.0%	100.0%

All bonds have quoted prices in active markets and all bonds are rated from BBB to AAA, based on rating agency ratings. All equity securities other than infrastructure, real estate and mezzanine debt funds have quoted prices in active markets.

Pension plan assets generated a return of -0.3% (2022 – 4.8%) for the year ended March 31, 2023.

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 MoveUP 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 have outsourced the Chief Investment Officer (CIO) who reviews the fund managers' performance on a quarterly basis. The outsourced CIO invests funds based on the Trustees' approved Statement of Investment Policy.

As at March 31, 2023 and March 31, 2022, 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	
	2023	2022	2023	2022
Discount rate	5.04%	4.11%	4.99%	4.07%
Rate of compensation increase	3.02%	2.77%	n/a	n/a
Pension inflation rate	2.00%	1.75%	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:

2023		2022	
Life expectancy at 65 for a member currently		Life expectancy at 65 for a member currently	
Age 65	Age 45	Age 65	Age 45
24.0	25.3	23.9	25.3

As at March 31, 2023, the extended healthcare trend rate is assumed to be 4.7% per annum for the first year, changing over seventeen years to 4.1% per annum thereafter. As at March 31, 2022, the extended healthcare trend rate is assumed to be 6.0% per annum for the first year, decreasing linearly over six years to 4.5% per annum thereafter.

The Plans' sensitivity to significant assumptions is shown below:

($ THOUSANDS)	Pension Plans		Post-Retirement Benefits	
	2023	2022	2023	2022
Estimated increase in defined benefit obligation - end of year due to:				
1ppt[1] decrease in discount rate	$ 452,415	$ 518,442	$ 17,824	$ 21,296
1ppt increase in salary increase rate	$ 70,087	$ 84,888	n/a	n/a
1ppt increase in pension inflation rate	$ 345,824	$ 385,089	n/a	n/a
1ppt increase in healthcare trend rate	n/a	n/a	$ 7,308	$ 8,651
1 year increase in life expectancy	$ 69,090	$ 76,872	$ 2,506	$ 2,909

[1] *ppt = percentage point*

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.

19. Operating Expenses by Nature

($ THOUSANDS)		2023		2022
Operating expenses – by nature				
Premium taxes and commission expense (note 20)	$	666,345	$	690,890
Employee benefit expense:				
Compensation and other employee benefits		519,360		496,670
Pension and post-retirement benefits (note 18)		66,719		101,397
Professional and other services		40,447		44,785
Road improvements and other traffic safety programs		31,125		33,624
Building operating expenses		26,905		24,166
Merchant and bank fees		42,879		39,424
Office supplies and postage		22,717		24,041
Computer costs		36,066		35,218
Depreciation and amortization (notes 12 and 14)		78,841		79,265
Depreciation for leased assets (note 13)		14,189		14,268
Interest expense on lease liabilities		2,053		1,924
Other		34,736		36,332
	$	1,582,382	$	1,622,004
Operating expenses – consolidated statement of comprehensive income				
Premium taxes and commissions – insurance	$	629,476	$	654,393
Claims services		431,813		448,885
Operating expenses – insurance		300,203		302,425
Operating expenses – non-insurance		134,551		124,500
Road safety and loss management services		49,470		55,304
Commissions – non-insurance		36,869		36,497
	$	1,582,382	$	1,622,004

20. Deferred Premium Acquisition Costs and Prepaids

($ THOUSANDS)	2023	2022
Deferred premium acquisition costs, beginning of year	$ 285,383	$ 340,542
Acquisition costs related to future years	306,555	285,383
Amortization of prior year acquisition costs	(285,383)	(340,542)
Deferred premium acquisition costs, end of year	$ 306,555	$ 285,383
Deferred premium acquisition costs	$ 306,555	$ 285,383
Prepaid expenses	47,422	45,473
Deferred premium acquisition costs and prepaids	$ 353,977	$ 330,856

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

($ THOUSANDS)	Commissions	Premium Taxes	Total
March 31, 2023			
Amount payable	$ 443,421	$ 244,096	$ 687,517
Amortization of prior year deferred premium acquisition costs	177,889	107,494	285,383
Deferred premium acquisition costs	(192,958)	(113,597)	(306,555)
Premium taxes and commission expenses	$ 428,352	$ 237,993	$ 666,345
Represented as:			
Insurance	$ 391,483	$ 237,993	$ 629,476
Non-insurance	36,869	-	36,869
	$ 428,352	$ 237,993	$ 666,345
March 31, 2022			
Amount payable	$ 418,348	$ 217,383	$ 635,731
Amortization of prior year deferred premium acquisition costs	235,089	105,453	340,542
Deferred premium acquisition costs	(177,889)	(107,494)	(285,383)
Premium taxes and commission expenses	$ 475,548	$ 215,342	$ 690,890
Represented as:			
Insurance	$ 439,051	$ 215,342	$ 654,393
Non-insurance	36,497	-	36,497
	$ 475,548	$ 215,342	$ 690,890

21. Related Party Transactions

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

All transactions with the Province of B.C.'s ministries, agencies, and Crown corporations occurred in the normal course of providing insurance, registration, and licensing for motor vehicles, 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 2k), pooled funds and investment entities (note 6a).

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

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

($ THOUSANDS)		2023		2022
Key management compensation				
Compensation and other employee benefits	$	4,925	$	5,418
Pension and post-retirement benefits		537		609
	$	5,462	$	6,027

As at March 31, 2023, $0.5 million (2022 – $0.6 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 18. During the year ended March 31, 2023, the Corporation incurred $2.5 million (2022 – $2.5 million) in administrative expenses and investment governance fees on behalf of these plans interest-free. In addition, the Corporation provides certain administrative and office services to the plans at no charge. As at March 31, 2023, $1.4 million (2022 – $1.2 million) was payable to these plans for employer contributions.

22. Capital Management

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

The Corporation operates two lines of insurance business, Basic and Optional. As prescribed in *Special Direction IC2 to the British Columbia Utilities Commission* (*Special Direction IC2*) for Basic insurance, and in line with federally regulated insurers competing for Optional insurance, the Corporation has established capital targets based upon the capital management framework of the Office of the Superintendent of Financial Institutions Canada (OSFI), and OSFI's Guideline for the minimum capital test (MCT). The MCT is a ratio of capital available to capital required, and utilizes a risk-based formula to assess the capital adequacy, including financial risk and long-term financial stability, of an insurance company. For the Basic insurance business, *Special Direction IC2* requires the Corporation to determine capital targets in accordance with a capital management plan approved by the BCUC (note 24).

On February 26, 2018, the Province of B.C. amended *Special Direction IC2* to suspend the requirement for BCUC to fix rates to allow the Corporation to maintain at least 100% Basic MCT up to and including fiscal year 2022 (or policy year 2021). In December 2020, the Province of B.C. amended *Special Direction IC2* to suspend the rate smoothing framework to allow a rate decrease and enable a capital build provision for policy year 2021.

On December 12, 2022, *Special Direction IC2* was amended to introduce a capital provision requirement equal to 7.0% of required premium and to extend the suspension of the requirement to maintain a Basic MCT ratio of at least 100%. Additionally, the rate smoothing framework was repealed except for the requirement for the BCUC to fix rates in a manner that does not decrease existing rates.

Accordingly, on December 15, 2022, the Corporation filed a revenue requirement application proposing a 0.0% rate change for policy year 2023, which included a capital provision amount equal to 7.0% of required premium.

For the Optional insurance business, the Corporation determined a capital management target that is calculated based on the MCT guideline and the Guideline on Regulatory Capital and Internal Targets issued by OSFI.

In fiscal year 2023, the Corporation's capital was under pressure due to deteriorating investment income and impairment of asset values. Claims costs also contributed unfavourably due to high inflationary pressure, as well as adverse emergence of prior year bodily injury claims costs under the legal-based model. The Corporation continues to benefit from product reforms (notes 3g and 3h) that contribute to the financial stability of the insurance system, and anticipates Basic capital levels to be rebuilt over time as a result of the capital provision included in Basic rates.

23. Contingencies 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 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 designated by the Federal Government under the *Insurance Companies Act (Canada)*. 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 used by the Corporation. The present value of these structured settlements as at March 31, 2023 is approximately $0.94 billion (2022 – $1.08 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 March 31, 2023, as all utilized 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) Other

The Corporation has committed to participating in the future funding of multiple investment programs and the timing of the funding and related acquisition of investments is uncertain, as it is dependent on appropriate investing opportunities identified by the investment manager:

- In 2023, the Corporation is committed to invest $1.14 billion (2022 – $859.9 million) to a global real estate program. As at March 31, 2023, $660.3 million (2022 – $544.8 million) of the commitment was funded.
- In 2023, the Corporation is committed to invest $915.1 million (2022 – $427.7 million) to a renewable resources and infrastructure program. As at March 31, 2023, $811.1 million (2022 – $388.7 million) of the commitment was funded.
- In 2023, the Corporation is committed to invest $925.1 million (2022 – $321.8 million) to a private debt pooled fund. As at March 31, 2023, $677.9 million (2022 – $140.7 million) of the commitment was funded.
- In 2023, the Corporation is committed to invest $1.11 billion (2022 – $661.8 million) to a private equities program. As at March 31, 2023, $408.2 million (2022 – $174.6 million) of the commitment was funded.
- In 2023, the Corporation is committed to invest in $1.12 billion (2022 – $1.27 billion) to a mortgage program. As at March 31, 2023, $796.0 million (2022 – 850.7 million) of the commitment was funded.

In 2017, the Corporation made a commitment to invest $150.0 million USD in a limited partnership for mezzanine debt over a period of 10 years. As at March 31, 2023, $92.0 million USD (2022 – $90.3 million USD) of the commitment was funded.

In 2019, the Corporation committed to a five-year software services agreement totalling $16.0 million, which was fully funded as at March 31, 2023 (2022 – $12.7 million of the commitment was funded).

c) Pending Litigation

A notice of civil claim was filed in March 2020 against the Corporation and the Province of B.C. The proposed class action alleges the Corporation has been making payments to the provincial Medical Services Plan contrary to law. It is further alleged that the payments have cost ratepayers hundreds of millions of dollars, driving up insurance costs and have also caused accident victims to receive fewer benefits. A certification hearing took place on April 26 to 28, 2021 and June 28 to 30, 2021. The presiding judge reserved the decision. During the hearing, the Judge was advised of Bill 12, which has received Royal Assent and as a result, the *Insurance (Vehicle) Act* now requires the Corporation to reimburse the government for costs of health-related services arising out of vehicle accidents. These legislative amendments provide retroactive authorization to the existing agreements. Despite this, the plaintiffs are taking the position that these amendments do not prevent them from pursuing their allegation that the agreements/legislation is an unconstitutional tax. The continuation of the certification hearing was heard on February 11, 2022. The Court dismissed the application for certification of the ratepayer claim, but certified the class action for the accident victim claim. In May 2022, both parties filed appeals. At this stage of the proceedings, the probability of success on the accident victim claim cannot be determined and the financial impact can vary depending on the outcome.

On August 13, 2021, a Petition was filed by the Trial Lawyers Association and individual plaintiffs (who have personal injury actions against ICBC insureds) against the Attorney General of British Columbia. The Corporation was not named in the Petition but the Corporation has standing on behalf of our named insureds in the personal injury actions. The Petitioners sought to overturn the provisions of the *Disbursements and Expert Evidence Regulation,* which placed restrictions on recovery of disbursements in vehicle injury actions at 6% of a settlement or court award, subject to limited exceptions. On July 8, 2022, the B.C. Supreme Court struck down section 5 of the *Disbursements and Expert Evidence Regulation*. As a result of this decision, the Corporation has included no savings in the provision for unpaid claims on account of the affected regulation in fiscal year 2022. On July 12, 2022, the Attorney General of B.C. filed a notice of appeal of the B.C. Supreme Court's decision and the appeal was heard in January 2023 (Note 26).

On July 4, 2022, a claim was filed against the Attorney General of B.C. challenging Enhanced Care. The claimants argue that the Enhanced Care legislation is a violation of equality rights under s. 15 of the *Canadian Charter of Rights and Freedoms* and grants the CRT power that violates the jurisdiction of the B.C. Supreme Court and as a result is unconstitutional. At this stage of the proceeding, the probability of success cannot be determined.

24. Regulation over Basic Insurance

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

For the regulation of the Corporation's Basic insurance rates, the BCUC is required to ensure that the rates are just, reasonable, not unduly discriminatory, and not unduly preferential, including that, rates are not based on age, gender or marital status.

The BCUC is required to approve rates set on the basis of accepted actuarial practice, in a manner that allows the Corporation to collect sufficient revenue to pay for costs allocated to the Basic insurance line of business, to ensure that the Corporation has sufficient Basic insurance capital, and to ensure that increases or decreases in rates are phased in, in a stable and predictable manner.

The BCUC initiates regulatory processes upon application by the Corporation but may also do so on its own initiative. It may make use of a written proceedings, oral hearings, or negotiated settlement processes to review applications and subsequently issue legally binding decisions. The Corporation is required to reimburse a portion of the BCUC's general operating expenses as well as costs associated with each proceeding. The BCUC can also order the Corporation to reimburse other proceeding participants for specified costs such as legal and expert witness fees.

As required by the regulatory framework, the Corporation maintains a Basic insurance capital management plan that is reviewed and approved by the BCUC. Certain sections of the Basic insurance capital management plan were superseded by the December 2022 amendments to *Special Direction IC2*. The amendments defined the 2023 policy year as 24 months (April 1, 2023 to March 31, 2025), continued the suspension of the requirement for the BCUC to fix rates necessitating the Corporation to maintain at least 100% Basic MCT for years up to and including fiscal year 2025. The definition of the capital management plan was amended to remove the capital build or release and maintenance provisions and replaced with a capital provision equal to an amount of 7.0% of required premium. Further, the rate smoothing framework has been repealed, except for the requirement for the BCUC to fix rates in a manner that does not decrease existing rates.

Accordingly, on December 15, 2022, the Corporation filed a revenue requirements application with BCUC for the policy year (PY) 2023 proposing a rate change of 0.0% in Basic insurance rates, that is, the rates for PY 2023 will remain unchanged from PY 2021. BCUC had previously approved a 15.0% decrease in Basic insurance rates for PY 2021.

Allocation of Basic and Optional amounts

The Corporation operates its business using an integrated business model. The majority of premium revenues and costs are specifically identifiable as Basic or Optional (see note 1).

The Corporation also delivers non-insurance services on behalf of the Province of B.C. Non- insurance activities include driver licensing, vehicle registration and licensing, violation ticket administration and government fines collection all of which are reported as Basic costs.

BCUC requires the Corporation to follow an approved financial allocation methodology with respect to allocating costs between the Basic insurance business, the Optional insurance business, and non-insurance services. For those revenues and costs that are not specifically identified, a pro-rata method is used to allocate to each line of business based on the drivers of those revenues and costs, the degree of causality, and any BCUC directives.

($ THOUSANDS)	Basic Coverage		Optional Coverage		Total	
	2023	2022	2023	2022	2023	2022
Net premiums written	$ 3,216,153	$ 2,800,397	$ 2,212,701	$ 2,029,713	$ 5,428,854	$ 4,830,110
Revenues						
Net premiums earned	$ 3,183,804	$ 2,753,668	$ 2,106,367	$ 2,030,045	$ 5,290,171	$ 4,783,713
Service fees and other insurance income	80,850	74,027	54,198	46,032	135,048	120,059
Total revenues	3,264,654	2,827,695	2,160,565	2,076,077	5,425,219	4,903,772
Claims and operating expenses						
Provision for claims incurred in the current year (note 15)	2,160,542	1,848,937	1,541,221	1,073,144	3,701,763	2,922,081
Change in estimates for losses incurred in prior years (note 15)	(64,298)	(156,452)	483,342	(273,485)	419,044	(429,937)
Claim services, road safety and loss management services	314,891	331,287	166,392	172,902	481,283	504,189
	2,411,135	2,023,772	2,190,955	972,561	4,602,090	2,996,333
Operating expenses – insurance (note 19)	137,950	137,930	162,253	164,495	300,203	302,425
Premium taxes and commissions – insurance (notes 19 and 20)	213,228	193,845	416,248	460,548	629,476	654,393
	2,762,313	2,355,547	2,769,456	1,597,604	5,531,769	3,953,151
Underwriting income (loss)	502,341	472,148	(608,891)	478,473	(106,550)	950,621
Investment income (note 11)	265,102	985,848	135,572	438,377	400,674	1,424,225
Income (loss) – insurance operations	767,443	1,457,996	(473,319)	916,850	294,124	2,374,846
Loss – non-insurance operations	(161,938)	(152,042)	-	-	(161,938)	(152,042)
Net income for the year before impairment loss	605,505	1,305,954	(473,319)	916,850	132,186	2,222,804
Impairment loss (notes 2 and 11)	(216,311)	(4,288)	(110,620)	(1,907)	(326,931)	(6,195)
Net income (loss) for the year	$ 389,194	$ 1,301,666	$ (583,939)	$ 914,943	$ (194,745)	$ 2,216,609
Net income (loss) attributable to:						
Non-controlling interest	$ 1,581	$ 100	$ 808	$ 45	$ 2,389	$ 145
Owner of the corporation	387,613	1,301,566	(584,747)	914,898	(197,134)	2,216,464
	$ 389,194	$ 1,301,666	$ (583,939)	$ 914,943	$ (194,745)	$ 2,216,609
Equity						
Retained earnings, beginning of year	$ 2,021,911	$ 720,345	$ 1,325,487	$ 410,589	$ 3,347,398	$ 1,130,934
Net income (loss) for the year, owner of the corporation	387,613	1,301,566	(584,747)	914,898	(197,134)	2,216,464
Retained earnings, end of year	2,409,524	2,021,911	740,740	1,325,487	3,150,264	3,347,398
Other components of equity, beginning of year	248,291	503,462	112,712	226,039	361,003	729,501
Net change in available for sale assets	158,066	(590,812)	80,835	(262,716)	238,901	(853,528)
Pension and post-retirement benefits remeasurements (note 18)	1,919	335,641	890	149,389	2,809	485,030
Other components of equity, end of year	408,276	248,291	194,437	112,712	602,713	361,003
Total equity attributable to owner of the corporation	2,817,800	2,270,202	935,177	1,438,199	3,752,977	3,708,401
Non-controlling interest, beginning of year	4,245	4,450	2,509	2,594	6,754	7,044
Change in net assets for the year, non-controlling interest	(2,077)	(305)	(858)	(130)	(2,935)	(435)
Net income for the year, non-controlling interest	1,581	100	808	45	2,389	145
Total equity attributable to non-controlling interest, end of year	3,749	4,245	2,459	2,509	6,208	6,754
Total Equity	$ 2,821,549	$ 2,274,447	$ 937,636	$ 1,440,708	$ 3,759,185	$ 3,715,155

($ THOUSANDS)	Basic Coverage		Optional Coverage		Total	
	2023	2022	2023	2022	2023	2022
Liabilities						
Unearned premiums (note 16)	$ 1,519,928	$ 1,487,580	$ 1,061,810	$ 955,475	$ 2,581,738	$ 2,443,055
Provision for unpaid claims (note 15)	$ 8,995,291	$ 9,748,114	$ 4,038,084	$ 3,956,040	$ 13,033,375	$ 13,704,154

25. Indirect Method Cash Flow Details

The following table illustrates the details of the consolidated statement of cash flows:

($ THOUSANDS)	March 31 2023	March 31 2022
a) Items not requiring the use of cash		
Bad debt expense	$ 9,993	$ 8,116
Pension and post-retirement benefits (notes 18 and 19)	66,719	101,397
Amortization and depreciation of:		
Investment properties (note 6)	21,802	19,191
Property, equipment and intangibles (notes 12 and 14)	78,841	79,265
Lease assets (note 13)	14,189	14,268
Retirement of property, equipment and intangibles	167	(1,023)
Impairment loss on equity investments (note 6 and 11)	321,454	5,089
Impairment loss on investment properties (notes 6 and 11)	5,477	1,106
Interest on lease liabilities	2,053	1,921
Interest on mortgages payable	(158)	458
Unrealized loss on foreign currency investments	66,066	972
Gain on sale of investment properties (note 11)	(69,567)	(67,259)
Loss (gain) on financial investments	129,588	(342,765)
	$ 646,624	$ (179,264)
b) Changes in non-cash working capital		
Accrued interest	$ (6,693)	$ 19,919
Derivative financial instrument liability	1,104	(984)
Premium and other receivables	(91,751)	(43,541)
Reinsurance assets	8,908	(15,155)
Accrued pension benefits	(13,265)	(12,994)
Deferred premium acquisition costs and prepaids	(23,120)	47,502
Accounts payable and accrued charges	21,788	22,087
Net bond repurchase agreements and other liabilities	5,081	(3,348)
Premiums and fees received in advance	7,092	(10,385)
Unearned premiums	138,683	46,397
Pension and post-retirement benefits	(31,137)	(30,607)
Provision for unpaid claims	(670,778)	(1,816,101)
Provision for premium rebates/refunds	(396,000)	(790,062)
	$ (1,050,088)	$ (2,587,272)

The table below details the changes in the Corporation's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing are those for which cash flows were, or future cash flows will be, classified in the Corporation's consolidated statement of cash flows as cash flows from financing activities.

($ THOUSANDS)	March 31, 2022	Financing cash flows	Non-cash changes	March 31, 2023
Net bond repurchase agreements (note 8)	$ 1,947,260	$ (136,037)	$ (39,018)	$ 1,772,205
Lease liabilities (note 9)	53,670	(15,480)	14,123	52,313
	$ 2,000,930	$ (151,517)	$ (24,895)	$ 1,824,518

($ THOUSANDS)	March 31, 2021	Financing cash flows	Non-cash changes	March 31, 2022
Net bond repurchase agreements (note 8)	$ 2,097,612	$ (150,307)	$ (45)	$ 1,947,260
Lease liabilities (note 9)	60,502	(14,800)	7,968	53,670
	$ 2,158,114	$ (165,107)	$ 7,923	$ 2,000,930

26. Subsequent Event

On May 17, 2023, the B.C. Court of Appeal dismissed the appeal on section 5 of the *Disbursements and Expert Evidence Regulation*. As a result of this decision, the Corporation continues to exclude savings from the provision for unpaid claims for the fiscal year 2023.